



---

**TREDYFFRIN TOWNSHIP  
*CHESTER COUNTY, PENNSYLVANIA***

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

---

TREDYFFRIN TOWNSHIP  
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 12
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
Budgetary Comparison Statement - General Fund	19
Statements of Net Position - Proprietary Funds	20
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statements of Cash Flows - Proprietary Funds	22
Statement of Net Position - Fiduciary Funds	23
Statement of Changes in Net Position - Fiduciary Funds	24
Notes to Financial Statements	25 - 58

TREDYFFRIN TOWNSHIP  
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Post-employment Healthcare Plan	59
Notes to Required Supplementary Information - Post-employment Healthcare Plan	60
Schedule of Changes in the Township's Net Pension Liability, Investment Returns, and Related Ratios – Police Pension Plan	61
Schedule of Changes in the Township's Net Pension Liability, Investment Returns, and Related Ratios – Non-Uniformed Pension Plan	62
Schedule of Township Contributions	63
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	65

INDEPENDENT AUDITOR'S REPORT

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

August 2, 2018

Board of Supervisors  
Tredyffrin Township  
Berwyn, Pennsylvania

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin Township ("the Township"), Berwyn, Pennsylvania, as of and for the year ended December 31, 2017, 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

The Township's 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 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 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.

Board of Supervisors  
Tredyffrin Township

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Township's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12; schedule of funding progress – post-employment healthcare plan and related notes on pages 59 - 60; and pension funds schedules of changes in the Township's net pension liability, investment returns, and related ratios and schedule of Township contributions on pages 61 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor governmental fund financial

Board of Supervisors  
Tredyffrin Township

are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated in all material respects in relation to the 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 August 2, 2018, 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

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**DECEMBER 31, 2017**

This discussion and analysis of Tredyffrin Township ("the Township"), Berwyn, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2017. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$106,356,346 (representing its net position). Of this amount, \$25,113,682 (or its unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$3,474,588 in 2017.
- At the close of the current fiscal year, the Township recognized an additional OPEB liability of \$809,367.
- At the close of the current fiscal year, the Township's net pension liability decreased by \$1,803,212.
- As of December 31, 2017, the Township's governmental funds reported a combined ending fund balance of \$21,558,853, an increase of \$767,145 from the prior year's balance. Approximately 86 percent of the total fund balance, or \$18,861,549, is available for spending at the Township's discretion (unassigned fund balance).
- As of December 31, 2017, the Township's business-type activities reports a net position of \$55,875,824, an increase of \$705,622 from the prior year's balance. Approximately 43 percent of the total net position, or \$24,091,028, is available for spending at the Township's discretion (unrestricted net position).
- Revenues in the Township's General Fund increased from \$21,470,162 in 2016 to \$22,047,917 in 2017. This represents a 2.7 percent increase.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The entity-wide statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements follow and explain how services were financed in the short term as well as what remains for future spending. Fund financial statements report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. Notes to the financial statements

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

provide additional disclosures that will assist the reader in understanding the Township's financial condition. The report also includes supplementary information such as pension funding and combining fund statements.

**Reporting the Township as a Whole**

**Statement of Net Position and the Statement of Activities**

The analysis of the Township as a whole begins with the statement of net position and the statement of activities.

These statements provide information that will help the reader to determine if the Township is better or worse off financially as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and change during the year. The reader can think of the Township's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position is one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall financial health of the Township.

In the statement of net position and the statement of activities, the Township is divided into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including police and fire, general administration, libraries, public works, and parks and recreation. Property taxes, the local services tax, intergovernmental revenues, and franchise fees finance most of these activities.
- **Business-type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's Sewer Utility Fund is reported here. The Township also includes a separate legal entity in its report - the Tredyffrin Township Municipal Authority. The Municipal Authority is a public authority, which exists to finance facilities for use in the sanitary sewer operation of the Sewer Utility Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

**Reporting the Township's Most Significant Funds**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds have been established to help control and manage money for particular purposes (Special Revenue Funds) or to demonstrate compliance with legal responsibilities for using certain taxes, grants, and other money (Capital Projects Funds). The Township has three kinds of funds - governmental, proprietary, and fiduciary.

**Governmental Funds:** Most of the Township's basic services are reported in 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 spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in the reconciliation after the fund financial statements.

**Proprietary Funds:** When the Township charges customers for the services it provides, these services generally are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the entity-wide statements but provide more detail and additional information, such as cash flows.

**Fiduciary Funds:** The Township is the trustee, or fiduciary, responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as pension plans and the agency fund) are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE TOWNSHIP**

Entity-wide

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of 2017, the Township's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$106,356,346, which is a \$3,474,588 increase from the prior year.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, highways, and additions or improvements to the libraries, storm drainage, and the sewer conveyance system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position at the close of 2017 of \$25,113,682 may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains an "Aaa" rating from Moody's for its current debt issuances. This is Moody's highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As shown in Table 1, the 2017 net position increase of \$3,474,588 is the result of increased tax revenues (\$423,940) from real estate taxes, transfer taxes, and local services tax. The increase in the real estate tax can be attributed to an increase in the assessed value of the properties in the Township. The transfer tax revenue can be attributed to increased activity, especially within the commercial property sector. The Township also had capital grant revenue of \$2,217,156 which also contributed to the increased net position.

**TABLE 1: TREDYFFRIN TOWNSHIP'S NET POSITION**  
**December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 23,527,694	\$ 24,864,585	\$ 48,392,279	\$ 21,648,893	\$ 24,304,557	\$ 45,953,450
Capital assets	56,391,397	31,784,796	88,176,193	55,061,430	32,010,070	87,071,500
Deferred outflows	2,233,114	29,134	2,262,248	3,563,322	33,787	3,597,109
Total Assets and Deferred Outflows of Resources	<u>82,152,205</u>	<u>56,678,515</u>	<u>138,830,720</u>	<u>80,273,645</u>	<u>56,348,414</u>	<u>136,622,059</u>
Current liabilities	3,984,037	747,817	4,731,854	2,836,396	1,123,501	3,959,897
Long-term liabilities	26,693,277	54,874	26,748,151	29,725,693	54,711	29,780,404
Deferred inflows	994,369	-	994,369	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>31,671,683</u>	<u>802,691</u>	<u>32,474,374</u>	<u>32,562,089</u>	<u>1,178,212</u>	<u>33,740,301</u>
Net investment in capital assets	49,457,868	31,784,796	81,242,664	46,233,761	32,010,070	78,243,831
Unrestricted	1,022,654	24,091,028	25,113,682	1,477,795	23,160,132	24,637,927
Total Net Position	<u>\$ 50,480,522</u>	<u>\$ 55,875,824</u>	<u>\$ 106,356,346</u>	<u>\$ 47,711,556</u>	<u>\$ 55,170,202</u>	<u>\$ 102,881,758</u>

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

As shown in Table 2, revenues exceeded expenses by \$3,474,589 in 2017, resulting in an overall increase in net position. The leading factor to this large increase was the \$2,287,693 in capital grants.

**TABLE 2: TREDYFFRIN TOWNSHIP'S CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 4,138,699	\$ 5,527,197	\$ 9,665,896	\$ 3,688,883	\$ 5,909,569	\$ 9,598,452
Operating grants/contributions	2,095,371	-	2,095,371	2,468,339	-	2,468,339
Capital grants/contributions	2,217,156	70,537	2,287,693	19,712	11,660,138	11,679,850
General revenues:						
Real estate taxes	8,919,333	-	8,919,333	8,857,174	-	8,857,174
Real estate transfer taxes	4,932,595	-	4,932,595	4,657,920	-	4,657,920
Local services tax	1,865,346	-	1,865,346	1,778,240	-	1,778,240
Franchise fees	765,435	-	765,435	764,581	-	764,581
Fines and forfeitures	184,077	-	184,077	172,046	-	172,046
Investment earnings	364,326	127,600	491,926	332,062	153,022	485,084
Other	340,140	-	340,140	164,255	(5)	164,250
<b>TOTAL REVENUES</b>	<b>25,822,478</b>	<b>5,725,334</b>	<b>31,547,812</b>	<b>22,903,212</b>	<b>17,722,724</b>	<b>40,625,936</b>
<b>EXPENSES</b>						
General government	2,995,923	-	2,995,923	2,531,722	-	2,531,722
Public safety	13,710,815	-	13,710,815	13,187,622	-	13,187,622
Highway/streets	3,800,917	-	3,800,917	3,694,352	-	3,694,352
Other public works	19,870	-	19,870	10,169	-	10,169
Library	1,593,566	-	1,593,566	1,438,825	-	1,438,825
Culture and recreation	825,520	-	825,520	845,227	-	845,227
Interest on bonds	106,901	-	106,901	152,909	-	152,909
Sewer operations	-	5,019,712	5,019,712	-	4,631,101	4,631,101
<b>TOTAL EXPENSES</b>	<b>23,053,512</b>	<b>5,019,712</b>	<b>28,073,224</b>	<b>21,860,826</b>	<b>4,631,101</b>	<b>26,491,927</b>
<b>CHANGE IN NET POSITION</b>	<b>2,768,966</b>	<b>705,622</b>	<b>3,474,588</b>	<b>1,042,386</b>	<b>13,091,623</b>	<b>14,134,009</b>
<b>NET POSITION, BEGINNING</b>	<b>47,711,556</b>	<b>55,170,202</b>	<b>102,881,758</b>	<b>46,669,170</b>	<b>42,078,579</b>	<b>88,747,749</b>
<b>NET POSITION, ENDING</b>	<b>\$ 50,480,522</b>	<b>\$ 55,875,824</b>	<b>\$ 106,356,346</b>	<b>\$ 47,711,556</b>	<b>\$ 55,170,202</b>	<b>\$ 102,881,758</b>

**Governmental Activities**

Real estate taxes and real estate transfer taxes generally provide the major funding for the Township's governmental activities. Real estate taxes are the largest revenue source, accounting for 35 percent of revenue. In 2017, the real estate millage rate was 2.380, which was the same rate as 2016. Due to the increase in assessed value, real estate tax revenue increased \$62,159 over the previous year. Real estate transfer taxes provided 19 percent of revenue and increased \$274,675 over 2016.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

Operating grants and contributions provided 8 percent of revenue, and charges for service provided 16 percent of revenue. Local services tax represented 7 percent of revenue and increased \$87,106 from the previous year. Capital grants and contributions represented 9 percent of the revenue.

As shown in Table 3, the cost of all governmental activities this year was \$23,053,512. This represents an increase of \$1,192,686, or 5.5 percent, over 2016. Of this amount, taxes funded 68.2 percent, with the balance funded through program revenues and other general revenues. The program revenues were paid by those who directly benefited from the programs (\$4,138,699) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$2,095,371).

Public safety programs are the largest spending commitment, accounting for approximately 59.5 percent of the Township's governmental activities expenses. General administration and public works services combined accounted for approximately 29.6 percent of the expenses.

**TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST**  
**For the Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>% of Total Cost</u>	<u>Program Revenue</u>	<u>Net Expense</u>
General	\$ 2,995,923	13.0%	\$ 760,454	\$ 2,235,469
Public safety	13,710,815	59.5%	4,259,479	9,451,336
Public works	3,820,787	16.6%	3,186,871	633,916
Library	1,593,566	6.9%	-	1,593,566
Culture/recreation	825,520	3.6%	244,422	581,098
Interest expense	106,901	0.4%	-	106,901
Totals	<u>\$ 23,053,512</u>	<u>100%</u>	<u>\$ 8,451,226</u>	<u>\$ 14,602,286</u>

**Business-type Activities**

Business-type activities consist of the Township's sewer system. The Tredyffrin Township Municipal Authority ("TTMA") financed construction of the sewer system and owns and leases it to the Township.

The Board of Supervisors establishes and collects sewer/utility fees from users of the system, which pay for the Township's lease payment to TTMA, as well as operation and maintenance of the sewer system.

The sewer/utility fees also pay for operation and maintenance of the Township's traffic signals and street lights.

Charges for service decreased by \$382,372, mainly due to a decrease in tapping and connection fees (\$243,510). The decrease in capital grants and contributions can be attributed to the completion of the Wilson Road Force Main Rehabilitation project in 2016.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

Sewer/utility expenses totaled \$5,019,712 in 2017, an increase of \$388,611 over the prior year. The increase is primarily due to an increase in salaries (\$61,314), collection system maintenance (\$42,458), and sewage treatment costs (\$157,480).

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenue is not specific to an individual program but to the fund as a whole.

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

As noted earlier, the Township uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds**

The Township maintains a General Fund which serves as the chief operating fund of the Township. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2017, the Township's governmental funds reported combined ending fund balance of \$21,558,853, an increase of \$767,145 compared to the prior year. Approximately 86 percent, or \$18,527,116, constitutes unassigned fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is restricted and assigned, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service; 2) capital improvements; or 3) a variety of other purposes.

In 2017, the fund balance of the General Fund increased by \$1,052,554. Key factors for this increase are the increased licenses and permits from increased residential and commercial activity. As stated earlier, transfer tax activity also increased, which contributed to an increase in revenues. The Township also had contribution revenue of \$157,019, which was an increase of \$133,668 over 2016. Those revenues are collected from developers based on a specific calculation contained within Township ordinances.

The Township maintains a Capital Construction Fund and Highway Projects Fund to account for major capital acquisitions and construction separately from the ongoing operating activities. As of December 31, 2017, the combined fund balance was \$2,380,211.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The primary Special Revenue Funds include the Liquid Fuels Fund and the TTMA Transportation District Fund. Revenue sources for these funds include state grants, a special assessment, and interest earnings.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

- Liquid Fuels Fund – The Township received \$878,477 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.
- TTMA Transportation District Fund – The Township received \$485,103 from the special assessment levied to businesses along the Route 202 corridor. The revenue funds the debt service for bonds issued for infrastructure improvements related to the widening of Section 400 of Route 202. As of December 31, 2017, the fund balance of this fund was \$649,625, an increase of \$93,477 from 2016.

**Proprietary Funds**

The Township's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Utility Fund at the end of the year amounted to \$24,091,028. The total increase in net position was \$705,622. Factors contributing to the finances of this fund already have been addressed in the discussion of the Township's business-type activities.

**Fiduciary Funds**

The Township maintains a Pension Trust Fund, Agency Fund, and an OPEB Trust to account for assets held by the Township in a trustee capacity. The Pension Trust Fund's assets pertain to the police defined benefit pension plan. The Agency Funds are custodial in nature and account for escrow accounts held by the Township. The OPEB Trust Funds' assets pertain to the effort of the Township to fund the retirement medical obligation; they will be used in the future for medical premiums.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no revisions to the original General Fund budget. The budget for the General Fund anticipated a decrease of \$919,160 to the existing fund balance. Based on actual figures, revenues exceeded expenditures; the existing fund balance increased by \$1,052,554.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$88,176,193, net of accumulated depreciation. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, land improvements infrastructure, and construction-in-progress.

Additional information on the Township's capital assets can be found in Note 4 of this report.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2017**

**Long-term Debt**

As of December 31, 2017, the Township had \$6,909,659 in a note and bonds outstanding – a decrease of \$1,879,637 from the prior year. The non-electoral debt amount is \$6,530,000, and the self-liquidating guaranteed revenue debt amount is \$379,659 as of December 31, 2017.

Tredyffrin Township maintains an "Aaa" rating from Moody's for its current debt issuances.

Additional information about the Township's long-term debt can be found in Note 5 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Real estate tax revenue increased slightly, due to a slight increase in the overall assessment. The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts. We expect that the assessed valuation will continue to increase heading into 2018. Collections are also expected to remain at current levels in 2018.
- Transfer taxes increased by \$274,675 from the previous year. We are anticipating an increase in the overall budget for transfer taxes in 2018. We expect that activity will remain consistent with current levels.
- Licenses and permit revenue increased in 2017 when compared to 2016 by \$418,646. The major cause of the large increase was due to new development and redevelopment of certain commercial and residential properties. With a few new developments slated, we expect revenue to remain consistent with this year.
- The Township is committed to funding its long-term OPEB obligation and has increased funding of the OPEB Trust by \$25,000 for every new officer hired beginning in 2015. Funding for 2018 is expected to be \$725,000.
- The \$250/EDU sewer/utility fee remained the same in 2017. It will remain unchanged for 2018.

All of these factors were considered in preparing the Township's budget for the 2018 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Tredyffrin Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Joseph F. DiRocco, CPA, Director of Finance, Tredyffrin Township, 1100 DuPortail Road, Berwyn, PA 19312. In addition, general information relating to Tredyffrin Township can be found via the web at [www.tredyffrin.org](http://www.tredyffrin.org).

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**  
**(With Summarized Comparative Data for December 31, 2016)**

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 12,796,345	\$ 5,535,158	\$ 18,331,503	\$ 4,979,470
Investments	7,989,943	5,674,084	13,664,027	25,020,407
Taxes receivable	116,103	-	116,103	103,200
Accounts and other receivables	1,987,834	14,292,812	16,280,646	15,848,388
Prepaid expenses	-	-	-	1,985
Internal balances	637,469	(637,469)	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>23,527,694</b>	<b>24,864,585</b>	<b>48,392,279</b>	<b>45,953,450</b>
<b>NONCURRENT ASSETS:</b>				
Depreciable capital assets, net	46,655,327	31,752,469	78,407,796	60,492,283
Land	7,108,684	-	7,108,684	7,108,684
Construction-in-progress	2,627,386	32,327	2,659,713	19,470,533
<b>TOTAL NONCURRENT ASSETS</b>	<b>56,391,397</b>	<b>31,784,796</b>	<b>88,176,193</b>	<b>87,071,500</b>
<b>TOTAL ASSETS</b>	<b>79,919,091</b>	<b>56,649,381</b>	<b>136,568,472</b>	<b>133,024,950</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred pension contributions	300,071	11,414	311,485	282,566
Deferred pension expense	1,933,043	17,720	1,950,763	3,314,543
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,233,114</b>	<b>29,134</b>	<b>2,262,248</b>	<b>3,597,109</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and other current liabilities	1,763,511	747,817	2,511,328	1,788,259
Accrued interest	16,324	-	16,324	20,012
Escrow deposit	89,227	-	89,227	89,227
Note and bonds payable, net	1,959,660	-	1,959,660	1,879,637
Capital leases	14,944	-	14,944	14,503
Compensated absences	140,371	-	140,371	168,259
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,984,037</b>	<b>747,817</b>	<b>4,731,854</b>	<b>3,959,897</b>
<b>NONCURRENT LIABILITIES:</b>				
Note and bonds payable, net	4,949,999	-	4,949,999	6,909,659
Capital leases	8,926	-	8,926	23,870
Compensated absences	71,001	-	71,001	134,805
OPEB obligation	14,077,794	-	14,077,794	13,268,427
Net pension liability	7,585,557	54,874	7,640,431	9,443,643
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>26,693,277</b>	<b>54,874</b>	<b>26,748,151</b>	<b>29,780,404</b>
<b>TOTAL LIABILITIES</b>	<b>30,677,314</b>	<b>802,691</b>	<b>31,480,005</b>	<b>33,740,301</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred pension expense	994,369	-	994,369	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>994,369</b>	<b>-</b>	<b>994,369</b>	<b>-</b>
<b>NET POSITION:</b>				
Net investment in capital assets	49,457,868	31,784,796	81,242,664	78,243,831
Unrestricted	1,022,654	24,091,028	25,113,682	24,637,927
<b>TOTAL NET POSITION</b>	<b>\$ 50,480,522</b>	<b>\$ 55,875,824</b>	<b>\$ 106,356,346</b>	<b>\$ 102,881,758</b>

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

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
							2017
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 2,995,923	\$ 619,929	\$ 140,525	\$ -	\$ (2,235,469)	\$ -	\$ (1,659,860)
Public safety	13,710,815	3,211,090	1,048,389	-	(9,451,336)	-	(9,367,339)
Public works - highways and streets	3,800,917	63,258	904,941	2,217,156	(615,562)	-	(2,755,664)
Public works - sanitation	19,870	-	1,516	-	(18,354)	-	259,586
Library	1,593,566	-	-	-	(1,593,566)	-	(1,438,825)
Culture and recreation	825,520	244,422	-	-	(581,098)	-	(568,881)
Interest expense	106,901	-	-	-	(106,901)	-	(152,909)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>23,053,512</b>	<b>4,138,699</b>	<b>2,095,371</b>	<b>2,217,156</b>	<b>(14,602,286)</b>	<b>-</b>	<b>(15,683,892)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sewer	5,019,712	5,527,197	-	70,537	-	578,022	12,938,606
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,019,712</b>	<b>5,527,197</b>	<b>-</b>	<b>70,537</b>	<b>-</b>	<b>578,022</b>	<b>12,938,606</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 28,073,224</b>	<b>\$ 9,665,896</b>	<b>\$ 2,095,371</b>	<b>\$ 2,287,693</b>	<b>(14,602,286)</b>	<b>578,022</b>	<b>(2,745,286)</b>
<b>GENERAL REVENUES</b>							
Taxes:							
Real estate taxes					8,919,333	-	8,919,333
Real estate transfer taxes					4,932,595	-	4,932,595
Local services taxes					1,865,346	-	1,865,346
Franchise fees					765,435	-	765,435
Fines and forfeitures					184,077	-	184,077
Investment earnings					364,326	127,600	491,926
Grants and contributions not restricted to specific programs					15,349	-	15,349
Sale of capital assets					119,916	-	119,916
Miscellaneous					204,875	-	204,875
<b>TOTAL GENERAL REVENUES</b>					<b>17,371,252</b>	<b>127,600</b>	<b>17,498,852</b>
<b>CHANGE IN NET POSITION</b>					<b>2,768,966</b>	<b>705,622</b>	<b>3,474,588</b>
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>47,711,556</b>	<b>55,170,202</b>	<b>88,747,749</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 50,480,522</b>	<b>\$ 55,875,824</b>	<b>\$ 102,881,758</b>

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

**TREDFRIN TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**  
**(With Summarized Comparative Data for December 31, 2016)**

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Totals
	2017				2016
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,270,391	\$ 801,930	\$ 75	\$ 723,949	\$ 4,948,555
Investments	5,944,163	-	2,045,703	77	7,989,943
Taxes receivable	116,103	-	-	-	116,103
Accounts receivable	1,035,001	952,833	-	-	103,200
Due from other funds	1,901,795	10,882	-	-	1,095,391
Prepaid expenditures	-	-	-	-	1,912,677
<b>TOTAL ASSETS</b>	<u>20,267,453</u>	<u>1,765,645</u>	<u>2,045,778</u>	<u>724,026</u>	<u>24,802,902</u>
					<u>22,893,042</u>
<b>LIABILITIES</b>					
Accounts payable	454,316	241,411	-	-	695,727
Accrued liabilities	1,067,784	-	-	-	1,067,784
Escrow deposit	89,227	-	-	-	89,227
Due to other funds	12,907	1,189,801	-	72,500	1,275,208
<b>TOTAL LIABILITIES</b>	<u>1,624,234</u>	<u>1,431,212</u>	<u>-</u>	<u>72,500</u>	<u>3,127,946</u>
					<u>1,998,134</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes/assessments	116,103	-	-	-	116,103
					<u>103,200</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	1,985
Restricted	-	-	2,045,778	1,901	3,089,144
Assigned	-	334,433	-	649,625	556,148
Unassigned	18,527,116	-	-	-	17,144,431
<b>TOTAL FUND BALANCES</b>	<u>\$ 18,527,116</u>	<u>\$ 334,433</u>	<u>\$ 2,045,778</u>	<u>\$ 651,526</u>	<u>\$ 20,791,708</u>
					<u>\$ 21,558,853</u>

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

**TREDYFFRIN TOWNSHIP  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

TOTAL GOVERNMENTAL FUND BALANCES \$ 21,558,853

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. These assets consist of the following:

Depreciable capital assets, net	\$ 46,655,327	
Land	7,108,684	
Construction-in-progress	<u>2,627,386</u>	56,391,397

Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 116,103

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences	(211,372)	
Net OPEB obligation	(14,077,794)	
Net pension liability	(7,585,557)	
Accrued interest payable	(16,324)	
Capital lease obligation	(23,870)	
Bond premiums	(27,489)	
Note and bonds payable	<u>(6,882,170)</u>	(28,824,576)

Deferred outflows and inflows related to the Township's net pension liability do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred outflows and inflows consist of the following:

Deferred outflows of resources:		
Deferred pension contributions	300,071	
Deferred pension expense	1,933,043	
Deferred inflows of resources:		
Deferred pension expense	<u>(994,369)</u>	<u>1,238,745</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 50,480,522

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

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	2017	2016
<b>REVENUES</b>						
Taxes	\$ 15,219,268	-	\$ -	\$ 485,103	\$ 15,704,371	\$ 15,332,516
Licenses and permits	3,989,407	-	-	-	3,989,407	3,570,761
Fines, forfeits, and costs	184,077	-	-	-	184,077	172,046
Interest, dividends, and rents	301,549	6,897	39,340	6,400	354,186	319,611
Unrealized gains on investments	25,893	-	16,726	-	42,619	13,293
Realized losses on investments	(24,121)	-	(8,358)	-	(32,479)	(842)
Intergovernmental revenues	1,232,242	2,217,156	-	878,477	4,327,875	2,504,958
Charges for services/fees	914,727	-	-	-	914,727	882,703
Miscellaneous revenue/other	204,875	-	-	-	204,875	104,425
<b>TOTAL REVENUES</b>	<u>22,047,917</u>	<u>2,224,053</u>	<u>47,708</u>	<u>1,369,980</u>	<u>25,689,658</u>	<u>22,839,471</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,226,219	42,153	-	36,500	2,304,872	2,412,166
Public safety	12,815,851	-	-	-	12,815,851	11,866,046
Public works - highways and streets	2,173,897	3,493,371	-	-	5,667,268	3,307,957
Public works - sanitation	19,144	-	-	-	19,144	10,101
Engineering	311,696	-	-	-	311,696	159,643
Library	1,171,879	-	-	-	1,171,879	1,029,876
Culture and recreation	761,493	-	-	-	761,493	680,875
Debt service:						
Principal	1,475,000	-	-	343,301	1,818,301	1,780,543
Interest and other charges	160,100	-	-	11,825	171,925	219,183
<b>TOTAL EXPENDITURES</b>	<u>21,115,279</u>	<u>3,535,524</u>		<u>391,626</u>	<u>25,042,429</u>	<u>21,466,390</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	932,638	(1,311,471)	47,708	978,354	647,229	1,433,081
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from the sale of capital assets	119,916	-	-	-	119,916	42,918
Transfers in	-	1,974,050	-	-	1,974,050	2,206,970
Transfers out	-	-	(1,089,050)	(885,000)	(1,974,050)	(2,206,965)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>119,916</u>	<u>1,974,050</u>	<u>(1,089,050)</u>	<u>(885,000)</u>	<u>119,916</u>	<u>42,923</u>
<b>NET CHANGES IN FUND BALANCES</b>	1,052,554	662,579	(1,041,342)	93,354	767,145	1,476,004
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	17,474,562	(328,146)	3,087,120	558,172	20,791,708	19,315,704
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,527,116</u>	<u>\$ 334,433</u>	<u>\$ 2,045,778</u>	<u>\$ 651,526</u>	<u>\$ 21,558,853</u>	<u>\$ 20,791,708</u>

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

**TREDYFFRIN TOWNSHIP**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 767,145

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

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 as depreciation expense. This is the amount by which capital outlays (\$4,457,031) exceeded depreciation expense (\$3,127,064) in the current period. 1,329,967

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 12,903

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

Note and bond principal repayments	\$ 1,818,301	
Capital lease repayments	14,503	
Accrued interest	3,688	
Amortization of bond premiums and discounts	<u>61,336</u>	1,897,828

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

Compensated absences	91,692	
Other post-employment benefits	<u>(809,367)</u>	(717,675)

In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the government funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals exceed pension contributions during the year. (521,202)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,768,966

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

**TREDYFFRIN TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUE</b>			
Taxes:			
Real estate taxes	\$ 8,386,000	\$ 8,421,327	\$ 35,327
Real estate transfer taxes	2,900,000	4,932,595	2,032,595
Local services taxes	1,830,000	1,865,346	35,346
Licenses and permits	2,771,400	3,989,407	1,218,007
Fines, forfeits, and costs	190,000	184,077	(5,923)
Interest, dividends, and rents	250,000	301,549	51,549
Unrealized gain on investments	-	25,893	25,893
Realized loss on investments	-	(24,121)	(24,121)
Intergovernmental revenues	1,317,900	1,232,242	(85,658)
Charges for services/fees	579,700	914,727	335,027
Miscellaneous revenue/other	95,000	204,875	109,875
<b>TOTAL REVENUE</b>	<u>18,320,000</u>	<u>22,047,917</u>	<u>3,727,917</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,132,560	2,226,219	(93,659)
Public safety	11,611,350	12,815,851	(1,204,501)
Public works - highways and streets	1,702,580	2,173,897	(471,317)
Public works - sanitation	27,000	19,144	7,856
Engineering	254,600	311,696	(57,096)
Library	1,181,070	1,171,879	9,191
Culture and recreation	719,900	761,493	(41,593)
Debt service:			
Principal	1,475,000	1,475,000	-
Interest and other charges	160,100	160,100	-
<b>TOTAL EXPENDITURES</b>	<u>19,264,160</u>	<u>21,115,279</u>	<u>(1,851,119)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(944,160)</u>	<u>932,638</u>	<u>1,876,798</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of capital assets	25,000	119,916	94,916
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>25,000</u>	<u>119,916</u>	<u>94,916</u>
<b>NET CHANGE IN FUND BALANCE</b>	(919,160)	1,052,554	1,971,714
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>17,474,562</u>	<u>17,474,562</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 16,555,402</u>	<u>\$ 18,527,116</u>	<u>\$ 1,971,714</u>

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

**TREDYFFRIN TOWNSHIP  
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2017**

	Enterprise Funds	
	Sewer Utility	
	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,535,158	\$ 30,915
Investments	5,674,084	9,990,550
Accounts receivable - liened	546,196	574,259
Accounts receivable - other governments	9,089,759	9,089,759
Unbilled receivable	4,656,857	5,088,979
Total Current Assets	<u>25,502,054</u>	<u>24,774,462</u>
NONCURRENT ASSETS:		
Depreciable capital assets, net	31,752,469	13,069,969
Construction-in-progress	32,327	18,940,101
Total Noncurrent Assets	<u>31,784,796</u>	<u>32,010,070</u>
<b>TOTAL ASSETS</b>	<u>57,286,850</u>	<u>56,784,532</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	11,414	10,540
Deferred pension	17,720	23,247
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>29,134</u>	<u>33,787</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	747,817	1,123,501
Due to other funds	637,469	469,905
Total Current Liabilities	<u>1,385,286</u>	<u>1,593,406</u>
NONCURRENT LIABILITIES:		
Net pension liability	54,874	54,711
Total Noncurrent Liabilities	<u>54,874</u>	<u>54,711</u>
<b>TOTAL LIABILITIES</b>	<u>1,440,160</u>	<u>1,648,117</u>
NET POSITION:		
Net investment in capital assets	31,784,796	32,010,070
Unrestricted	24,091,028	23,160,132
<b>TOTAL NET POSITION</b>	<u>\$ 55,875,824</u>	<u>\$ 55,170,202</u>

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

**TREDYFFRIN TOWNSHIP**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise Funds	
	Sewer Utility	
	2017	2016
<b>OPERATING REVENUES</b>		
Sewer fees	\$ 5,094,168	\$ 5,252,463
Sewer fees - other governments	330,608	539,466
Other fees	102,421	117,640
<b>TOTAL OPERATING REVENUES</b>	<u>5,527,197</u>	<u>5,909,569</u>
<b>OPERATING EXPENSES</b>		
Sewer disposal	2,185,896	2,046,681
Salaries and wages	387,821	316,398
Employee benefits	216,286	188,448
Administration	355,520	582,781
Engineering	6,279	99,811
Supplies	51,982	38,479
Electric/lighting	333,052	359,719
Repairs and maintenance, net of insurance	395,240	393,158
Depreciation	1,087,636	605,626
<b>TOTAL OPERATING EXPENSES</b>	<u>5,019,712</u>	<u>4,631,101</u>
<b>OPERATING INCOME</b>	<u>507,485</u>	<u>1,278,468</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Interest and investment revenue	126,048	159,217
Unrealized gain (loss) on investments	1,552	(6,195)
<b>TOTAL NONOPERATING REVENUE</b>	<u>127,600</u>	<u>153,022</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>635,085</u>	<u>1,431,490</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
Capital contributions from other municipalities	70,537	11,660,138
Transfers out	-	(5)
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>70,537</u>	<u>11,660,133</u>
<b>CHANGE IN NET POSITION</b>	705,622	13,091,623
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>55,170,202</u>	<u>42,078,579</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 55,875,824</u>	<u>\$ 55,170,202</u>

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

**TREDYFFRIN TOWNSHIP  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise Funds	
	Sewer Utility	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 5,526,290	\$ 5,010,862
Receipts from other governments	461,092	749,627
Payments to suppliers for goods and services	(4,302,944)	(4,643,448)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,684,438</b>	<b>1,117,041</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Advances from (to) other funds	167,564	(50,776)
Transfers to other funds	-	(5)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>167,564</b>	<b>(50,781)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(862,362)	(18,332,066)
Receipts from capital contributions	70,537	2,570,379
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(791,825)</b>	<b>(15,761,687)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and investment revenues	126,048	159,217
Sale of investments	4,318,018	14,557,999
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>4,444,066</b>	<b>14,717,216</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>5,504,243</b>	<b>21,789</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>30,915</b>	<b>9,126</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,535,158</b>	<b>\$ 30,915</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 507,485	\$ 1,278,468
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,087,636	605,626
(Increase) Decrease in assets and deferred outflows of resources:		
Accounts receivable	28,063	92,521
Unbilled receivables	432,122	(241,601)
Deferred outflows of resources - pension expense	4,653	(22,118)
Increase (Decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(375,684)	(624,966)
Net pension liability	163	30,443
Deferred inflows of resources - pension expense	-	(1,332)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,684,438</b>	<b>\$ 1,117,041</b>
<b>NONCASH INVESTING ACTIVITY:</b>		
Unrealized gain (loss) on investments	<b>\$ 1,552</b>	<b>\$ (6,195)</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:</b>		
Payment of accounts payable to purchase capital asset	\$ -	\$ (809,950)
Payment of retainage payable to purchase capital asset	-	(89,550)
<b>TOTAL NONCASH CAPITAL AND RELATED FINANCING ACTIVITY</b>	<b>\$ -</b>	<b>\$ (899,500)</b>

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

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**

	<u>OPEB Trust</u>	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 327,403	\$ 880,374	\$ 224,177
Investments, at fair value:			
Fixed income funds	-	10,145,679	-
Stock mutual funds	5,054,979	10,991,706	-
International mutual funds	-	6,240,648	-
Common stock	-	3,489,982	-
Real estate investment funds	-	1,773,687	-
Emerging market funds	-	703,168	-
Accounts receivable	450,000	458,652	-
Accrued interest	-	25,980	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,832,382</u></u>	<u><u>\$ 34,709,876</u></u>	<u><u>\$ 224,177</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 8,198	\$ 224,177
<b>TOTAL LIABILITIES</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET POSITION:</b>			
Held in trust for pension benefits and pool participants	<u>5,832,382</u>	<u>34,701,678</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 5,832,382</u></u>	<u><u>\$ 34,709,876</u></u>	<u><u>\$ 224,177</u></u>

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

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Summarized Comparative Data For the Year Ended December 31, 2016)**

	<u>OPEB Trust</u>	<u>Pension Trust Fund</u>	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>				
Contributions:				
State aid	\$ -	\$ 385,413	\$ 385,413	\$ 367,470
Employer contributions	1,100,000	977,587	2,077,587	1,157,034
Employee contributions	-	216,842	216,842	212,028
Total Contributions	<u>1,100,000</u>	<u>1,579,842</u>	<u>2,679,842</u>	<u>1,736,532</u>
Investment income:				
Interest and dividends	105,585	766,535	872,120	708,937
Unrealized gain on investments	642,577	2,585,744	3,228,321	1,401,326
Realized gain on investments	2,122	1,297,328	1,299,450	377,280
Total Investment Income	<u>750,284</u>	<u>4,649,607</u>	<u>5,399,891</u>	<u>2,487,543</u>
<b>TOTAL ADDITIONS</b>	<u>1,850,284</u>	<u>6,229,449</u>	<u>8,079,733</u>	<u>4,224,075</u>
<b>DEDUCTIONS</b>				
Pension payments	-	2,004,433	2,004,433	1,735,440
Administrative expenses	-	107,479	107,479	157,270
<b>TOTAL DEDUCTIONS</b>	<u>-</u>	<u>2,111,912</u>	<u>2,111,912</u>	<u>1,892,710</u>
<b>CHANGE IN NET POSITION</b>	1,850,284	4,117,537	5,967,821	2,331,365
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,982,098</u>	<u>30,584,141</u>	<u>34,566,239</u>	<u>32,234,874</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,832,382</u>	<u>\$34,701,678</u>	<u>\$40,534,060</u>	<u>\$34,566,239</u>

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

## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township ("the Township") is located at the eastern edge of Chester County, Pennsylvania, and is part of the Philadelphia Metropolitan Area. The Township was incorporated in 1707 and is a Home Rule Municipality. The Township is governed by a seven-member Board of Supervisors, four of whom are elected at large while three are elected from districts.

The accounting and reporting policies of the Township conform, in all material respects, to generally accepted accounting principles ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification").

#### Reporting Entity

For financial reporting purposes, the Township's primary government includes all departments and agencies, bureaus, boards, commissions, and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component unit, which is a legally separate organization for which the Township's elected officials are financially accountable.

Financial accountability is defined in the GASB Codification. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

#### Blended Component Unit

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. The Township has one blended component unit.

**Tredyffrin Township Municipal Authority ("TTMA")** – TTMA was organized on June 30, 1959 as a separate legal entity under the laws of the Commonwealth of Pennsylvania. TTMA, whose purpose is to provide certain public programs and facilities, is administered by a seven-member Board appointed by the Township Board of Supervisors. The Township uses TTMA as an instrument to raise debt to fund various capital projects and infrastructure improvements. TTMA's Debt Service Fund and Transportation District Fund are presented as governmental fund types. TTMA's Sewer Projects Fund is presented as a proprietary fund type.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

TTMA issues separately audited financial statements. Copies of this audit can be obtained at the Township Administration Building.

Related Organizations:

The Township's Board of Supervisors is responsible for appointing some of the members of the board of these organizations, but the Township's accountability for these organizations does not extend beyond making the appointments. The organizations are the following:

***Tredyffrin Township Library Foundation ("the Foundation")*** – The Foundation was incorporated on May 24, 1993 under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania to raise funds and distribute funds to the Township's public libraries. In 2004, the Foundation initiated a capital campaign for renovation and expansion of the Tredyffrin Public Library. The Foundation transfers to the Township its share of the costs associated with the renovation and expansion of the library building and property.

***East Whiteland-Tredyffrin Joint Transportation Authority ("the Authority")*** – The Authority was created as a separate legal entity, pursuant to ordinances adopted by Tredyffrin Township on November 18, 1985, and by East Whiteland Township on December 9, 1985. The Articles of Incorporation for the Authority were issued on February 12, 1986. The Authority is authorized to finance highway improvements within a Transportation Development and Business Improvement District surrounding Route 29 (Moreland Road) and U.S. Route 202 Interchange located in East Whiteland Township.

Basis of Presentation

***Entity-wide Financial Statements***

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are associated specifically with a service or program and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identify the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their net position use.

***Fund Financial Statements***

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Construction Fund and Highway Projects Fund are maintained to account for the accumulation of resources for acquisition of capital assets and the repayment of debt associated with capital assets.

All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the Highway Improvement Fund, the Liquid Fuels Fund, and the TTMA Transportation District Fund.

The Township reports the following proprietary fund:

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

- The Sewer Utility Fund accounts for the revenues and expenses of the Township's sewer utility system. This fund also includes the Valley Creek Trunk Sewer Fund.

***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available. Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in the GASB Codification, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

***Proprietary Funds***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control.

Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are the enterprise funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees and utilities. Operating expenses for the Township's enterprise funds include sewer disposal, recycling, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Fiduciary Funds***

***Trust and Agency Funds***

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. These include the Other Post-employment Benefits ("OPEB") Trust, Pension Trust, and Agency Funds. The OPEB and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund accounts for the escrow accounts held by the Township.

**Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- At least 45 days before the end of the fiscal year, the Manager, as assisted by the Finance Director, prepares and submits to the Township Board a proposed budget for the following fiscal year.
- At least 30 days before the end of the fiscal year, the Board must adopt a preliminary budget.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

- The Board must advertise at least once in two or more newspapers, with general circulation in the Township, at least 10 days before the date set for final adoption, and hold at least one public hearing on the preliminary budget.
- The Board must finally adopt a balanced budget before the start of the fiscal year to which it applies, except in a year immediately following a municipal election. The new Board may adopt a revised budget within 45 days after the start of the fiscal year.
- The Board may amend allocations within each appropriation, but changes in appropriations in any items on which budgetary controls are maintained shall be made only pursuant to an ordinance of the Board. All appropriations lapse at year end.

Cash and Cash Equivalents

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.

Investments

Investments are recorded at fair value with the exception of external investment pools which are recorded at amortized cost.

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

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

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

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Unbilled Receivables

Sewer rents are billed annually on April 1 of each year for the preceding fiscal year. Billings are \$250 per equivalent dwelling unit ("EDU").

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund 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 if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

Machinery and equipment	5 - 15 years
Vehicles	5 - 20 years
Land improvements	30 years
Buildings and improvements	10 - 30 years
Infrastructure	10 - 70 years

Compensated Absences

The Township has two policies of accumulating sick and vacation time. For the unionized police employees, a total of 80 hours of accumulated free or leave time (including accumulated vacation days, holiday, and/or personal days) may be carried over to the next calendar year. Any such time not used by September 1 of the next calendar year shall be forfeited unless an extension is approved in writing by the Superintendent of Police. Sick time can be carried forward and used without limit.

Non-uniformed and uniformed Township employees are able to carry over a maximum of five vacation days per year to be used at their discretion. There is no limit to the carry-over of sick days; however, the Township is not liable for payment of any unused sick time upon the termination of an employee.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

There are no buy-back provisions for any employee of Tredyffrin Township.

The liability for compensated absences totaled \$211,372 as of December 31, 2017 and is all attributed to the governmental activities.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Township currently has two items that qualify for reporting in this category. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Governmental funds report delinquent taxes and assessments not collected within 60 days of year end as deferred inflows since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types report 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 and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses, except for refundings paid from proceeds which are reported as other financing uses.

Highway Improvement Assessment

The Authority levies an annual highway improvement assessment against all properties zoned commercial, industrial, hotel, or professional/office located within the Transportation District. The Transportation District is located in the Township and includes about 4.18 square miles of land surrounding U.S. Route 202. The amount of the annual installments of assessments is determined by multiplying the Township's annual cost of the highway improvement capital program for that year

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

by the ratio of the assessed value of that individual property to the total assessment calculation of all assessable properties in the Transportation District.

The Authority's annual cost of the highway improvement capital program consists primarily of debt service requirements for the highway improvement revenue bonds and administrative expenses.

Fund Balances

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

*Nonspendable* – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

*Restricted* – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

*Committed* – amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

*Unassigned* – amounts available for consumption or not restricted in any manner.

It is the policy of the Township to maintain a minimum general fund unassigned fund balance to be used for unanticipated emergencies of no less than 25 percent of all general operating expenditures. Further, it is the goal of the Township to maintain a year-end unassigned fund balance with a minimum of 30 percent and a maximum of 35 percent of general fund operating expenditures. In the event the unassigned fund balance drops below the minimum level, the Township shall plan to adjust the budgeted resources in the subsequent year to restore the balance.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned resources are available for use, it is the Township's policy to use committed funds first, followed by assigned resources, and then unassigned resources as they are needed.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the entity-wide financial statements and proprietary and fiduciary fund financial statements. The net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of amounts available for consumption or not restricted in any manner. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

Use of Estimates in the Preparation of Financial Statements

The preparation of 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 contingent assets and liabilities at the date the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual amounts could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 DEPOSITS AND INVESTMENTS

***Deposits***

Legal and Contractual Restrictions - Township

The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Legal and Contractual Restrictions - Authority

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, and make deposits in savings accounts, time deposits, or share amounts of institutions insured by federal deposit insurance, to the extent that such accounts are so insured, and for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository. The Authority also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America, or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities and shares of an investment company registered under the Investment Company Act of 1940 (mutual funds) whose shares are registered under the Securities Act of 1933, provided that the only investments of the company are in the authorized investments for Authority funds.

At December 31, 2017, the carrying amount of the Township's deposits (excluding the OPEB and pension deposits) was \$18,555,680, and the bank balance was \$19,357,503. Of the bank balance, \$751,641 was covered by federal depository insurance; \$16,425,356 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Township's name; and \$2,180,506 was with the Pennsylvania Local Government Investment Trust ("PLGIT").

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act 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 statistical rating organization, and is subject to an independent annual audit. As of December 31, 2017, PLGIT had a credit rating of AAAM.

***Investments***

Based on a legal opinion from the Township solicitor, as a home rule municipality, the Township has broader investment options than other municipalities in Pennsylvania and has the power to invest subject to the terms, conditions, limitations, and restrictions imposed by laws upon fiduciaries. The Police Pension Trust Fund and OPEB Trust Fund are administered by trustees assigned by the Township Board of Supervisors who have responsibility for the exclusive management of the funds and the power to invest the monies therein subject to the terms, conditions, limitations, and restrictions imposed by law upon fiduciaries and as stated in a trust agreement between the Township and the trustees, including the statement of investment objectives. See Notes 9, 10, and 16 for pension and OPEB deposit and investment disclosures.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

As of December 31, 2017, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Maturities Less Than One Year</u>
<b><i>Governmental Activities:</i></b>			
U.S. Bank money market accounts	\$ 1,667,311	\$ 1,667,311	\$ *
PA INVEST	42,662	**	*
Vanguard money market account	<u>6,279,970</u>	<u>6,279,970</u>	*
<b>Total Governmental Activities</b>	<b><u>\$ 7,989,943</u></b>	<b><u>\$ 7,947,281</u></b>	<b><u>\$ -</u></b>
<b><i>Business-type Activities:</i></b>			
U.S. Bank money market accounts	\$ 43,590	\$ 43,590	\$ *
Vanguard money market account	<u>5,630,494</u>	<u>5,630,494</u>	*
<b>Total Business-type Activities</b>	<b><u>\$ 5,674,084</u></b>	<b><u>\$ 5,674,084</u></b>	<b><u>\$ -</u></b>

\*Investments in money market accounts and mutual funds do not have specific maturity dates.

\*\* External investment pool recorded at amortized cost which approximates fair value and is determined by the pool's share price.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. None of the Township's investments are subject to interest rate risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2017, the Township did not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an insurer of another counterparty to an investment will not fulfill its obligation. The Township's investment policy limits its investment choices to the following:

- Equity securities that are considered high quality, readily marketable securities of corporations listed on the NYSE, AMEX, and NASDAQ.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

- Bonds and other securities of the U.S. Government and its agencies.
- Investment-grade corporate issues rated A or better by Standard and Poor's and/or Moody's rating system.
- Mortgage-backed securities and other asset-backed securities having a rating of AAA or better.

As of December 31, 2017, the Township's investments in money market and mutual fund accounts with U.S. Bank and Vanguard are not rated. The money market accounts with PA INVEST had a credit rating of AAAM.

Concentration Risk

Excluding the Township's investments in mutual funds and external investment pools, none of the Township's investments exceed more than five percent of the Township's total investments.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2017 was as follows:

	Due From	Due To
General fund	\$ 1,901,795	\$ 12,907
Capital construction fund	10,882	1,189,801
Nonmajor governmental funds	-	72,500
Sewer utility fund	-	637,469
	\$ 1,912,677	\$ 1,912,677

Interfund balances represent temporary loans recorded at year end. The balances are repaid shortly after year end.

Interfund transfers:

<b>Transfers Out</b>		<b>Transfers In</b>	
Other governmental funds	\$ 885,000	Capital construction fund	\$ 1,974,050
Highway construction fund	1,089,050		
Total	\$ 1,974,050	Total	\$ 1,974,050

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont'd)

The most significant transfers represent funds used for the payment of liquid fuels expenditures that were paid for by the capital construction fund and the funding of capital projects by the general fund.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated:				
Land	\$ 7,108,684	\$ -	\$ -	\$ 7,108,684
Construction-in-progress	530,432	2,107,806	(10,852)	2,627,386
Total Capital Assets Not Being Depreciated	<u>7,639,116</u>	<u>2,107,806</u>	<u>(10,852)</u>	<u>9,736,070</u>
Capital assets being depreciated:				
Land improvements	30,410,187	1,381,629	(672,159)	31,119,657
Buildings and improvements	21,460,481	74,976	-	21,535,457
Vehicles	3,163,027	806,592	(395,001)	3,574,618
Machinery and equipment	2,249,734	96,880	(169,805)	2,176,809
Infrastructure	33,105,534	-	(493,124)	32,612,410
Total Capital Assets Being Depreciated	<u>90,388,963</u>	<u>2,360,077</u>	<u>(1,730,089)</u>	<u>91,018,951</u>
Accumulated depreciation	<u>42,966,649</u>	<u>3,127,064</u>	<u>(1,730,089)</u>	<u>44,363,624</u>
Total Capital Assets Being Depreciated, Net	<u>47,422,314</u>	<u>(766,987)</u>	<u>-</u>	<u>46,655,327</u>
Governmental Activities, Net	<u>\$55,061,430</u>	<u>\$ 1,340,819</u>	<u>\$ (10,852)</u>	<u>\$56,391,397</u>
<b><i>Business-type Activities</i></b>				
Capital assets not being depreciated:				
Construction-in-progress	\$18,940,101	\$ 32,327	\$(18,940,101)	\$ 32,327
Total Capital Assets Not Being Depreciated	<u>18,940,101</u>	<u>32,327</u>	<u>(18,940,101)</u>	<u>32,327</u>
Capital assets being depreciated:				
Collection sewer system - infrastructure	26,553,295	19,347,216	(277,499)	45,623,012
Buildings and improvements	598,627	-	-	598,627
Vehicles	238,086	405,788	(117,943)	525,931
Machinery and equipment	932,996	17,132	-	950,128
Total Capital Assets Being Depreciated	<u>28,323,004</u>	<u>19,770,136</u>	<u>(395,442)</u>	<u>47,697,698</u>
Accumulated depreciation	<u>15,253,035</u>	<u>1,087,636</u>	<u>(395,442)</u>	<u>15,945,229</u>
Total Capital Assets Being Depreciated, Net	<u>13,069,969</u>	<u>18,682,500</u>	<u>-</u>	<u>31,752,469</u>
Business-type Activities, Net	<u>\$32,010,070</u>	<u>\$18,714,827</u>	<u>\$(18,940,101)</u>	<u>\$31,784,796</u>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4      CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	\$ 344,592
Public safety	175,045
Public works - highway and maintenance	1,309,519
Public works - infrastructure	749,270
Library	360,785
Culture and recreation	<u>187,853</u>
 Total Governmental Activities	 <u>\$ 3,127,064</u>
 Business-type Activities:	
Sewer	<u>\$ 1,087,636</u>

NOTE 5      LONG-TERM DEBT

Series of 2011 General Obligation Revenue Bonds, issued \$5,510,000 in November 2011 at 1.00% to 3.00%, interest and principal payable annually from May 2012 through November 2017. The purpose of this issue was for the current refunding of the remaining portion of the 2006 General Obligation Bonds.	\$ -
Series of 2012 General Obligation Revenue Bonds, issued \$9,375,000 in July 2012 at 1.00% to 2.00%, interest and principal payable annually from November 2012 through November 2021. The purpose of this issue was for the current refunding of the remaining portion of the 2004 General Obligation Bonds and the related costs of issuing the Bonds.	6,530,000
General Obligation Note, Series of 2013 issued \$1,680,000 in December 2013 at 2.20%, interest and principal payable monthly from January 2014 through December 2018. The purpose of the issue was to advance refund the remaining portion of the 2008 Highway Improvement Bonds.	<u>352,169</u>
 TOTAL	 <u>\$ 6,882,169</u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,937,169	\$ 134,796
2019	1,615,000	98,900
2020	1,650,000	66,600
2021	<u>1,680,000</u>	<u>33,600</u>
TOTAL	<u>\$ 6,882,169</u>	<u>\$ 333,896</u>

A schedule of long-term liabilities is as follows:

	<u>Outstanding 01/01/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 12/31/17</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
2011 G.O.B. - refunding	\$ 465,000	\$ -	\$ 465,000	\$ -	\$ -
2012 G.O.B. - refunding	7,540,000	-	1,010,000	6,530,000	1,585,000
Premium	<u>88,826</u>	-	<u>61,336</u>	<u>27,490</u>	<u>22,491</u>
Total General Obligation Bonds	<u>8,093,826</u>	-	<u>1,536,336</u>	<u>6,557,490</u>	<u>1,607,491</u>
2013 General Obligation Note	<u>695,470</u>	-	<u>343,301</u>	<u>352,169</u>	<u>352,169</u>
Total General Obligation Notes	<u>8,789,296</u>	-	<u>1,879,637</u>	<u>6,909,659</u>	<u>1,959,660</u>
Capital leases	38,373	-	14,503	23,870	14,944
Compensated absences	303,064	-	91,692	211,372	140,371
OPEB Obligation	13,268,427	809,367	-	14,077,794	-
Net pension liability	<u>9,388,932</u>	-	<u>1,803,375</u>	<u>7,585,557</u>	-
Total Governmental Activities	<u>31,788,092</u>	<u>809,367</u>	<u>3,789,207</u>	<u>28,808,252</u>	<u>2,114,975</u>
<b>Business-type Activities:</b>					
Net pension liability	<u>54,711</u>	<u>163</u>	-	<u>54,874</u>	-
TOTAL	<u>\$31,842,803</u>	<u>\$ 809,530</u>	<u>\$ 3,789,207</u>	<u>\$28,863,126</u>	<u>\$ 2,114,975</u>

NOTE 6 CAPITAL LEASES

The Township entered into a long-term lease arrangement for copiers. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES (cont'd)

The assets acquired through the capital leases are as follows:

	Copiers
Cost	\$ 58,190
Less accumulated depreciation	(35,156)
TOTAL	\$ 23,034

Future minimum lease payments due under the lease obligations are as follows:

Year Ending December 31,

2018	\$ 15,456
2019	9,016
Less amount representing interest	(602)
	\$ 23,870

NOTE 7 FUND BALANCES

As of December 31, 2017, fund balance is composed of the following:

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:					
Streets and highways	\$ -	\$ -	\$ 2,045,778	\$ 1,901	\$ 2,047,679
Assigned:					
TTMA	-	-	-	649,625	649,625
Capital projects	-	334,433	-	-	334,433
Unassigned	18,527,116	-	-	-	18,527,116
	\$18,527,116	\$ 334,433	\$ 2,045,778	\$ 651,526	\$ 21,558,853

NOTE 8 TAXES

For 2017, the following tax was levied on assessed value of real estate:

2.38 mills for general purposes

The taxable assessed valuation of property as of December 31, 2017 was \$3,570,817,205.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 TAXES (cont'd)

The real estate tax collection calendar is as follows:

Initial billing	-	February 1
Discount period	-	February 1 - March 31
Face period	-	April 1 - May 31
Penalty period	-	June 1 and thereafter
Lien date	-	January 15 (the following year)

Other taxes levied in 2017:

Real estate transfer	-	1% of sale price
Local service tax	-	\$52 per person per calendar year for persons who work within the Township with annual earnings of at least \$12,000

NOTE 9 POLICE PENSION PLAN

Detailed information about the plan's fiduciary net position is available in the separately issued Tredyffrin Township Police Pension Fund financial report.

Plan description and provisions:

The Tredyffrin Township Police Pension Plan is a self-administered single-employer, contributory, defined benefit pension plan covering the Township's full-time police officers, as defined by the plan document. The Township Board of Supervisors established a trust fund maintained by trustees as so designated by a trust agreement between the Township and the trustees. An annual actuarial report and complete financial statements for the plan can be obtained at the Township administrative building. A review of the pension plan documents as of December 31, 2017 disclosed that pension plan membership consisted of the following:

Active employees	42
Retirees and beneficiaries currently receiving benefits	44
Vested terminated members	<u>4</u>
Total	<u>90</u>

Normal retirement date for members is the first day of the month coincident with or immediately following the earliest of the date the member reaches the age of 52 and completes 25 years of service or reaches the age of 60 and completes 20 years of service.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

The annual pension benefit for members who remain in service until their normal retirement date shall be equal to 50 percent of their average yearly compensation (base pay, shift differential, and longevity pay) during the three years immediately preceding their retirement date, provided they completed 20 or more years of continuous service. This benefit will be reduced proportionately for members who have completed less than 20 years of continuous service. Benefits shall be increased up to three percent per year to reflect increases in the cost of living so long as the plan is actuarially sound. Members hired after December 31, 2003 will be subject to the same pension eligibility requirements and shall receive the same pension benefits as those hired on or before that date, so long as the requirements and benefits are consistent with applicable law; otherwise, the eligibility requirements and benefits will be adjusted so as to be consistent with applicable law.

A member who terminates service before normal retirement date may elect one of the following options:

1. Members with fewer than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of five percent per year.
2. Members completing 12 years of continuous service are 100 percent vested in their accrued pension benefit and entitled to:
  - a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to the vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or
  - b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of five percent per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.
3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

The plan also contains a disability provision, death benefit provision, and survivor provision.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

**Deposits**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the carrying amount of the plan's money market accounts was \$880,374. The plan's deposits are invested in First American Government Obligations, which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

**Investments**

The investment objective of the Tredyffrin Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. As of December 31, 2017, the Police Pension Plan had \$33,344,870 invested in fixed income and equity mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Investment Type	Fair Value	Level 1
Fixed income funds	\$ 10,145,679	\$ 10,145,679
Stock mutual funds	10,991,706	10,991,706
International mutual funds	6,240,648	6,240,648
Common stock	3,489,982	3,489,982
Real estate investment funds	1,773,687	1,773,687
Emerging market funds	703,168	703,168
<b>TOTAL</b>	<b>\$ 33,344,870</b>	<b>\$ 33,344,870</b>

The plan's investment policy establishes the following target allocation across asset classes:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	42.00%	5.20%
International Equity	13.50%	5.20%
Emerging Markets	5.50%	5.20%
REITs	6.00%	4.00%
Fixed Income	16.50%	3.00%
Interm IG Corp	8.25%	3.80%
High Yield	4.13%	4.30%
Emerging Debt	4.13%	4.80%
Cash	0.00%	.80%

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

The long-term expected rate of return on pension 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 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 by the target asset allocation percentage and then adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 are listed in the table above.

Contributions

The Commonwealth of Pennsylvania Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205. In addition to the MMO, employees were required to contribute five percent of their compensation (base pay, shift differential, and longevity pay) to the plan during 2017.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are paid by the plan.

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2017 was determined as part of actuarial valuations at January 1, 2017. Update procedures were used to roll forward January 1, 2017 liabilities to the plan's fiscal year ended December 31, 2017. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5% per annum, compounded annually
Projected salary increases	5.00% per annum, compounded annually
Cost of living adjustments	2.25% per year, maximum

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

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

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.25 percent. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	\$ 38,560,996	\$ 30,584,141	\$ 7,976,855
Service cost	785,588	-	785,588
Interest cost	2,831,071	-	2,831,071
Changes for experience	(622,406)	-	(622,406)
Changes for assumptions	1,319,097	-	1,319,097
Contributions – employer	-	977,587	(977,587)
Contributions – state aid	-	385,413	(385,413)
Contributions – member	-	216,842	(216,842)
Net investment income	-	4,649,607	(4,649,607)
Benefit payments, including refunds of member contributions	(2,004,433)	(2,004,433)	-
Administrative expense	-	(107,479)	107,479
Net changes	<u>2,308,917</u>	<u>4,117,537</u>	<u>(1,808,620)</u>
Balances at December 31, 2017	<u>\$ 40,869,913</u>	<u>\$ 34,701,678</u>	<u>\$ 6,168,235</u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

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

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan net pension liability	\$ 11,729,875	\$ 6,168,235	\$ 1,584,990

Money-weighted Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on the police pension investments, net of investment expense was 14.84 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liability and Expense and Deferred Outflows of Resources

For the year ended December 31, 2017, the Township recognized pension expense of \$1,729,637. At December 31, 2017, the Township reported deferred outflows and inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$ (114,519)
Changes in assumptions	1,510,400	-
Net difference between projected and actual investment earnings	-	(879,850)
	<u>\$ 1,510,400</u>	<u>\$ (994,369)</u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

These amounts will be reported as deferred outflows and inflows of resources related to the pension and will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 497,229
2019	497,231
2020	(160,107)
2021	(339,924)
2022	<u>21,602</u>
	<u>\$ 516,031</u>

NOTE 10 NON-UNIFORMED PENSION PLAN

The Township provides pension benefits for non-uniformed employees through the Pennsylvania Municipal Retirement System ("PMRS"), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the eleven-member Pennsylvania Municipal Retirement Board. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office at P.O. Box 1165, Harrisburg, PA 17108-1165 or (717) 787-2065.

Determination of contribution requirements:

	<u>PMRS Plan</u>
Employer	Based on actuarial study and minimum municipal obligation calculation
Plan members	4% of base and longevity
Period vested	8 years
Eligibility for distribution	Age 70½ or if becoming permanently disabled or deceased while employed

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

A review of the pension plan documents at December 31, 2017 disclosed that pension plan membership consisted of the following:

	<u>PMRS Plan</u>
Active employees	58
Retirees and beneficiaries currently receiving benefits	52
Vested terminated employees	<u>14</u>
Total	<u>124</u>

The current year annual pension cost for the PMRS Plan is shown below.

<u>Fiscal Year</u>	<u>PMRS Plan</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 204,151	100.00%
2014	\$ 201,874	100.00%
2015	\$ 202,074	100.00%
2016	\$ 267,307	100.00%
2017	\$ 282,686	100.00%

Valuation of Investments

The pension plan's assets with PMRS are valued at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by the GASB Codification for aggregate PMRS investments are included in PMRS's separately issued CAFR.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Allocation of Investments

PMRS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equities (large capitalized firms)	25.00%	6.40%
Domestic equities (small capitalized firms)	15.00%	7.00%
International equities (international developed markets)	15.00%	3.70%
International equities (emerging markets)	10.00%	7.90%
Real estate	20.00%	7.00%
Fixed income	15.00%	2.40%

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole at different levels of probability, and confidence.

Actuarial Methods and Assumptions

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2013 actuarial valuation.

Below is a summary of the key assumptions and methods used to determine the contribution rates.

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	11 years
Asset valuation method	Based upon municipal reserves
Actuarial assumptions:	
Discount rate	5.25%
Investment rate of return	5.5% per annum, compounded annually
Projected salary increases	Age related scale with merit and inflation component
Cost of living adjustments	3.0%

Pre-retirement mortality rates were based on the RP-2000 Mortality Table with a one-year setback for males and a five-year setback for females. Post-retirement mortality rates were based upon the Sex Distinct RP-2000 Combined Healthy Mortality Table.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Discount Rate Determination

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Adherence to the actuarial funding policy described above will result in the pension plan's projected fiduciary net position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2016. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2015	\$ 14,799,283	\$ 13,332,495	\$ 1,466,788
Service cost	358,948	-	358,948
Interest cost	812,662	-	812,662
Changes for assumptions	416,749	-	416,749
Differences between expected and actual experience	50,183		50,183
Contributions – employer	-	282,686	(282,686)
Contributions – member	-	128,660	(128,660)
PMRS investment income	-	1,263,161	(1,263,161)
Transfers	8,423	8,423	-
Benefit payments, including refunds of member contributions	(783,937)	(783,937)	-
Additional administrative expense	-	(41,373)	41,373
Net changes	<u>863,028</u>	<u>857,620</u>	<u>5,408</u>
Balances at December 31, 2016	<u>\$ 15,662,311</u>	<u>\$ 14,190,115</u>	<u>\$ 1,472,196</u>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 5.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate of one percentage point lower (4.25 percent) or one percentage point higher (6.25 percent) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Plan net pension liability (asset)	\$ 3,238,776	\$ 1,472,196	\$ (95,331)

Pension Liability and Expense and Deferred Outflows of Resources

For the year ended December 31, 2017, the Township recognized pension expense of \$470,987. At December 31, 2017, the Township reported deferred outflows of resources related to the non-uniformed pension from the following sources:

	Deferred Outflows of Resources
Net difference between expected and actual experience	\$ 62,411
Changes in assumptions	372,676
Net difference between projected and actual investment earnings	5,276
Contributions subsequent to the date of measurement	311,485
	\$ 751,848

An amount of \$311,485 is reported as deferred outflows of resources resulting from the Township's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to the pension and will be recognized in pension expense as follows:

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Year Ending December 31,

2017	\$ 179,308
2018	179,308
2019	175,849
2020	<u>(94,102)</u>
	<u>\$ 440,363</u>

NOTE 11 DEFERRED COMPENSATION PLAN

The Township offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is optional, allows participants to defer salary until future years. In 2017, the maximum contribution into the plan was \$18,000 per employee. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Township has no legal access to the assets of the plan, which are held in a trust and no longer subject to the claims of the Township's general creditors.

NOTE 12 RELATED PARTY

The Township participates in the operation of the Tredyffrin Public Library, which is a branch of the Chester County Library System. The library is administered by a Board of Trustees.

Under a 1965 agreement between the Township and the County of Chester, the Township must contribute one-half of the minimum amount necessary to qualify for maximum state aid for the library. During 1980, the Township executed an agreement with the Paoli Library Association, which merged the Paoli Library with the Tredyffrin Public Library. In 2017, the Township appropriated and expensed \$1,171,879 for the support of the libraries. Additionally, the Township provides land and building facilities to the libraries rent free.

NOTE 13 CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

The Township participates in state and county-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 14 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Township. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 15 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, the General Fund incurred expenditures in excess of appropriations in the following functions:

General government	\$	93,659
Public safety	\$	1,204,501
Public works – highways and streets	\$	471,317
Engineering	\$	57,096
Culture and recreation	\$	41,593

The excess expenditures were covered by revenues exceeding budgeted amounts.

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

The Township adheres to the GASB Codification for certain post-employment healthcare benefits and life insurance benefits provided by the Township. This statement allowed for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Township Manager and Board of Supervisors have the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Funding Policy

The Township is funding benefits on a partial funding basis.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 3,165,991	\$ 2,262,219	\$ 2,225,985
Interest on net OPEB obligation	729,763	725,620	716,792
Adjustment to annual required contribution	<u>(1,080,909)</u>	<u>(1,048,471)</u>	<u>(1,012,237)</u>
Annual OPEB cost (expense)	2,814,845	1,939,368	1,930,540
Contributions made	<u>(2,005,478)</u>	<u>(1,864,030)</u>	<u>(1,770,041)</u>
Increase in net OPEB obligation	809,367	75,338	160,499
Net OPEB obligation - beginning of year	<u>13,268,427</u>	<u>13,193,089</u>	<u>13,032,590</u>
Net OPEB obligation - end of year	<u>\$14,077,794</u>	<u>\$13,268,427</u>	<u>\$13,193,089</u>

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was 11.36 percent funded. The actuarial accrued liability for benefits was \$35,041,417, and the actuarial value of assets was \$3,982,098, resulting in an unfunded actuarial accrued liability ("UAAL") of \$31,059,319. The covered payroll (annual payroll of active employees covered by the plan) was \$4,336,858, and the ratio of the UAAL to the covered payroll was 716.17 percent. The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. In December 2013, the Township established an irrevocable trust for the purpose of funding the OPEB obligation. As of December 31, 2017, the fair value of the financial instruments in the irrevocable trust was \$5,832,382, which consisted of cash and cash equivalents, fixed income, and equity mutual funds.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the carrying amount of the Township's post-employment healthcare plan money market accounts was \$327,403. The plan's deposits are invested in First American Government Obligations, which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

***Investments***

As of December 31, 2017, the Township's post-employment healthcare plan had \$5,054,979 invested in stock mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Stock mutual funds	\$ 5,054,979	\$ 5,054,979
<b>TOTAL</b>	<b><u>\$ 5,054,979</u></b>	<b><u>\$ 5,054,979</u></b>

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 healthcare cost trends. Amounts determined regarding the funded status of the plan 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

In the January 1, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5 percent. The annual trend rate for medical and prescription drug costs is assumed to be 7.75 percent in 2018, decreasing by .25 percent per year to an ultimate level of 5.0 percent. The annual healthcare cost trend for dental coverage is assumed to be 2.5 percent per year. The annual rate of increase for the reimbursement of cost sharing is assumed to be three percent annually. The annual rate of increase for the reimbursement of copays is assumed to be .5 percent annually. The trend rate for the Medicare Part B premium for uniformed retirees is zero percent for 2015 and two percent thereafter. The UAAL is being amortized as a level dollar amount over a 30-year period. As of the January 1, 2017 valuation, the amortization period is 21 years.

NOTE 17 CAPITAL IMPROVEMENT COMMITMENTS

As of December 31, 2017, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 12/31/2017</u>	<u>Estimated Balance to Complete</u>
<i>Governmental Activities:</i>			
East Central Avenue Project	\$ 1,797,981	\$ 1,670,580	\$ 127,401
Township building renovation	50,120	1,915	48,205
Gateway Multimodal Study	45,000	7,080	37,920
MS4 Program	106,991	106,991	-
Strafford Park Basin	72,315	65,480	6,835
ARLE Grant Project	659,721	530,927	128,794
Howelleville Road Bridge	406,309	243,529	162,780
Total Governmental Activities	<u>3,138,437</u>	<u>2,626,502</u>	<u>511,935</u>
<i>Business-type Activities:</i>			
Utility billing software	44,500	32,327	12,173
Total Business-type Activities	<u>44,500</u>	<u>32,327</u>	<u>12,173</u>
Total Entity-wide	<u>\$ 3,182,937</u>	<u>\$ 2,658,829</u>	<u>\$ 524,108</u>

In addition to the above contracts, the Township has incurred costs totaling \$884 for governmental activities project costs that are not under a formal contract as of December 31, 2017.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 18 SUBSEQUENT EVENTS

The Township and the Municipal Authority are actively preparing to sell the Valley Creek Trunk Sewer System. The sale of the system is expected to be completed within the next fiscal year.

The Township has evaluated all subsequent events through August 2, 2018, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TREDYFFRIN TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT HEALTHCARE PLAN**

Historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
01/01/17	3,982,098	35,041,417	31,059,319	11.36%	4,336,858	716.17%
01/01/16	3,360,586	26,664,155	23,303,570	12.60%	4,761,561	489.41%
01/01/15	2,640,366	26,017,954	23,377,588	10.15%	3,849,827	607.24%
01/01/14	2,021,722	25,335,575	23,313,853	7.98%	3,802,718	613.08%
01/01/13	-	43,079,632	43,079,632	0.00%	3,954,617	1089.35%
01/01/10	-	36,499,276	36,499,276	0.00%	5,581,158	653.97%

The Township is required to have an actuarial valuation once every year due to the establishment of an irrevocable trust to fund the obligation.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

**TREDYFFRIN TOWNSHIP  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**POST-EMPLOYMENT HEALTHCARE PLAN**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	21 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.5% per annum, compounded annually
Healthcare and prescription drug cost trend rate	7.75 % per annum, initially decreasing by .25% per year to an ultimate level of 5%

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

	2017	2016	2015	2014
<u>TOTAL PENSION LIABILITY</u>				
Service cost	\$ 785,588	\$ 781,263	\$ 744,060	\$ 649,648
Interest cost	2,831,071	2,751,413	2,619,243	2,357,601
Change for experience	(622,406)	-	844,664	-
Change for assumption	1,319,097	-	974,828	-
Benefit payments	(2,004,433)	(1,735,440)	(1,541,042)	(1,324,161)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>2,308,917</b>	<b>1,797,236</b>	<b>3,641,753</b>	<b>1,683,088</b>
<b>TOTAL PENSION LIABILITY, BEGINNING OF YEAR</b>	<b>38,560,996</b>	<b>36,763,760</b>	<b>33,122,007</b>	<b>31,438,919</b>
<b>TOTAL PENSION LIABILITY, END OF YEAR</b>	<b>\$ 40,869,913</b>	<b>\$ 38,560,996</b>	<b>\$ 36,763,760</b>	<b>\$ 33,122,007</b>
<u>PLAN FIDUCIARY NET POSITION</u>				
Contributions:				
Employer	\$ 977,587	\$ 557,034	\$ 461,469	\$ 452,851
State aid	385,413	367,470	313,667	332,556
Employee	216,842	212,028	206,057	196,388
Net investment income (loss)	4,649,607	2,129,739	(226,459)	2,018,264
Benefit payments	(2,004,433)	(1,735,440)	(1,541,042)	(1,324,161)
Administrative expenses	(107,479)	(60,005)	(119,604)	(26,942)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>4,117,537</b>	<b>1,470,826</b>	<b>(905,912)</b>	<b>1,648,956</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<b>30,584,141</b>	<b>29,113,315</b>	<b>30,019,227</b>	<b>28,370,271</b>
<b>PLAN FIDUCIARY NET POSITION, END OF YEAR</b>	<b>\$ 34,701,678</b>	<b>\$ 30,584,141</b>	<b>\$ 29,113,315</b>	<b>\$ 30,019,227</b>
<b>TOWNSHIP'S NET PENSION LIABILITY</b>	<b>\$ 6,168,235</b>	<b>\$ 7,976,855</b>	<b>\$ 7,650,445</b>	<b>\$ 3,102,780</b>
Plan fiduciary net position as a percentage of total pension liability	84.91%	79.31%	79.19%	90.63%
Covered employee payroll	\$ 4,742,098	\$ 4,823,120	\$ 4,201,336	\$ 4,282,088
Township's net pension liability as a percentage of covered payroll	130.07%	165.39%	182.10%	72.46%
Annual money-weighted rate of return, net of investment expense	14.84%	7.31%	-1.06%	7.22%

**Notes to Schedule:**  
Assumption Changes - In 2015, the mortality assumption was changed from Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA, and the interest rate assumption was decreased from 7.50% to 7.25%.

Benefit Changes - None.  
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.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 358,948	\$ 372,362	\$ 381,292
Interest cost	812,662	791,782	770,931
Change for experience	-	-	61,935
Change for assumption	416,749	100,190	-
Differences between expected and actual experience	50,183	-	-
Transfers	8,423	1,645	-
Benefit payments	<u>(783,937)</u>	<u>(966,169)</u>	<u>(691,388)</u>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	863,028	299,810	522,770
<b>TOTAL PENSION LIABILITY, BEGINNING OF YEAR</b>	<u>14,799,283</u>	<u>14,499,473</u>	<u>13,976,703</u>
<b>TOTAL PENSION LIABILITY, END OF YEAR</b>	<u>\$ 15,662,311</u>	<u>\$ 14,799,283</u>	<u>\$ 14,499,473</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions:			
Employer	\$ 282,686	\$ 267,307	\$ 202,074
Employee	128,660	121,576	118,302
Net investment income	1,263,161	93,536	785,629
Transfers	8,423	1,645	-
Benefit payments	<u>(783,937)</u>	<u>(966,169)</u>	<u>(691,388)</u>
Administrative expenses	<u>(41,373)</u>	<u>(34,260)</u>	<u>(30,937)</u>
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	857,620	(516,365)	383,680
<b>PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<u>13,332,495</u>	<u>13,848,860</u>	<u>13,465,180</u>
<b>PLAN FIDUCIARY NET POSITION, END OF YEAR</b>	<u>\$ 14,190,115</u>	<u>\$ 13,332,495</u>	<u>\$ 13,848,860</u>
<b>TOWNSHIP'S NET PENSION LIABILITY</b>	<u>\$ 1,472,196</u>	<u>\$ 1,466,788</u>	<u>\$ 650,613</u>
Plan fiduciary net position as a percentage of total pension liability	90.60%	90.09%	95.51%
Covered employee payroll	\$ 3,244,548	\$ 3,067,556	\$ 3,167,709
Township's net pension liability as a percentage of covered payroll	45.37%	47.82%	20.54%
Annual money-weighted rate of return, net of investment expense	5.80%	5.90%	6.20%

**Notes to Schedule:**

Assumption Changes - In 2015, the mortality assumption was changed from Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

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.

**TREDYFFRIN TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWNSHIP CONTRIBUTIONS**

Year	Plan	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2014	Police	\$ 785,407	\$ 785,407	\$ -	\$ 4,282,088	18.34%
	Non-Uniformed	201,874	202,074	(200)	3,167,709	6.37%
2015	Police	775,136	775,136	-	4,201,336	18.45%
	Non-Uniformed	263,283	267,307	(4,024)	3,067,556	8.71%
2016	Police	924,504	924,504	-	4,823,120	19.17%
	Non-Uniformed	282,566	282,686	(120)	3,244,548	8.71%
2017	Police	913,000	1,363,000	(450,000)	4,742,098	19.25%
	Non-Uniformed	*	*	*	*	*

\* Not available due to measurement date of the Non-Uniformed Plan, which is December 31, 2016.

**Notes to Schedule:**

*Methods and Assumptions Used to Determine Contribution Rates:*

	<u>Police</u>	<u>Non-Uniformed</u>
Valuation date	January 1, 2017	#
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Remaining amortization period	35 Years	11 years
Asset valuation method	Market value	Based upon the municipal reserves
Inflation	2.25%	3.00%
Salary increases	5.00%	Age related scale with merit and inflation component
Investment rate of return	7.25%	5.50%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Blue Collar RP-2000 Mortality table projected using Scale AA	Pre-retirement mortality: Males - RP 2000 with one-year setback, Females - RP 2000 with five-year setback

# Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2013 actuarial valuation.

*Other Information:*

**Police Pension**

Assumption changes - In 2015, the mortality assumption was changed from Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

**General**

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.

## **SUPPLEMENTARY INFORMATION**

**TREDYFFRIN TOWNSHIP  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	Highway Improvement Fund	Liquid Fuels Fund	TTMA Transportation District Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	-	1,824	722,125	723,949
Investments	77	-	-	77
<b>TOTAL ASSETS</b>	<u>77</u>	<u>1,824</u>	<u>722,125</u>	<u>724,026</u>
<b>LIABILITIES</b>				
Due to other funds	-	-	72,500	72,500
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>72,500</u>	<u>72,500</u>
<b>FUND BALANCES</b>				
Restricted	77	1,824	-	1,901
Assigned	-	-	649,625	649,625
<b>TOTAL FUND BALANCES</b>	<u>\$ 77</u>	<u>\$ 1,824</u>	<u>\$ 649,625</u>	<u>\$ 651,526</u>

**TREDYFFRIN TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Highway Improvement Fund	Liquid Fuels Fund	TTMA Transportation District Fund	Totals
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 485,103	\$ 485,103
Interest, dividends, and rents	-	6,400	-	6,400
Intergovernmental revenues	-	878,477	-	878,477
<b>TOTAL REVENUES</b>	<u>-</u>	<u>884,877</u>	<u>485,103</u>	<u>1,369,980</u>
<b>EXPENDITURES</b>				
General government	-	-	36,500	36,500
Debt service:				
Principal	-	-	343,301	343,301
Interest and other charges	-	-	11,825	11,825
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>391,626</u>	<u>391,626</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>884,877</u>	<u>93,477</u>	<u>978,354</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	(885,000)	-	(885,000)
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>(885,000)</u>	<u>-</u>	<u>(885,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>-</u>	<u>(123)</u>	<u>93,477</u>	<u>93,354</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>77</u>	<u>1,947</u>	<u>556,148</u>	<u>558,172</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 77</u>	<u>\$ 1,824</u>	<u>\$ 649,625</u>	<u>\$ 651,526</u>