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**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA**

**BASIC FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016**

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TOWNSHIP OF HAVERFORD

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## INDEPENDENT AUDITOR'S REPORT

June 6, 2017

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, 2016, 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.

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

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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, 2016, 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.

Emphasis of Matters

Township has restated its January 1, 2016 governmental activities net position due to an error detected in the opening balance of the other post-employment benefits obligation. In addition, the Township implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. Our opinions are not modified with respect to these matters.

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; the budgetary comparison information on page 59; the schedules of changes in the net pension liability, related ratios, and investment returns – police and non-uniformed pension plans; the schedules of employer contributions – police and non-uniformed pension plans; the notes to the schedules of employer contributions – police and non-uniformed pension plans; and the schedule of funding progress – other post-employment healthcare benefits – police and non-uniformed plans on pages 60 - 64, 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

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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.

*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 non-major governmental fund financial statements and combining fiduciary fund financial statements on pages 65 - 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major 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 non-major 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 6, 2017, 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, 2016**

The Board of Commissioners and Township Manager of the Township of Haverford 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, 2016.

**FINANCIAL HIGHLIGHTS**

**Government-Wide**

Government-wide net position of the Township at the close of the year was \$17,935,385. Beginning net position was restated by \$2,692,283 due to a prior period adjustment regarding an overstatement of the Township's estimate of the OPEB liability. The total change in net position was \$920,369. This change was a result of a \$1,087,879 operational increase in our business-type activities and a \$167,510 decrease recognized by our governmental-activities. This decrease in the governmental-activities is a result an increase in our pension and OPEB liabilities and downplays an otherwise very good operational year in which revenues were over budget and expenses were under budget.

**Fund Level**

At the close of the fiscal year, the Township reported combined ending fund balances in Governmental Funds of \$35,796,303, an increase of \$7,174,381 from the previous year. The increase was largely a result of the issuance of General Obligation Bond, Series of 2016, as well as better than expected Act 511 taxes and code enforcement revenues. The total General Fund balance amounted to \$17,781,114, an increase of \$1,972,498 and 42.2 percent of General Fund revenues. However, only \$9,196,713 is reported as unassigned in the General Fund or 21.8 percent of total General Fund revenues. A total of \$1,072,290 is reported as restricted in the General Fund due to various external requirements. A total of \$92,493 is shown as non-spendable since the balance represents prepaid expenses. A total of \$112,440 is shown as assigned by management for maintenance of our artificial turf field. A total of \$7,307,178 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 of Haverford's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial 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 of Haverford's finances, in a manner similar to a private-sector business.

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

The Statement of Net Position (page 12) presents information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 Units*** – 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 specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for nonmajor funds begin on page 65. 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



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HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

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, the operations of the 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 two Pension Trust Funds – one 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.

**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, plus any unspent debt proceeds, which was \$15,577,366 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.

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

Beginning of year net position was restated due to an overstatement of the Township's estimated OPEB liability on its 2015 audited financial statements. The component of our net position that pertains to the Governmental Activities has decreased from a year ago by \$167,510 primarily as a result of positive operational net position offset by the changes in the liability for the Township's net pension and OPEB obligations and further offset by the utilization of capital monies for large-scale capital and infrastructure projects such as a new combined municipal services building due for completion at the end of 2017/early 2018. However, the component of our net position that pertains to our business-type activities increased by \$1,087,879. This increase was largely a result of better than expected billings (\$76,000), coupled with lower than expected sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (through Upper Darby, in the amount of \$702,000), and lower sewer construction costs (\$271,000).

**TABLE 1 - NET POSITION**

|                                  | Governmental Activities |                     | Business-type Activities |                      | Total                |                      |
|----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                                  | 2016                    | 2015                | 2016                     | 2015                 | 2016                 | 2015                 |
| Current and other assets         | \$ 40,189,383           | \$ 32,323,232       | \$ 7,713,229             | \$ 6,698,954         | \$ 47,902,612        | \$ 39,022,186        |
| Capital assets                   | 59,425,067              | 55,028,437          | 5,166,650                | 5,117,618            | 64,591,717           | 60,146,055           |
| Total Assets                     | <u>99,614,450</u>       | <u>87,351,669</u>   | <u>12,879,879</u>        | <u>11,816,572</u>    | <u>112,494,329</u>   | <u>99,168,241</u>    |
| Deferred outflows of resources   | <u>5,335,368</u>        | <u>6,207,877</u>    | <u>142,198</u>           | <u>165,228</u>       | <u>5,477,566</u>     | <u>6,373,105</u>     |
| Noncurrent liabilities           | 93,593,623              | 85,687,431          | 671,962                  | 670,576              | 94,265,585           | 86,358,007           |
| Other liabilities                | <u>5,068,584</u>        | <u>3,945,984</u>    | <u>165,813</u>           | <u>211,111</u>       | <u>5,234,397</u>     | <u>4,157,095</u>     |
| Total Liabilities                | <u>98,662,207</u>       | <u>89,633,415</u>   | <u>837,775</u>           | <u>881,687</u>       | <u>99,499,982</u>    | <u>90,515,102</u>    |
| Deferred inflows of resources    | <u>523,749</u>          | <u>687,042</u>      | <u>12,779</u>            | <u>16,469</u>        | <u>536,528</u>       | <u>703,511</u>       |
| Net investment in capital assets | 10,410,716              | 20,736,922          | 5,166,650                | 5,117,618            | 15,577,366           | 25,854,540           |
| Restricted                       | 15,870,692              | 13,524,859          | -                        | -                    | 15,870,692           | 13,524,859           |
| Unrestricted (deficit)           | <u>(20,517,546)</u>     | <u>(31,022,692)</u> | <u>7,004,873</u>         | <u>5,966,026</u>     | <u>(13,512,673)</u>  | <u>(25,056,666)</u>  |
| Total Net Position               | <u>\$ 5,763,862</u>     | <u>\$ 3,239,089</u> | <u>\$ 12,171,523</u>     | <u>\$ 11,083,644</u> | <u>\$ 17,935,385</u> | <u>\$ 14,322,733</u> |

Table 2 highlights the Township's revenues and expenses for the fiscal year ended December 31, 2016. These two main components are subtracted to yield the change in net position. This table utilizes the full-accrual method of accounting.

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

**TABLE 2 - CHANGES IN NET POSITION**

|  | Governmental Activities |                     | Business-type Activities |                      | Total                |                      |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2016                    | 2015                | 2016                     | 2015                 | 2016                 | 2015                 |
| <b>Revenues:</b>                       |                         |                     |                          |                      |                      |                      |
| Program revenues:                      |                         |                     |                          |                      |                      |                      |
| Charges for services                   | \$ 7,923,822            | \$ 7,600,617        | \$ 5,033,606             | \$ 5,002,300         | \$ 12,957,428        | \$ 12,602,917        |
| Operating grants<br>and contributions  | 4,249,407               | 4,262,823           | -                        | -                    | 4,249,407            | 4,262,823            |
| Capital grants and<br>contributions    | -                       | -                   | -                        | -                    | -                    | -                    |
| General revenues:                      |                         |                     |                          |                      |                      |                      |
| Property taxes                         | 23,849,316              | 22,982,091          | -                        | -                    | 23,849,316           | 22,982,091           |
| Act 511 taxes                          | 4,100,899               | 4,078,958           | -                        | -                    | 4,100,899            | 4,078,958            |
| Franchise fees                         | 1,160,850               | 1,136,690           | -                        | -                    | 1,160,850            | 1,136,690            |
| Interest and rent                      | 817,417                 | 785,742             | 23,235                   | 20,079               | 840,652              | 805,821              |
| Other revenues                         | 1,629,378               | 616,577             | -                        | -                    | 1,629,378            | 616,577              |
| Total Revenues                         | <u>43,731,089</u>       | <u>41,463,498</u>   | <u>5,056,841</u>         | <u>5,022,379</u>     | <u>48,787,930</u>    | <u>46,485,877</u>    |
| <b>Expenses:</b>                       |                         |                     |                          |                      |                      |                      |
| General government                     | 2,901,376               | 2,669,899           | -                        | -                    | 2,901,376            | 2,669,899            |
| Public safety                          | 19,603,828              | 20,752,323          | -                        | -                    | 19,603,828           | 20,752,323           |
| Public works - sanitation              | 5,055,144               | 4,009,912           | -                        | -                    | 5,055,144            | 4,009,912            |
| Public works - highways<br>and streets | 7,770,218               | 6,405,752           | -                        | -                    | 7,770,218            | 6,405,752            |
| Culture and recreation                 | 6,213,377               | 6,224,930           | -                        | -                    | 6,213,377            | 6,224,930            |
| Community development                  | 1,215,672               | 1,060,000           | -                        | -                    | 1,215,672            | 1,060,000            |
| Interest on long-term debt             | 1,738,984               | 1,643,266           | -                        | -                    | 1,738,984            | 1,643,266            |
| Sewer                                  | -                       | -                   | 3,368,962                | 3,423,944            | 3,368,962            | 3,423,944            |
| Total Expenses                         | <u>44,498,599</u>       | <u>42,766,082</u>   | <u>3,368,962</u>         | <u>3,423,944</u>     | <u>47,867,561</u>    | <u>46,190,026</u>    |
| <b>Changes in Net Position</b>         |                         |                     |                          |                      |                      |                      |
| before Transfers                       | (767,510)               | (1,302,584)         | 1,687,879                | 1,598,435            | 920,369              | 295,851              |
| Transfers                              | <u>600,000</u>          | <u>700,000</u>      | <u>(600,000)</u>         | <u>(700,000)</u>     | <u>-</u>             | <u>-</u>             |
| Changes in Net Position                | (167,510)               | (602,584)           | 1,087,879                | 898,435              | 920,369              | 295,851              |
| <b>Net Position, Beginning</b>         |                         |                     |                          |                      |                      |                      |
| (restated)                             | <u>\$ 5,931,372</u>     | <u>\$ 6,533,956</u> | <u>\$ 11,083,644</u>     | <u>\$ 10,185,209</u> | <u>\$ 17,015,016</u> | <u>\$ 16,719,165</u> |
| Net Position, Ending                   | <u>\$ 5,763,862</u>     | <u>\$ 5,931,372</u> | <u>\$ 12,171,523</u>     | <u>\$ 11,083,644</u> | <u>\$ 17,935,385</u> | <u>\$ 17,015,016</u> |

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As the Township completed the fiscal year, its Governmental Funds reported healthy fund balances of \$35,796,303 (or an increase of \$7,174,381). Of the current ending fund balances, \$92,493 is shown as nonspendable since it represents prepaid items, \$112,440 is reported as assigned for particular purposes, \$7,307,178 is reported as committed for budgetary reserve in the General Fund, \$19,087,479 is shown as restricted by external sources, while \$9,196,713 is shown as unassigned.

**Governmental Funds**

***General Fund, Comparison to Final Budget*** – Revenue exceeded our final budget by \$2,681,576 or 6.8 percent. The excess revenues were largely a result of larger than anticipated Act 511 tax revenues (\$775,899), licensing and permit fees (\$660,591), and intergovernmental revenues, in particular, state pension and recycling monies (\$533,584). Act 511 revenues spiked due to robust sales at the Haverford Reserve and Athertyn developments, as well as the popularity of our community, which kept real estate inventory low and sales fast paced. License and permit revenues exceeded expectations due to a few large construction and retrofit projects. These projects included a new outpatient facility for Childrens' Hospital of Philadelphia, a new fitness facility along the Haverford Road corridor, and the construction of a new building at Athertyn. Expenditures were less than our final budget by \$330,660 or 0.8 percent. The decreased expenditures were largely a result of lower than expected fuel prices (\$108,000) and lower than expected civilian and uniformed COBRA/retiree medical costs (\$265,000). Since the Township funds prescription, dental, and vision on a self-insured (with stop-loss coverage) basis, these areas can be difficult to budget.

***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 \$1,087,879. This increase was a result of better than expected billings (\$76,000), coupled with lower than expected sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (through Upper Darby, in the amount of \$702,000) and lower sewer construction emergency projects needed in 2016 (\$271,000).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2016, the Township had invested \$64,591,717, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation expense for this calendar year totaled \$2,846,632.

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

|                                 | Governmental Activities |                     | Business-type Activities |                    | Total               |                     |
|---------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
|                                 | 2016                    | 2015                | 2016                     | 2015               | 2016                | 2015                |
| Land                            | \$13,732,751            | \$13,166,209        | \$ -                     | \$ -               | \$13,732,751        | \$13,166,209        |
| Construction-in-progress        | 4,786,742               | 762,405             | -                        | -                  | 4,786,742           | 762,405             |
| Buildings and improvements      | 16,526,461              | 16,526,461          | 811,067                  | 811,067            | 17,337,528          | 17,337,528          |
| Machinery and equipment         | 21,042,128              | 20,603,714          | 668,702                  | 862,874            | 21,710,830          | 21,466,588          |
| Infrastructure and improvements | 36,150,393              | 34,873,477          | 5,324,008                | 5,195,007          | 41,474,401          | 40,068,484          |
| Accumulated depreciation        | (32,813,408)            | (30,903,829)        | (1,637,127)              | (1,751,330)        | (34,450,535)        | (32,655,159)        |
| <b>Total</b>                    | <b>\$59,425,067</b>     | <b>\$55,028,437</b> | <b>\$5,166,650</b>       | <b>\$5,117,618</b> | <b>\$64,591,717</b> | <b>\$60,146,055</b> |

Additional information on the Township's capital assets is contained in Note 5 to the financial statements. Major capital assets acquisitions during 2016 include improvements to our traffic systems, large pieces of heavy equipment, vehicles, various park improvements, the acquisition of property for improved parking at Steel Road Field, the acquisition of property for improved stormwater management, trail system continuation, construction costs related to new combined municipal services building, design and architectural costs related to the renovation of the Haverford Township Free Library, roadway improvements and the Green Valley Road sanitary sewer construction project.

**Long-term Debt**

At the end of the current fiscal year, the Township had total bonded debt outstanding of \$51,750,000. All of this is backed by the full faith and credit of the government. Governmental activities report \$51,750,000, and business-type activities report \$0 of general obligation bonds and notes payable. 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 2.67 percent in 2017 real estate taxes. Due to the recycling market taking a turn and our recycling costs expected to increase by \$70,000 in 2017, the Board authorized a \$3.00 per household increase in the sanitation collection fee to \$197/year. Through prudent financial planning and efficient operations, the sewer rent (\$4.70/1,000g) remained unchanged for 2017.

The Township is currently in the midst of two generational-type capital projects – the construction of a new combined municipal services building (estimate of \$17,875,442) and extensive renovations at the Haverford Township Free Library (estimate of \$7,800,000). The funding for these projects was well

**TOWNSHIP OF HAVERFORD  
HAVERTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

planned and done in a series of small borrowings to take advantage of bank-qualified interest rates. The library construction is now planned to begin in 2018 after the completion of the municipal service building. The final piece of the borrowing (primarily for the library project) is planned to occur in early 2018. Governments, on every level, must continue to be mindful of the effect of increased taxes on its citizens (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 Lawrence J. Gentile, Township Manager, Township of Haverford, 2325 Darby Road, Havertown, PA 19083-2251.

**TOWNSHIP OF HAVERFORD  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

|   | Governmental<br>Activities | Business-type<br>Activities | Total                | Component<br>Unit<br>Free Library |
|---|----------------------------|-----------------------------|----------------------|-----------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                          |                            |                             |                      |                                   |
| <b>ASSETS</b>   |                            |                             |                      |                                   |
| <b>Current Assets:</b>  |                            |                             |                      |                                   |
| Cash and cash equivalents   |                            |                             |                      |                                   |
| Unrestricted  | \$ 35,999,069              | \$ 7,348,583                | \$ 43,347,652        | \$ 968,711                        |
| Restricted  | 1,475,368                  | -                           | 1,475,368            | -                                 |
| Accounts receivable   | 1,080,346                  | 326,458                     | 1,406,804            | 3,354                             |
| Taxes receivable  | 680,230                    | -                           | 680,230              | -                                 |
| Internal balances   | (38,188)                   | 38,188                      | -                    | -                                 |
| Due from other governments  | 74,997                     | -                           | 74,997               | -                                 |
| Prepaid expenses  | 92,493                     | -                           | 92,493               | 502,236                           |
| <b>Total Current Assets</b>   | <u>39,364,315</u>          | <u>7,713,229</u>            | <u>47,077,544</u>    | <u>1,474,301</u>                  |
| <b>Noncurrent Assets:</b>   |                            |                             |                      |                                   |
| Due from other governments  | 825,068                    | -                           | 825,068              | -                                 |
| Capital assets  |                            |                             |                      |                                   |
| Land  | 13,732,751                 | -                           | 13,732,751           | -                                 |
| Construction-in-progress  | 4,786,742                  | -                           | 4,786,742            | -                                 |
| Capital assets, net   | 40,905,574                 | 5,166,650                   | 46,072,224           | 577,965                           |
| <b>Total Noncurrent Assets</b>  | <u>60,250,135</u>          | <u>5,166,650</u>            | <u>65,416,785</u>    | <u>577,965</u>                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                            |                             |                      |                                   |
| Deferred charges on bond refunding  | 39,175                     | -                           | 39,175               | -                                 |
| Deferred outflows of resources - pensions                                 | 5,296,193                  | 142,198                     | 5,438,391            | -                                 |
| <b>Total Deferred Outflows of Resources</b>                               | <u>5,335,368</u>           | <u>142,198</u>              | <u>5,477,566</u>     | <u>-</u>                          |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <u>\$104,949,818</u>       | <u>\$ 13,022,077</u>        | <u>\$117,971,895</u> | <u>\$ 2,052,266</u>               |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>       |                            |                             |                      |                                   |
| <b>LIABILITIES</b>  |                            |                             |                      |                                   |
| <b>Current Liabilities:</b>   |                            |                             |                      |                                   |
| Accounts payable and other current liabilities                            | \$ 2,496,214               | \$ 165,813                  | \$ 2,662,027         | \$ 62,498                         |
| Accrued interest  | 243,408                    | -                           | 243,408              | -                                 |
| Escrow deposits payable   | 280,091                    | -                           | 280,091              | -                                 |
| Unearned revenues   | 138,583                    | -                           | 138,583              | 21,290                            |
| Current portion of bonds payable, net                                     | 1,910,288                  | -                           | 1,910,288            | -                                 |
| <b>Total Current Liabilities</b>  | <u>5,068,584</u>           | <u>165,813</u>              | <u>5,234,397</u>     | <u>83,788</u>                     |
| <b>Noncurrent Liabilities:</b>  |                            |                             |                      |                                   |
| Bonds payable, net  | 50,360,025                 | -                           | 50,360,025           | -                                 |
| Other post employment benefits obligation                                 | 14,117,000                 | -                           | 14,117,000           | -                                 |
| Net pension liability   | 26,501,213                 | 624,344                     | 27,125,557           | -                                 |
| Compensated absences  | 2,615,385                  | 47,618                      | 2,663,003            | -                                 |
| <b>Total Noncurrent Liabilities</b>                                       | <u>93,593,623</u>          | <u>671,962</u>              | <u>94,265,585</u>    | <u>-</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                            |                             |                      |                                   |
| Deferred inflows of resources - pensions                                  | 523,749                    | 12,779                      | 536,528              | -                                 |
| <b>Total Deferred Inflows of Resources</b>                                | <u>523,749</u>             | <u>12,779</u>               | <u>536,528</u>       | <u>-</u>                          |
| <b>NET POSITION</b>   |                            |                             |                      |                                   |
| Net investment in capital assets  | 10,410,716                 | 5,166,650                   | 15,577,366           | 577,965                           |
| Restricted  | 15,870,692                 | -                           | 15,870,692           | -                                 |
| Unrestricted (deficit)  | (20,517,546)               | 7,004,873                   | (13,512,673)         | 1,390,513                         |
| <b>Total Net Position</b>   | <u>5,763,862</u>           | <u>12,171,523</u>           | <u>17,935,385</u>    | <u>1,968,478</u>                  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <u>\$104,949,818</u>       | <u>\$ 13,022,077</u>        | <u>\$117,971,895</u> | <u>\$ 2,052,266</u>               |

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

**TOWNSHIP OF HAVERFORD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | Program Revenues     |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |                          |                                |
|--|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|--------------------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Primary Government      |                          | Component Unit<br>Free Library |
|  |                      |                      |                                    |   | Governmental Activities | Business-type Activities |                                |
| <b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:</b> |                      |                      |                                    |   |                         |                          |                                |
| General government                                 | \$ 2,901,376         | \$ 533,278           | \$ 77,105                          | \$ -  | \$ (2,290,993)          | \$ (2,290,993)           | \$ -                           |
| Public safety                                      | 19,603,828           | 1,638,611            | 1,324,081                          | -   | (16,641,136)            | (16,641,136)             | -                              |
| Public works - sanitation                          | 5,055,144            | 3,199,416            | 426,077                            | -   | (1,429,651)             | (1,429,651)              | -                              |
| Public works - highways and streets                | 7,770,218            | 216,480              | 1,588,823                          | -   | (5,964,915)             | (5,964,915)              | -                              |
| Culture and recreation                             | 6,213,377            | 2,118,185            | 122,314                            | -   | (3,972,878)             | (3,972,878)              | -                              |
| Community development                              | 1,215,672            | 217,852              | 711,007                            | -   | (286,813)               | (286,813)                | -                              |
| Interest on long-term debt                         | 1,738,984            | -                    | -                                  | -   | (1,738,984)             | (1,738,984)              | -                              |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>               | <b>44,498,599</b>    | <b>7,923,822</b>     | <b>4,249,407</b>                   | <b>-</b>  | <b>(32,325,370)</b>     | <b>(32,325,370)</b>      | <b>-</b>                       |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                   |                      |                      |                                    |   |                         |                          |                                |
| Sewer  | 3,368,962            | 5,033,606            | -                                  | -   | 1,664,644               | 1,664,644                | -                              |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>              | <b>3,368,962</b>     | <b>5,033,606</b>     | <b>-</b>                           | <b>-</b>  | <b>1,664,644</b>        | <b>1,664,644</b>         | <b>-</b>                       |
| <b>TOTAL PRIMARY GOVERNMENT</b>                    | <b>\$ 47,867,561</b> | <b>\$ 12,957,428</b> | <b>\$ 4,249,407</b>                | <b>\$ -</b>                                       | <b>(32,325,370)</b>     | <b>(30,660,726)</b>      | <b>-</b>                       |
| <b>COMPONENT UNIT:</b>                             |                      |                      |                                    |   |                         |                          |                                |
| Free Library                                       | \$ 1,645,378         | \$ 72,519            | \$ 1,560,875                       | \$ 87,628   | -                       | -                        | 75,644                         |
| <b>TOTAL COMPONENT UNIT</b>                        | <b>\$ 1,645,378</b>  | <b>\$ 72,519</b>     | <b>\$ 1,560,875</b>                | <b>\$ 87,628</b>                                  | <b>-</b>                | <b>-</b>                 | <b>75,644</b>                  |
| <b>GENERAL REVENUES AND TRANSFERS</b>              |                      |                      |                                    |   |                         |                          |                                |
| Taxes:   |                      |                      |                                    |   |                         |                          |                                |
| Property taxes                                     |                      |                      |                                    | 23,849,316  |                         | 23,849,316               |                                |
| Transfer taxes                                     |                      |                      |                                    | 1,447,204   |                         | 1,447,204                |                                |
| Business privilege tax                             |                      |                      |                                    | 1,172,274   |                         | 1,172,274                |                                |
| Mercantile tax                                     |                      |                      |                                    | 891,784   |                         | 891,784                  |                                |
| Local service tax                                  |                      |                      |                                    | 589,637   |                         | 589,637                  |                                |
| Franchise fees                                     |                      |                      |                                    | 1,160,850   |                         | 1,160,850                |                                |
| Fines and forfeits                                 |                      |                      |                                    | 212,246   |                         | 212,246                  |                                |
| Interest and rent                                  |                      |                      |                                    | 817,417   | 23,235                  | 840,652                  | 7,699                          |
| Other revenue                                      |                      |                      |                                    | 1,417,132   | -                       | 1,417,132                | 4,338                          |
| Interfund transfers                                |                      |                      |                                    | 600,000   | (600,000)               | -                        | -                              |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS</b>        |                      |                      |                                    | <b>32,157,860</b>                                 | <b>(576,765)</b>        | <b>31,581,095</b>        | <b>12,037</b>                  |
| <b>CHANGE IN NET POSITION</b>                      |                      |                      |                                    | <b>(167,510)</b>                                  | <b>1,087,879</b>        | <b>920,369</b>           | <b>87,681</b>                  |
| <b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>   |                      |                      |                                    | <b>5,931,372</b>                                  | <b>11,083,644</b>       | <b>17,015,016</b>        | <b>1,880,797</b>               |
| <b>NET POSITION, END OF YEAR</b>                   |                      |                      |                                    | <b>\$ 5,763,862</b>                               | <b>\$ 12,171,523</b>    | <b>\$ 17,935,385</b>     | <b>\$ 1,968,478</b>            |

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



**TOWNSHIP OF HAVERFORD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

|   | General<br>Fund             | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total                       |
|---|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |                                |                             |
| Cash and cash equivalents:  |                             |                             |                                |                             |
| Unrestricted  | \$ 16,742,981               | \$ 19,202,985               | \$ 53,103                      | \$ 35,999,069               |
| Restricted  | 1,475,368                   | -                           | -                              | 1,475,368                   |
| Accounts receivable   | 990,826                     | 66,960                      | 22,560                         | 1,080,346                   |
| Taxes receivable  | 680,230                     | -                           | -                              | 680,230                     |
| Due from other funds  | 2,681                       | -                           | 695                            | 3,376                       |
| Due from other governments  | 900,065                     | -                           | -                              | 900,065                     |
| Prepaid expenditures  | 92,493                      | -                           | -                              | 92,493                      |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 20,884,644</u></b> | <b><u>\$ 19,269,945</u></b> | <b><u>\$ 76,358</u></b>        | <b><u>\$ 40,230,947</u></b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE LIABILITIES</b> |                             |                             |                                |                             |
| Accounts payable and accrued expenses   | \$ 1,165,795                | \$ 1,268,830                | \$ 61,589                      | \$ 2,496,214                |
| Due to other funds  | 40,869                      | -                           | 695                            | 41,564                      |
| Escrows payable   | 280,091                     | -                           | -                              | 280,091                     |
| Unearned revenues   | 138,583                     | -                           | -                              | 138,583                     |
| <b>TOTAL LIABILITIES</b>  | <b><u>1,625,338</u></b>     | <b><u>1,268,830</u></b>     | <b><u>62,284</u></b>           | <b><u>2,956,452</u></b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                             |                             |                                |                             |
| Unavailable revenues:   |                             |                             |                                |                             |
| Property taxes  | 578,127                     | -                           | -                              | 578,127                     |
| Loan proceeds   | 900,065                     | -                           | -                              | 900,065                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                      | <b><u>1,478,192</u></b>     | <b><u>-</u></b>             | <b><u>-</u></b>                | <b><u>1,478,192</u></b>     |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>                      | <b><u>3,103,530</u></b>     | <b><u>1,268,830</u></b>     | <b><u>62,284</u></b>           | <b><u>4,434,644</u></b>     |
| <b>FUND BALANCES</b>  |                             |                             |                                |                             |
| Nonspendable  | 92,493                      | -                           | -                              | 92,493                      |
| Restricted:   |                             |                             |                                |                             |
| Capital projects  | 2,615                       | 18,001,115                  | -                              | 18,003,730                  |
| Community development   | -                           | -                           | 14,074                         | 14,074                      |
| Culture and recreation  | 570,961                     | -                           | -                              | 570,961                     |
| Public safety   | 59,355                      | -                           | -                              | 59,355                      |
| Public works - highways and streets   | 432,216                     | -                           | -                              | 432,216                     |
| Scholarship fund  | 7,143                       | -                           | -                              | 7,143                       |
| Committed, budgetary reserve  | 7,307,178                   | -                           | -                              | 7,307,178                   |
| Assigned:   |                             |                             |                                |                             |
| Culture and recreation  | 112,440                     | -                           | -                              | 112,440                     |
| Unassigned  | 9,196,713                   | -                           | -                              | 9,196,713                   |
| <b>TOTAL FUND BALANCES</b>  | <b><u>17,781,114</u></b>    | <b><u>18,001,115</u></b>    | <b><u>14,074</u></b>           | <b><u>35,796,303</u></b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>      | <b><u>\$ 20,884,644</u></b> | <b><u>\$ 19,269,945</u></b> | <b><u>\$ 76,358</u></b>        | <b><u>\$ 40,230,947</u></b> |

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, 2016**

TOTAL GOVERNMENTAL FUND BALANCES \$ 35,796,303

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. 59,425,067

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               | (243,408)    |
| Bonds payable, net             | (52,270,313) |
| Other post-employment benefits | (14,117,000) |
| Net pension liability          | (26,501,213) |
| Compensated absences           | (2,615,385)  |

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. 1,478,192

Deferred inflows and outflows of resources related to the Township's net pension liability 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 - pensions | 5,296,193 |
| Deferred inflows of resources - pensions  | (523,749) |

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. 39,175

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,763,862

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, 2016**

|  | General<br>Fund      | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total                |
|--|----------------------|-----------------------------|--------------------------------|----------------------|
| <b>REVENUES</b>  |                      |                             |                                |                      |
| Taxes:   |                      |                             |                                |                      |
| Property   | \$ 23,851,115        | \$ -                        | \$ -                           | \$ 23,851,115        |
| Transfer   | 1,447,204            | -                           | -                              | 1,447,204            |
| Business privilege   | 1,172,274            | -                           | -                              | 1,172,274            |
| Mercantile   | 891,784              | -                           | -                              | 891,784              |
| Local services   | 589,637              | -                           | -                              | 589,637              |
| Licenses and permits   | 2,617,091            | -                           | -                              | 2,617,091            |
| Fines and forfeits   | 212,246              | -                           | -                              | 212,246              |
| Interest and rent  | 763,129              | 54,288                      | -                              | 817,417              |
| Intergovernmental revenues   | 3,366,313            | 181,960                     | 701,134                        | 4,249,407            |
| Charges for services   | 6,249,729            | -                           | -                              | 6,249,729            |
| Other  | 1,019,314            | 511,762                     | 217,852                        | 1,748,928            |
| <b>TOTAL REVENUES</b>  | <u>42,179,836</u>    | <u>748,010</u>              | <u>918,986</u>                 | <u>43,846,832</u>    |
| <b>EXPENDITURES</b>  |                      |                             |                                |                      |
| Current:   |                      |                             |                                |                      |
| General government   | 2,939,711            | 4,331,257                   | -                              | 7,270,968            |
| Public safety  | 18,427,101           | -                           | -                              | 18,427,101           |
| Public works - sanitation  | 4,031,095            | -                           | -                              | 4,031,095            |
| Public works - highways and streets                                  | 5,456,973            | 1,680,697                   | -                              | 7,137,670            |
| Culture and recreation   | 5,037,760            | 631,893                     | -                              | 5,669,653            |
| Community development  | 623,997              | -                           | 735,338                        | 1,359,335            |
| Debt service:  |                      |                             |                                |                      |
| Principal  | 1,650,000            | -                           | -                              | 1,650,000            |
| Interest   | 1,600,963            | -                           | -                              | 1,600,963            |
| Issuance costs   | -                    | 132,814                     | -                              | 132,814              |
| <b>TOTAL EXPENDITURES</b>  | <u>39,767,600</u>    | <u>6,776,661</u>            | <u>735,338</u>                 | <u>47,279,599</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>2,412,236</u>     | <u>(6,028,651)</u>          | <u>183,648</u>                 | <u>(3,432,767)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |                             |                                |                      |
| Interfund transfers in   | 600,000              | 1,209,931                   | -                              | 1,809,931            |
| Interfund transfers out  | (1,039,738)          | -                           | (170,193)                      | (1,209,931)          |
| Proceeds from sale of assets   | -                    | 13,700                      | -                              | 13,700               |
| Proceeds from issuance of long-term debt                             | -                    | 9,855,000                   | -                              | 9,855,000            |
| Bond premium   | -                    | 138,448                     | -                              | 138,448              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <u>(439,738)</u>     | <u>11,217,079</u>           | <u>(170,193)</u>               | <u>10,607,148</u>    |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 1,972,498            | 5,188,428                   | 13,455                         | 7,174,381            |
| <b>FUND BALANCES, BEGINNING OF YEAR</b>                              | <u>15,808,616</u>    | <u>12,812,687</u>           | <u>619</u>                     | <u>28,621,922</u>    |
| <b>FUND BALANCES, END OF YEAR</b>                                    | <u>\$ 17,781,114</u> | <u>\$ 18,001,115</u>        | <u>\$ 14,074</u>               | <u>\$ 35,796,303</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, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,174,381

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                    | \$ 7,205,760       |           |
| Loss on disposal of capital assets | (92,486)           |           |
| Depreciation expense               | <u>(2,716,644)</u> | 4,396,630 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (129,443)

Governmental funds report debt proceeds as an increase in financial resources. In the statement of activities, proceeds from debt are recorded as a liability. (9,993,448)

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 1,650,000

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 deferred charges on refunding  | (10,888)           |             |
| Increase in accrued interest payable       | (21,912)           |             |
| Decrease in bond premium                   | 28,304             |             |
| Decrease in bond discount                  | (711)              |             |
| Increase in compensated absences           | (198,435)          |             |
| Increase in other post-employment benefits | <u>(2,977,000)</u> | (3,180,642) |

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. (84,988)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (167,510)

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

**TOWNSHIP OF HAVERFORD  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
DECEMBER 31, 2016**

|   | <u>Sewer Fund</u>    |
|---|----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                              |                      |
| <b>ASSETS</b>   |                      |
| Current Assets:   |                      |
| Cash and cash equivalents   | \$ 7,348,583         |
| Accounts receivable   | 326,458              |
| Due from other funds  | 40,869               |
| Total Current Assets  | 7,715,910            |
| Noncurrent Assets:  |                      |
| Buildings and improvements  | 811,067              |
| Vehicles  | 668,702              |
| Sewer system  | 5,324,008            |
| Less: Accumulated depreciation  | (1,637,127)          |
| Total Noncurrent Assets   | 5,166,650            |
| <b>TOTAL ASSETS</b>   | <b>12,882,560</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                      |
| Deferred outflows of resources - pension                                      | 142,198              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                        | <b>\$ 13,024,758</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND NET POSITION</b>       |                      |
| <b>LIABILITIES</b>  |                      |
| Current Liabilities:  |                      |
| Accounts payable and accrued expenses   | \$ 165,813           |
| Due to other funds  | 2,681                |
| Total Current Liabilities   | 168,494              |
| Noncurrent Liabilities:   |                      |
| Net pension liability   | 624,344              |
| Compensated absences  | 47,618               |
| Total Noncurrent Liabilities  | 671,962              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |
| Deferred inflows of resources - pension                                       | 12,779               |
| <b>NET POSITION</b>   |                      |
| Net investment in capital assets  | 5,166,650            |
| Unrestricted  | 7,004,873            |
| Total Net Position  | 12,171,523           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND NET POSITION</b> | <b>\$ 13,024,758</b> |

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, 2016**

|                                    | Sewer Fund    |
|------------------------------------|---------------|
| OPERATING REVENUES                 |               |
| Charges for sewer services         | \$ 4,995,524  |
| Other revenues                     | 38,082        |
| TOTAL OPERATING REVENUES           | 5,033,606     |
| OPERATING EXPENSES                 |               |
| Treatment and operational expenses | 2,387,880     |
| Salaries and benefits              | 783,695       |
| General and administrative         | 67,399        |
| Depreciation                       | 129,988       |
| TOTAL OPERATING EXPENSES           | 3,368,962     |
| OPERATING INCOME                   | 1,664,644     |
| NONOPERATING REVENUES              |               |
| Interest and investment income     | 23,235        |
| TOTAL NONOPERATING REVENUES        | 23,235        |
| OPERATING TRANSFERS                |               |
| Transfers out                      | (600,000)     |
| CHANGE IN NET POSITION             | 1,087,879     |
| NET POSITION, BEGINNING OF YEAR    | 11,083,644    |
| NET POSITION, END OF YEAR          | \$ 12,171,523 |

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, 2016**

|   | Sewer Fund          |
|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |
| Cash received from users  | \$ 4,902,656        |
| Payments to employees for services  | (762,969)           |
| Payments to suppliers   | (2,490,444)         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>1,649,243</b>    |
| <b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>                     |                     |
| Interfund transfers   | (600,000)           |
| <b>NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>                     | <b>(600,000)</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |                     |
| Acquisition and construction of capital assets  | (179,020)           |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        | <b>(179,020)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |
| Interest and investment income  | 23,235              |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <b>23,235</b>       |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | <b>893,458</b>      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                     | <b>6,455,125</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 7,348,583</b> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                     |
| Operating income  | \$ 1,664,644        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |
| Depreciation expense  | 129,988             |
| (Increase) Decrease in assets:  |                     |
| Accounts receivable   | (130,950)           |
| Due from other funds  | 7,749               |
| Deferred outflows of resources - pension  | 23,030              |
| Increase (Decrease) in liabilities:   |                     |
| Accounts payable  | (45,298)            |
| Due to other funds  | 2,384               |
| Net pension liability   | 60                  |
| Compensated absences  | 1,326               |
| Deferred inflows of resources - pension   | (3,690)             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>\$ 1,649,243</b> |

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

**TOWNSHIP OF HAVERFORD**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

|   | Pension<br>Trust Funds | Agency<br>Funds  |
|---|------------------------|------------------|
| <b>ASSETS</b>                             |                        |                  |
| Cash and cash equivalents                 | \$ 2,474,117           | \$ 77,520        |
| Investments in mutual funds, fair value   | 55,212,586             | -                |
| Members' contributions receivable         | 23,743                 | -                |
| Municipal contribution receivable         | 4,774                  | -                |
| <b>TOTAL ASSETS</b>                       | <b>\$ 57,715,220</b>   | <b>\$ 77,520</b> |
| <br><b>LIABILITIES AND NET POSITION</b>   |                        |                  |
| <b>LIABILITIES</b>                        |                        |                  |
| Donations payable                         | \$ -                   | \$ 77,520        |
| Contribution refunds payable              | 64,736                 | -                |
| <b>TOTAL LIABILITIES</b>                  | <b>64,736</b>          | <b>77,520</b>    |
| <br><b>NET POSITION</b>                   |                        |                  |
| Held in trust for pension benefits        | 57,650,484             | -                |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 57,715,220</b>   | <b>\$ 77,520</b> |

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



**TOWNSHIP OF HAVERFORD  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Pension<br>Trust Funds |
|---|------------------------|
| <b>ADDITIONS</b>                            |                        |
| Contributions:                              |                        |
| Employer contributions                      | \$ 3,617,482           |
| Member contributions                        | 661,519                |
| Commonwealth of Pennsylvania                | 1,137,408              |
| Miscellaneous receipts                      | 723                    |
| Total Contributions                         | 5,417,132              |
| Investment Income:                          |                        |
| Net realized/unrealized gain on investments | 2,408,961              |
| Interest and dividends                      | 1,244,152              |
| Investment expenses                         | (155,373)              |
| Net Investment Income                       | 3,497,740              |
| <b>TOTAL ADDITIONS</b>                      | <b>8,914,872</b>       |
| <b>DEDUCTIONS</b>                           |                        |
| Employee benefit payments                   | 4,177,755              |
| Administrative expenses                     | 2,000                  |
| Insurance                                   | 13,670                 |
| Return of member contributions              | 133,345                |
| <b>TOTAL DEDUCTIONS</b>                     | <b>4,326,770</b>       |
| <b>CHANGE IN FIDUCIARY NET POSITION</b>     | <b>4,588,102</b>       |
| <b>NET POSITION, BEGINNING OF YEAR</b>      | <b>53,062,382</b>      |
| <b>NET POSITION, END OF YEAR</b>            | <b>\$ 57,650,484</b>   |

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.

Component Unit

The Haverford Township Free 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*.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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, non-recurring 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.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

**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.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 available 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.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 improvement 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 seventy percent (70%) of the daily base pay for the retiring officer's rank in effect as of January 1, 2016. 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** – 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.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 two 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 projected and actual earnings on pension plan investments.

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 two 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. The deferred amount related to pensions is the result of differences between expected and actual plan experience.

Net Position Flow Assumption

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.

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



TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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.

**Net Position** – The Township has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **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. As of December 31, 2016, 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.

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 and liabilities and disclosure of

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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.

Implementation of GASB Statement

The Township has implemented GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value investments. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The new disclosures required by GASB Statement No. 72 are included in Note 3 to the financial statements.

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 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.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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

Excess of Expenditures Over Appropriations

For the year ended December 31, 2016, the General Fund incurred expenditures in excess of appropriations in the following functions:

| Function                            | Expenditures<br>Over Budget |
|-------------------------------------|-----------------------------|
| Public works – sanitation           | \$ 32,609                   |
| Public works – highways and streets | \$ 56,481                   |

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 year end, the carrying amount of deposits was \$47,374,657 and the bank balance was \$47,943,439. Of the bank balance, \$750,000 was covered by federal depository insurance; \$15,097,432 exceeded depository insurance and was exposed to 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 \$32,096,007 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, 2016), and is subject to an independent annual audit.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

***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>              |
|---------------------------|-----------------------------|-----------------------------|
| Exchange traded funds     | \$ 27,358,395               | \$ 27,358,395               |
| Equity mutual funds       | 17,003,268                  | 17,003,268                  |
| Fixed income mutual funds | <u>10,850,923</u>           | <u>10,850,923</u>           |
| <b>TOTAL</b>              | <b><u>\$ 55,212,586</u></b> | <b><u>\$ 55,212,586</u></b> |

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 mutual funds credit risk ranges from a rating of B to AA by Moody's.

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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

***Free Library Deposits***

As of December 31, 2016, the total carrying amount (including the Private Purpose Trust Fund in the amount of \$44,160) of the Library's deposits was \$1,012,871, and the corresponding bank balance was \$1,017,346.

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 does not have a policy for custodial credit risk. The bank balances are covered by federal depository insurance.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Library has no investment subject to custodial credit risk.

Interest Rate Risk

The Library has no formal policy that limits investment choices to certain credit ratings.

Credit Risk

The Library has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Library has no investment policy that would limit the amount the Library may invest in one issuer.

NOTE 4 RECEIVABLES

Receivables as of year end for the Township are as follows:

|                            | General<br>Fund    | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Fund | Sewer<br>Fund     | Fiduciary<br>Funds |
|----------------------------|--------------------|-----------------------------|-------------------------------|-------------------|--------------------|
| Accounts receivable        | \$ 990,826         | \$ 66,960                   | \$ 22,560                     | \$ 326,458        | \$ -               |
| Taxes receivable           | 680,230            | -                           | -                             | -                 | -                  |
| Contributions receivable   | -                  | -                           | -                             | -                 | 28,517             |
| Due from other governments | 900,065            | -                           | -                             | -                 | -                  |
|                            | <u>\$2,571,121</u> | <u>\$ 66,960</u>            | <u>\$ 22,560</u>              | <u>\$ 326,458</u> | <u>\$ 28,517</u>   |

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 RECEIVABLES

Notes Receivable (Due from Other Governments)

In 2001, the Township granted a loan in the amount of \$616,120 to the Llanerch Fire Company. The loan bears interest at three percent, payable semi-annually on May 31 and November 30. The loan matured and was repaid in its entirety during 2016. The total principal and interest payments received on this loan for the year ended December 31, 2016 were \$56,218 and \$843, respectively.

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 loan for the year ended December 31, 2016 were \$71,425 and \$48,575, respectively, and the outstanding balance was \$900,065.

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>        |
|---------------------------------|-------------------|-------------------|---------------------|
| 2017                            | \$ 74,997         | \$ 45,003         | \$ 120,000          |
| 2018                            | 78,747            | 41,253            | 120,000             |
| 2019                            | 82,684            | 37,316            | 120,000             |
| 2020                            | 86,818            | 33,182            | 120,000             |
| 2021                            | 91,159            | 28,841            | 120,000             |
| 2022 - 2025                     | <u>485,660</u>    | <u>67,448</u>     | <u>553,108</u>      |
| TOTALS                          | <u>\$ 900,065</u> | <u>\$ 253,043</u> | <u>\$ 1,153,108</u> |

NOTE 5 CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2016 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities:</u>                       |                              |                  |                  |                           |
| General capital assets not<br>being depreciated:      |                              |                  |                  |                           |
| Land  | \$13,166,209                 | \$ 566,542       | \$ -             | \$13,732,751              |
| Construction-in-progress                              | <u>762,405</u>               | <u>4,521,643</u> | <u>497,306</u>   | <u>4,786,742</u>          |
| Total general capital assets<br>not being depreciated | <u>13,928,614</u>            | <u>5,088,185</u> | <u>497,306</u>   | <u>18,519,493</u>         |

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

|   | Beginning<br>Balance | Increases           | Decreases         | Ending<br>Balance   |
|---|----------------------|---------------------|-------------------|---------------------|
| General capital assets being depreciated:           |                      |                     |                   |                     |
| Roads   | 20,497,726           | 1,222,596           | -                 | 21,720,322          |
| Storm sewers  | 10,797,943           | 27,120              | -                 | 10,825,063          |
| Recreation equipment                                | 6,169,574            | 524,1016            | -                 | 6,693,680           |
| Traffic signals                                     | 505,029              | 67,435              | -                 | 572,464             |
| Buildings   | 13,518,412           | -                   | -                 | 13,518,412          |
| Vehicles  | 13,929,111           | 746,424             | 899,551           | 13,775,984          |
| Buildings improvements                              | 3,008,049            | -                   | -                 | 3,008,049           |
| General improvements and equipment                  | 3,577,808            | 27,200              | -                 | 3,605,008           |
| Total general capital assets being depreciated      | <u>72,003,652</u>    | <u>2,614,881</u>    | <u>899,551</u>    | <u>73,718,982</u>   |
| Accumulated depreciation:                           |                      |                     |                   |                     |
| Roads   | 10,329,962           | 942,266             | -                 | 11,272,228          |
| Storm sewers  | 1,505,136            | 144,153             | -                 | 1,649,289           |
| Recreation equipment                                | 2,233,923            | 308,571             | -                 | 2,542,494           |
| Traffic signals                                     | 199,652              | 19,154              | -                 | 218,806             |
| Buildings   | 3,360,755            | 281,462             | -                 | 3,642,217           |
| Vehicles  | 9,990,650            | 708,964             | 807,065           | 9,892,549           |
| Buildings improvements                              | 1,061,858            | 151,762             | -                 | 1,213,620           |
| General improvements and equipment                  | 2,221,893            | 160,312             | -                 | 2,382,205           |
| Total accumulated depreciation                      | <u>30,903,829</u>    | <u>2,716,644</u>    | <u>807,065</u>    | <u>32,813,408</u>   |
| Total general capital assets being depreciated, net | <u>41,099,823</u>    | <u>(101,763)</u>    | <u>92,486</u>     | <u>40,905,574</u>   |
| Governmental Activities, Net                        | <u>\$55,028,437</u>  | <u>\$ 4,986,422</u> | <u>\$ 589,792</u> | <u>\$59,425,067</u> |

Business-type activities capital asset activity for the year ended December 31, 2016, was as follows:

|  | Beginning<br>Balance | Increases      | Decreases      | Ending<br>Balance |
|--|----------------------|----------------|----------------|-------------------|
| <u>Business-type Activities:</u>       |                      |                |                |                   |
| Capital assets being depreciated:      |                      |                |                |                   |
| Sanitary sewers                        | \$5,195,007          | \$ 129,001     | \$ -           | \$5,324,008       |
| Buildings                              | 811,067              | -              | -              | 811,067           |
| Vehicles                               | 862,874              | 50,019         | 244,191        | 668,702           |
| Total capital assets being depreciated | <u>6,868,948</u>     | <u>179,020</u> | <u>244,191</u> | <u>6,803,777</u>  |

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

|                                | Beginning<br>Balance | Increases        | Decreases      | Ending<br>Balance   |
|--------------------------------|----------------------|------------------|----------------|---------------------|
| Accumulated depreciation:      |                      |                  |                |                     |
| Sanitary sewers                | 702,875              | 70,127           | -              | 773,002             |
| Buildings                      | 399,116              | 15,258           | -              | 414,374             |
| Vehicles                       | 649,339              | 44,603           | 244,191        | 449,751             |
| Total accumulated depreciation | <u>1,751,330</u>     | <u>129,988</u>   | <u>244,191</u> | <u>1,637,127</u>    |
| Business-type Activities, Net  | <u>\$ 5,117,618</u>  | <u>\$ 49,032</u> | <u>\$ -</u>    | <u>\$ 5,166,650</u> |

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

Governmental Activities:

|                                     |               |
|-------------------------------------|---------------|
| General government                  | \$ 31,542     |
| Public safety                       | 386,323       |
| Public works - sanitation           | 174,391       |
| Public works - highways and streets | 1,418,678     |
| Culture and recreation              | 693,847       |
| Community development               | <u>11,863</u> |

Total Depreciation Expense - Governmental Activities \$ 2,716,644

Business-type Activities:

Sewer \$ 129,988

Capital asset activity for the Free Library for the year ended December 31, 2016, was as follows:

|                                      | Beginning<br>Balance | Increases          | Decreases   | Ending<br>Balance |
|--------------------------------------|----------------------|--------------------|-------------|-------------------|
| <u>Component Unit – Free Library</u> |                      |                    |             |                   |
| Capital assets:                      |                      |                    |             |                   |
| Leasehold improvements               | \$ 233,584           | \$ -               | \$ -        | \$ 233,584        |
| Furniture and equipment              | 104,238              | -                  | -           | 104,238           |
| Construction-in-progress             | 41,006               | -                  | -           | 41,006            |
| Total capital assets                 | <u>378,828</u>       | <u>-</u>           | <u>-</u>    | <u>378,828</u>    |
| Accumulated depreciation:            |                      |                    |             |                   |
| Leasehold improvements               | 108,764              | 12,264             | -           | 121,028           |
| Furniture and equipment              | 45,316               | 9,639              | -           | 54,955            |
| Total accumulated depreciation       | <u>154,080</u>       | <u>21,903</u>      | <u>-</u>    | <u>175,983</u>    |
| Capital Assets, Net                  | <u>\$ 224,748</u>    | <u>\$ (21,903)</u> | <u>\$ -</u> | <u>\$ 202,845</u> |



TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

|                             | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|-----------------------------|------------------------------|-------------------|------------------|---------------------------|
| Book Collection:            |                              |                   |                  |                           |
| Exhaustible book collection | \$ 1,537,243                 | \$ 122,327        | \$ -             | \$ 1,659,570              |
| Accumulated depreciation    | 1,176,075                    | 108,375           | -                | 1,284,450                 |
| Book Collection, Net        | <u>\$ 361,168</u>            | <u>\$ 13,952</u>  | <u>\$ -</u>      | <u>\$ 375,120</u>         |
| Total Capital Assets, Net   | <u>\$ 585,916</u>            | <u>\$ (7,951)</u> | <u>\$ -</u>      | <u>\$ 577,965</u>         |

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances and transfers as of December 31, 2016, is as follows:

Due To/From Other Funds

|                               | <u>Due From</u>  | <u>Due To</u>    |
|-------------------------------|------------------|------------------|
| General Fund                  | \$ 2,681         | \$ 40,869        |
| Other Governmental Funds      | 695              | 695              |
| Sewer Fund - Proprietary Fund | <u>40,869</u>    | <u>2,681</u>     |
| Total                         | <u>\$ 44,245</u> | <u>\$ 44,245</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>Transfer In</u>  | <u>Transfer Out</u> |
|-------------------------------|---------------------|---------------------|
| General Fund                  | \$ 600,000          | \$ 1,039,738        |
| Capital Projects Fund         | 1,209,931           | -                   |
| Other Governmental Funds      | -                   | 170,193             |
| Sewer Fund - Proprietary Fund | <u>-</u>            | <u>600,000</u>      |
| Total                         | <u>\$ 1,809,931</u> | <u>\$ 1,809,931</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, 2016, the Township had the following debt instruments outstanding:

|  |                      |
|--|----------------------|
| General Obligation Bonds, Series of 2010, issued in May 2010 in the amount of \$29,025,000 for the purpose of currently refunding the General Obligation Bonds, Series of 2001 and Series A of 2005, and the General Obligation Note, Series of 2009, as well as for funding certain capital projects. The bonds bear interest at 2.5% - 5.0%, payable semi-annually on June 1 and December 1, and mature on June 1, 2030. | \$ 22,900,000        |
| General Obligation Bonds, Series of 2013, issued in September 2013 in the amount of \$10,000,000 for the purpose of currently refunding the General Obligation Note, Series of 2012, and for funding certain capital projects. The bonds bear interest at 2.0% - 4.6%, payable semi-annually on April 15 and October 15, and mature on October 15, 2043.   | 9,555,000            |
| 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.  | 9,440,000            |
| 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.  | <u>9,855,000</u>     |
| Total  | <u>\$ 51,750,000</u> |

The total principal and interest maturities are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 2017                            | \$ 1,880,000         | \$ 1,853,050         | \$ 3,733,050         |
| 2018                            | 2,020,000            | 1,719,320            | 3,739,320            |
| 2019                            | 2,095,000            | 1,643,833            | 3,738,833            |
| 2020                            | 2,155,000            | 1,582,545            | 3,737,545            |
| 2021                            | 2,220,000            | 1,513,445            | 3,733,445            |
| 2022 - 2026                     | 12,255,000           | 6,410,127            | 18,665,127           |
| 2027 - 2031                     | 10,585,000           | 4,090,236            | 14,675,236           |
| 2032 - 2036                     | 6,455,000            | 2,663,330            | 9,118,330            |
| 2037 - 2041                     | 4,920,000            | 1,630,510            | 6,550,510            |
| 2042 - 2046                     | <u>7,165,000</u>     | <u>381,836</u>       | <u>7,546,836</u>     |
| TOTALS                          | <u>\$ 51,750,000</u> | <u>\$ 23,488,232</u> | <u>\$ 75,238,232</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:

|                           | <u>Beginning<br/>Balance</u> | <u>Increases</u>           | <u>Decreases</u>           | <u>Ending<br/>Balance</u>  | <u>Due Within<br/>One Year</u> |
|---------------------------|------------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| Governmental Activities:  |                              |                            |                            |                            |                                |
| Bonds payable             | \$43,545,000                 | \$ 9,855,000               | \$ 1,650,000               | \$51,750,000               | \$ 1,880,000                   |
| Bond premium              | 428,645                      | 138,448                    | 28,304                     | 538,789                    | 30,999                         |
| Bond discount             | (19,187)                     | -                          | (711)                      | (18,476)                   | (711)                          |
| Bonds payable, net        | 43,954,458                   | 9,993,448                  | 1,677,593                  | 52,270,313                 | 1,910,288                      |
| Compensated absences      | 2,416,950                    | 198,435                    | -                          | 2,615,385                  | -                              |
| <b>TOTAL</b>              | <b><u>\$46,371,408</u></b>   | <b><u>\$10,191,883</u></b> | <b><u>\$ 1,677,593</u></b> | <b><u>\$54,885,698</u></b> | <b><u>\$ 1,910,288</u></b>     |
| Business-type Activities: |                              |                            |                            |                            |                                |
| Compensated absences      | <u>\$ 46,292</u>             | <u>\$ 1,326</u>            | <u>\$ -</u>                | <u>\$ 47,618</u>           | <u>\$ -</u>                    |

For the governmental activities, claims and compensated absences are generally liquidated by the General 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 \$0 in claims for the year ended December 31, 2016.

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 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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 INR Advisory Services, LLC and PFM Asset Management, LLC.

Plan Membership

At December 31, 2016, plan membership consisted of the following:

|   |            |
|---|------------|
| Active employees  | 66         |
| Retirees and beneficiaries currently receiving benefits | 82         |
| Vested terminated members                               | <u>6</u>   |
| TOTAL   | <u>154</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 11, 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*** – Fifty 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.

***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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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

***Post Retirement 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 2016, the MMO obligation for the Police Pension Plan was \$3,113,035 for the year 2016. Contributions of \$3,113,035 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 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

The Plan's investment policy for 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%                    | <u>-0.31%</u>                            |
| <br>Total Net Blended Return |                          | <br>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%                   | 5.20%                                    |
| International equity                | 15.00%                   | 5.20%                                    |
| Emerging markets                    | 6.00%                    | 5.20%                                    |
| Core fixed income                   | 29.00%                   | 3.00%                                    |
| Intermediate investment grade corp. | 2.75%                    | 3.80%                                    |
| Bank loans                          | 2.75%                    | 2.70%                                    |
| High yield                          | 2.75%                    | 4.30%                                    |
| Emerging debt                       | 2.75%                    | 4.80%                                    |
| Cash                                | 0.00%                    | <u>0.80%</u>                             |
| <br>Total Net Blended Return        |                          | <br>4.42%*                               |

\* - Excludes 2.25% 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 9 DEFINED BENEFIT PENSION PLAN (POLICE 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, 2016 are presented in the previous tables.

Concentrations

More than five percent of the Township's investments are in mutual funds. These investments are 100 percent of the plan's total investments.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.57 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 law Act 205 of 1984. 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 2016, were as follows:

|   |                      |
|---|----------------------|
| Total pension liability   | \$ 47,721,824        |
| Fiduciary net position  | <u>(31,588,245)</u>  |
| Net pension liability   | <u>\$ 16,133,579</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 66.19%               |

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

|                                     | Total<br>Pension<br>Liability | Plan<br>Fiduciary<br>Net Position | Net<br>Pension<br>Liability |
|-------------------------------------|-------------------------------|-----------------------------------|-----------------------------|
| Balance at December 31, 2015        | \$ 45,435,035                 | \$ 28,682,902                     | \$ 16,752,133               |
| Changes for the year:               |                               |                                   |                             |
| Service cost                        | 996,981                       | -                                 | 996,981                     |
| Interest on total pension liability | 3,729,984                     | -                                 | 3,729,984                   |
| Contributions - employer            | -                             | 3,113,035                         | (3,113,035)                 |
| Contributions - employee            | -                             | 357,193                           | (357,193)                   |
| Net investment income               | -                             | 1,883,126                         | (1,883,126)                 |
| Benefit payments                    | (2,440,176)                   | (2,440,176)                       | -                           |
| Administrative expenses             | -                             | (7,835)                           | 7,835                       |
| Net Changes                         | <u>2,286,789</u>              | <u>2,905,343</u>                  | <u>(618,554)</u>            |
| Balance at December 31, 2016        | <u>\$ 47,721,824</u>          | <u>\$ 31,588,245</u>              | <u>\$ 16,133,579</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 8.25 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 (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

|                       | 1%<br>Decrease<br>7.25% | Current Rate<br>Discount Rate<br>8.25% | 1%<br>Increase<br>9.25% |
|-----------------------|-------------------------|--|-------------------------|
| Net pension liability | \$ 21,385,102           | \$ 16,133,579                          | \$ 11,671,760           |

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2016, the Township recognized pension expense of \$2,872,656. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows | Deferred<br>Inflows |
|--|----------------------|---------------------|
| Differences between actual and expected experience         | \$ -                 | \$ 311,538          |
| Changes in assumptions                                     | 1,109,409            | -                   |
| Difference between actual and projected investment returns | 1,825,488            | -                   |
| Total Deferred Outflows and Inflows                        | <u>\$ 2,934,897</u>  | <u>\$ 311,538</u>   |



TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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

| <u>Year Ended December 31,</u> |                     |
|--------------------------------|---------------------|
| 2017                           | \$ 839,349          |
| 2018                           | 839,349             |
| 2019                           | 839,347             |
| 2020                           | <u>105,314</u>      |
|                                | <u>\$ 2,623,359</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, 2015. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2016 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              | 5.25 percent  |
| Investment rate of return     | 8.25 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2015 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 DROP. As of December 31, 2016, there were three members participating in the DROP with a total DROP account balance of \$287,484.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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 INR Advisory Services, LLC and PPM Asset Management, LLC.

Plan Membership

At December 31, 2016, plan membership consisted of the following:

|   |            |
|---|------------|
| Active employees  | 92         |
| Retirees and beneficiaries currently receiving benefits | 91         |
| Vested terminated members                               | <u>11</u>  |
| TOTAL   | <u>194</u> |

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: None
- Vesting: 100 percent vested after five years of service.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

**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)** – Fifty percent of annual regular wages at the date of the disability offset by worker's compensation. The combination of monies received from the service connected disability benefits and worker's 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 (Non-service Related)** – Seventy 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: If disability determined is 1) between age 65 but before attaining 66: 21 monthly benefit payments, or 2) between age 66 but before attaining 67: 18 monthly benefit payments, or 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.

**Post Retirement 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.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 2016, the MMO obligation for the Non-Uniformed Pension Plan was \$1,617,081 for the year 2016. Contributions of \$1,617,081 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.

The Plan's investment policy for 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%                    | <u>-0.31%</u>                            |
| 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:

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

| <u>Asset Class</u>                  | <u>Target Allocation</u> | <u>Long-term Expected Rate of Return</u> |
|-------------------------------------|--------------------------|--|
| Domestic equity                     | 39.00%                   | 5.20%                                    |
| International equity                | 15.00%                   | 5.20%                                    |
| Emerging markets                    | 6.00%                    | 5.20%                                    |
| Core fixed income                   | 29.00%                   | 3.00%                                    |
| Intermediate investment grade corp. | 2.75%                    | 3.80%                                    |
| Bank loans                          | 2.75%                    | 2.70%                                    |
| High yield                          | 2.75%                    | 4.30%                                    |
| Emerging debt                       | 2.75%                    | 4.80%                                    |
| Cash                                | 0.00%                    | <u>0.80%</u>                             |
| <br>Total Net Blended Return        |                          | <br>4.42%*                               |

\* - Excludes 2.25% 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 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, 2016 are presented in the previous tables.

Concentrations

More than five percent of the Township's investments are in mutual funds. These investments are 100 percent of the plan's total investments.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.62 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 law Act 205 of 1984. 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, 2016, were as follows:

|   |                      |
|---|----------------------|
| Total pension liability   | \$ 36,905,092        |
| Fiduciary net position  | <u>(25,913,114)</u>  |
| Net pension liability   | <u>\$ 10,991,978</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 70.22%               |

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:

|                                     | <u>Total<br/>Pension<br/>Liability</u> | <u>Plan<br/>Fiduciary<br/>Net Position</u> | <u>Net<br/>Pension<br/>Liability</u> |
|-------------------------------------|--|--|--------------------------------------|
| Balance at December 31, 2015        | <u>\$ 35,264,107</u>                   | <u>\$ 24,277,403</u>                       | <u>\$ 10,986,704</u>                 |
| Changes for the year:               |  |  |                                      |
| Service cost                        | 618,957                                | -  | 618,957                              |
| Interest on total pension liability | 2,883,564                              | -  | 2,883,564                            |
| Contributions - employer            | -                                      | 1,617,081                                  | (1,617,081)                          |
| Contributions - employee            | -                                      | 280,513                                    | (280,513)                            |
| Net investment income               | -                                      | 1,607,488                                  | (1,607,488)                          |
| Benefit payments                    | (1,861,536)                            | (1,861,536)                                | -                                    |
| Administrative expenses             | -                                      | (7,835)                                    | 7,835                                |
| Net Changes                         | <u>1,640,985</u>                       | <u>1,635,711</u>                           | <u>5,274</u>                         |
| Balance at December 31, 2016        | <u>\$ 36,905,092</u>                   | <u>\$ 25,913,114</u>                       | <u>\$ 10,991,978</u>                 |

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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 8.25 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 (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

|                       | 1%<br>Decrease<br>7.25% | Current Rate<br>Discount Rate<br>8.25% | 1%<br>Increase<br>9.25% |
|-----------------------|-------------------------|--|-------------------------|
| Net pension liability | \$ 15,001,444           | \$ 10,991,978                          | \$ 7,553,144            |

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2016, the Township recognized pension expense of \$1,961,848. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows | Deferred<br>Inflows |
|--|----------------------|---------------------|
| Differences between actual and expected experience         | \$ -                 | \$ 224,990          |
| Changes in assumptions                                     | 946,714              | -                   |
| Difference between actual and projected investment returns | 1,556,780            | -                   |
| Total Deferred Outflows and Inflows                        | \$ 2,503,494         | \$ 224,990          |

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

| <u>Year Ended December 31,</u> |              |
|--------------------------------|--------------|
| 2017                           | \$ 702,703   |
| 2018                           | 702,703      |
| 2019                           | 702,702      |
| 2020                           | 170,396      |
|                                | \$ 2,278,504 |

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

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

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, 2015. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2016 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 | 10 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     | 8.25 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Mortality Table projected to 2015 using Scale AA.

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 INR Advisory Services, LLC.

Under the plan, the employer and employee contributions are negotiated through labor contracts. For 2016, both the employer and employee contribution rate was two 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, 2016, contributions of \$48,587 were made to this plan.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

The Township has adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability of \$14,117,000 for governmental activities in 2016.



TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (cont'd)

Description of the OPEB Plan

The Township sponsors a single employer defined postemployment benefit plan that provides fully insured medical and self-insured prescription drug, dental, and vision benefits to two groups of participants: Police and Civilian. 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 administrated by third-party administrators. The requirements for eligibility mirror the requirements for retirement. The plan does not issue a stand-alone financial report.

Funding Policy

Under the current labor contract, civilian retirees and their spouses (and eligible dependents) 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, while spouses receive 50 percent paid insurance. As of January 1, 2016, all civilian retirees aged 65 or older were removed from any and all Township-administrated supplements or health care plans (unless retired under a special employment contract specific to that individual).

Under the current labor contract, police retirees and their spouses (and eligible dependents) receive 100 percent paid benefits for medical, prescription drug, dental, and vision through age 65. At age 65, the Township shall provide a Medicare supplement and pay 100 percent of the premium for the retired officer and 50 percent of the premium for the spouse of a retired officer and any eligible dependents for a period not to exceed five years after the retired officer becomes eligible for Medicare. Should a spouse of a retired officer become eligible for Medicare within the five-year period, the Township shall provide supplementary coverage in the balance of the five years.

Except in cases of retired civilians over age 65 and retired civilians' spouses over age 63, retirees are not required to make contributions to either plan. The contribution requirements of plan members have been established and may be amended through Civilian and Police Labor Contracts. The Township is accounting for these expenditures on a "pay-as-you-go" basis. For December 31, 2016, there were no amounts contributed to this plan. There are currently eight civilian and 38 police retirees receiving these benefits. The amount paid out for insurance premium payments to eligible non-uniformed and police retirees in 2016 was \$167,000 and \$784,000, respectively.

***Funded Status and Funding Progress***

The funded status of each plan as of January 1, 2016, the most recent actuarial valuation date, is as follows:

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (cont'd)

|               | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|---------------|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| Non-uniformed | 01/01/16                       | \$ -                                   | \$ 4,379,000   | \$ 4,379,000                       | 0.00%                    | \$8,032,437               | 54.52%  |
| Police        | 01/01/16                       | \$ -                                   | \$38,817,000   | \$38,817,000                       | 0.00%                    | \$7,657,843               | 506.89%   |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the OPEB plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedules of funding progress, presented as required supplementary information ("RSI") following the notes to the financial statements, present multiyear trend information about whether the actuarial value of the OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no plan assets, required disclosures over plan assets are not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the Township's net OPEB obligation are as follows:

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (cont'd)

|  | Non-Uniformed<br>Plan       | Police<br>Plan              |
|--|-----------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u> |
| Annual required contribution               | \$ 553,000                  | \$ 3,548,000                |
| Interest on net OPEB obligation            | 114,000                     | 332,000                     |
| Adjustment to annual required contribution | <u>(158,000)</u>            | <u>(461,000)</u>            |
| Annual OPEB cost (expense)                 | 509,000                     | 3,419,000                   |
| Contributions made                         | <u>(167,000)</u>            | <u>(784,000)</u>            |
| Increase in net OPEB obligation            | 342,000                     | 2,635,000                   |
| Net OPEB obligation - beginning of year    | <u>2,853,000</u>            | <u>8,287,000</u>            |
| Net OPEB obligation - end of year          | <u>\$ 3,195,000</u>         | <u>\$ 10,922,000</u>        |

Actuarial Methods and Assumptions

Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The annual required contribution for the current year was determined as part of the January 1, 2016 actuarial valuation using the following assumptions:

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Projected Unit Credit  |
| Amortization Method           | Level Percentage Open  |
| Remaining amortization period | 30 years   |
| Discount Rate                 | 4.0%   |
| Inflation Rate                | 3.5%   |
| Healthcare Trend Rate         | 8.0% grading down by 0.5% annually, to an ultimate discount rate of 3.0% |

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 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, 2016, \$280,091 represents the balance of these monies held in escrow in the General Fund.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 14 HAVERFORD TOWNSHIP FREE LIBRARY REVENUES

The Haverford Township Free 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 2016, the contributions from the Township totaled \$1,099,887. 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, 2016.

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:

|                              | Project<br>Amount    | Completed<br>as of<br>12/31/16 | Commitments          |
|------------------------------|----------------------|--------------------------------|----------------------|
| Municipal Services Building: |                      |                                |                      |
| Architecture and design      | \$ 804,807           | \$ 671,073                     | \$ 133,734           |
| Project management           | 347,700              | 177,007                        | 170,693              |
| General contractor           | 10,211,789           | 2,692,102                      | 7,519,687            |
| Fire protection              | 220,000              | 9,150                          | 210,850              |
| HVAC                         | 1,255,000            | -                              | 1,255,000            |
| Electric                     | 1,936,410            | 104,689                        | 1,831,721            |
| Plumbing                     | 578,000              | 156,170                        | 421,830              |
| Testing and inspections      | 52,800               | 5,943                          | 46,857               |
| Consulting                   | 10,000               | 7,800                          | 2,200                |
| Totals                       | <u>\$ 15,416,506</u> | <u>\$ 3,823,934</u>            | <u>\$ 11,592,572</u> |

In addition, the Township incurred costs in the amount of \$962,808 for various other projects that were not under a formalized agreement.

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 future project with awarding of contracts with an expected completion date in late 2018. As of December 31, 2016, the Township has paid \$383,922 of the total committed amount.

TOWNSHIP OF HAVERFORD  
NOTES TO FINANCIAL STATEMENTS

NOTE 16 PRIOR PERIOD RESTATEMENT

The Township has restated its January 1, 2016 governmental activities net position due to an error detected in the opening balance of the other post-employment benefits obligation. This restatement resulted in an increase in governmental activities net position of \$2,692,283.

NOTE 17 SUBSEQUENT EVENTS

In January 2017, the Township authorized and entered into purchase agreements in the amount of \$240,110 for the acquisition of six police vehicles; in the amount of \$256,366 for the acquisition of a highway department sweeper; and in the amount of \$1,998,694 for the acquisition of a pumper fire apparatus and an aerial fire apparatus.

In February 2017, the Township authorized and entered into purchase agreements in the amount of \$170,457 for the acquisition of a sanitation department collection truck, and in the amount of \$171,007 for the acquisition of a vehicle fueling system for the new municipal complex under construction.

In April 2017, the Township passed a resolution officially authorizing the Township Manager to execute any documents relating to a \$1,000,000 RACP grant award administered by the Commonwealth of Pennsylvania. This grant award will be used to offset costs related to the construction of the new municipal services building.

In April 2017, the Township authorized and entered into a purchase agreement in the amount of \$164,445 for the acquisition of body cameras for all uniformed police personnel.

The Township has evaluated all subsequent events through June 6, 2017, 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, 2016**

|  | <u>Original</u>      | <u>Final</u>         | <u>Actual<br/>Amounts</u> | <u>Variance<br/>With Final<br/>Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------|----------------------|---------------------------|---|
| <b>REVENUES</b>  |                      |                      |                           |   |
| Taxes:   |                      |                      |                           |   |
| Property   | \$ 23,715,283        | \$ 23,715,283        | \$ 23,851,115             | \$ 135,832  |
| Transfer   | 1,050,000            | 1,050,000            | 1,447,204                 | 397,204   |
| Business privilege   | 825,000              | 825,000              | 1,172,274                 | 347,274   |
| Mercantile   | 900,000              | 900,000              | 891,784                   | (8,216)   |
| Local services   | 550,000              | 550,000              | 589,637                   | 39,637  |
| Licenses and permits   | 1,956,500            | 1,956,500            | 2,617,091                 | 660,591   |
| Fines and forfeits   | 205,000              | 205,000              | 212,246                   | 7,246   |
| Interest and rent  | 740,848              | 740,848              | 763,129                   | 22,281  |
| Intergovernmental revenues   | 2,832,729            | 2,832,729            | 3,366,313                 | 533,584   |
| Charges for services   | 5,895,235            | 5,895,235            | 6,249,729                 | 354,494   |
| Other  | 827,665              | 827,665              | 1,019,314                 | 191,649   |
| <b>TOTAL REVENUES</b>  | <u>39,498,260</u>    | <u>39,498,260</u>    | <u>42,179,836</u>         | <u>2,681,576</u>  |
| <b>EXPENDITURES</b>  |                      |                      |                           |   |
| Current:   |                      |                      |                           |   |
| General government   | 3,027,154            | 2,988,154            | 2,939,711                 | 48,443  |
| Public safety  | 18,577,985           | 18,594,985           | 18,427,101                | 167,884   |
| Public works - sanitation  | 3,971,486            | 3,998,486            | 4,031,095                 | (32,609)  |
| Public works - highways and streets                                  | 5,391,492            | 5,400,492            | 5,456,973                 | (56,481)  |
| Culture and recreation   | 5,107,023            | 5,128,023            | 5,037,760                 | 90,263  |
| Community development  | 663,299              | 628,299              | 623,997                   | 4,302   |
| Debt service:  |                      |                      |                           |   |
| Principal  | 1,650,000            | 1,650,000            | 1,650,000                 | -   |
| Interest   | 1,709,821            | 1,709,821            | 1,600,963                 | 108,858   |
| <b>TOTAL EXPENDITURES</b>  | <u>40,098,260</u>    | <u>40,098,260</u>    | <u>39,767,600</u>         | <u>330,660</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(600,000)</u>     | <u>(600,000)</u>     | <u>2,412,236</u>          | <u>3,012,236</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |                      |                           |   |
| Appropriated fund balance  | 1,000,000            | 1,000,000            | -                         | (1,000,000)   |
| Interfund transfers in   | 600,000              | 600,000              | 600,000                   | -   |
| Interfund transfers out  | (1,000,000)          | (1,000,000)          | (1,039,738)               | (39,738)  |
| <b>TOTAL OTHER FINANCING (USES)</b>                                  | <u>600,000</u>       | <u>600,000</u>       | <u>(439,738)</u>          | <u>(1,039,738)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>-</u>             | <u>-</u>             | <u>1,972,498</u>          | <u>1,972,498</u>  |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                               | <u>15,808,616</u>    | <u>15,808,616</u>    | <u>15,808,616</u>         | <u>-</u>  |
| <b>FUND BALANCE, END OF YEAR</b>                                     | <u>\$ 15,808,616</u> | <u>\$ 15,808,616</u> | <u>\$ 17,781,114</u>      | <u>\$ 1,972,498</u>   |

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

**REQUIRED SUPPLEMENTARY INFORMATION**

|  | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|----------------------|
| <b>TOTAL PENSION LIABILITY</b>   |                      |                      |                      |
| Service cost   | \$ 996,981           | \$ 947,250           | \$ 931,127           |
| Interest on total pension liability  | 3,729,984            | 3,551,888            | 3,377,023            |
| Changes of benefit terms   | -                    | (24,282)             | -                    |
| Differences between expected and actual experience                         | -                    | (515,826)            | -                    |
| Change of assumptions  | -                    | 1,836,891            | -                    |
| Benefit payments, including refunds of member contributions                | <u>(2,440,176)</u>   | <u>(2,340,070)</u>   | <u>(2,255,036)</u>   |
| Net change in total pension liability                                      | <u>2,286,789</u>     | <u>3,455,851</u>     | <u>2,053,114</u>     |
| <br>   |                      |                      |                      |
| Total pension liability, beginning   | 45,435,035           | 41,979,184           | 39,926,070           |
| Total pension liability, ending (a)  | <u>\$ 47,721,824</u> | <u>\$ 45,435,035</u> | <u>\$ 41,979,184</u> |
| <br>   |                      |                      |                      |
| <b>FIDUCIARY NET POSITION</b>  |                      |                      |                      |
| Employer contributions   | \$ 3,113,035         | \$ 2,859,475         | \$ 2,819,919         |
| Member contributions   | 357,193              | 363,562              | 340,793              |
| Investment income of pension investments, net of investment expenses       | 1,883,126            | (143,613)            | 1,606,146            |
| Benefit payments, including refunds of member contributions                | (2,440,176)          | (2,340,070)          | (2,255,036)          |
| Administrative expense   | <u>(7,835)</u>       | <u>(28,635)</u>      | <u>(13,194)</u>      |
| Net change in fiduciary net position                                       | <u>2,905,343</u>     | <u>710,719</u>       | <u>2,498,628</u>     |
| <br>   |                      |                      |                      |
| Fiduciary net position, beginning  | 28,682,902           | 27,972,183           | 25,473,555           |
| Fiduciary net position, ending (b)   | <u>\$ 31,588,245</u> | <u>\$ 28,682,902</u> | <u>\$ 27,972,183</u> |
| <br>   |                      |                      |                      |
| Net pension liability [(a) - (b)]  | <u>\$ 16,133,579</u> | <u>\$ 16,752,133</u> | <u>\$ 14,007,001</u> |
| <br>   |                      |                      |                      |
| Plan fiduciary net position as a percentage of the total pension liability | 66.19%               | 63.13%               | 66.63%               |
| <br>   |                      |                      |                      |
| Covered payroll  | \$ 6,819,296         | \$ 6,888,822         | \$ 6,468,876         |
| <br>   |                      |                      |                      |
| Net pension liability as a percentage of covered payroll                   | 236.59%              | 243.18%              | 216.53%              |
| <br>   |                      |                      |                      |
| Annual money-weighted return, net of investment expenses                   | 6.57%                | -0.62%               | 6.27%                |

**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  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|
| Actuarially determined contribution                                  | \$ 3,113,035     | \$ 2,859,475     | \$ 2,819,919     |
| Contributions in relation to the actuarially determined contribution | <u>3,113,035</u> | <u>2,859,475</u> | <u>2,819,919</u> |
| Contribution excess  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employee payroll   | \$ 6,819,296     | \$ 6,888,822     | \$ 6,468,876     |
| Contribution as a percentage of covered employee payroll             | 45.65%           | 41.51%           | 43.59%           |

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
POLICE PENSION PLAN**

**Actuarial Methods and Significant Assumptions**

|                               |   |
|-------------------------------|---|
| Valuation date                | January 1, 2015   |
| 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                              |
| <b>Actuarial Assumptions:</b> |   |
| Investment rate of return     | 8.25%   |
| Discount rate                 | 8.25%   |
| Projected salary increases    | 5.25%   |
| Inflation                     | 2.25%   |
| Mortality                     | Blue Collar RP-200 Mortality Table projected to 2015 using Scale AA |

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

**REQUIRED SUPPLEMENTARY INFORMATION**

|  | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|----------------------|
| <b>TOTAL PENSION LIABILITY</b>   |                      |                      |                      |
| Service cost   | \$ 618,957           | \$ 588,083           | \$ 657,312           |
| Interest on total pension liability  | 2,883,564            | 2,750,337            | 2,601,424            |
| Differences between expected and actual experience                         | -                    | (354,668)            | -                    |
| Change of assumptions  | -                    | 1,492,372            | -                    |
| Benefit payments, including refunds of member contributions                | <u>(1,861,536)</u>   | <u>(1,647,297)</u>   | <u>(1,542,261)</u>   |
| Net change in total pension liability                                      | <u>1,640,985</u>     | <u>2,828,827</u>     | <u>1,716,475</u>     |
| <br>   |                      |                      |                      |
| Total pension liability, beginning   | <u>35,264,107</u>    | <u>32,435,280</u>    | <u>30,718,805</u>    |
| Total pension liability, ending (a)  | <u>\$ 36,905,092</u> | <u>\$ 35,264,107</u> | <u>\$ 32,435,280</u> |
| <br>   |                      |                      |                      |
| <b>FIDUCIARY NET POSITION</b>  |                      |                      |                      |
| Employer contributions   | \$ 1,617,081         | \$ 1,508,073         | \$ 1,515,034         |
| Member contributions   | 280,513              | 282,347              | 299,084              |
| Investment income of pension investments, net of investment expenses       | 1,607,488            | (132,267)            | 1,378,721            |
| Benefit payments, including refunds of member contributions                | (1,861,536)          | (1,647,297)          | (1,542,261)          |
| Administrative expense   | <u>(7,835)</u>       | <u>(31,435)</u>      | <u>(12,794)</u>      |
| Net change in fiduciary net position                                       | <u>1,635,711</u>     | <u>(20,579)</u>      | <u>1,637,784</u>     |
| <br>   |                      |                      |                      |
| Fiduciary net position, beginning  | <u>24,277,403</u>    | <u>24,297,982</u>    | <u>22,660,198</u>    |
| Fiduciary net position, ending (b)   | <u>\$ 25,913,114</u> | <u>\$ 24,277,403</u> | <u>\$ 24,297,982</u> |
| <br>   |                      |                      |                      |
| Net pension liability [(a) - (b)]  | <u>\$ 10,991,978</u> | <u>\$ 10,986,704</u> | <u>\$ 8,137,298</u>  |
| <br>   |                      |                      |                      |
| Plan fiduciary net position as a percentage of the total pension liability | 70.22%               | 68.84%               | 74.91%               |
| <br>   |                      |                      |                      |
| Covered payroll  | \$ 6,764,196         | \$ 7,400,260         | \$ 7,547,780         |
| <br>   |                      |                      |                      |
| Net pension liability as a percentage of covered payroll                   | 162.50%              | 148.46%              | 107.81%              |
| <br>   |                      |                      |                      |
| Annual money-weighted return, net of investment expenses                   | 6.62%                | -0.56%               | 6.21%                |

**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  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|
| Actuarially determined contribution                                  | \$ 1,617,081     | \$ 1,508,073     | \$ 1,515,034     |
| Contributions in relation to the actuarially determined contribution | <u>1,617,081</u> | <u>1,508,073</u> | <u>1,515,034</u> |
| Contribution excess  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employee payroll   | \$ 6,764,196     | \$ 7,400,260     | \$ 7,547,780     |
| Contribution as a percentage of covered employee payroll             | 23.91%           | 20.38%           | 20.07%           |

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

**Actuarial Methods and Significant Assumptions**

|                               |   |
|-------------------------------|---|
| Valuation date                | January 1, 2015   |
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level Dollar  |
| Remaining amortization period | 10 years  |
| Asset valuation method        | Smoothing per Section 210(a) of Act 44                              |
| <b>Actuarial Assumptions:</b> |   |
| Investment rate of return     | 8.25%   |
| Discount rate                 | 8.25%   |
| Projected salary increases    | 5.25%   |
| Inflation                     | 2.25%   |
| Mortality                     | Blue Collar RP-200 Mortality Table projected to 2015 using Scale AA |

**TOWNSHIP OF HAVERFORD  
OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS - POLICE**

| Valuation Date | (a)<br>Actuarial Value of Assets | (b)<br>Entry Age Actuarial Accrued Liability (AAL) | (c)<br>Unfunded AAL (UAAL)<br>(b) - (a) | (d)<br>Funded Ratio<br>(a) / (b) | (e)<br>Covered Payroll | (f)<br>UUAL as a Percentage of Covered Payroll<br>(c) / (e) |
|----------------|----------------------------------|--|---|----------------------------------|------------------------|---|
| 01/01/16       | \$ -                             | \$ 38,817,000                                      | \$ 38,817,000                           | 0.00%                            | \$ 7,657,843           | 506.89%   |
| 01/01/14       | -                                | 32,841,000   | 32,841,000                              | 0.00%                            | 6,818,345              | 481.66%   |
| 01/01/12       | -                                | 30,667,000   | 30,667,000                              | 0.00%                            | 6,194,788              | 495.05%   |

**SCHEDULE OF FUNDING PROGRESS - NON-UNIFORMED**

| Valuation Date | (a)<br>Actuarial Value of Assets | (b)<br>Entry Age Actuarial Accrued Liability (AAL) | (c)<br>Unfunded AAL (UAAL)<br>(b) - (a) | (d)<br>Funded Ratio<br>(a) / (b) | (e)<br>Covered Payroll | (f)<br>UUAL as a Percentage of Covered Payroll<br>(c) / (e) |
|----------------|----------------------------------|--|---|----------------------------------|------------------------|---|
| 01/01/16       | \$ -                             | \$ 4,379,000                                       | \$ 4,379,000                            | 0.00%                            | \$ 8,032,437           | 54.52%  |
| 01/01/14       | -                                | 6,409,000  | 6,409,000                               | 0.00%                            | 8,800,222              | 72.83%  |
| 01/01/12       | -                                | 4,413,000  | 4,413,000                               | 0.00%                            | 7,984,648              | 55.27%  |

## **SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF HAVERFORD**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

|   | <u>Special Revenue Funds</u>     |                         | Total<br>Other<br>Governmental<br>Funds |
|---|----------------------------------|-------------------------|---|
|   | Community<br>Development<br>Fund | HOME<br>Program<br>Fund |   |
| <b>ASSETS</b>                                       |                                  |                         |   |
| Cash and cash equivalents                           | \$ 38,915                        | \$ 14,188               | \$ 53,103                               |
| Accounts receivable                                 | 22,560                           | -                       | 22,560                                  |
| Due from other funds                                | -                                | 695                     | 695                                     |
| <b>TOTAL ASSETS</b>                                 | <u>\$ 61,475</u>                 | <u>\$ 14,883</u>        | <u>\$ 76,358</u>                        |
| <b>LIABILITIES AND FUND BALANCES</b>                |                                  |                         |   |
| <b>LIABILITIES:</b>                                 |                                  |                         |   |
| Accounts payable and accrued expenses               | \$ 60,899                        | \$ 690                  | \$ 61,589                               |
| Due to other funds                                  | 695                              | -                       | 695                                     |
| <b>TOTAL LIABILITIES</b>                            | <u>61,594</u>                    | <u>690</u>              | <u>62,284</u>                           |
| <b>FUND BALANCE (DEFICIT):</b>                      |                                  |                         |   |
| Restricted  |                                  |                         |   |
| Community development                               | (119)                            | 14,193                  | 14,074                                  |
| <b>TOTAL FUND BALANCE (DEFICIT)</b>                 | <u>(119)</u>                     | <u>14,193</u>           | <u>14,074</u>                           |
| <b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b> | <u>\$ 61,475</u>                 | <u>\$ 14,883</u>        | <u>\$ 76,358</u>                        |

**TOWNSHIP OF HAVERFORD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Special Revenue Funds            |                         | Total<br>Other<br>Governmental<br>Funds |
|---|----------------------------------|-------------------------|---|
|   | Community<br>Development<br>Fund | HOME<br>Program<br>Fund |   |
| REVENUES                                  |                                  |                         |   |
| Intergovernmental revenues                | \$ 586,622                       | \$ 114,512              | \$ 701,134                              |
| Other                                     | 164,239                          | 53,613                  | 217,852                                 |
| TOTAL REVENUES                            | <u>750,861</u>                   | <u>168,125</u>          | <u>918,986</u>                          |
| EXPENDITURES                              |                                  |                         |   |
| Community development                     | 580,668                          | 154,670                 | 735,338                                 |
| TOTAL EXPENDITURES                        | <u>580,668</u>                   | <u>154,670</u>          | <u>735,338</u>                          |
| EXCESS OF REVENUES OVER EXPENDITURES      | <u>170,193</u>                   | <u>13,455</u>           | <u>183,648</u>                          |
| OTHER FINANCING USES                      |                                  |                         |   |
| Transfers out                             | (170,193)                        | -                       | (170,193)                               |
| TOTAL OTHER FINANCING USES                | <u>(170,193)</u>                 | <u>-</u>                | <u>(170,193)</u>                        |
| NET CHANGE IN FUND BALANCES               | -                                | 13,455                  | 13,455                                  |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>(119)</u>                     | <u>738</u>              | <u>619</u>                              |
| FUND BALANCE (DEFICIT), END OF YEAR       | <u>\$ (119)</u>                  | <u>\$ 14,193</u>        | <u>\$ 14,074</u>                        |

**TOWNSHIP OF HAVERFORD  
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2016**

|   | Pension Trust Funds        |                     |   | Agency Funds        |                  |                       |                    |
|---|----------------------------|---------------------|---|---------------------|------------------|-----------------------|--------------------|
|   | Non-Uniformed Pension Fund | Police Pension Fund | Non-Uniformed Defined Contribution Pension Fund | Total Pension Funds | Merry Place Fund | Access Equipment Fund | Total Agency Funds |
| <b>ASSETS</b>                             |                            |                     |   |                     |                  |                       |                    |
| Cash and cash equivalents                 | \$ 929,579                 | \$ 1,538,264        | \$ 6,274  | \$ 2,474,117        | \$ 68,035        | \$ 9,485              | \$ 77,520          |
| Investments in mutual funds, fair value   | 25,036,546                 | 30,038,678          | 137,362   | 55,212,586          | -                | -                     | -                  |
| Members' contributions receivable         | 11,725                     | 11,303              | 715   | 23,743              | -                | -                     | -                  |
| Municipal contribution receivable         | -                          | -                   | 4,774   | 4,774               | -                | -                     | -                  |
| <b>TOTAL ASSETS</b>                       | <b>\$25,977,850</b>        | <b>\$31,588,245</b> | <b>\$ 149,125</b>                               | <b>\$57,715,220</b> | <b>\$ 68,035</b> | <b>\$ 9,485</b>       | <b>\$ 77,520</b>   |
| <b>LIABILITIES AND NET POSITION</b>       |                            |                     |   |                     |                  |                       |                    |
| <b>LIABILITIES</b>                        |                            |                     |   |                     |                  |                       |                    |
| Donations payable                         | \$ -                       | \$ -                | \$ -  | \$ -                | \$ 68,035        | \$ 9,485              | \$ 77,520          |
| Contribution refunds payable              | 64,736                     | -                   | -   | 64,736              | -                | -                     | -                  |
| <b>TOTAL LIABILITIES</b>                  | <b>64,736</b>              | <b>-</b>            | <b>-</b>  | <b>64,736</b>       | <b>68,035</b>    | <b>9,485</b>          | <b>77,520</b>      |
| <b>NET POSITION</b>                       |                            |                     |   |                     |                  |                       |                    |
| Restricted for pension benefits           | 25,913,114                 | 31,588,245          | 149,125   | 57,650,484          | -                | -                     | -                  |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$25,977,850</b>        | <b>\$31,588,245</b> | <b>\$ 149,125</b>                               | <b>\$57,715,220</b> | <b>\$ 68,035</b> | <b>\$ 9,485</b>       | <b>\$ 77,520</b>   |



**TOWNSHIP OF HAVERFORD**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | Pension Trust Funds              |                           |  | Total<br>Pension<br>Funds |
|---|----------------------------------|---------------------------|--|---------------------------|
|   | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund | Non-Uniformed<br>Defined<br>Contribution<br>Pension Fund |                           |
| ADDITIONS                                   |                                  |                           |  |                           |
| Contributions:                              |                                  |                           |  |                           |
| Employer contributions                      | \$ 1,228,236                     | \$ 2,364,472              | \$ 24,774  | \$ 3,617,482              |
| Member contributions                        | 280,513                          | 357,193                   | 23,813   | 661,519                   |
| Commonwealth of Pennsylvania                | 388,845                          | 748,563                   | -  | 1,137,408                 |
| Miscellaneous receipts                      | 710                              | 13                        | -  | 723                       |
| Total Contributions                         | <u>1,898,304</u>                 | <u>3,470,241</u>          | <u>48,587</u>  | <u>5,417,132</u>          |
| Investment Income:                          |                                  |                           |  |                           |
| Net realized/unrealized gain on investments | 1,109,942                        | 1,293,557                 | 5,462  | 2,408,961                 |
| Interest and dividends                      | 569,933                          | 671,630                   | 2,589  | 1,244,152                 |
| Investment expenses                         | (73,097)                         | (82,074)                  | (202)  | (155,373)                 |
| Net Investment Income                       | <u>1,606,778</u>                 | <u>1,883,113</u>          | <u>7,849</u>   | <u>3,497,740</u>          |
| TOTAL ADDITIONS                             | <u>3,505,082</u>                 | <u>5,353,354</u>          | <u>56,436</u>  | <u>8,914,872</u>          |
| DEDUCTIONS                                  |                                  |                           |  |                           |
| Employee benefit payments                   | 1,759,682                        | 2,411,643                 | 6,430  | 4,177,755                 |
| Administrative expenses                     | 1,000                            | 1,000                     | -  | 2,000                     |
| Insurance                                   | 6,835                            | 6,835                     | -  | 13,670                    |
| Return of member contributions              | 101,854                          | 28,533                    | 2,958  | 133,345                   |
| TOTAL DEDUCTIONS                            | <u>1,869,371</u>                 | <u>2,448,011</u>          | <u>9,388</u>   | <u>4,326,770</u>          |
| CHANGE IN FIDUCIARY NET POSITION            | 1,635,711                        | 2,905,343                 | 47,048   | 4,588,102                 |
| NET POSITION, BEGINNING OF YEAR             | <u>24,277,403</u>                | <u>28,682,902</u>         | <u>102,077</u>   | <u>53,062,382</u>         |
| NET POSITION, END OF YEAR                   | <u>\$25,913,114</u>              | <u>\$31,588,245</u>       | <u>\$ 149,125</u>  | <u>\$57,650,484</u>       |