



**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

TOWNSHIP OF HAVERFORD

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INDEPENDENT AUDITOR'S REPORT

June 29, 2020

Board of Commissioners
Township of Haverford
Havertown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Haverford ("the Township"), Havertown, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Haverford Township Free Library, a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haverford Township Free Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Haverford Township Free Library were not audited in accordance with *Government Auditing Standards*.

Board of Commissioners
Township of Haverford

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Haverford, Havertown, Pennsylvania, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11; budgetary comparison schedule on page 63; and schedules of changes in the Township's net pension liability, related ratios, and investment returns - police and non-uniformed pension plans; schedules of employer contributions - police and non-uniformed pension plans; notes to the schedules of employer contributions - police and non-uniformed pension plans; schedule of changes in the Township's net OPEB liability and related ratios; schedule of employer contributions - OPEB, and notes to the schedule of employer contributions - OPEB on pages 64 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Commissioners
Township of Haverford

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor governmental fund financial statements and combining fiduciary fund financial statements on pages 70 through 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements and combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and combining fiduciary fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2019**

The Board of Commissioners and Township Manager of the Township of Haverford ("the Township") are pleased to present to readers of the financial statements of the Township of Haverford this narrative overview and analysis of the financial activities for the year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

Government-wide

Government-wide net position of the Township at the close of the year was a deficit (\$9,094,573). The Township's negative net position is a result of the valuation of the pension and other postemployment benefit obligations. The total current year change in net position was \$2,561,587. This change was a result of a \$352,600 operational increase in our business-type activities and a \$2,208,987 increase recognized by our governmental activities. This increase in the governmental activities was a result of a very good operational year in which revenues over-performed dramatically due to a robust local economy. The areas in particular that saw higher than expected performance (all approximates) were Act 511 taxes by \$810,000, intergovernmental revenues in the amount of \$332,000, licensing/permit revenues by \$357,000, workers' compensation and other revenues by \$430,000, and interest earnings by \$300,000. Expenditures were largely on target but outperformed in the area of debt service by \$354,000 due to the deferment of a new borrowing, property and casualty insurance by approximately \$82,000 due to a change in carrier and premium payment scheduling, approximately \$105,000 savings in reduced utility costs, and an approximately \$360,000 savings in reduced health-related benefits. The increase in business-type activities was largely a result of underspending the budget by approximately \$256,000 coupled with higher investment earnings of approximately \$98,000.

Fund Level

At of the close of the fiscal year, the Township reported combined ending fund balances in governmental funds of \$29,917,674, a decrease of \$542,069 from the previous year. The decrease was largely a result of the budgeted spending of restricted capital project monies (\$3.5m) offset by better than expected performance of revenues and expenditures in the General Fund (\$3.0m). The total General Fund fund balance amounted to \$23,734,971, an increase of \$3,064,115 and 51.1 percent of General Fund revenues. An amount of \$12,778,807 is reported as unassigned in the General Fund, or 27.5 percent of total General Fund revenues. A total of \$2,283,799 is reported as restricted in the General Fund due to various external requirements. An amount of \$340,402 is shown as nonspendable since the balance represents prepaid expenditures. A total of \$200,773 is shown as assigned by management for maintenance of our artificial turf field. An amount of \$8,131,190 is reported as committed - budgetary reserve in accordance with the financial policies resolution passed by the Board of Commissioners to maintain financial stability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The statement of net position (page 12) presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities (page 13) presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental Activities – Most of the Township's basic services are reported in this category. Taxes and charges for services generally support these services. Services provided include general administration, public safety, public works, health and human services, culture and recreation, and community development.

Business-type Activities – The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sanitary sewer services to property owners within the Township.

Component Unit – The Township includes one separate legal entity in this report: the Haverford Township Free Library. Although legally separate, this component unit is important because the Township is financially responsible for it. Additional financial information regarding the Township's component unit can be found in the statement of net position and statement of activities of this report. A separately audited annual financial report of this component unit may be obtained from the Library.

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the major individual funds. A fund has a self-balancing set of accounts that the Township uses to keep track of

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for nonmajor funds begin on page 70. All of the funds of the Township can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds – Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided (pages 15 and 17) to reconcile between the governmental funds balance sheet and the statement of net position, and between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short term. Governmental funds include the special revenue funds.

Proprietary Funds – When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise funds) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public, in our case, sanitary sewer.

Fiduciary Funds – The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has an agency fund to support the operating costs of the Township's local cable channel that supports Township-related services and another agency fund that supports the operating costs for Merry Place Park. Additionally, the Township has three pension trust funds – two for the civilian employees and one for the uniformed employees. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Other Information

Other information includes combining financial statements for nonmajor governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental funds financial statements.

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Township's largest component of its net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding, which was \$32,288,136 at the end of the year. As the Township utilizes those assets to provide services to its citizens, they are not available for future spending.

The component of our net position that pertains to the governmental activities has increased from a year ago by \$2,208,987. This increase is primarily a result of higher than expected revenues virtually across the board, coupled with lower than expected health benefit costs, and reduced debt service. Additionally, the component of our net position that pertains to our business-type activities increased by \$352,600. This increase was a result of lower than expected sewer construction costs (approximately \$92,000), reduced sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (through Upper Darby, approximately \$164,000) coupled with higher than expected investment revenues (approximately \$98,000).

TABLE 1 - NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|------------------------|--------------------------|----------------------|-----------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 35,146,057 | \$ 33,868,532 | \$ 9,879,404 | \$ 9,648,251 | \$ 45,025,461 | \$ 43,516,783 |
| Capital assets | 76,826,798 | 73,665,466 | 4,986,195 | 5,094,837 | 81,812,993 | 78,760,303 |
| Total Assets | <u>111,972,855</u> | <u>107,533,998</u> | <u>14,865,599</u> | <u>14,743,088</u> | <u>126,838,454</u> | <u>122,277,086</u> |
| Deferred outflows | 15,212,928 | 7,575,468 | 41,518 | 185,454 | 15,254,446 | 7,760,922 |
| Noncurrent liabilities | 136,827,777 | 130,625,146 | 413,172 | 707,840 | 137,240,949 | 131,332,986 |
| Other liabilities | 5,933,508 | 4,187,708 | 221,079 | 396,383 | 6,154,587 | 4,584,091 |
| Total Liabilities | <u>142,761,285</u> | <u>134,812,854</u> | <u>634,251</u> | <u>1,104,223</u> | <u>143,395,536</u> | <u>135,917,077</u> |
| Deferred inflows | 7,670,937 | 5,752,038 | 121,000 | 25,053 | 7,791,937 | 5,777,091 |
| Net investment in capital assets | 27,301,941 | 25,232,641 | 4,986,195 | 5,094,837 | 32,288,136 | 30,327,478 |
| Restricted | 8,466,502 | 5,873,201 | - | - | 8,466,502 | 5,873,201 |
| Unrestricted (deficit) | <u>(59,014,882)</u> | <u>(56,561,268)</u> | <u>9,165,671</u> | <u>8,704,429</u> | <u>(49,849,211)</u> | <u>(47,856,839)</u> |
| Total Net Position (Deficit) | <u>\$ (23,246,439)</u> | <u>\$ (25,455,426)</u> | <u>\$ 14,151,866</u> | <u>\$ 13,799,266</u> | <u>\$ (9,094,573)</u> | <u>\$ (11,656,160)</u> |

Table 2 highlights the Township's revenues and expenses for the fiscal year ended December 31, 2019. These two main components are subtracted to yield the change in net position. This table utilizes the full-accrual method of accounting.

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HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
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TABLE 2 - CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------------------|--------------------------|----------------------|-----------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 8,677,600 | \$ 8,295,765 | \$ 4,513,765 | \$ 4,842,797 | \$ 13,191,365 | \$ 13,138,562 |
| Operating grants and contributions | 4,894,141 | 4,792,092 | - | - | 4,894,141 | 4,792,092 |
| General revenues: | | | | | | |
| Property taxes | 26,199,691 | 25,433,030 | - | - | 26,199,691 | 25,433,030 |
| Act 511 taxes | 4,705,051 | 4,604,623 | - | - | 4,705,051 | 4,604,623 |
| Franchise fees | 1,082,937 | 1,112,384 | - | - | 1,082,937 | 1,112,384 |
| Interest and rents | 1,314,898 | 921,492 | 173,332 | 142,173 | 1,488,230 | 1,063,665 |
| Other revenues | 3,576,047 | 1,906,249 | - | - | 3,576,047 | 1,906,249 |
| Total Revenues | 50,450,365 | 47,065,635 | 4,687,097 | 4,984,970 | 55,137,462 | 52,050,605 |
| Expenses | | | | | | |
| General government | 3,976,684 | 3,728,113 | - | - | 3,976,684 | 3,728,113 |
| Public safety | 21,589,946 | 21,045,813 | - | - | 21,589,946 | 21,045,813 |
| Public works - sanitation | 5,139,903 | 4,719,677 | - | - | 5,139,903 | 4,719,677 |
| Public works - highways and streets | 7,805,865 | 7,159,685 | - | - | 7,805,865 | 7,159,685 |
| Culture and recreation | 6,572,887 | 5,767,090 | - | - | 6,572,887 | 5,767,090 |
| Community development | 1,928,375 | 1,678,712 | - | - | 1,928,375 | 1,678,712 |
| Interest on long-term debt | 1,827,718 | 1,749,932 | - | - | 1,827,718 | 1,749,932 |
| Sewer | - | - | 3,734,497 | 3,635,340 | 3,734,497 | 3,635,340 |
| Total Expenses | 48,841,378 | 45,849,022 | 3,734,497 | 3,635,340 | 52,575,875 | 49,484,362 |
| Changes in Net Position (Deficit) before Transfers | 1,608,987 | 1,216,613 | 952,600 | 1,349,630 | 2,561,587 | 2,566,243 |
| Transfers | 600,000 | 600,000 | (600,000) | (600,000) | - | - |
| Changes in Net Position (Deficit) | 2,208,987 | 1,816,613 | 352,600 | 749,630 | 2,561,587 | 2,566,243 |
| Net Position (Deficit), Beginning | (25,455,426) | (27,272,039) | 13,799,266 | 13,049,636 | (11,656,160) | (14,222,403) |
| Net Position (Deficit), Ending | \$ (23,246,439) | \$ (25,455,426) | \$ 14,151,866 | \$ 13,799,266 | \$ (9,094,573) | \$ (11,656,160) |

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the fiscal year, its governmental funds reported healthy fund balances of \$29,917,674, a decrease of \$542,069. While an overall decrease due to the investment in capital projects, the Township's general operations were robust over performing in virtually all revenue streams. That coupled with controlled spending led to an increase in the General Fund of \$3,064,115. Of the current ending fund balances, \$340,402 is shown as nonspendable since it represents prepaid items, \$200,773 is reported as assigned for particular purposes, \$8,131,190 is reported as committed for budgetary reserve in the General Fund, \$8,466,502 is shown as restricted by external sources, while \$12,778,807 is shown as unassigned.

Governmental Funds

General Fund, Comparison to Final Budget – Revenue exceeded our final budget by \$2,478,247, or 5.6 percent. The excess revenues were largely a result of larger than anticipated Act 511 tax revenues (approximately \$810,000) and licensing/permit fees (approximately \$357,000). Investment income also

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

exceeded budget due to continued increases in interest rates and new allowable investment under Act 72. Transfer tax revenues under Act 511 continue to be strong due to robust property sales. These continuing trends demonstrate the popularity of our community which keeps real estate inventory relatively low and sales fast paced. License and permit revenues exceeded expectations due to several large construction and retrofit projects at a few institutional sites, but mostly a result of our residents investing in their own homes with improvements and expansions allowing them to stay in our community as their lives evolve. Expenditures were largely on target but outperformed in the area of debt service by \$354,000 due to the deferment of a new borrowing, property and casualty insurance by \$82,000 due to a change in carrier and premium payment scheduling, \$105,000 savings in reduced utility costs, and \$360,000 savings in reduced health-related benefits. For the year, we are pleased to report that total expenditures were less than our final budget by \$1,075,868, or 2.4 percent.

Nonmajor Governmental Funds – The activities in the nonmajor governmental activities are primarily funded by federal grants for specific federally approved projects. Any increase in expenditures is offset by related increase in funding. These grants are cost-reimbursement basis grants.

Proprietary Fund

Sewer Fund – This fund experienced an increase in its net position by \$352,600. This increase was a result of lower than expected sewer construction costs (approximately \$92,000), reduced sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (through Upper Darby, approximately \$164,000) coupled with higher investment revenues than expected (approximately \$98,000).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, the Township had invested \$81,812,993, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation expense for this calendar year totaled \$3,694,038.

TABLE 3 - CAPITAL ASSETS

| Programs | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 14,713,479 | \$ 13,585,354 | \$ - | \$ - | \$ 14,713,479 | \$ 13,585,354 |
| Construction-in-progress | 1,693,780 | 1,037,762 | - | - | 1,693,780 | 1,037,762 |
| Buildings and improvements | 34,672,111 | 33,619,066 | 811,067 | 811,067 | 35,483,178 | 34,430,133 |
| Machinery and equipment | 25,010,880 | 24,147,708 | 761,359 | 761,359 | 25,772,239 | 24,909,067 |
| Infrastructure and improvements | 40,447,341 | 38,206,309 | 5,411,737 | 5,398,769 | 45,859,078 | 43,605,078 |
| Accumulated depreciation | (39,710,793) | (36,930,733) | (1,997,968) | (1,876,358) | (41,708,761) | (38,807,091) |
| TOTAL | \$ 76,826,798 | \$ 73,665,466 | \$ 4,986,195 | \$ 5,094,837 | \$ 81,812,993 | \$ 78,760,303 |

**TOWNSHIP OF HAVERFORD
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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

Additional information on the Township's capital assets is contained in Note 5 to the financial statements. Major capital assets acquisitions during 2019 include improvements to our traffic systems, large pieces of heavy equipment, an extensive road repaving program, police vehicles, various park improvements, tennis court resurfacing, sidewalks and pathway paving throughout portions of the Township, trail system enhancements, and various storm water improvements throughout the Township.

Long-term Debt

At the end of the current fiscal year, the Township had total bonded debt outstanding of \$49,230,000. All of this is backed by the full faith and credit of the government. Governmental activities report \$49,230,000, and business-type activities report \$0 of general obligation bonds. The Township is empowered by state law to issue debt obligations within the limits of authority passed from time to time by the state legislature. Additional information on the Township's long-term debt can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township is extremely proud of the high level of services provided to the residents and property owners of our community. Acknowledging the realistic and ever-rising costs to maintain the level and quantity of services provided to our community, the Board of Commissioners approved a nominal increase of 1.5 percent in 2020 real estate taxes. Through prudent financial planning and efficient operations, we were able to keep the annual sewer rate unchanged from 2018, remaining at \$4.40/1,000 gallons of water used. Due to the continued declining market for recycled goods, the Township increased the annual trash/recycling fee from \$227.00 per residential unit to \$245.00.

In March 2020, the Township was upgraded by Moody's Investor Services from Aa1 to Aaa. The investment grade rating is a testament to the Township's financial health, stable community, strong management, and prudent budgeting practices.

On March 13, 2020, the President of the United States declared the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, to be a national emergency. Because of the evolving nature of the outbreak and federal, state, and local responses thereto, the Township cannot predict how the outbreak will impact the financial condition or operations of the Township, or if there will be any impact on the assessed values of property within the Township or deferral of tax payments to townships. The Township cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in Commonwealth funding or an increase in operational costs incurred to clean, sanitize, and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is also unclear the extent to which the Township may receive any state or federal relief funding.

In June 2020, the Township refunded \$8.8 million of its 2014 general obligation bond. The auction-based sale resulted in a savings of \$1.99 million in future interest costs.

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2019**

Governments, on every level, must continue to be mindful of the effect of increased taxes on the American people (whether it be income taxes, property taxes, etc.). Our Township Manager, along with the Board of Commissioners, constantly evaluates the services performed by our workforce and strives to find ways to do things better and more efficiently at lower costs. Those efforts will continue each and every year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township of Haverford's finances to the citizens of the Township of Haverford and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to David R. Burman, Township Manager, Township of Haverford, 1014 Darby Road, Havertown, PA 19083.

**TOWNSHIP OF HAVERFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | Governmental Activities | Business-type Activities | Total | Component Unit Haverford Township Free Library |
|---|------------------------------|-----------------------------|------------------------------|--|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | \$ 30,133,618 | \$ 9,640,770 | \$ 39,774,388 | \$ 1,156,456 |
| Restricted | 1,770,583 | - | 1,770,583 | - |
| Accounts receivable | 1,456,408 | 182,010 | 1,638,418 | 2,150 |
| Taxes receivable | 825,763 | - | 825,763 | - |
| Internal balances | (44,355) | 44,355 | - | - |
| Note receivable | 86,818 | - | 86,818 | - |
| Prepaid expenses | 340,402 | 12,269 | 352,671 | 16 |
| Total Current Assets | <u>34,569,237</u> | <u>9,879,404</u> | <u>44,448,641</u> | <u>1,158,622</u> |
| Noncurrent Assets: | | | | |
| Note receivable | 576,820 | - | 576,820 | - |
| Capital assets: | | | | |
| Land | 14,713,479 | - | 14,713,479 | - |
| Construction-in-progress | 1,693,780 | - | 1,693,780 | - |
| Capital assets, net | 60,419,539 | 4,986,195 | 65,405,734 | 758,391 |
| Total Noncurrent Assets | <u>77,403,618</u> | <u>4,986,195</u> | <u>82,389,813</u> | <u>758,391</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts on bond refunding | 35,418 | - | 35,418 | - |
| Deferred outflows of resources relating to pensions | 3,555,413 | 41,518 | 3,596,931 | - |
| Deferred outflows of resources relating to OPEB | 11,622,097 | - | 11,622,097 | - |
| Total Deferred Outflows of Resources | <u>15,212,928</u> | <u>41,518</u> | <u>15,254,446</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 127,185,783</u> | <u>\$ 14,907,117</u> | <u>\$ 142,092,900</u> | <u>\$ 1,917,013</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT) | | | | |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 3,339,410 | \$ 221,079 | \$ 3,560,489 | \$ 81,055 |
| Accrued interest | 195,426 | - | 195,426 | - |
| Escrow deposits payable | 352,147 | - | 352,147 | - |
| Unearned revenues | 149,528 | - | 149,528 | - |
| Current portion of bonds payable, net | 1,896,997 | - | 1,896,997 | - |
| Total Current Liabilities | <u>5,933,508</u> | <u>221,079</u> | <u>6,154,587</u> | <u>81,055</u> |
| Noncurrent Liabilities: | | | | |
| Bonds payable, net | 50,107,138 | - | 50,107,138 | - |
| Net OPEB liability | 62,258,729 | - | 62,258,729 | - |
| Net pension liability | 21,960,261 | 379,004 | 22,339,265 | - |
| Compensated absences | 2,501,649 | 34,168 | 2,535,817 | - |
| Total Noncurrent Liabilities | <u>136,827,777</u> | <u>413,172</u> | <u>137,240,949</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows relating to pensions | 2,868,324 | 121,000 | 2,989,324 | - |
| Deferred inflows relating to OPEB | 4,802,613 | - | 4,802,613 | - |
| Total Deferred Inflows of Resources | <u>7,670,937</u> | <u>121,000</u> | <u>7,791,937</u> | <u>-</u> |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | 27,301,941 | 4,986,195 | 32,288,136 | 758,391 |
| Restricted | 8,466,502 | - | 8,466,502 | - |
| Unrestricted (deficit) | (59,014,882) | 9,165,671 | (49,849,211) | 1,077,567 |
| Total Net Position (Deficit) | <u>(23,246,439)</u> | <u>14,151,866</u> | <u>(9,094,573)</u> | <u>1,835,958</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT) | <u>\$ 127,185,783</u> | <u>\$ 14,907,117</u> | <u>\$ 142,092,900</u> | <u>\$ 1,917,013</u> |

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position (Deficit) | | | Component Unit |
|--|----------------------|------------------------------------|----------------------------------|---|---|-----------------------|---------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | Total | |
| PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES: | | | | | | | |
| General government | \$ 585,148 | \$ 2,18,622 | \$ - | \$ (3,172,914) | \$ - | \$ (3,172,914) | \$ - |
| Public safety | 1,428,846 | 1,589,879 | - | (18,571,221) | - | (18,571,221) | - |
| Public works - sanitation | 3,731,040 | 212,399 | - | (1,196,464) | - | (1,196,464) | - |
| Public works - highways and streets | 7,805,865 | 1,940,971 | - | (5,682,213) | - | (5,682,213) | - |
| Culture and recreation | 6,572,887 | 65,908 | - | (4,002,208) | - | (4,002,208) | - |
| Community development | 1,928,375 | 866,362 | - | (816,899) | - | (816,899) | - |
| Interest on long-term debt | 1,827,718 | - | - | (1,827,718) | - | (1,827,718) | - |
| TOTAL GOVERNMENTAL ACTIVITIES | 48,841,378 | 4,894,141 | - | (35,269,637) | - | (35,269,637) | - |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Sewer | 3,734,497 | - | - | - | 779,268 | 779,268 | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | 3,734,497 | - | - | - | 779,268 | 779,268 | - |
| TOTAL PRIMARY GOVERNMENT | \$ 52,575,875 | \$ 4,894,141 | \$ - | (35,269,637) | 779,268 | (34,490,369) | - |
| COMPONENT UNIT: | | | | | | | |
| Free Library | \$ 1,578,043 | \$ 1,626,111 | \$ 83,080 | - | - | - | 187,634 |
| TOTAL COMPONENT UNIT | \$ 1,578,043 | \$ 1,626,111 | \$ 83,080 | - | - | - | 187,634 |
| GENERAL REVENUES AND TRANSFERS | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | 26,199,691 | - | 26,199,691 | - |
| Transfer taxes | | | | 1,734,098 | - | 1,734,098 | - |
| Business privilege tax | | | | 1,414,703 | - | 1,414,703 | - |
| Mercantile tax | | | | 924,891 | - | 924,891 | - |
| Local service tax | | | | 631,359 | - | 631,359 | - |
| Franchise fees | | | | 1,082,937 | - | 1,082,937 | - |
| Fines and forfeits | | | | 173,791 | - | 173,791 | - |
| Interest and rent | | | | 1,314,898 | 173,332 | 1,488,230 | 9,253 |
| Other revenue | | | | 3,402,256 | - | 3,402,256 | 45,714 |
| Interfund transfers | | | | 600,000 | (600,000) | - | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | 37,478,624 | (426,668) | 37,051,956 | 54,967 |
| CHANGE IN NET POSITION (DEFICIT) | | | | 2,208,987 | 352,600 | 2,561,587 | 242,601 |
| NET POSITION (DEFICIT), BEGINNING OF YEAR | | | | (25,455,426) | 13,799,266 | (11,656,160) | 1,593,357 |
| NET POSITION (DEFICIT), END OF YEAR | | | | \$ (23,246,439) | \$ 14,151,866 | \$ (9,094,573) | \$ 1,835,958 |

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total |
|---|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | \$ 22,897,623 | \$ 7,232,929 | \$ 3,066 | \$ 30,133,618 |
| Restricted | 1,770,583 | - | - | 1,770,583 |
| Accounts receivable | 1,225,008 | 136,284 | 95,116 | 1,456,408 |
| Taxes receivable | 825,763 | - | - | 825,763 |
| Due from other funds | - | - | 695 | 695 |
| Note receivable | 663,638 | - | - | 663,638 |
| Prepaid expenditures | 340,402 | - | - | 340,402 |
| TOTAL ASSETS | <u>\$ 27,723,017</u> | <u>\$ 7,369,213</u> | <u>\$ 98,877</u> | <u>\$ 35,191,107</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 2,054,718 | \$ 1,189,576 | \$ 95,116 | \$ 3,339,410 |
| Due to other funds | 44,355 | - | 695 | 45,050 |
| Escrows payable | 352,147 | - | - | 352,147 |
| Unearned revenues | 149,528 | - | - | 149,528 |
| TOTAL LIABILITIES | <u>2,600,748</u> | <u>1,189,576</u> | <u>95,811</u> | <u>3,886,135</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues: | | | | |
| Property taxes | 723,660 | - | - | 723,660 |
| Loan proceeds | 663,638 | - | - | 663,638 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,387,298</u> | <u>-</u> | <u>-</u> | <u>1,387,298</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>3,988,046</u> | <u>1,189,576</u> | <u>95,811</u> | <u>5,273,433</u> |
| FUND BALANCES | | | | |
| Nonspendable | 340,402 | - | - | 340,402 |
| Restricted: | | | | |
| Capital projects | - | 6,179,637 | - | 6,179,637 |
| Community development | - | - | 3,066 | 3,066 |
| Culture and recreation | 517,483 | - | - | 517,483 |
| Public safety | 111,622 | - | - | 111,622 |
| Public works - highways and streets | 1,647,235 | - | - | 1,647,235 |
| Scholarship fund | 7,459 | - | - | 7,459 |
| Committed, budgetary reserve | 8,131,190 | - | - | 8,131,190 |
| Assigned: | | | | |
| Culture and recreation | 200,773 | - | - | 200,773 |
| Unassigned | 12,778,807 | - | - | 12,778,807 |
| TOTAL FUND BALANCES | <u>23,734,971</u> | <u>6,179,637</u> | <u>3,066</u> | <u>29,917,674</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 27,723,017</u> | <u>\$ 7,369,213</u> | <u>\$ 98,877</u> | <u>\$ 35,191,107</u> |

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2019**

TOTAL GOVERNMENTAL FUND BALANCES \$ 29,917,674

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 76,826,798

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities are reported in the statement of net position.

| | |
|-----------------------|--------------|
| Accrued interest | (195,426) |
| Bonds payable, net | (52,004,135) |
| Net OPEB liability | (62,258,729) |
| Net pension liability | (21,960,261) |
| Compensated absences | (2,501,649) |

Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenues in the funds. 1,387,298

Deferred inflows and outflows of resources related to the Township's net OPEB and pension liabilities are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. Except for the differences between actual and expected investment returns, these amounts will be amortized over the estimated remaining average service life of the employees. Differences between actual and expected investment returns are amortized over a five-year period.

| | |
|---|-------------|
| Deferred outflows of resources relating to pensions | 3,555,413 |
| Deferred inflows of resources relating to pensions | (2,868,324) |
| Deferred outflows of resources relating to OPEB | 11,622,097 |
| Deferred inflows of resources relating to OPEB | (4,802,613) |

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. 35,418

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (23,246,439)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAVERFORD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total |
|--|----------------------|-----------------------------|--------------------------------|----------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 25,992,732 | \$ - | \$ - | \$ 25,992,732 |
| Transfer | 1,734,098 | - | - | 1,734,098 |
| Business privilege | 1,414,703 | - | - | 1,414,703 |
| Mercantile | 924,891 | - | - | 924,891 |
| Local services | 631,359 | - | - | 631,359 |
| Licenses and permits | 2,573,406 | - | - | 2,573,406 |
| Fines and forfeits | 195,237 | - | - | 195,237 |
| Interest and rent | 1,097,094 | 217,804 | - | 1,314,898 |
| Intergovernmental revenues | 3,523,882 | 426,097 | 854,418 | 4,804,397 |
| Charges for services | 7,010,315 | - | - | 7,010,315 |
| Other | 1,332,909 | 290,056 | 245,114 | 1,868,079 |
| TOTAL REVENUES | <u>46,430,626</u> | <u>933,957</u> | <u>1,099,532</u> | <u>48,464,115</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,571,426 | 320,814 | - | 3,892,240 |
| Public safety | 19,518,606 | - | - | 19,518,606 |
| Public works - sanitation | 5,033,571 | - | - | 5,033,571 |
| Public works - highways and streets | 6,004,761 | 2,608,376 | - | 8,613,137 |
| Culture and recreation | 5,552,903 | 1,738,218 | - | 7,291,121 |
| Community development | 525,346 | - | 1,083,015 | 1,608,361 |
| Debt service: | | | | |
| Principal | 1,745,000 | - | - | 1,745,000 |
| Interest | 1,914,898 | - | - | 1,914,898 |
| Borrowing costs | - | 1,050 | - | 1,050 |
| TOTAL EXPENDITURES | <u>43,866,511</u> | <u>4,668,458</u> | <u>1,083,015</u> | <u>49,617,984</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,564,115</u> | <u>(3,734,501)</u> | <u>16,517</u> | <u>(1,153,869)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers in | 600,000 | 221,478 | - | 821,478 |
| Interfund transfers out | (100,000) | - | (121,478) | (221,478) |
| Proceeds from sale of assets | - | 11,800 | - | 11,800 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>500,000</u> | <u>233,278</u> | <u>(121,478)</u> | <u>611,800</u> |
| NET CHANGE IN FUND BALANCES | 3,064,115 | (3,501,223) | (104,961) | (542,069) |
| FUND BALANCES, BEGINNING OF YEAR | <u>20,670,856</u> | <u>9,680,860</u> | <u>108,027</u> | <u>30,459,743</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 23,734,971</u> | <u>\$ 6,179,637</u> | <u>\$ 3,066</u> | <u>\$ 29,917,674</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAVERFORD
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (542,069)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 6,752,778 | |
| Depreciation expense | <u>(3,572,428)</u> | 3,180,350 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 124,275

Net book value of disposed capital assets (19,018)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,841,997

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the shorter of the life of the old debt or the new debt. (13,556)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--------------------------------------|----------------|---------|
| Decrease in accrued interest payable | 4,789 | |
| Increase in compensated absences | <u>356,175</u> | 360,964 |

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (2,835,469)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 111,513

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ 2,208,987

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2019**

| | <u>Sewer Fund</u> |
|---|--------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 9,640,770 |
| Accounts receivable | 182,010 |
| Due from other funds | 44,355 |
| Prepaid expense | 12,269 |
| Total Current Assets | <u>9,879,404</u> |
| Noncurrent Assets: | |
| Buildings and improvements | 811,067 |
| Vehicles | 761,359 |
| Sewer system | 5,411,737 |
| Less: Accumulated depreciation | (1,997,968) |
| Total Noncurrent Assets | <u>4,986,195</u> |
| TOTAL ASSETS | <u>14,865,599</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - pension | 41,518 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 14,907,117</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued expenses | 221,079 |
| Total Current Liabilities | <u>221,079</u> |
| Noncurrent Liabilities: | |
| Net pension liability | 379,004 |
| Compensated absences | 34,168 |
| Total Noncurrent Liabilities | <u>413,172</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pension | 121,000 |
| NET POSITION | |
| Investment in capital assets | 4,986,195 |
| Unrestricted | 9,165,671 |
| Total Net Position | <u>14,151,866</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 14,907,117</u> |

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Sewer Fund |
|------------------------------------|---------------|
| OPERATING REVENUES | |
| Charges for sewer services | \$ 4,485,785 |
| Other revenues | 27,980 |
| TOTAL OPERATING REVENUES | 4,513,765 |
| OPERATING EXPENSES | |
| Treatment and operational expenses | 2,942,096 |
| Salaries and benefits | 609,011 |
| General and administrative | 61,780 |
| Depreciation | 121,610 |
| TOTAL OPERATING EXPENSES | 3,734,497 |
| OPERATING INCOME | 779,268 |
| NONOPERATING REVENUES | |
| Interest and investment income | 173,332 |
| TOTAL NONOPERATING REVENUES | 173,332 |
| OPERATING TRANSFERS | |
| Transfers out | (600,000) |
| CHANGE IN NET POSITION | 352,600 |
| NET POSITION, BEGINNING OF YEAR | 13,799,266 |
| NET POSITION, END OF YEAR | \$ 14,151,866 |

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HAVERFORD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Sewer Fund |
|---|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from users | \$ 4,508,170 |
| Payments to employees for services | (663,796) |
| Payments to suppliers | (3,182,980) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 661,394 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Interfund transfers | (600,000) |
| NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES | (600,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition and construction of capital assets | (12,968) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (12,968) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest and investment income | 173,332 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 173,332 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 221,758 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 9,419,012 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 9,640,770 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ 779,268 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 121,610 |
| (Increase) Decrease in assets: | |
| Accounts receivable | (5,595) |
| Due from other funds | 8,469 |
| Prepaid expense | (12,269) |
| Deferred outflows of resources - pension | 143,936 |
| Increase (Decrease) in liabilities: | |
| Accounts payable | (175,304) |
| Net pension liability | (274,046) |
| Compensated absences | (20,622) |
| Deferred inflows of resources - pension | 95,947 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 661,394 |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAVERFORD
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2019

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|---|--------------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,829,951 | \$ 90,097 |
| Investments | 75,594,162 | - |
| Members' contributions receivable | 2,325 | - |
| Municipal contribution receivable | <u>30,804</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 77,457,242</u> | <u>\$ 90,097</u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Donations payable | <u>\$ -</u> | <u>\$ 90,097</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>90,097</u> |
| NET POSITION | | |
| Held in trust for pension benefits | <u>77,457,242</u> | <u>-</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 77,457,242</u> | <u>\$ 90,097</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAVERFORD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Pension Trust Funds |
|---|------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer contributions | \$ 4,237,675 |
| Member contributions | 731,090 |
| Commonwealth of Pennsylvania | 1,310,848 |
| Total Contributions | 6,279,613 |
| Investment Income: | |
| Net realized/unrealized gain on investments | 10,746,671 |
| Interest and dividends | 1,726,684 |
| Investment expenses | (190,857) |
| Net Investment Income | 12,282,498 |
| TOTAL ADDITIONS | 18,562,111 |
| DEDUCTIONS | |
| Employee benefit payments | 5,617,184 |
| Administrative expenses | 43,400 |
| Insurance | 11,580 |
| Return of member contributions | 6,876 |
| TOTAL DEDUCTIONS | 5,679,040 |
| CHANGE IN FIDUCIARY NET POSITION | 12,883,071 |
| NET POSITION, BEGINNING OF YEAR | 64,574,171 |
| NET POSITION, END OF YEAR | \$ 77,457,242 |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Township of Haverford (“the Township”) is a municipal corporation existing and operating under Home Rule Charter following the First Class Township Code of the Commonwealth of Pennsylvania. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to government units.

Component Unit

The Haverford Township Free Library (“the Library”) is a component unit of the Township of Haverford, as four of the seven members of the Library Board of Trustees are appointed by the Board of Commissioners of the Township of Haverford. The Library is reported as a discretely presented component unit in the Township financial statements.

The Library’s separately audited financial statements can be obtained at the Library during regular business hours.

Government-wide and Fund Financial Statements

Government-wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund – The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources used to acquire or construct major capital projects. The revenue in this fund comes from the sales of existing assets, nonrecurring business audit revenues, issuance of long-term debt, or from capital appropriations from the General Fund. This fund is reported as a major fund.

The Township reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the sewage and wastewater service operations and is intended to be self-supporting through user charges.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Additionally, the Township reports the following fiduciary fund types:

Pension Trust Funds – The Pension Trust Funds account for the activities of the Police and Non-Uniformed Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

Agency Funds – The Agency Funds account for assets held by the Township in a custodial capacity (assets equal liabilities) and do not present results of operations or have a measurement focus.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses of the Sewer Fund include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of pension trust funds, state law allows the Township to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Township to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or other like insurance and that deposits in excess of such insurance are collateralized by the depository. Other permitted deposits include banker's acceptances, commercial paper, and negotiable certificates of deposit.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets, net of its liabilities. The Township may also invest in shares of registered investment companies, provided that investments of the company are authorized investments, as noted above.

The law provides that the Township's pension trust funds may invest in any form or type of investment, financial instrument, or financial transactions if determined by the Township to be prudent.

Investments for the Township are reported at fair value. In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Restricted Cash

Certain cash deposits have been classified as restricted assets because they are held by the Township in a custodial capacity for developers and others.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounts Receivable and Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the customer's property if the customer does not remit payment for property taxes, sewer user fees, or trash collection fees.

Property Taxes

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed February 1 and payable under the following terms: a two percent discount February 1 through March 31; face amount April 1 through May 31; and a 10 percent penalty after May 31. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets, Township

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------|--------------|
| Roads | 20 years |
| Storm sewers | 75 years |
| Recreation equipment | 5 - 40 years |
| Traffic signals | 5 - 30 years |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

| | |
|------------------------------------|---------------|
| Buildings | 40 years |
| Vehicles | 10 years |
| Building improvements | 10 - 40 years |
| General improvements and equipment | 5 - 20 years |
| Sanitary sewers | 75 years |

Capital Assets, Free Library

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Collection and books that are exhaustible are capitalized; books used in the circulating Library have not been capitalized because their estimated useful lives are less than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|--------------|
| Leasehold improvements | 20 years |
| Furniture and equipment | 3 - 10 years |
| Book collection | 5 years |

Compensated Absences

Sick Pay – Civil employees are paid for up to 50 days of unused sick time, plus a maximum of \$3,000 for days in excess of the 50 days, upon retirement, disability, or layoff. For police employees, at the time of retirement, up to 90 unused sick days shall be paid at one half of one hundred percent (100%) of the daily base pay as of January 1, 2019 for the retiring officer's rank in effect. All sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

Other Leave Time – Subject to limitations, department directors and the Township Manager can carry over unused leave time for payout at retirement. Police personnel can also carryover leave time known as TOTO for payout at retirement.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has three items that qualify for reporting in this category. The first item, the deferred charge on refunding, is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred amount related to pensions, reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred amount related to pensions is the result of changes in plan assumptions and the net difference between actual and expected experience. The third item is the deferred amount related to other postemployment benefits ("OPEB"), reported in the government-wide statement of net position. The deferred amount is the result of changes in plan assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three types of items that qualify for reporting in this category.

Unavailable revenues arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and loans to other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred amount related to pensions, reported in the government-wide statement of net position and the proprietary fund statement of net position.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The deferred amount related to pensions is the result of differences between actual and projected earnings on pension plan investments and changes in plan assumptions. The third item is the deferred amount related to OPEB, reported in the government-wide statement of net position. The deferred amount is the result of changes in plan assumptions.

Fund Balance

Fund balances of the governmental funds are classified, if applicable, as follows:

- *Nonspendable Fund Balance* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- *Committed Fund Balance* – Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- *Assigned Fund Balance* – Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. The Board has delegated the authority to assign fund balance to the Township Manager.
- *Unassigned Fund Balance* – Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of a motion. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Position

Net position is classified as follows:

- *Net Investment in Capital Assets* – the Township's investment in capital assets plus any unspent funding from debt borrowings, reduced by accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- *Restricted* – amounts limited by external parties or legislation.
- *Unrestricted* – amounts available for consumption or not restricted in any manner.

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Sewer Fund, and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The General Fund budget is presented in the required supplementary information.

The Township Manager must submit a preliminary budget to the Board of Commissioners on or before 60 days of year end. On or before 30 days of year end, the Board of Commissioners must adopt a preliminary budget. No later than 10 days following the adoption of the preliminary budget by the Board, the Manager shall cause to be published in one or more newspapers of general circulation in the Township a summary of the budget and notice of the date, time, and place at which the Board shall hold a public meeting on the proposed budget, which shall take place at a regular or special meeting of the Board at least seven days after advertisement. Following advertising and a public hearing at which interested citizens shall have the right to express their views on the budget, the Board, by a majority vote of its total membership, shall adopt a final budget with such amendments as the Board considers advisable.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The Township Board of Commissioners approves, by ordinance, total budget appropriations only. The Township Manager is authorized to transfer budget amounts between departments within the General Fund; however, any appropriations that exceed the total budget appropriations for the year of any fund are approved by the Board of Commissioners by resolution at the conclusion of the year. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders) lapse at year end.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, the General Fund incurred expenditures in excess of appropriations in the following function:

| Function | Expenditures Over Budget |
|---------------------------|-----------------------------|
| Public works - sanitation | \$ 121,840 |

The excess of expenditures was funded by other current-year expenditure appropriations that were under budget.

NOTE 3 DEPOSITS AND INVESTMENTS

Township Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's policy is to require its banking institution to provide a letter stating that the Township follows Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

As of December 31, 2019, the carrying amount of deposits was \$43,465,019, and the bank balance was \$43,603,382. Of the bank balance, \$1,238,478 was covered by federal depository insurance; \$17,067,323 exceeded depository insurance and was exposed to

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

custodial credit risk because the deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Township's name; and the remaining \$25,297,581 was in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization (Standard & Poor's rating of AAAM as of December 31, 2019), and is subject to an independent annual audit.

Township Investments

Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note 1.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township does not have a formal investment policy that limits investment maturities.

At year-end, investment balances were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Level 1</u> |
|---------------------------|-----------------------------|-----------------------------|
| Equity mutual funds | \$ 61,113,447 | \$ 61,113,447 |
| Fixed income mutual funds | <u>14,480,715</u> | <u>14,480,715</u> |
| TOTAL | <u><u>\$ 75,594,162</u></u> | <u><u>\$ 75,594,612</u></u> |

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note 1. The Township does not have a formal investment policy for credit risk. The bond (fixed income) mutual funds credit risk ranges from a rating of B to AAA by Moody's.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than five percent in any one single issuer that would be considered a concentration of credit risk.

Library Deposits

As of December 31, 2019, the total carrying amount of the Library's deposits was \$1,156,456, and the corresponding bank balance was \$1,156,083.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library diversifies cash to different banking institutions in order to limit deposits in excess of the Federal Deposit Insurance Corporation maximum of \$250,000 per institution. Periodically, the deposits may exceed the federal insured limit. As of December 31, 2019, \$656,083 of the Library's bank balances exceeded federal depository insurance and was subject to custodial credit risk.

NOTE 4 RECEIVABLES

Receivables as of December 31, 2019 for the Township are as follows:

| | General Fund | Capital Projects Fund | Other Governmental Funds | Sewer Fund | Fiduciary Funds |
|--------------------------|---------------------|-----------------------------|--------------------------------|-------------------|--------------------|
| Accounts receivable | \$ 1,225,008 | \$ 136,284 | \$ 95,116 | \$ 182,010 | \$ - |
| Taxes receivable | 825,763 | - | - | - | - |
| Contributions receivable | - | - | - | - | 33,129 |
| Note receivable | 663,638 | - | - | - | - |
| | <u>\$ 2,714,409</u> | <u>\$ 136,284</u> | <u>\$ 95,116</u> | <u>\$ 182,010</u> | <u>\$ 33,129</u> |

Notes Receivable

On December 30, 2008, the Township granted the Oakmont Fire Company a loan in the principal amount of \$2,000,000 with a stated interest rate of five percent. Interest is payable to the Township semi-annually on June 1 and December 31 each year, and the loan matures on December 31, 2025. The loan is collateralized by property held by the Oakmont Fire Company in the event of default on the loan. The total principal and interest payments received on this

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 4 RECEIVABLES (cont'd)

loan for the year ended December 31, 2019 were \$82,684 and \$37,316, respectively, and the outstanding balance was \$663,638.

A schedule of the future payments to be received on the loan follows.

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|-------------------|-------------------|
| 2020 | \$ 86,818 | \$ 33,182 | \$ 120,000 |
| 2021 | 91,159 | 28,841 | 120,000 |
| 2022 | 95,717 | 24,283 | 120,000 |
| 2023 | 100,503 | 19,497 | 120,000 |
| 2024 | 105,528 | 14,472 | 120,000 |
| 2025 | 183,913 | 9,196 | 193,109 |
| TOTALS | \$ 663,638 | \$ 129,471 | \$ 793,109 |

NOTE 5 CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2019 was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|--------------------------|------------------|--------------------|-----------------------|
| General capital assets not being depreciated: | | | | |
| Land | \$13,585,354 | \$ 1,128,125 | \$ - | \$14,713,479 |
| Construction-in-progress | 1,037,762 | 2,682,924 | (2,026,906) | 1,693,780 |
| Total general capital assets not being depreciated | <u>14,623,116</u> | <u>3,811,049</u> | <u>(2,026,906)</u> | <u>16,407,259</u> |
| General capital assets being depreciated: | | | | |
| Roads | 22,771,444 | 1,914,472 | - | 24,685,916 |
| Storm sewers | 11,407,281 | 294,814 | - | 11,702,095 |
| Recreation equipment | 6,858,255 | 993,470 | (87,200) | 7,764,525 |
| Traffic signals | 1,218,676 | 93,760 | - | 1,312,436 |
| Buildings | 30,608,510 | 836,486 | - | 31,444,996 |
| Vehicles | 16,070,777 | 506,746 | (643,604) | 15,933,919 |
| Buildings improvements | 3,010,556 | 216,559 | - | 3,227,115 |
| General improvements and equipment | <u>4,027,584</u> | <u>112,328</u> | <u>(80,582)</u> | <u>4,059,330</u> |
| Total general capital assets being depreciated | <u>95,973,083</u> | <u>4,968,635</u> | <u>(811,386)</u> | <u>100,130,332</u> |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

| <u>Governmental Activities</u> (cont'd) | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|
| Accumulated depreciation: | | | | |
| Roads | 13,131,703 | 944,502 | - | 14,076,205 |
| Storm sewers | 1,941,838 | 154,063 | - | 2,095,901 |
| Recreation equipment | 3,182,768 | 345,892 | (82,167) | 3,446,493 |
| Traffic signals | 309,343 | 56,057 | - | 365,400 |
| Buildings | 4,426,759 | 730,336 | - | 5,157,095 |
| Vehicles | 9,796,697 | 999,661 | (629,619) | 10,166,739 |
| Buildings improvements | 1,437,441 | 151,759 | - | 1,589,200 |
| General improvements and equipment | 2,704,184 | 190,158 | (80,582) | 2,813,760 |
| Total accumulated depreciation | <u>36,930,733</u> | <u>3,572,428</u> | <u>(792,368)</u> | <u>39,710,793</u> |
| Total general capital assets being depreciated, net | <u>59,042,350</u> | <u>1,396,207</u> | <u>(19,018)</u> | <u>60,419,539</u> |
| Governmental Activities, Net | <u>\$73,665,466</u> | <u>\$ 5,207,256</u> | <u>\$ (2,045,924)</u> | <u>\$76,826,798</u> |

Business-type activities capital asset activity for the year ended December 31, 2019, was as follows:

| <u>Business-type Activities</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Sanitary sewers | \$ 5,398,769 | \$ 12,968 | \$ - | \$ 5,411,737 |
| Buildings | 811,067 | - | - | 811,067 |
| Vehicles | 761,359 | - | - | 761,359 |
| Total capital assets being depreciated | <u>6,971,195</u> | <u>12,968</u> | <u>-</u> | <u>6,984,163</u> |
| Accumulated depreciation: | | | | |
| Sanitary sewers | 915,474 | 72,070 | - | 987,544 |
| Buildings | 444,890 | 15,258 | - | 460,148 |
| Vehicles | 515,994 | 34,282 | - | 550,276 |
| Total accumulated depreciation | <u>1,876,358</u> | <u>121,610</u> | <u>-</u> | <u>1,997,968</u> |
| Business-type Activities, Net | <u>\$ 5,094,837</u> | <u>\$ (108,642)</u> | <u>\$ -</u> | <u>\$ 4,986,195</u> |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:

| | |
|--|---------------------|
| General government | \$ 259,791 |
| Public safety | 850,961 |
| Public works - sanitation | 206,769 |
| Public works - highways and streets | 1,496,958 |
| Culture and recreation | 746,086 |
| Community development | <u>11,863</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 3,572,428</u> |

Business-type Activities:

| | |
|-------|-------------------|
| Sewer | <u>\$ 121,610</u> |
|-------|-------------------|

Capital asset activity for the Library for the year ended December 31, 2019, was as follows:

| <u>Component Unit</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|--------------------|------------------|---------------------------|
| Capital assets: | | | | |
| Leasehold improvements | \$ 235,691 | \$ 6,398 | \$ - | \$ 242,089 |
| Furniture and equipment | 128,727 | 7,212 | - | 135,939 |
| Construction-in-progress | 45,006 | - | - | 45,006 |
| Total capital assets | <u>409,424</u> | <u>13,610</u> | <u>-</u> | <u>423,034</u> |
| Accumulated depreciation | <u>218,235</u> | <u>23,629</u> | <u>-</u> | <u>241,864</u> |
| Capital Assets, Net | <u>\$ 191,189</u> | <u>\$ (10,019)</u> | <u>\$ -</u> | <u>\$ 181,170</u> |
| <u>Book Collection</u> | | | | |
| Exhaustible book collection | \$ 1,953,212 | \$ 144,742 | \$ - | \$ 2,097,954 |
| Accumulated depreciation | <u>1,446,859</u> | <u>73,874</u> | <u>-</u> | <u>1,520,733</u> |
| Book Collection, Net | <u>\$ 506,353</u> | <u>\$ 70,868</u> | <u>\$ -</u> | <u>\$ 577,221</u> |
| Total Capital Assets, Net | <u>\$ 697,542</u> | <u>\$ 60,849</u> | <u>\$ -</u> | <u>\$ 758,391</u> |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Depreciation expense for the year ended December 31, 2019 was \$97,503.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances and transfers as of December 31, 2019, is as follows:

Due To/From Other Funds

| <u>Due From</u> | | <u>Due To</u> | |
|--------------------------|------------------|--------------------------|------------------|
| Sewer Fund | \$ 44,355 | General Fund | \$ 44,355 |
| Other Governmental Funds | <u>695</u> | Other Governmental Funds | <u>695</u> |
| Total | <u>\$ 45,050</u> | Total | <u>\$ 45,050</u> |

Interfund balances are primarily a result of:

1. Payment of various program expenses.
2. Payment of sewer rents received in the General Fund attributable to the Sewer Fund.

Interfund Transfers

| <u>Transfers Out</u> | | <u>Transfers In</u> | |
|--------------------------|-------------------|-----------------------|-------------------|
| Sewer Fund | \$ 600,000 | General Fund | \$ 600,000 |
| Other Governmental Funds | 121,478 | Capital Projects Fund | 121,478 |
| General Fund | <u>100,000</u> | Capital Projects Fund | <u>100,000</u> |
| Total | <u>\$ 821,478</u> | Total | <u>\$ 821,478</u> |

Interfund transfers are primarily a result of:

1. Payment of various program expenses accounted for in other funds in accordance with budgetary authorizations.
2. Various funds financing capital projects.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT

At December 31, 2019, the Township had the following debt instruments outstanding:

| | |
|--|----------------------|
| General Obligation Bonds, Series of 2014, issued in November 2014 in the amount of \$9,920,000 for the purpose of funding certain capital projects. The bonds bear interest at 2.0% - 4.0%, payable semi-annually on April 15 and October 15, and mature on October 15, 2044. | \$ 8,750,000 |
| General Obligation Bonds, Series of 2016, issued in August 2016 in the amount of \$9,855,000 for the purpose of funding certain capital projects. The bonds bear interest at 2.0% - 4.0%, payable semi-annually on June 1 and December 1, and mature on December 1, 2046. | 9,220,000 |
| General Obligation Bonds, Series of 2018, issued in October 2018 in the amount of \$32,700,000 for the purpose of funding certain capital projects and to currently refund the balance of the General Obligation Bonds Series of 2010 and 2013. The bonds bear interest at 2.0% - 5.0%, payable semi-annually on June 1 and December 1, and mature on December 1, 2048. The refunding of the bonds resulted in a cash flow savings of \$2,436,799 and an economic gain of \$2,086,622. | <u>31,260,000</u> |
| Total | <u>\$ 49,230,000</u> |

The total principal and interest maturities are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|----------------------|----------------------|----------------------|
| 2020 | \$ 1,800,000 | \$ 1,857,798 | \$ 3,657,798 |
| 2021 | 1,875,000 | 1,782,398 | 3,657,398 |
| 2022 | 2,075,000 | 1,693,386 | 3,768,386 |
| 2023 | 2,300,000 | 1,599,073 | 3,899,073 |
| 2024 | 2,410,000 | 1,496,278 | 3,906,278 |
| 2025 - 2029 | 13,160,000 | 5,751,933 | 18,911,933 |
| 2030 - 2034 | 6,425,000 | 3,452,956 | 9,877,956 |
| 2035 - 2039 | 7,785,000 | 2,395,937 | 10,180,937 |
| 2040 - 2044 | 8,100,000 | 1,077,893 | 9,177,893 |
| 2045 - 2048 | 3,300,000 | 120,770 | 3,420,770 |
| TOTALS | <u>\$ 49,230,000</u> | <u>\$ 21,228,422</u> | <u>\$ 70,458,422</u> |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

Long-term liability activity for the Township was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 50,975,000 | \$ - | \$ 1,745,000 | \$ 49,230,000 | \$ 1,800,000 |
| Bond premium | 2,871,132 | - | 96,997 | 2,774,135 | 96,997 |
| Bonds payable, net | 53,846,132 | - | 1,841,997 | 52,004,135 | 1,896,997 |
| Net OPEB liability | 47,267,759 | 14,990,970 | - | 62,258,729 | - |
| Net pension liability | 28,495,158 | - | 6,534,897 | 21,960,261 | - |
| Compensated absences | 2,857,824 | - | 356,175 | 2,501,649 | - |
| TOTAL | <u>\$132,466,873</u> | <u>\$14,990,970</u> | <u>\$ 8,733,069</u> | <u>\$138,724,774</u> | <u>\$1,896,997</u> |
| Business-type Activities: | | | | | |
| Compensated absences | \$ 54,790 | \$ - | \$ 20,622 | \$ 34,168 | \$ - |
| Net pension liability | 653,050 | - | 274,046 | 379,004 | - |
| TOTAL | <u>\$ 707,840</u> | <u>\$ -</u> | <u>\$ 294,668</u> | <u>\$ 413,172</u> | <u>\$ -</u> |

For the governmental activities, all of the long-term liabilities are generally liquidated by the General Fund. For the business-type activities, all of the long-term liabilities are liquidated by the Sewer Fund.

NOTE 8 RISK MANAGEMENT

The Township self-insures an unemployment compensation program. Amounts are paid to the state as claims are filed. The Township paid \$860 in claims for the year ended December 31, 2019.

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

deferred inflows of resources related to pensions, and pension expense information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Administration

The Haverford Township Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The Plan was established effective January 1, 1958 and was restated by Ordinance No. 1960 Chapter 30 Article IV, as amended. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage Plan assets to CBIZ/InR Advisory Services, LLC and PFM Asset Management, LLC.

Plan Membership

At December 31, 2019, plan membership consisted of the following:

| | |
|---|------------|
| Active employees | 68 |
| Retirees and beneficiaries currently receiving benefits | 88 |
| Vested terminated members | <u>3</u> |
| TOTAL | <u>159</u> |

Benefits

The following is a summary of the plan benefit provisions:

Eligibility Requirements:

- Normal Retirement – Age 50 and 25 years of service. If hired after August 1, 2014, age 53 and 25 years of service
- Early Retirement – Age 50 and 15 years of service (hired before January 1, 2000, 20 years of service (Act 24)
- Vesting – 100 percent vested after 12 years of service

Retirement Benefit – 50 percent of final average 36 months pay plus a service increment equal to \$20 per month for each year of service over 25 up to a maximum of \$100/month.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Survivor Benefit: Killed-in-service (Act 51) – In the event of the death of a retired officer, the survivor would receive 50 percent of the pension the member was receiving, vested-refund of contribution with interest or 50 percent of vested benefit payable beginning at officer's superannuation retirement date. Members who retire on or after January 1, 2012, if death occurs within the first eight years, spouse receives 100 percent of benefit for remainder of eight years, then benefit is reduced to 50 percent.

Disability Benefit Service Related – 70 percent of base salary offset by social security disability benefits.

Postretirement Adjustments – Eligibility: Retirement after January 1, 2000; Adjustment: Annual increase equal to increase in CPI until original pension has increased 15 percent or if earlier, until adjusted pension equals 75 percent of the salary upon which the original pension was based.

Act 44 Deferred Retirement Option Program – An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 36 months upon attainment of age 53 and 25 years of service.

Contributions

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation ("MMO"), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. Covered employees are required by statute to contribute five percent of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

In 2019, the MMO obligation for the Police Pension Plan was \$3,465,636. Contributions of \$3,465,636 were made by the Township. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Investments

Investment Policy – The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The plan's investment policy for CBIZ/InR Advisory Services, LLC establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Rate of Return</u> |
|---------------------------------|--------------------------|--|
| Domestic equity | 60.00% | 5.78% |
| Fixed income | 37.00% | 1.35% |
| Cash | 3.00% | 0.31% |
| Total Net Blended Return | | 3.76%* |

* - Excludes 2.25% inflation assumption

The plan's investment policy for PFM Asset Management, LLC establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Rate of Return</u> |
|-------------------------------------|--------------------------|--|
| Domestic equity | 39.00% | 5.00% |
| International equity | 15.00% | 4.90% |
| Emerging markets | 6.00% | 5.00% |
| Core fixed income | 20.00% | 2.60% |
| Intermediate investment grade corp. | 10.00% | 3.60% |
| High yield | 5.00% | 4.10% |
| Emerging debt | 5.00% | 4.20% |
| Cash | 0.00% | 1.00% |
| Total Net Blended Return | | 4.28%* |

* - Excludes 2.50% inflation assumption

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 are presented in the previous tables.

Concentrations

As of December 31, 2019, no investment in any one organization represented five percent (5%) or more of the plan's fiduciary net position.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.14 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100 percent funded status.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2019, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$58,834,470 |
| Fiduciary net position | <u>(43,167,804)</u> |
| Net pension liability | <u>\$15,666,666</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.37% |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

The Township's total pension liability used to calculate the net pension liability is determined by the actuarial valuation. The changes in the net pension liability are as follows:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|--|-------------------------------|-----------------------------------|-----------------------------|
| Balance at December 31, 2018 | \$ 53,574,699 | \$ 35,923,852 | \$ 17,650,847 |
| Changes for the year: | | | |
| Service cost | 1,106,176 | - | 1,106,176 |
| Interest on total pension liability | 4,483,236 | - | 4,483,236 |
| Differences between expected and actual experience | 296,584 | - | 296,584 |
| Change of assumptions | 2,752,212 | - | 2,752,212 |
| Contributions - employer | - | 3,465,636 | (3,465,636) |
| Contributions - employee | - | 388,396 | (388,396) |
| Net investment income | - | 6,791,947 | (6,791,947) |
| Benefit payments | (3,378,437) | (3,378,437) | - |
| Administrative expenses | - | (23,590) | 23,590 |
| Net changes | <u>5,259,771</u> | <u>7,243,952</u> | <u>(1,984,181)</u> |
| Balance at December 31, 2019 | <u>\$ 58,834,470</u> | <u>\$ 43,167,804</u> | <u>\$ 15,666,666</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

| | 1% Decrease 7.00% | Current Rate Discount Rate 8.00% | 1% Increase 9.00% |
|-----------------------|-------------------------|--|-------------------------|
| Net pension liability | \$ 21,927,764 | \$ 15,666,666 | \$ 10,356,189 |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2019, the Township recognized pension expense of \$3,921,429. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between actual and expected experience | \$ 609,051 | \$ - |
| Changes in assumptions | 2,256,931 | - |
| Difference between actual and projected investment returns | <u>-</u> | <u>(859,037)</u> |
| Total Deferred Outflows | <u>\$ 2,865,982</u> | <u>\$ (859,037)</u> |

The deferred amounts related to the pension will be recognized in pension expense as follows:

| <u>Year Ended December 31,</u> | |
|--------------------------------|--------------------|
| 2020 | \$ 785,466 |
| 2021 | 630,141 |
| 2022 | 825,209 |
| 2023 | <u>(233,871)</u> |
| | <u>\$2,006,945</u> |

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 9 Years |
| Asset Valuation Method | Smoothing per Section 210(a) of Act 44 |
| Assumptions: | |
| Inflation | 2.25 percent |
| Salary increases | 5.25 percent |
| Investment rate of return | 8.00 percent, net of pension plan investment expense, including inflation |

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

Deferred Retirement Option Plan

An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 36 months upon attainment of age 53 and 25 years of service. The monthly pension shall be calculated as of the date of participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of the DROP. As of December 31, 2019, there was one member participating in the DROP with a total DROP account balance of \$165,653.

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN

Summary of Significant Accounting Policies

Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Non-Uniformed Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Administration

The Haverford Township Non-Uniformed Pension Plan is a single employer defined benefit pension plan covering the full-time non-uniformed employees who were hired prior to January 1, 2011. The Plan was established effective January 1, 1958 and was restated by Ordinance No. 1960 Chapter 30 Article IV, as amended. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage Plan assets to CBIZ/InR Advisory Services, LLC and PPM Asset Management, LLC.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

Plan Membership

At December 31, 2019, plan membership consisted of the following:

| | |
|---|-----|
| Active employees | 76 |
| Retirees and beneficiaries currently receiving benefits | 94 |
| Vested terminated members | 11 |
| TOTAL | 181 |

Benefits

The following is a summary of the plan benefit provisions:

Eligibility Requirements:

- Normal Retirement – Age 62 and five years of service, or age 60 and 25 years of service
- Early Retirement – Age 55 with 30 years of service with actuarial reduction
- Vesting – 100 percent vested after five years of service

Retirement Benefit – Two percent of highest average 36 months' pay times credited service.

Survivor Benefit – Upon death of vested active member or terminated vested member whose benefits had not commenced, the surviving spouse will receive an immediate monthly pension equal to 50 percent of the member's accrued benefit. Upon death of retired member, 50 percent of member's benefit is continued to spouse.

Disability Benefit (Service Related) – 50 percent of annual regular wages at the date of the disability offset by workers' compensation. The combination of monies received from the service-connected disability benefits and workers' compensation cannot exceed 70 percent of total compensation paid over a 12-month period preceding the disability. The benefit is payable until the normal retirement date at which time the employee will receive the normal accrued benefit calculated at the time of the disability or 50 percent service disability benefit, whichever is higher.

Disability Benefit (Nonservice Related) – 70 percent of regular wages at date of disability, of which 30 percent will be paid through the pension and 40 percent will be paid through the Township's long-term disability policy. The maximum duration of the 70 percent benefit is until age 65. If the non-probationary employee has reached 65, the 40 percent benefit paid from the long-term disability policy will only be paid for the maximum months of disability as follows:

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

If disability determined is 1) between age 65 but before attaining 66: 21 monthly benefit payments, 2) between age 66 but before attaining 67: 18 monthly benefit payments, 3) between age 67 but before attaining 68: 15 monthly benefit payments, or 4) between age 68 but before attaining 69: 12 monthly benefit payments. At the point in which the long-term disability policy expires, the subsequent benefit will be the greater of the employee's accrued pension benefit calculated at the time of the disability or 30 percent of the employee's salary as of the time of disability, whichever is greater.

Postretirement Adjustments – None

Contributions

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation ("MMO"), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. Covered employees are required by statute to contribute 4.25 percent of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

In 2019, the MMO obligation for the Non-Uniformed Pension Plan was \$1,997,083. Contributions of \$1,997,083 were made by the Township.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy – The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

The plan's investment policy for CBIZ/InR Advisory Services, LLC establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Rate of Return</u> |
|------------------------------|--------------------------|--|
| Domestic equity | 60.00% | 5.78% |
| Fixed income | 37.00% | 1.35% |
| Cash | 3.00% | -0.31% |
| Total Net Blended Return | | 3.76%* |

* - Excludes 2.25% inflation assumption

The plan's investment policy for PFM Asset Management, LLC establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Rate of Return</u> |
|-------------------------------------|--------------------------|--|
| Domestic equity | 39.00% | 5.00% |
| International equity | 15.00% | 4.90% |
| Emerging markets | 6.00% | 5.00% |
| Core fixed income | 20.00% | 2.60% |
| Intermediate investment grade corp. | 10.00% | 3.60% |
| High yield | 5.00% | 4.10% |
| Emerging debt | 5.00% | 4.20% |
| Cash | 0.00% | 1.00% |
| Total Net Blended Return | | 4.28%* |

* - Excludes 2.50% inflation assumption

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 are presented in the previous tables.

Concentrations

As of December 31, 2019, no investment in any one organization represented five percent (5%) or more of the plan's fiduciary net position.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.15 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100 percent funded status.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2019, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$40,422,894 |
| Fiduciary net position | <u>(33,750,295)</u> |
| Net pension liability | <u>\$ 6,672,599</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83.5% |

The Township's total pension liability used to calculate the net pension liability is determined by the actuarial valuation. The changes in the net pension liability are as follows:

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|--|-------------------------------|-----------------------------------|-----------------------------|
| Balance at December 31, 2018 | <u>\$ 39,823,221</u> | <u>\$ 28,325,860</u> | <u>\$ 11,497,361</u> |
| Changes for the year: | | | |
| Service cost | 565,401 | - | 565,401 |
| Interest on total pension liability | 3,077,205 | - | 3,077,205 |
| Differences between expected and actual experience | (1,562,039) | - | (1,562,039) |
| Change of assumptions | 757,853 | - | 757,853 |
| Contributions - employer | - | 1,997,083 | (1,997,083) |
| Contributions - employee | - | 267,502 | (267,502) |
| Net investment loss | - | 5,424,087 | (5,424,087) |
| Benefit payments | (2,238,747) | (2,238,747) | - |
| Administrative expenses | - | (25,490) | 25,490 |
| Net Changes | <u>599,673</u> | <u>5,424,435</u> | <u>(4,824,762)</u> |
| Balance at December 31, 2019 | <u>\$ 40,422,894</u> | <u>\$ 33,750,295</u> | <u>\$ 6,672,599</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

| | 1% Decrease 7.00% | Current Rate Discount Rate 8.00% | 1% Increase 9.00% |
|-----------------------|-------------------------|--|-------------------------|
| Net pension liability | \$ 10,929,724 | \$ 6,672,599 | \$ 3,008,898 |

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2019, the Township recognized pension expense of \$1,395,613. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED PENSION PLAN (cont'd)

| | Deferred Outflows | Deferred Inflows |
|--|----------------------|---------------------|
| Differences between actual and expected experience | \$ - | \$ (1,399,560) |
| Changes in assumptions | 730,949 | - |
| Difference between actual and projected investment returns | - | (730,727) |
| Total Deferred Outflows and Inflows | \$ 730,949 | \$ (2,130,287) |

The deferred amounts related to the pension will be recognized in pension expense as follows:

| <u>Year Ended December 31,</u> | |
|--------------------------------|--------------|
| 2020 | \$ (311,146) |
| 2021 | (430,929) |
| 2022 | (17,673) |
| 2023 | (639,590) |
| | \$ 1,399,338 |

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 8 Years |
| Asset Valuation Method | Smoothing per Section 210(a) of Act 44 |
| Assumptions: | |
| Inflation | 2.25 percent |
| Salary increases | 5.00 percent |
| Investment rate of return | 8.00 percent, net of pension plan investment |

Mortality rates were based on the RP-2000 Mortality Table projected to 2017 using Scale AA.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN

The Township has established a defined contribution pension plan to provide pension benefits for its regular, full-time, non-police employees who were hired on or after January 1, 2011. Under the plan, an individual receives his own account to which all contributions are made. The Township determines how his account is invested. The accounts are administered by CBIZ/InR Advisory Services, LLC.

Under the plan, the employer and employee contributions are negotiated through labor contracts. For 2019, both the employer and employee contribution rate was 3.5 percent of the employee's total compensation. Covered employees are fully vested in employer contributions after five years of service.

This plan was established effective January 1, 2011. Any person who became an eligible employee after January 1, 2011 would become a member on the last day of the plan year coincident with or next following completion of one-half year of service. For the year ended December 31, 2019, contributions of \$160,996 were made to this plan.

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Township sponsors a single employer defined other postemployment benefits ("OPEB") plan that provides a fully insured medical and self-insured prescription drug, dental, and vision benefits to two groups of participants; Police and Civilians. The Civilian Plan provides these benefits at either full or partial funding through age 65. The Police Plan provides these benefits at either full or partial funding through the end of life. The self-insured programs are administered by third-party administrators. The requirements for eligibility mirror the requirements for retirement. The plan does not issue a stand-alone financial report.

Contributions

Civilians receive 100 percent paid benefits for medical, prescription drug, dental, and vision from ages 60 to 62. At age 63, the retired Civilian continues to receive 100 percent paid insurance, while spouses of retirees receive 50 percent paid insurance. In January 2015, Civilian retiree's coverage was removed from post 65 coverage. Once a civilian retiree reaches age 65 and is eligible for Medicare, their spouse is also removed from any Township-paid benefits (other than COBRA). Police receive 100 percent paid medical, prescription drug, dental, and vision benefits through age 65. At age 65, retired police receive 100 percent of the Medicare supplement premiums and 50 percent for spouses up to five years.

Except in cases of retired civilians participating in COBRA or spouses of eligible retired civilians, retirees are not required to make contributions to either plan. The contribution requirements of

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont'd)

plan members have been established and may be amended through Civilian and Police Labor Contracts.

Funding Policy

The Township has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of Supervisors. For fiscal year 2019, the Township paid \$1,100,228 to plan members eligible for receiving benefits.

Participants

As of December 31, 2019, the Plan had 265 participants, consisting of 219 active participants, zero vested former participants, and 46 retired participants.

Valuation Date

The total OPEB liability was measured as of December 31, 2019, the same as the actuarial valuation date.

Discount Rate

The discount rate was 4.10 percent based on the Bond Buyer 20-year General Obligation Index at December 31, 2019, an increase from the prior measurement date (3.44 percent).

Salary Increase Rate

The salary increase rate is 3.5 percent per annum.

Medical Consumer Price Index Trend

The medical consumer price index trend is 3.0 percent per annum.

Inflation Rate

The inflation rate is 3.0 percent per annum.

Marriage Rate

The assumed number of eligible dependents is based on the current proportions of single and family contracts in the census provided.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont'd)

Spouse Age

Spouse dates of birth were provided by the Township. Where this information is missing, male spouses are assumed to be three years older than female spouses.

Medicare Eligibility

All current and future retirees are assumed to be eligible for Medicare at age 65.

Actuarial Cost Method

The actuarial cost method is entry age normal based on level percentage of projected salary.

Amortization Method

Experience/assumptions gains and losses are amortized over a closed period of 11.0 years starting on January 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).

Plan Participation Percentage

The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 85 percent of all pre-65 Police and Civilian (Non-Uniformed) employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

Mortality Rates

Separate rates are assumed preretirement and postretirement using the RP-2014 Mortality Tables scaled using MP-17 and applied on a gender-specific basis.

Disabled Mortality Rates

Disabled mortality rates use the RP-2014 generational table scaled using MP-17 and set forward seven years.

Healthcare Cost Trend Rate

The healthcare cost trend assumptions are used to project the cost of healthcare in future years. The following annual trends are based on the current HCA Consulting trend study and are

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont'd)

applied on a select and ultimate basis. Select trends are reduced 0.5 percent each year until reaching the ultimate trend rate.

| <u>Expense Type</u> | <u>Select</u> | <u>Ultimate</u> |
|--|---------------|-----------------|
| Pre-65 medical/stop loss fees/excise tax | 7.0% | 4.5% |
| Pre-65 Rx | 8.0% | 4.5% |
| Post-65 Medical/Rx | 6.0% | 4.5% |
| Administrative fees | 4.5% | 4.5% |
| Dental | 4.0% | 4.0% |
| Vision | 3.0% | 3.0% |

Per Capita Health Claim Cost

Per capita health claim costs are developed by applying age adjustments to the current fully insured premiums since experience was not provided for Rx coverage. The age 60 and 70 per capita health claim costs are presented in the table below.

| <u>Per Capita Cost</u> | <u>Age 60</u> | <u>Age 70</u> |
|------------------------|---------------|---------------|
| Medical | \$ 12,564 | \$ 4,870 |
| Prescription Drug | 4,308 | 5,657 |

Non-claim Expenses

Non-claim costs are assumed to be 15 percent of the premium rates. Two-thirds of fixed expenses are attributed to administrative costs, and the remaining one-third are attributed to pooling costs.

Age-based Morbidity

The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study.

Termination

The rate of withdrawal is based on the withdrawal assumption used in the Haverford Police/Civil Employees Pension Valuation as of January 1, 2019. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age and years of service.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont'd)

Retirement

Retirement ages and associated probabilities are based on the Haverford Police/Civil Employees Pension Valuation as of January 1, 2019.

Valuation of Excise Tax

A retiree pre-65 plan cost is projected at healthcare cost trend and compared to the excise tax cost threshold beginning in 2022 and continuing thereafter. On December 18, 2015, a bill was signed delaying the excise tax for two years. On January 22, 2018, a bill was signed delaying the implementation for an additional two years. The threshold is assumed to increase at health CPI trend each year. The Township will be liable for 40 percent of the difference between plan costs and the cost threshold, when the plan costs are greater than the cost threshold. Excise tax is not applied to Medicare retiree coverage.

Excise Tax Thresholds

The 2018 annual threshold costs for excise tax are as follows and are trended by CPI to 2022:

- Pre-65 Retiree Single \$11,850
- Pre-65 Retiree Family \$30,950

Participant Data

Participant data is based on census information as of October 2018. The data is believed to be representative of the population for the 2019 year.

Sensitivity Analysis

The following presents the rounded net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate. All amounts were rounded to the nearest 1,000.

| | 1% Decrease 1.74% | Current Rate Discount Rate 2.74% | 1% Increase 3.74% |
|--------------------|-------------------------|--|-------------------------|
| Net OPEB liability | \$ 72,609,000 | \$ 62,259,000 | \$ 51,591,000 |

The following presents the rounded net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate. All amounts were rounded to the nearest 1,000.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont'd)

| | 1% Decrease | Current Rate Healthcare Rate | 1% Increase |
|--------------------|----------------|------------------------------------|----------------|
| Net OPEB liability | \$ 50,355,000 | \$ 62,259,000 | \$ 74,573,000 |

Changes in Total OPEB Liability

| | |
|--|----------------------|
| Total OPEB liability as of January 1, 2019 | \$ 47,267,759 |
| Service cost | 1,337,078 |
| Interest cost | 1,970,244 |
| Effect of assumption changes or inputs | 12,783,876 |
| Benefit payments | <u>(1,100,228)</u> |
| Total OPEB liability as of December 31, 2019 | <u>\$ 62,258,729</u> |

The amount of OPEB expense recognized by the Township was \$3,935,697 for the year ended December 31, 2019. At December 31, 2019, the Township reported \$4,802,613 in deferred inflows of resources and \$11,622,097 in deferred outflows of resources relating to actuarial changes in assumptions.

Deferred outflows of resources and deferred inflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

Year Ending December 31,

| | |
|------------|---------------------|
| 2020 | \$ 628,375 |
| 2021 | 628,375 |
| 2022 | 628,375 |
| 2023 | 628,375 |
| 2024 | 628,375 |
| Thereafter | <u>3,677,609</u> |
| | <u>\$ 6,819,484</u> |

NOTE 13 ESCROW CASH DEPOSIT AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it by developers. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 13 ESCROW CASH DEPOSIT AND INVESTMENTS (cont'd)

developer upon completion of the project. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2019, \$352,147 represents the balance of these monies held in escrow in the General Fund.

NOTE 14 HAVERFORD TOWNSHIP FREE LIBRARY REVENUES

The Library is considered a component unit of the Township. The majority of the Library Board is officially appointed by the Township Board of Commissioners. The Library receives a substantial amount of its support from the Township. During 2019, the contributions from the Township totaled \$1,186,404. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities. In addition, the Township allows the Library free use of the building that houses the Library. The estimated value of the rental expense and other related expenses amounted to \$300,000 for the year ended December 31, 2019.

NOTE 15 COMMITMENTS

The Township is actively engaged in a number of projects which are under formal agreements. A summary of the projects under commitment are as follows:

| | <u>Project Amount</u> | <u>Completed as of 12/31/19</u> | <u>Commitments</u> |
|-----------------------------|---------------------------|---|--------------------|
| Other: | | | |
| Veterans field improvements | \$ 251,500 | \$ 178,634 | \$ 72,866 |
| Grange estate roof repair | 131,874 | 66,650 | 65,224 |
| Hilltop field parking lot | 91,500 | 75,735 | 15,765 |
| | <u>\$ 474,874</u> | <u>\$ 321,019</u> | <u>\$ 153,855</u> |
| Totals | | | |

In September 2014, the Township verbally committed to provide \$7,250,000 (which includes \$500,000 in matching grant funds) in future funding for a large-scale renovation project of the Haverford Township Free Library. This is a pending project put on temporary hold as the Board of Commissioners performs its due diligence regarding an alternate site. As of December 31, 2019, the Township has paid \$578,126 of the total committed amount.

In addition, the Township has incurred costs in the amount of \$794,635 not under formal commitments as of December 31, 2019.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

In February 2020, the Township authorized and entered into several purchase agreements as follows:

- in the amount of \$50,800 for the acquisition of two hybrid-powered 2020 Ford Fusions for use in the code enforcement department;
- in the amount of \$75,800 for the acquisition of one 2020 Caterpillar Skid Steer for use in the highway department; in the amount of \$35,781 for one 2020 Ford F-350 with snowplow/spreader for use in the highway department;
- in the amount of \$73,250 for one 2020 Ford F-550 with snowplow for use in the highway department; in the amount of \$72,985 for one 2020 ALC 25-yd low leaf vacuum collector for use in the highway department;
- in the amount of \$183,547 for the acquisition of one 2021 International HV607 cab/chassis and loader for use in the sanitation department; and
- in the amount of \$151,200 for four Chevrolet Tahoe police vehicles.

In March 2020, the Township authorized and entered into two purchase agreements as follows:

- in the amount of \$31,700 for the acquisition of one electric-powered 2020 Chevrolet Bolt for use in the parks and recreation department, and
- in the amount of \$47,800 for the acquisition of one hybrid-powered 2020 Ford Explorer for use in the police department.

In March 2020, the Township authorized the refunding of the 2014 general obligation bond series.

In March 2020, the Township was upgraded by Moody's Investor Services from Aa1 to Aaa. The investment grade rating is a testament to the Township's financial health, stable community, strong management, and prudent budgeting practices.

On March 13, 2020, the President of the United States declared the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, to be a national emergency. Because of the evolving nature of the outbreak and federal, state, and local responses thereto, the Township cannot predict how the outbreak will impact the financial condition or operations of the Township, or if there will be any impact on the assessed values of property within the Township or deferral of tax payments to Townships. The Township cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS (cont'd)

will be any reduction in Commonwealth funding or an increase in operational costs incurred to clean, sanitize, and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is also unclear the extent to which the Township may receive any state or federal relief funding.

In June 2020, the Township refunded \$8.8 million of its 2014 general obligation bond. The auction-based sale resulted in a savings of \$1.99 million in future interest costs.

The Township has evaluated all subsequent events through June 29, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF HAVERFORD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------|----------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 25,980,040 | \$ 25,980,040 | \$ 25,992,732 | \$ 12,692 |
| Transfer | 1,200,000 | 1,200,000 | 1,734,098 | 534,098 |
| Business privilege | 1,165,000 | 1,165,000 | 1,414,703 | 249,703 |
| Mercantile | 930,000 | 930,000 | 924,891 | (5,109) |
| Local services | 600,000 | 600,000 | 631,359 | 31,359 |
| Licenses and permits | 2,216,500 | 2,216,500 | 2,573,406 | 356,906 |
| Fines and forfeits | 185,000 | 185,000 | 195,237 | 10,237 |
| Interest and rent | 828,349 | 828,349 | 1,097,094 | 268,745 |
| Intergovernmental revenues | 3,069,267 | 3,192,267 | 3,523,882 | 331,615 |
| Charges for services | 6,754,468 | 6,754,468 | 7,010,315 | 255,847 |
| Other | 900,755 | 900,755 | 1,332,909 | 432,154 |
| TOTAL REVENUES | <u>43,829,379</u> | <u>43,952,379</u> | <u>46,430,626</u> | <u>2,478,247</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,730,240 | 3,722,240 | 3,571,426 | 150,814 |
| Public safety | 19,811,993 | 19,811,993 | 19,518,606 | 293,387 |
| Public works - sanitation | 4,911,731 | 4,911,731 | 5,033,571 | (121,840) |
| Public works - highways and streets | 6,159,195 | 6,159,195 | 6,004,761 | 154,434 |
| Culture and recreation | 5,591,681 | 5,722,681 | 5,552,903 | 169,778 |
| Community development | 600,641 | 600,641 | 525,346 | 75,295 |
| Debt service: | | | | |
| Principal | 1,915,000 | 1,915,000 | 1,745,000 | 170,000 |
| Interest | 2,098,898 | 2,098,898 | 1,914,898 | 184,000 |
| TOTAL EXPENDITURES | <u>44,819,379</u> | <u>44,942,379</u> | <u>43,866,511</u> | <u>1,075,868</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(990,000)</u> | <u>(990,000)</u> | <u>2,564,115</u> | <u>3,554,115</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriated fund balance | 490,000 | 490,000 | - | (490,000) |
| Interfund transfers in | 600,000 | 600,000 | 600,000 | - |
| Interfund transfers out | (100,000) | (100,000) | (100,000) | - |
| TOTAL OTHER FINANCING SOURCES | <u>990,000</u> | <u>990,000</u> | <u>500,000</u> | <u>(490,000)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 3,064,115 | 3,064,115 |
| FUND BALANCE, BEGINNING OF YEAR | <u>20,670,856</u> | <u>20,670,856</u> | <u>20,670,856</u> | - |
| FUND BALANCE, END OF YEAR | <u>\$ 20,670,856</u> | <u>\$ 20,670,856</u> | <u>\$ 23,734,971</u> | <u>\$ 3,064,115</u> |

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | | |
| Service cost | \$ 1,106,176 | \$1,025,340 | \$974,195 | \$996,981 | \$ 947,250 | \$ 931,127 |
| Interest on total pension liability | 4,483,236 | 4,200,223 | 4,011,524 | 3,729,984 | 3,551,888 | 3,377,023 |
| Changes of benefit terms | - | - | - | - | (24,282) | - |
| Differences between expected and actual experience | 296,584 | - | 1,011,784 | - | (515,826) | - |
| Change of assumptions | 2,752,212 | - | 129,008 | - | 1,836,891 | - |
| Benefit payments, including refunds of member contributions | (3,378,437) | (3,074,633) | (2,424,566) | (2,440,176) | (2,340,070) | (2,255,036) |
| Net change in total pension liability | 5,259,771 | 2,150,930 | 3,701,945 | 2,286,789 | 3,455,851 | 2,053,114 |
| Total pension liability, beginning | 53,574,699 | 51,423,769 | 47,721,824 | 45,435,035 | 41,979,184 | 39,926,070 |
| Total pension liability, ending (a) | <u>\$ 58,834,470</u> | <u>\$53,574,699</u> | <u>\$51,423,769</u> | <u>\$47,721,824</u> | <u>\$ 45,435,035</u> | <u>\$ 41,979,184</u> |
| FIDUCIARY NET POSITION | | | | | | |
| Employer contributions | \$ 3,465,636 | \$3,472,178 | \$3,121,717 | \$3,113,035 | \$ 2,859,475 | \$ 2,819,919 |
| Member contributions | 388,396 | 378,102 | 360,674 | 357,193 | 363,562 | 340,793 |
| Investment income (loss) of pension investments, net of investment expenses | 6,791,947 | (1,961,844) | 4,500,380 | 1,883,126 | (143,613) | 1,606,146 |
| Benefit payments, including refunds of member contributions | (3,378,437) | (3,074,633) | (2,424,566) | (2,440,176) | (2,340,070) | (2,255,036) |
| Administrative expense | (23,590) | (12,199) | (24,202) | (7,835) | (28,635) | (13,194) |
| Net change in fiduciary net position | 7,243,952 | (1,198,396) | 5,534,003 | 2,905,343 | 710,719 | 2,498,628 |
| Fiduciary net position, beginning | 35,923,852 | 37,122,248 | 31,588,245 | 28,682,902 | 27,972,183 | 25,473,555 |
| Fiduciary net position, ending (b) | <u>\$ 43,167,804</u> | <u>\$35,923,852</u> | <u>\$37,122,248</u> | <u>\$31,588,245</u> | <u>\$ 28,682,902</u> | <u>\$ 27,972,183</u> |
| Net pension liability [(a) - (b)] | <u>\$ 15,666,666</u> | <u>\$17,650,847</u> | <u>\$14,301,521</u> | <u>\$16,133,579</u> | <u>\$ 16,752,133</u> | <u>\$ 14,007,001</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.37% | 67.05% | 72.19% | 66.19% | 63.13% | 66.63% |
| Covered payroll | \$ 7,165,068 | \$7,238,232 | \$6,915,142 | \$6,819,296 | \$ 6,888,822 | \$ 6,468,876 |
| Net pension liability as a percentage of covered payroll | 218.65% | 243.86% | 206.81% | 236.59% | 243.18% | 216.53% |
| Annual money-weighted return, net of investment expenses | 19.14% | -5.28% | 14.25% | 6.57% | -0.62% | 6.27% |

Assumption Changes - In 2015, the mortality assumption was changed from the blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA and the interest rate assumption was lowered from 8.50% to 8.25% per annum and the salary scale assumption was lowered from 5.50% to 5.25%. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.25% to 8.00% per annum. Retirement: Age 53 and 28 years to Age 53 and 25 years

Benefit Changes - In 2015, the 75% of salary COLA cap was eliminated for actives and inactive, and the Killed in Service Benefit was removed.

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 3,465,636 | \$ 3,472,178 | \$ 3,121,717 | \$ 3,113,035 | \$ 2,859,475 | \$ 2,819,919 |
| Contributions in relation to the actuarially determined contribution | <u>3,465,636</u> | <u>3,472,178</u> | <u>3,121,717</u> | <u>3,113,035</u> | <u>2,859,475</u> | <u>2,819,919</u> |
| Contribution excess | <u>\$ -</u> |
| Covered employee payroll | \$ 7,165,068 | \$ 7,238,232 | \$ 6,915,142 | \$ 6,819,296 | \$ 6,888,822 | \$ 6,468,876 |
| Contribution as a percentage of covered employee payroll | 48.37% | 48.46% | 45.14% | 45.02% | 41.51% | 43.59% |

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

Actuarial Methods and Significant Assumptions

| | |
|-------------------------------|--|
| Valuation date | January 1, 2019 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar |
| Remaining amortization period | 9 years |
| Asset valuation method | Smoothing per Section 210(a) of Act 44 |
| Actuarial Assumptions: | |
| Investment rate of return | 8.00% |
| Discount rate | 8.00% |
| Projected salary increases | 5.25% |
| Inflation | 2.25% |
| Mortality | Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA |

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | | |
| Service cost | \$ 565,401 | \$ 594,716 | \$ 565,051 | \$ 618,957 | \$ 588,083 | \$ 657,312 |
| Interest on total pension liability | 3,077,205 | 3,111,288 | 2,974,719 | 2,883,564 | 2,750,337 | 2,601,424 |
| Differences between expected and actual experience | (1,562,039) | - | (618,019) | - | (354,668) | - |
| Change of assumptions | 757,853 | - | 118,492 | - | 1,492,372 | - |
| Benefit payments, including refunds of member contributions | (2,238,747) | (2,001,287) | (1,826,831) | (1,861,536) | (1,647,297) | (1,542,261) |
| Net change in total pension liability | 599,673 | 1,704,717 | 1,213,412 | 1,640,985 | 2,828,827 | 1,716,475 |
| Total pension liability, beginning | 39,823,221 | 38,118,504 | 36,905,092 | 35,264,107 | 32,435,280 | 30,718,805 |
| Total pension liability, ending (a) | <u>\$ 40,422,894</u> | <u>\$ 39,823,221</u> | <u>\$ 38,118,504</u> | <u>\$ 36,905,092</u> | <u>\$ 35,264,107</u> | <u>\$ 32,435,280</u> |
| FIDUCIARY NET POSITION | | | | | | |
| Employer contributions | \$ 1,997,083 | \$ 1,995,152 | \$ 1,606,054 | \$ 1,617,081 | \$ 1,508,073 | \$ 1,515,034 |
| Member contributions | 267,502 | 267,859 | 265,277 | 280,513 | 282,347 | 299,084 |
| Investment income (loss) of pension investments, net of investment expenses | 5,424,087 | (1,603,755) | 3,750,278 | 1,607,488 | (132,267) | 1,378,721 |
| Benefit payments, including refunds of member contributions | (2,238,747) | (2,001,287) | (1,826,831) | (1,861,536) | (1,647,297) | (1,542,261) |
| Administrative expense | (25,490) | (13,099) | (26,902) | (7,835) | (31,435) | (12,794) |
| Net change in fiduciary net position | 5,424,435 | (1,355,130) | 3,767,876 | 1,635,711 | (20,579) | 1,637,784 |
| Fiduciary net position, beginning | 28,325,860 | 29,680,990 | 25,913,114 | 24,277,403 | 24,297,982 | 22,660,198 |
| Fiduciary net position, ending (b) | <u>\$ 33,750,295</u> | <u>\$ 28,325,860</u> | <u>\$ 29,680,990</u> | <u>\$ 25,913,114</u> | <u>\$ 24,277,403</u> | <u>\$ 24,297,982</u> |
| Net pension liability [(a) - (b)] | <u>\$ 6,672,599</u> | <u>\$ 11,497,361</u> | <u>\$ 8,437,514</u> | <u>\$ 10,991,978</u> | <u>\$ 10,986,704</u> | <u>\$ 8,137,298</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83.49% | 71.13% | 77.87% | 70.22% | 68.84% | 74.91% |
| Covered payroll | | | | | | |
| Net pension liability as a percentage of covered payroll | \$ 6,116,834 | \$ 6,077,096 | \$ 6,529,110 | \$ 6,764,196 | \$ 7,400,260 | \$ 7,547,780 |
| Annual money-weighted return, net of investment expenses | 109.09% | 189.19% | 129.23% | 162.50% | 148.46% | 107.81% |
| | 19.15% | -5.40% | 14.47% | 6.62% | -0.56% | 6.21% |

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA and the interest rate assumption was lowered from 8.50% to 8.25% per annum, and the salary scale assumption was lowered from 5.50% to 5.25%. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.25% to 8.00% per annum and the salary scale assumption was lowered from 5.25% to 5.00%.

Benefit Changes - In 2019, an actuarially reduced early retirement benefit at age 55 and 30 years of service was added to the plan.

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 1,997,083 | \$ 1,995,152 | \$ 1,606,054 | \$ 1,617,081 | \$ 1,508,073 | \$ 1,515,034 |
| Contributions in relation to the actuarially determined contribution | 1,997,083 | 1,995,152 | 1,606,054 | 1,617,081 | 1,508,073 | 1,515,034 |
| Contribution excess | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 6,116,834 | \$ 6,077,096 | \$ 6,529,110 | \$ 6,529,110 | \$ 6,764,196 | \$ 7,547,780 |
| Contribution as a percentage of covered employee payroll | 32.65% | 32.83% | 24.60% | 24.77% | 22.29% | 20.07% |

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Actuarial Methods and Significant Assumptions

| | |
|-------------------------------|--|
| Valuation date | January 1, 2019 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar |
| Remaining amortization period | 8 years |
| Asset valuation method | Smoothing per Section 210(a) of Act 44 |
| Actuarial Assumptions: | |
| Investment rate of return | 8.00% |
| Discount rate | 8.00% |
| Projected salary increases | 5.00% |
| Inflation | 2.25% |
| Mortality | Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA |

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS

| | <u>2019</u> | <u>2018</u> |
|---|---------------------------------|---------------------------------|
| TOTAL OPEB LIABILITY | | |
| Service cost | \$ 1,337,078 | \$ 1,284,417 |
| Interest on total OPEB liability | 1,970,244 | 1,782,705 |
| Change of assumptions | 12,783,876 | (5,869,422) |
| Benefit payments | <u>(1,100,228)</u> | <u>(936,352)</u> |
| NET CHANGE IN TOTAL OPEB LIABILITY | 14,990,970 | (3,738,652) |
| TOTAL OPEB LIABILITY, BEGINNING OF YEAR | <u>47,267,759</u> | <u>51,006,411</u> |
| TOTAL OPEB LIABILITY, END OF YEAR | <u><u>\$ 62,258,729</u></u> | <u><u>\$ 47,267,759</u></u> |
| <u>PLAN FIDUCIARY NET POSITION</u> | | |
| PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR | <u>\$ -</u> | <u>\$ -</u> |
| PLAN FIDUCIARY NET POSITION, END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| TOWNSHIP'S NET OPEB LIABILITY | <u><u>\$ 62,258,729</u></u> | <u><u>\$ 47,267,759</u></u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% | 0.00% |
| Covered employee payroll | \$ 13,281,902 | \$ 13,315,328 |
| Township's net OPEB liability as a percentage of covered payroll | 468.75% | 354.99% |
| Expected average remaining service years of all participants | 11 | 11 |

Note on Cumulative Information

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB**

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

Valuation Date:

December 31, 2019

Actuarial Methods and Significant Assumptions

| | |
|---|--|
| <p>Actuarial cost method Asset valuation method Discount rate Projected salary increases Inflation Mortality Disabled Mortality Rates Healthcare trend rates</p> | <p>Entry age Market Value 4.10% 3.50% 3.00% RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis. RP-2014 generational table scaled using MP-17 and set forward 7 years 3.0% to 7.0% based on the type of benefit reduced by 0.5% each year until reaching the ultimate trend rate</p> |
|---|--|

Note on Cumulative Information

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF HAVERFORD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | Special Revenue Funds | | Total Other Governmental Funds |
|---|----------------------------------|-------------------------|---|
| | Community Development Fund | HOME Program Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,065 | \$ 1 | \$ 3,066 |
| Accounts receivable | 95,116 | - | 95,116 |
| Due from other funds | - | 695 | 695 |
| TOTAL ASSETS | <u>\$ 98,181</u> | <u>\$ 696</u> | <u>\$ 98,877</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 95,116 | \$ - | \$ 95,116 |
| Due to other funds | 695 | - | 695 |
| TOTAL LIABILITIES | <u>95,811</u> | <u>-</u> | <u>95,811</u> |
| FUND BALANCE | | | |
| Restricted: | | | |
| Community development | 2,370 | 696 | 3,066 |
| TOTAL FUND BALANCE | <u>2,370</u> | <u>696</u> | <u>3,066</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 98,181</u> | <u>\$ 696</u> | <u>\$ 98,877</u> |

TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Special Revenue Funds | | Total Other Governmental Funds |
|--------------------------------------|----------------------------------|-------------------------|---|
| | Community Development Fund | HOME Program Fund | |
| REVENUES | | | |
| Intergovernmental revenues | \$ 854,418 | \$ - | \$ 854,418 |
| Other | 245,114 | - | 245,114 |
| TOTAL REVENUES | <u>1,099,532</u> | <u>-</u> | <u>1,099,532</u> |
| EXPENDITURES | | | |
| Community development | 1,083,015 | - | 1,083,015 |
| TOTAL EXPENDITURES | <u>1,083,015</u> | <u>-</u> | <u>1,083,015</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>16,517</u> | <u>-</u> | <u>16,517</u> |
| OTHER FINANCING USES | | | |
| Transfers out | (121,478) | - | (121,478) |
| TOTAL OTHER FINANCING USES | <u>(121,478)</u> | <u>-</u> | <u>(121,478)</u> |
| NET CHANGE IN FUND BALANCES | (104,961) | - | (104,961) |
| FUND BALANCE, BEGINNING OF YEAR | <u>107,331</u> | <u>696</u> | <u>108,027</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 2,370</u> | <u>\$ 696</u> | <u>\$ 3,066</u> |

**TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2019**

| | Pension Trust Funds | | | Total Pension Funds | Agency Funds | | | Total Agency Funds |
|---|----------------------------|----------------------|---|----------------------|------------------|-----------------------|------------------|--------------------|
| | Non-Uniformed Pension Fund | Police Pension Fund | Non-Uniformed Defined Contribution Pension Fund | | Merry Place Fund | Access Equipment Fund | | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 698,467 | \$ 1,116,365 | \$ 15,119 | \$ 1,829,951 | \$ 60,921 | \$ 29,176 | \$ 90,097 | |
| Investments | 33,051,828 | 42,051,439 | 490,895 | 75,594,162 | - | - | - | |
| Members' contributions receivable | - | - | 2,325 | 2,325 | - | - | - | |
| Municipal contribution receivable | - | - | 30,804 | 30,804 | - | - | - | |
| TOTAL ASSETS | \$ 33,750,295 | \$ 43,167,804 | \$ 539,143 | \$ 77,457,242 | \$ 60,921 | \$ 29,176 | \$ 90,097 | |
| LIABILITIES AND NET POSITION | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Donations payable | - | - | - | - | 60,921 | 29,176 | 90,097 | |
| TOTAL LIABILITIES | - | - | - | - | 60,921 | 29,176 | 90,097 | |
| NET POSITION | | | | | | | | |
| Restricted for pension benefits | 33,750,295 | 43,167,804 | 539,143 | 77,457,242 | - | - | - | |
| TOTAL LIABILITIES AND NET POSITION | \$ 33,750,295 | \$ 43,167,804 | \$ 539,143 | \$ 77,457,242 | \$ 60,921 | \$ 29,176 | \$ 90,097 | |

TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Pension Trust Funds | | | Total Pension Funds |
|---|----------------------------------|---------------------------|--|---------------------------|
| | Non-Uniformed Pension Fund | Police Pension Fund | Non-Uniformed Defined Contribution Pension Fund | |
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer contributions | \$ 1,517,858 | \$ 2,634,013 | \$ 85,804 | \$ 4,237,675 |
| Member contributions | 267,502 | 388,396 | 75,192 | 731,090 |
| Commonwealth of Pennsylvania | 479,225 | 831,623 | - | 1,310,848 |
| Total Contributions | <u>2,264,585</u> | <u>3,854,032</u> | <u>160,996</u> | <u>6,279,613</u> |
| Investment Income: | | | | |
| Net realized/unrealized gain on investments | 4,751,290 | 5,937,949 | 57,432 | 10,746,671 |
| Interest and dividends | 759,974 | 956,942 | 9,768 | 1,726,684 |
| Investment expenses | (87,177) | (102,944) | (736) | (190,857) |
| Net Investment Income | <u>5,424,087</u> | <u>6,791,947</u> | <u>66,464</u> | <u>12,282,498</u> |
| TOTAL ADDITIONS | <u>7,688,672</u> | <u>10,645,979</u> | <u>227,460</u> | <u>18,562,111</u> |
| DEDUCTIONS | | | | |
| Employee benefit payments | 2,238,747 | 3,378,437 | - | 5,617,184 |
| Administrative expenses | 19,700 | 17,800 | 5,900 | 43,400 |
| Insurance | 5,790 | 5,790 | - | 11,580 |
| Return of member contributions | - | - | 6,876 | 6,876 |
| TOTAL DEDUCTIONS | <u>2,264,237</u> | <u>3,402,027</u> | <u>12,776</u> | <u>5,679,040</u> |
| CHANGE IN FIDUCIARY NET POSITION | 5,424,435 | 7,243,952 | 214,684 | 12,883,071 |
| NET POSITION, BEGINNING OF YEAR | <u>28,325,860</u> | <u>35,923,852</u> | <u>324,459</u> | <u>64,574,171</u> |
| NET POSITION, END OF YEAR | <u>\$ 33,750,295</u> | <u>\$ 43,167,804</u> | <u>\$ 539,143</u> | <u>\$ 77,457,242</u> |