

HORSHAM TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2017

HORSHAM TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Township Council
Horsham Township

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Horsham Township, Pennsylvania, as of and for the year ended December 31, 2017, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Basis for Adverse Opinion

The financial statements do not include financial data for the Township's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that include the financial data for its component units. The Township has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units have not been presented. The amounts are not available so the effect of the omission cannot be determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the Township of Horsham, Pennsylvania, as of December 31, 2017, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Horsham Township, Pennsylvania, as of December 31, 2017 and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund, and library operating fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, and the historical trend information on pages 68 through 73 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Horsham Township, Montgomery County, Pennsylvania, financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
July 20, 2018

HORSHAM TOWNSHIP

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

The management of Horsham Township offers readers of the Municipality’s financial statement a narrative overview and analysis of the financial activities of Horsham Township for the fiscal year ended December 31, 2017. Please read the analysis in conjunction with the Township’s financial statements which follow this section.

Financial Highlights

Government-wide Financial Statements (Full Accrual)

TABLE 1:

The net position of Horsham Township has been decreasing. The net position in fiscal year 2017 was \$78.5 million dollars. The \$78.5 million dollar amount reflects a decrease of approximately \$1.3 million dollars from the 2016 amount of \$79.8 million dollars; and, last year the \$79.8 million amount was approximately a \$1.0 million dollar decrease from the 2015 amount of \$80.8 million dollars. In 2018, and in other near term years, this declining trend is expected to be reversed due to significant planned capital outlays for infrastructure projects: the municipal building replacement, intersection improvements, and other large scale municipal spending.

The total net position is comprised of several activities, but of these, three are noteworthy in this analysis. The first, \$3.3 million was identified as restricted in 2016 and \$3.6 million in 2017. Restricted funding is available to meet ongoing local government obligations to citizens and/or creditors, but there are limits on how those funds can be expended. When possible, the municipality should use restricted funding in a manner that frees a use of discretionary assets. Currently, there is a 7% increase of restricted funding from 2016 to 2017, and a 4% increase from 2015 to 2016. In 2018, due to weather conditions and scheduled road improvements, one primary source of restricted funding - the State Aid Fund - is expected to be reduced.

A second is “net investment in capital assets”. This has been decreasing over the last several years due to depreciation and a need to fund on-going operations that aren’t capitalized. This decline represents a decrease of approximately 6.9% over a six year period, or slightly more than 1% per year on average. It should be noted, however, that data collected for these purposes is based on criteria, such as infrastructure life, that are estimates and may not be fully reflective of actual life expectancy.

And, a third is “deferred” outflows and inflows. Two years ago, the Township implemented two new accounting pronouncements, Government Accounting Standards Board (“GASB”) Statement No. 68, “Accounting and Financial Reporting for Pensions,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.” The purpose of those statements was to improve the transparency, consistency, and comparability of the pension information reported by state and local governments.

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The two GASB changes impacted deferred outflows and inflows - and this in turn - impacted net position. For example, the beginning net position in 2015 on the Statement of Activities was restated from \$86,436,956 to \$79,914,972 to reflect the net pension liability on December 31, 2014. The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at a long-term assumed rate of return on plan investments ("deferred outflows" - currently at an assumed interest rate of 7.75% for police and 5.5% for non-uniform). The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of governments not only in Pennsylvania, but across the nation. By recognizing the impact of the unfunded liability faced by many defined benefit pension plans, plan administrators (at the direction of elected officials), and participants, will now be required to more closely evaluate and monitor the cost of those benefits.

TABLE 2:

In audit 2016 "Changes in Net Position" identified that revenue decreased (4.4%) and expenditures increased (5.4%) from the prior year. In 2017 both categories increased: revenue increased by 1.3% and expenditures increased by 3.5%. So too, the change in net position has widened - from a positive \$894,949 to a negative \$934,525 in 2016, and another negative - \$1,357,458 - in 2017. If this trend continues at approximately the same rate, an expectation is that the gap will widen at least, again, an additional \$1 million in 2018.

Table 2 enables the reader to see a breakdown of revenue into nine categories and expenditures into five categories. Looking closer at revenue, its largest source, overwhelmingly, continues to be the "local and enabling act tax." The local and enabling tax has two sources - an earned income tax and the local services tax. The earned income tax is the much larger of the two. It is based on wages and, at a fixed rate with consistent circumstances, can be expected to increase year after year. Currently, it represents about 85% of the local and enabling tax category and about 58% of all revenue. Together, with the local service tax (a \$52 per year employment tax), the category of "local and enabling act tax" is just a little short of 57% of all revenue. Other than inflationary increases and macroeconomic growth, there is very little the municipality can do to make this number grow year after year.

The second largest source of revenue is property taxes. Property taxes are only about 13% of total revenue. While overall property values - the municipality's total assessment - have increased, the property tax rate (millage) has remained the same for many years. Consequently, property tax revenue is consistent, at about two and a half million, every year. At only 13% of all revenue, even if the property tax rate were increased by 10%, to 1.1 mills, this would only generate an additional \$250,000, and total revenue would then only increase by a meager 1.3%.

The third largest revenue source is "operating grants and contributions". This category and all subsequent revenue categories represent less than 10% of all revenue. Operating grants and contributions have been at \$1.7 million for the last two years, growing from a \$1.057 million amount in 2015. This category is often based on funding formulas that are annual and distant from direct municipal control. Reasons for receiving grants and contributions are related to pensions, recycling, fire control, etc. While the municipality can apply for operating grants and contributions these are often project specific and may be offset by an increase in expenditures.

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The fourth largest revenue source is “charges for services.” Every year the municipality reviews what it charges for services and updates its fee structure. In its review the municipality does a peer comparison with other nearby local governments and attempts to determine charges that are somewhere in the middle of the pack - not charging too high for services or too low.

The fifth largest revenue source is the “transfer tax.” When a property is sold 1% of the selling price, less commissions, is returned to the municipality as a real estate transfer tax. The tax comprises a little more than 6% of all revenue. The amount can fluctuate as it is based on real estate, corporate specific, and other macroeconomic conditions normally beyond the direct control of the municipality.

The sixth largest revenue source is “franchise fees” and these are collected and paid by Comcast and Verizon for cable services provided to local residents. The amount of franchise fees paid is based on the amount of the household cable bill and can fluctuate based on selected cable services. However, with the introduction of new technologies households are evaluating other sources of communication to meet their needs. Some of these options do not add to local franchise fees. Consequently, for the first time in recent years, franchise fees leveled and then decreased. For example, from 2016 to 2017, franchise fees decreased from \$643,775 to \$619,758. Further reductions should be expected over a longer term.

The final categories of revenue sources are “investment income”, “other”, and “capital grants and contributions.” Combined, these three categories represent a little more than 4% of all revenue. One of these - investment income - has had a longer term trend of significant growth: \$274,914 in 2016, and \$345,186 in 2017. Thus, over the last three years, investment income has increased by more than three times its 2015 amount. Large increases for the other two groups are also evident: capital grants and contributions growing from \$19,000 in 2016 to over \$70,000 in 2017; and, the catch-all category of “other” growing from \$328,910 in 2016 to \$377,907 in 2017. Of course these three categories will continue to fluctuate for they are contingent on such criteria as changes in interest rates or balances, changes in awarded grant amounts, and discretionary changes in what is defined as a miscellaneous or other category.

While revenue growth has been relatively flat, increasing by only 1.4% from 2016 to 2017, expenditures during the same time period are growing slightly less than three times that amount. Expenses for the year ending December 31, 2017, totaled \$19.928 million. It was an increase of a little less than \$700,000 from the prior year and was less than the \$1 million from 2015 to 2016. Expenditure categories from highest cost to lowest cost continue to be police and emergency services (\$7.863 million), administrative (\$5.324 million), public works (\$3.380 million), library and parks (\$2.507 million), and licenses and permits (\$.853 million). Of these, the most noteworthy changes from the prior year had been a 25% increase in licenses and inspections expenses; a result of changes in staff and the timeline for large construction projects within the municipality. A second noteworthy change had been an 18% increase in library and parks; a result of such things as the 300th municipal celebration, the maintenance of trees destroyed by invasive insects, changes in staffing, etc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Fund Financial Statements (Modified Accrual)

On December 31, 2017, Horsham Township's governmental funds had a total fund balance of more than \$22 million. The amount represents a trend, in recent years, of an increased balance; but, the amount is narrowing. The surpluses are primarily saved in a particular, specified fund. When assets are restricted this would include the Liquid Fuels Fund or Escrow Fund; and, when unrestricted, this would include the General Fund.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)

The financial statements are prepared in conformity with the Generally Accepted Accounting Principles (GAAP) with the exception of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, which is prepared on a cash basis as opposed to an accrual basis. "Cash Basis" is defined as "a method of bookkeeping by which revenues and expenditures are recorded when they are received and paid". "Accrual Basis" is defined as "a method of accounting that recognizes revenue when earned, rather than when collected and expenses when incurred, rather than when paid."

The "Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds" (pages 25-26) identifies a fund balance ending for 2017 of \$22.265 million. The amount is primarily comprised of Capital Improvement (46%) and General (32%), with lesser percentages connected to Other Governmental (19%) and Library Operating (3%). As a whole, the fund balance increased but now there are three of four categories with a "Deficiency of Revenues and Other Financing Sources" - in 2016 and 2017 the Library Operating Fund and the General Fund were deficient, but added in 2017 is the Capital Improvement Fund. The Capital Improvement Fund's expenditures increased from \$430,382 in 2016 to \$664,679 in 2017 as large municipal projects, like a new municipal building, progressed. Budgetary considerations have, and in future years, will need to address and correct these shortages.

The Library Operating Fund is one example where shortages have been addressed. The Library debt was refinanced in 2016 to reduce debt payments by extending the loan's life. In 2016 it was estimated that at the current rate, the Fund would have a depleted balance in about five years. This, of course, is three years less than a similar calculation identified in 2015. In 2017 after refinancing, the Fund's depletion should now extend more than ten years; and, with budgetary adjustments such as paying traditional costs with other funds, like Librarian employee benefits, the horizon will likely be even greater. The Township would like to increase the fund's balance from \$755,679 to an annual reserve of \$1 million.

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Horsham Township's basic financial statements. Horsham Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Net Position (on page 20) presents information on all of Horsham Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Horsham Township is improving or deteriorating. The following table reflects the condensed statement of net position. In 2016, there was a decrease of more than 1%, and in 2017 a decrease of about 2%. These are not wide fluctuations, and suggest a declining trend that is softened by relative stability and consistency.

**Table 1
Statement of Net Position**

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 23,541,242	\$ 23,319,046
Capital assets	<u>76,287,736</u>	<u>77,553,490</u>
Total Assets	<u>99,828,978</u>	<u>100,872,536</u>
Deferred outflows	<u>944,664</u>	<u>1,711,769</u>
Long-term liabilities	20,774,531	22,026,516
Other liabilities	<u>603,726</u>	<u>416,772</u>
Total Liabilities	<u>21,378,257</u>	<u>22,443,288</u>
Deferred inflows	<u>877,447</u>	<u>265,621</u>
Net investment in capital assets	70,829,697	71,844,394
Restricted	3,628,286	3,384,520
Unrestricted	<u>4,059,955</u>	<u>4,646,482</u>
Total Net Position	<u>\$ 78,517,938</u>	<u>\$ 79,875,396</u>

The Statement of Activities (on pages 21 and 22) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported on the accrual basis of accounting. This accounting method records revenues and expenses as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave).

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

The following chart shows the revenues and expenses of the governmental activities for 2017 and 2016.

**Table 2
Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,239,182	\$ 1,339,096
Operating grants and contributions	1,737,655	1,798,392
Capital grants and contributions	71,000	19,000
General revenues:		
Property taxes	2,468,562	2,304,640
Transfer tax	1,133,898	1,052,502
Local and enabling act tax	10,578,234	10,561,049
Franchise fees	619,758	643,775
Investment income	345,186	274,914
Other	<u>377,907</u>	<u>328,910</u>
Total Revenues	<u>18,571,382</u>	<u>18,322,278</u>
Expenses		
Administrative	5,324,304	5,302,016
Licenses and permits	853,227	678,358
Police and emergency services	7,863,294	8,015,932
Public works	3,380,722	3,130,545
Library and parks	<u>2,507,293</u>	<u>2,129,952</u>
Total Expenses	<u>19,928,840</u>	<u>19,256,803</u>
Changes in Net Position	(1,357,458)	(934,525)
Net Position - Beginning	<u>79,875,396</u>	<u>80,809,921</u>
Net Position - Ending	<u>\$ 78,517,938</u>	<u>\$ 79,875,396</u>

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. Horsham Township, like other government organizations, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Horsham Township can be divided into two categories: governmental funds and fiduciary funds.

Government Funds - Government funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Horsham Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet (on pages 23 and 24) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (on pages 26 and 27) for the general fund, library operating, capital improvement, and highway aid fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Reconciliations are provided (on pages 25 and 28) for the comparison of the governmental fund Balance Sheet to the government-wide Statement of Net Position and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the government-wide Statement of Activities.

General Fund - The General Fund is the general operating fund of the Township. Horsham Township adopts an annual appropriated general fund budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Library Operating Fund - The Library Operating Fund is the general operating fund for the Township Library. Horsham Township adopts an annual appropriated operating fund budget for its Library fund.

Debt Service Funds - Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. State Liquid Fuels /Highway Aid Fund are the fund into which Horsham Township's state allocation is deposited.

Capital Projects Funds - These funds are used to account for financial resources to be used for property acquisition and the development and construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds - Trust and agency funds are used to account for assets held by Horsham Township in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include Pension Trust and Agency funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those programs are not available to support Horsham Township's own programs.

Notes to Financial Statements - These notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Horsham Township's progress in funding its obligation to provide pension benefits to its employees.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

General Fund Budgetary Highlights

General Fund expenditures for 2017 were \$1,555,941 (compared to \$1,175,908 in 2016) under budget and for revenue \$1,251,072 (compared to \$3,235,592 in 2016) over budget. These amounts represented a variance of, respectively, approximately 9% and 10%. This is somewhat reflective of prior year variances where expenditure budget variances last year were 7% and revenue budget variance decreased from 23%. There are several reasons for these deviations and these include a conservative budgeting approach, time constraints for project completion, unforeseen circumstances, and stagnant revenue sources. Future budgets will attempt to continually narrow - not increase - these differences.

The municipality periodically reviews and revises its budget in an effort to deal with unexpected fluctuations of expenditures and revenues. As reported, General Fund expenditures for 2015, 2016, and 2017, came in under the budget, and revenues came in over budget. Overall, these were favorable budgetary results, but future budgets should strive even more vigorously to bring budgeted revenue more in-line with actual revenue and expenditures - something that is difficult because of forecast uncertainty and the risk of underestimation. A good example of the difficulty is exemplified in the area of tax collection - the impact of other municipalities adopting the earned income tax (EIT), changes in employment that may impact the local services tax (LST), and private sector employment decisions - decisions to close a headquarters or transfer operations - which may be contingent on decisions unrelated to the municipality.

Actual revenue exceeded budgeted revenue in eight of the ten categories in 2015, in 2016 all categories had greater revenue than budgeted, and in 2017 all but one - "intergovernmental revenue" - had greater revenue than budgeted. Explanations for the shortcoming of the single category include delays and irregularities associated with the Commonwealth of Pennsylvania's budget and disbursements. The same stresses were also on that category in 2015.

In the nine categories of General Fund revenue exceeding budget in 2017, the greatest of these no longer continued to be revenue generated by the local tax enabling act (2016) or property transfers (2015). In 2017 "investment income and rent" beat its budget amount by two-and-one half times. This increase was particularly due to a rising interest rate environment and new investment products by the Pennsylvania Local Government Investment Trust (PLGIT). The other categories that exceeded budget amounts were as follows: other (58.04%), transfer taxes (47.53%), fines and forfeitures (12.57%), charges for services (11.95%), earned income tax (6.78%), property taxes (5.14%), local tax enabling act (5.00%), and fees, licenses and permits (1.05%).

The \$1.25 million or 9% that was over budget for revenue in 2017 was much less than in recent prior years. For example in 2015 revenue over budget was \$2.49 million or 19%. And, in 2016, revenue over budget was \$3.2 million or 23%. Conservative budgeting is to some degree necessary - for example, allowing a buffering for income tax processing issues such as taxes paid to the wrong jurisdiction or time variations for handling returns by the collector, etc. However, it is expected that the municipality will work to narrow these deviations. They should, indeed, be narrowed whenever possible.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Other noteworthy categories of revenue exceeding budget and due some minimal explanation are the charges for services, transfer taxes, and earned income tax. Explanations for deviation of budget and actual in these three categories include a conservative budget approach of preferring to underestimate these revenues, unpredictable variations, incomplete or unavailable data during the budget process such as the annual fee resolution's passage after the budget has concluded, the sale of significant properties that often can't be predicted, and the earlier explanations specifically identified in this narrative such as the adoption of earned income taxes by other municipalities.

General Fund actual expenditures were below budget in all six reported categories. This is different than in the prior two years, 2015 and 2016, when this only occurred with five of the six. The six in 2017, and their percentage below budget, are as follows: capital projects (32%), highways and roads (22%), miscellaneous (10%), general government (7%), public safety (5%), and library and parks (4%). Important reasons for variations included the timetable and cost uncertainty of preparing for the new municipal building, the cost of petroleum and its impact on asphalt prices, employment or workforce variations, etc.

The sum of all the variances was about 90% of the final budget. The 10% difference was a close approximation of prior year activity with a 7% deviation. This 7% to 10% range should be regarded as a close approximation of actual expenditures. The reasons for the differences, the deviations, vary from category to category, but can generally be explained by unexpected, unique, and recurring factors. An unexpected factor, in recent years, was the discovery of contaminants in the municipal water supply; and a unique and anticipated factor was the planning for a new municipal building. In addition, the following are four paragraphs identify recurring factors.

First, salaries in several classifications did not hit a budget target. This can in part be explained by personnel changes that impact how labor is charged, allocated funding for positions that weren't filled, and/or changes in personnel or job classification. Also, there is budget unpredictability due to various categories of compensation that are discretionary or at least "not fixed." These discretionary type wages include overtime, compensation in lieu of vacation, sick pay incentive, education incentive, fitness bonus, festive pay, etc.

Second, professional services and other services for planning and zoning and other departments often deviate from budget, and this is due to hourly rates that aren't determined until after the budget process, third party work assignments that are dictated by land development and other projects, timetables that aren't under the municipality's direct control, contingency budgeting for things such as cost overruns or "what-if" scenarios, and an inability to fully anticipate how many professional hours are necessary as on-going projects encounter expanded professional involvement.

Third, highways and roads had several classifications that deviated from budget. These deviations can be explained by a host of factors: the type of non-discretionary work performed such as snow removal or equipment maintenance, inclement weather, unanticipated equipment maintenance or replacement, and the fluctuating and erratic cost of petroleum in road materials that are needed for the municipality's annual road maintenance projects.

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Fourth, miscellaneous benefit categories such as Blue Cross and FICA were below budget in large part due to the budget allowances for coverage changes that do not materialize, providing for unknown medical rate inflation, allowing for changes in personnel, etc. Overestimating benefit categories is preferred to underestimation, and an overestimation buffer should be expected for upcoming budget cycles.

Because expenditures in certain categories are over expended, and expenditures in certain accounts remain unexpended and un-appropriated, a budget transfer is annually made in December. In 2016 the amount was \$382,515, and dealt with overages in the categories of administration, fire, highway maintenance and road repair, and interfund transfers. In 2017 unappropriated funds, \$52,000, were transferred from public safety to general government.

Annual budget transfers aren't made until the 4th quarter and it is therefore important to note that the municipality monitors its budget throughout the year, and prepares for these adjustments prior to the 4th quarter. As the municipality monitors its budget throughout the year there are several challenges it faces related to sustained budgetary levels. In terms of revenue, one revenue source that has been under scrutiny is the earned income tax. The earned income tax is a local tax representing 1% of a resident's wages. Half of the earned income taxes are given to the Hatboro-Horsham School District, and the other half is given to Horsham Township. The amount collected varies from year to year based on a host of variables that include the following: inflation rates that affect the amount of a resident's year-to-year earned income, the adoption of the tax by other municipalities resulting in withheld amounts going to another jurisdiction, and social influences such as demographics shifts that increase or decrease the number and type of individuals having income that is eligible for the earned income tax. The EIT represents approximately 58% of the General Fund revenues, and slightly decreased in 2015 and 2016. and, in 2017 there was a small increase of \$143,000.

A second tax that had been under stress is the Local Services Tax (LST) which became effective in 2010. The LST, a flat tax of \$52, but with greater restrictions for those eligible to pay the tax, generated substantially more than the OPT in subsequent years. As taxpayers and become more familiar with the OPT the municipality is recognizing more current and less delinquent and prior-year payments, and will be budgeting to reflect those changes. It is expected that the LST will be a relatively constant, significant, and somewhat flat revenue source in the near future. However, with the recent hire of an economic development specialist and development at the former Willow Grove Naval Air Station, it is expected that the LST will increase in the longer term.

Finally, a third tax that received municipal attention is real estate (or property) taxes. This tax has been relatively stable with slight increases in recent years due to development and the resulting increase in the municipality's assessed valuation. New housing developments, along Babylon Road and in other areas, as well as development at the former naval base and on vacant land such as golf courses, will increase the amount of property tax collections in future years.

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Impacts on Revenues and Expenses

Normal Impacts

There are eight basic and recurring impacts on revenues and expenses in the municipality. These are as follows:

Revenues

- **Economic Conditions:** Can reflect a declining, stable or growing economic environment and has a substantial impact on property, income, transfer or other tax revenue, as well as public spending habits for building permits and elective user fees.
- **Increase/Decrease in Township Approved Rates:** While certain tax rates are set by statute, the Township Council has significant authority to impose and periodically increase/decrease rates (real estate tax millage, building fees, user charges, etc.).
- **Changing Patterns in Intergovernmental and Grant Revenues (both recurring and non-recurring):** Certain recurring revenues (state-shared revenues, block grants, etc.) may experience significant changes periodically, while non-recurring (one time) grants are less predictable and often distorting in their impact on year to year comparisons.
- **Market Impacts on Investment Income:** The Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

Expenses

- **Introduction of New Programs:** Within the functional expense categories (Public Safety, Public Works, etc.), individual programs may be added or deleted to meet changing community needs.
- **Increase/Decrease in Authorized Personnel:** Change in service demand may cause the Township Council to increase/decrease authorized staffing. Staffing costs represent a significant portion of the Township's program expenses.
- **Salary Increases (annual adjustment and merit):** The ability to attract and retain human resources requires Horsham Township to maintain a competitive salary and range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the Township may experience unusual commodity specific increases. The potential for this type of impact is most common in the areas of fuel, utilities, large equipment and construction.

Current Year Impacts

Revenues for the Township's governmental activities were \$18.5 million in 2017, \$18.3 million in 2016, and \$19.1 million in 2015. Sources of revenues for fiscal years 2017 and 2016 are comprised of the following items:

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Governmental Activities - Revenues by Source
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>% of Total Revenues</u>	<u>2016</u>	<u>% of Total Revenues</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,239,182	6.8	\$ 1,339,096	7.3
Operating grants and contributions	1,737,655	9.4	1,798,392	9.8
Capital grants and contributions	71,000	0.4	19,000	0.1
General revenues:				
Property taxes	2,468,562	13.3	2,304,640	12.6
Transfer tax	1,133,898	6.1	1,052,502	5.7
Local and enabling act tax	10,578,234	57.0	10,561,049	57.6
Franchise fees	619,758	3.3	643,775	3.5
Investment income	345,186	1.9	274,914	1.5
Miscellaneous	<u>377,907</u>	<u>2.0</u>	<u>328,910</u>	<u>1.8</u>
Total Revenues	<u>\$ 18,571,382</u>	<u>100.2</u>	<u>\$ 18,322,278</u>	<u>99.9</u>

Total revenues have increased and decreased, year-to-year, for the last several years, \$19,161,722 in 2015, \$18,322,278 in 2016, and \$18,571,382 in 2017. Reasons for these variations include a single large property owner completing several real estate transactions during the year and generating revenue through the real estate transfer tax, and fluctuations in grants and contributions that are non-recurring and project dependent. The annual budgeting of revenues considers these variations, often selecting the lowest revenue per line item in the last three years as the budgeted amount.

In 2013 taxes comprised the largest source of Township revenues (78%), amounting to \$13.7 million for 2013 and that continued a trend of a small percentage increase from prior years - though this changed, slightly, in 2014. In 2014 the \$13.7 million dipped to \$13.4. However, in 2015, 2016, and 2017, factoring a large uptick in the real estate transfer tax and other factors, revenue in this category jumped above these thresholds, and is currently greater than in 2013 - \$14,180,694.

Of all taxes the local and tax enabling act taxes comprise the greatest revenue source, followed by the property tax and the transfer tax (these last two were reversed in order from 2016 to 2015). Horsham Township does not levy a business privilege or mercantile tax. Horsham Township would not adopt either of these taxes at any point in the near future as the imposition of these taxes are grandfathered and no longer an option.

After taxes, the second largest revenue component is operating grants and contributions, followed by charges for services. Of the two, the municipality has greatest control over charges for services - a fee resolution directly impacting the amount of revenue generated. Historically, charges for services represented 7-10% of total revenues (7.3% in 2016, and surprisingly only 6.8% in 2017). A fee resolution, enabling increases that can maintain the line item's proportionality to the larger revenue amounts, is annually passed by the Township Council, and its reduction may necessitate closer review by the municipality.

HORSHAM TOWNSHIP

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

In 2017, operating and capital grants and contributions, together, approximated the amount in 2015 and 2016.

The cost of all governmental activities in 2017 was \$19.9 million. This increased to \$5.5 million from 2016. By category, the largest expenditure continues to be “police and emergency expenses” which comprised 41.5% of the whole in 2016; and this was followed in that same year by “administrative” at 27.5%, “public works” at 16.3%, “library and parks” at 11.1%, and “licenses and permits” at 3.5%. These allocations approximate 2017 in so far as these categories have the same ranking order. However, within these categories, four of five had increased actual expenses from 2016 to 2017. These are, in order of amounts, as follows: library and parks (\$377,341), public works (\$250,177), licenses and permits (\$174,869), and administrative (\$22,288). The exception was police and emergency services that actually decreased by \$152,638. An important part of an explanation for this change includes changes in personnel.

The following schedule compares the total cost and net cost of services by functional category for 2017 and 2016:

Governmental Activities - Expenses by Function
For the Years Ended December 31, 2017 and December 31, 2016

Expenses	<u>2017</u>	<u>% of Total</u> <u>Expenses</u>	<u>2016</u>	<u>% of Total</u> <u>Expenses</u>
Administrative	\$ 5,324,304	26.7	\$ 5,302,016	27.5
Licenses and permits	853,227	4.3	678,358	3.5
Police and emergency services	7,863,294	39.5	8,015,932	41.5
Public works	3,380,722	17.0	3,130,545	16.3
Library and parks	<u>2,507,293</u>	<u>12.6</u>	<u>2,129,952</u>	<u>11.1</u>
Total Expenses	<u>\$ 19,928,840</u>	<u>100.1</u>	<u>\$ 19,256,803</u>	<u>99.9</u>

Table 3 is titled “Changes in Capital Assets”. There are three terms that are usually attached to this section and highly important for further explanation. The three terms are infrastructure assets, capital asset and debt administration, and long term debt.

Infrastructure Assets - At one point, a Township’s largest asset group (infrastructure - roads, bridges, storm sewers, street lights, traffic signals, etc.) was not reported or depreciated in government financial statements. This changed in the last decade and newer statements require that assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life, or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The Township has chosen to depreciate assets over their useful life. For example, if a road project is considered maintenance, the cost of the project will be charged as expense. An “overlay” of a road will be considered maintenance, whereas a “rebuild” of a road will be capitalized. The Township utilizes PennDot requirements to determine when a road is classified as being maintained or rebuilt. Other departments have similar guidelines and challenges.

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Capital Assets - The investment in capital assets includes, land, buildings and systems, improvements, machinery and equipment, park facilities, roads and bridges. Horsham Township's investment in capital assets for its governmental activities as of December 31, 2013, amounted to \$80.6 million (net of accumulated depreciation); and this decreased as of December 31, 2014 to \$79.3 million. In 2015 there was a further erosion of this number from \$79.3 million to \$78.6 million, in 2016 to \$77.5 million, and in 2017 to \$76.2 million. In a four year time period, this is a loss of \$4.4 million, or an average of \$1.1 million per year. It is expected that this erosion of capital will be furthered by the demolition of the municipal building in 2018, eliminating most value - primarily except the land where it was constructed - and then will be significantly reversed with a new building's construction.

**Table 3
Change in Capital Assets**

	Ending Balance <u>12/31/2016</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>12/31/2017</u>
Non-Depreciable Assets				
Land	\$ 10,246,051	\$ -	\$ -	\$ 10,246,051
Construction in progress	-	-	-	-
Other Capital Assets				
Buildings and improvements	8,072,879	152,774	-	8,225,653
Library building and contents	8,428,396	201,888	(339,518)	8,290,766
Police building contents	5,619,409	-	-	5,619,409
Machinery, vehicles and equipment	4,144,054	453,355	(178,595)	4,418,814
Infrastructure	81,778,962	-	-	81,778,962
Less: accumulated depreciation				
Accumulated depreciation on capital assets	<u>(40,736,261)</u>	<u>(2,073,771)</u>	<u>518,113</u>	<u>(42,291,919)</u>
Total Government-wide	<u>\$ 77,553,490</u>	<u>\$ (1,265,754)</u>	<u>\$ -</u>	<u>\$ 76,287,736</u>

Major capital asset events during the 2017 fiscal year included the following: new vehicles and machinery, computers and related equipment, library collection additions, road and park improvements, municipal building design and preparation, and garage electrical improvements. In prior years many of the capital asset events were the same - for example, every year the municipality makes road improvements; however, the scope of these projects changes from year to year and is based on need, competing projects, and resource availability. It is expected that asset value will increase in the next few years, for the reasons already discussed, but also as the municipality acquires open space, develops the naval base, and makes planned improvements or replacements to its infrastructure.

Long Term Debt - At the end of the current fiscal year, Horsham Township had a total bonded debt outstanding of approximately \$5.135 million for the library, and a non-interest bearing note with Montgomery County for approximately \$300,000 for the purchase of emergency radio equipment. The \$5 million plus of outstanding debt for the library is backed by the full faith and credit of the government for the construction of the Horsham Township Library. During the time period covered by his audit Horsham Township maintained an Aa1 rating on the Township's General Obligation bonds from Moody's Investor's Service

HORSHAM TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Horsham Township does not operate in an independent, isolated economy. It is part of a much larger regional, national, and world economy. It is economically interdependent: forces and events that occur far beyond the municipality's boundaries impact the local government. This occurs in both subtle and obvious ways. Horsham Township officials considered many obvious and subtle economic factors when it formulated recent budgets, and will continue to do so in the formulation of future budgets.

Three economic factors that were considered in the budget process are employment rates, the real estate market, and petroleum prices. First, there is the employment rate. Employment rates are important for several reasons. First, the rate impacts the number of wage earners eligible to pay - and the amount of - employment taxes such as the earned income tax and the local services tax. Second, lower employment rates make it more difficult for other municipalities to raise tax revenue; creating added pressure for other municipalities to pass taxes and ultimately decreasing the amount that Horsham Township can collect. Third, employment rates affect the value of property, the value of property impacting revenue that can be generated from the real estate transfer tax and property tax.

According to statistics provided by the municipality's earned income tax collector, H. A. Berkheimer, the top ten largest employers, as reported by the earned income tax collector for the third quarter of 2017, were the following: United Parcel Service (2,376), Comcast of Willow Grove (1,232), Toll Bros., Inc. (936), Hatboro-Horsham School District (921), Johnson & Johnson Services (901), Reed Technology & Information Service (704), Penn Mutual Payroll Administration (635), Madlyn & Leonard Abramson (616), United Healthcare Services (586), and UHS of Pennsylvania, Inc. (528). This information can be compared to the last time employment was reported, during the 2015-2016 time period, with the following information: United Parcel Service, Inc. (2,087), Comcast CC of Willow Grove (1,092), Hatboro-Horsham School District (896), Toll Brothers (797), Johnson & Johnson Services (778), Reed Technology & Information (681), Quest Diagnostics (610), Arris Technology (599), Penn Mutual Payroll (568), United Healthcare Services (554), Madlyn & Leonard Abramson (531), Optum Services, Inc. (486), UHS of Pennsylvania (554), Tel Drug of PA (389), and Interstate Maintenance (372).

A second economic factor is the real estate market. A property owner's ability to pay for and impacts housing prices, and this in turn affects the amount of taxes collected by the municipality. The taxes most directly affected by this potential problem are the real estate transfer tax and property taxes.

A third economic factor is gas prices. The price of gasoline directly impacts the cost of operating municipal vehicles, purchasing and delivering road materials, and often necessitates the payment of a fuel surcharge on routine purchases. In short, in order to maintain the same level of municipal services there may become a need for additional revenue to offset spikes in gas prices.

These are just three economic factors that affect Horsham Township's municipal budgets. There are many more. The challenge for now and in the foreseeable future is for Township officials to identify the factors and work toward maximizing the effectiveness and efficiency of its organization so that both Horsham Township's annual budget and its tax rates are maintained at current, stable levels.

Requests for Information

This fiscal report is designed to give our citizens, taxpayers, customers, investors and creditors a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning any of the information should be addressed to the Township Manager, Horsham Township, 1025 Horsham Road, Horsham, PA 19044.

HORSHAM TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2017

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 5,076,248
Investments	14,805,318
Receivables	3,659,676
Land	10,246,051
Other capital assets (net of accumulated depreciation)	<u>66,041,685</u>
Total Assets	<u>99,828,978</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Changes in pension assumptions	283,964
Differences between expected and actual experience on pension plan liability	508,538
Pension contributions made after the measurement date	<u>152,162</u>
Total Deferred Outflows of Resources	<u>944,664</u>
<u>LIABILITIES</u>	
Accounts payable and other current liabilities	586,875
Accrued interest payable	16,851
Non-current liabilities:	
Due within one year	255,154
Due after one year	<u>20,519,377</u>
Total Liabilities	<u>21,378,257</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Net difference between projected and actual earnings on pension plan investments	658,739
Change in assumptions	29,997
Differences between expected and actual experience on pension plan liability	<u>188,711</u>
Total Deferred Inflows of Resources	<u>877,447</u>
<u>NET POSITION</u>	
Net investment in capital assets	70,829,697
Restricted for:	
Library	755,679
Highway and streets	1,466,794
Street light /fire hydrant	203,728
Capital projects	1,202,085
Unrestricted	<u>4,059,955</u>
Total Net Position	<u>\$ 78,517,938</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Adminis- trative</u>	<u>Licenses and Permits</u>
Expenses:			
Program expenses	\$ 17,725,992	\$ 5,181,653	\$ 851,204
Depreciation	2,073,771	13,574	2,023
Interest on debt	129,077	129,077	-
Total Expenses	<u>19,928,840</u>	<u>5,324,304</u>	<u>853,227</u>
Program Revenues:			
Charges for services	1,239,182	101,144	593,456
Operating grants and contributions	1,737,655	23,021	-
Capital grants and contributions	71,000	-	-
Total Program Revenues	<u>3,047,837</u>	<u>124,165</u>	<u>593,456</u>
Net (Expense) Revenue	(16,881,003)	(5,200,139)	(259,771)
General Revenues:			
Taxes:			
Property	2,468,562		
Transfer	1,133,898		
Local and enabling act	10,578,234		
Franchise fees	619,758		
Grants and contributions not restricted to specific programs	11,221		
Investment income	345,186		
Gain (loss) on sale of capital assets	42,714		
Miscellaneous	323,972		
Total General Revenues	<u>15,523,545</u>		
Change in Net Position	(1,357,458)		
Net Position - Beginning	<u>79,875,396</u>		
Net Position - Ending	<u>\$ 78,517,938</u>		

<u>Governmental Activities</u>		
<u>Police and Emergency Services</u>	<u>Public Works</u>	<u>Library & Parks</u>
\$ 7,525,288	\$ 2,150,271	\$ 2,017,576
338,006	1,230,451	489,717
-	-	-
<u>7,863,294</u>	<u>3,380,722</u>	<u>2,507,293</u>
193,012	183,151	168,419
818,244	774,723	121,667
-	21,000	50,000
<u>1,011,256</u>	<u>978,874</u>	<u>340,086</u>
(6,852,038)	(2,401,848)	(2,167,207)

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>Library Operating</u>	<u>Capital Improvement</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,813,288	\$ 20,197	\$ -
Investments	57,513	769,647	10,089,055
Receivables	2,561,846	15,376	-
Loan receivable from Fire Company	-	-	260,000
Revolving loan receivable	-	-	91,500
Interest receivable from Fire Company	-	-	10,846
Interest receivable on revolving loan	-	-	2,237
Total Assets	<u>\$ 7,432,647</u>	<u>\$ 805,220</u>	<u>\$ 10,453,638</u>
 <u>LIABILITIES</u>			
Accounts payable and accrued wages	\$ 337,725	\$ 38,808	\$ 168,378
Total Liabilities	<u>337,725</u>	<u>38,808</u>	<u>168,378</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	12,104	10,733	-
Unavailable revenue - special assessments	-	-	-
Total Deferred Inflows of Resources	<u>12,104</u>	<u>10,733</u>	<u>-</u>
 <u>FUND BALANCE</u>			
Restricted for:			
Capital projects	-	-	-
Street and highways	-	-	-
Libraries	-	755,679	-
Street light /fire hydrant	-	-	-
Committed for:			
Storm water	-	-	-
Capital projects	-	-	10,285,260
Park and recreation	-	-	-
Unassigned	7,082,818	-	-
Total Fund Balances	<u>7,082,818</u>	<u>755,679</u>	<u>10,285,260</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 7,432,647</u>	 <u>\$ 805,220</u>	 <u>\$ 10,453,638</u>

Other Governmental Funds	Total Governmental Funds
\$ 242,763	\$ 5,076,248
3,889,103	14,805,318
53,226	2,630,448
-	260,000
-	91,500
-	10,846
-	2,237
<u>\$ 4,185,092</u>	<u>\$ 22,876,597</u>

<u>\$ 41,964</u>	<u>\$ 586,875</u>
<u>41,964</u>	<u>586,875</u>

-	22,837
<u>1,606</u>	<u>1,606</u>
<u>1,606</u>	<u>24,443</u>

1,202,085	1,202,085
1,466,794	1,466,794
-	755,679
203,728	203,728
35,226	35,226
865,063	11,150,323
368,626	368,626
-	7,082,818
<u>4,141,522</u>	<u>22,265,279</u>

<u>\$ 4,185,092</u>	<u>\$ 22,876,597</u>
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The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 20) are different because:			
Total fund balances-total governmental funds (pages 23-24)		\$	22,265,279
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.			
Cost of capital assets	\$	118,579,655	
Accumulated depreciation		<u>(42,291,919)</u>	76,287,736
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			664,645
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.			24,443
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Net difference between projected and actual earnings on pension plan investments		(658,739)	
Changes in pension assumptions		253,967	
Differences between expected and actual experience on pension plan liability		319,827	
Pension contributions made after the measurement date		<u>152,162</u>	67,217
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.			
Other post retirement benefits			(9,808,459)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds and notes payable		(5,435,462)	
Unamortized bond premium		(22,577)	
Interest payable		(16,851)	
Net pension liability		(5,335,311)	
Compensated absences		<u>(172,722)</u>	<u>(10,982,923)</u>
Net position of the governmental activities (page 20)		\$	<u>78,517,938</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>Library Operating</u>	<u>Capital Improvement</u>
Revenues			
Taxes:			
Property	\$ 1,214,841	\$ 1,073,083	\$ -
Transfer	1,133,898	-	-
Earned income tax	9,153,454	-	-
Local service tax	1,535,292	-	-
Fees, licenses and permits	647,748	-	-
Investment income and rent	97,928	7,585	112,193
Intergovernmental revenues	843,940	74,252	-
Fines and forfeitures	171,135	27,201	-
Charges for services	760,772	8,840	-
Other	158,794	7,442	127,000
Total Revenues	<u>15,717,802</u>	<u>1,198,403</u>	<u>239,193</u>
Expenditures			
Current:			
General government	1,465,778	-	-
Public safety	6,827,627	-	-
Highways and roads	1,698,229	-	-
Library and parks	702,755	793,933	-
Miscellaneous	4,254,119	-	-
Debt service:			
Principal	100,154	-	-
Interest	-	-	-
Capital projects	415,936	205,034	664,679
Total Expenditures	<u>15,464,598</u>	<u>998,967</u>	<u>664,679</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>253,204</u>	<u>199,436</u>	<u>(425,486)</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	33,025	9,689	-
Transfers in	-	-	314,077
Transfers out	(314,077)	(280,137)	-
Total Other Financing Sources (Uses)	<u>(281,052)</u>	<u>(270,448)</u>	<u>314,077</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(27,848)</u>	<u>(71,012)</u>	<u>(111,409)</u>
Fund Balance - Beginning	<u>7,110,666</u>	<u>826,691</u>	<u>10,396,669</u>
Fund Balance - Ending	<u>\$ 7,082,818</u>	<u>\$ 755,679</u>	<u>\$ 10,285,260</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 175,699	\$ 2,463,623
-	1,133,898
-	9,153,454
-	1,535,292
-	647,748
127,480	345,186
822,048	1,740,240
-	198,336
155,259	924,871
<u>198,357</u>	<u>491,593</u>
<u>1,478,843</u>	<u>18,634,241</u>
-	1,465,778
63,002	6,890,629
715,014	2,413,243
173,608	1,670,296
7,667	4,261,786
150,000	250,154
129,598	129,598
<u>168,625</u>	<u>1,454,274</u>
<u>1,407,514</u>	<u>18,535,758</u>
<u>71,329</u>	<u>98,483</u>
-	42,714
280,137	594,214
-	<u>(594,214)</u>
<u>280,137</u>	<u>42,714</u>
351,466	141,197
<u>3,790,056</u>	<u>22,124,082</u>
<u>\$ 4,141,522</u>	<u>\$ 22,265,279</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities (pages 21-22)
are different because:

Net change in fund balances-total governmental funds (pages 26-27) \$ 141,197

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

Capital outlay	\$ 808,017	
Depreciation expense	<u>(2,073,771)</u>	(1,265,754)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (105,573)

The effect of any underfunding of the OPEB liability
plus the amortization of the net OPEB liability decreases net position. (997,959)

The issuance of long-term debt (e.g., bonds, leases) 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 issuance costs, premiums, discounts,
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. This amount is the
net effect of these differences in the treatment of long-term debt and
related items.

Repayment of debt	250,154	
Amortization expense	<u>903</u>	251,057

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 governmental funds.

Net pension liability and deferred items	598,642	
Compensated absences	21,314	
Interest expense	<u>(382)</u>	<u>619,574</u>

Change in net position of governmental activities (pages 21-22) \$ (1,357,458)

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - (CASH BASIS)

For the Year Ended December 31, 2017

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes:				
Property	\$ 1,136,100	\$ 1,136,100	\$ 1,194,494	\$ 58,394
Transfer	750,000	750,000	1,106,543	356,543
Earned income tax	8,550,000	8,550,000	9,130,335	580,335
Local tax enabling act	1,434,500	1,434,500	1,506,315	71,815
Fees, licenses and permits	651,400	651,400	658,262	6,862
Investment income and rent	38,000	38,000	97,309	59,309
Intergovernmental revenues	890,500	890,500	836,837	(53,663)
Fines and forfeitures	143,000	143,000	160,988	17,988
Charges for services	669,600	669,600	749,656	80,056
Other	126,500	126,500	199,933	73,433
Total Revenues	<u>14,389,600</u>	<u>14,389,600</u>	<u>15,640,672</u>	<u>1,251,072</u>
Expenditures				
Current:				
General government	1,598,156	1,650,156	1,539,861	(110,295)
Public safety	7,235,836	7,183,836	6,798,603	(385,233)
Highways and roads	2,092,113	2,092,113	1,631,010	(461,103)
Library and parks	729,100	729,100	699,755	(29,345)
Miscellaneous	3,270,477	3,270,477	2,938,146	(332,331)
Capital projects	747,541	747,541	509,907	(237,634)
Total Expenditures	<u>15,673,223</u>	<u>15,673,223</u>	<u>14,117,282</u>	<u>(1,555,941)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,283,623)</u>	<u>(1,283,623)</u>	<u>1,523,390</u>	<u>2,807,013</u>
Other Financing Sources (Uses)				
Transfers out	(3,335,402)	(3,335,402)	(1,648,533)	1,686,869
Total Other Financing Sources (Uses)	<u>(3,335,402)</u>	<u>(3,335,402)</u>	<u>(1,648,533)</u>	<u>1,686,869</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(4,619,025)</u>	<u>(4,619,025)</u>	<u>(125,143)</u>	<u>4,493,882</u>
Fund Balance - Beginning	<u>4,619,025</u>	<u>4,619,025</u>	<u>4,995,944</u>	<u>376,919</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,870,801</u>	<u>\$ 4,870,801</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
LIBRARY OPERATING FUND - (CASH BASIS)

For the Year Ended December 31, 2017

	LIBRARY OPERATING FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes	\$ 1,022,500	\$ 1,022,500	\$ 1,057,833	\$ 35,333
Fees, licenses and permits	27,500	27,500	27,200	(300)
Interest and rent	6,500	6,500	7,584	1,084
Intergovernmental revenues	74,000	74,000	74,252	252
Fines and forfeitures	6,000	6,000	8,840	2,840
Charges for services	3,200	3,200	5,071	1,871
Other	3,000	3,000	2,351	(649)
Total Revenues	<u>1,142,700</u>	<u>1,142,700</u>	<u>1,183,131</u>	<u>40,431</u>
Expenditures				
Current:				
Library	863,750	863,750	794,536	(69,214)
Capital projects	199,000	199,000	195,400	(3,600)
Total Expenditures	<u>1,062,750</u>	<u>1,062,750</u>	<u>989,936</u>	<u>(72,814)</u>
Excess (Deficiency) of Revenues Over Expenditures	79,950	79,950	193,195	113,245
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	7,500	7,500	9,689	2,189
Transfers out	(280,600)	(280,600)	(280,137)	463
Total Other Financing Sources (Uses)	<u>(273,100)</u>	<u>(273,100)</u>	<u>(270,448)</u>	<u>2,652</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	(193,150)	(193,150)	(77,253)	115,897
Fund Balance - Beginning	<u>789,786</u>	<u>789,786</u>	<u>867,097</u>	<u>77,311</u>
Fund Balance - Ending	<u>\$ 596,636</u>	<u>\$ 596,636</u>	<u>\$ 789,844</u>	<u>\$ 193,208</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 649,971	\$ 4,843,527	\$ 5,493,498
Receivables			
Revolving loan receivable	-	403,342	403,342
Revolving loan interest receivable	-	100,485	100,485
Total Receivables	<u>-</u>	<u>503,827</u>	<u>503,827</u>
Investments			
Exchange -Traded Fund	20,054,016	-	20,054,016
Assets with PMRS	<u>5,426,414</u>	<u>-</u>	<u>5,426,414</u>
Total Investments	<u>25,480,430</u>	<u>-</u>	<u>25,480,430</u>
 TOTAL ASSETS	 <u>\$ 26,130,401</u>	 <u>\$ 5,347,354</u>	 <u>\$ 31,477,755</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Escrow deposits	\$ -	\$ 5,347,354	\$ 5,347,354
Total Liabilities	<u>-</u>	<u>5,347,354</u>	<u>5,347,354</u>
Net Position			
Net position restricted for pension benefits	 <u>\$ 26,130,401</u>	 <u>\$ -</u>	 <u>\$ 26,130,401</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 299,317
Employer contributions	917,715
State contributions	568,943
Total Contributions	<u>1,785,975</u>
Investment Income	
Net appreciation (depreciation) in fair value of investments	2,555,094
Interest	<u>702,037</u>
Total Investment Earnings	3,257,131
Less: investment expense	<u>56,518</u>
Net Investment Income	<u>3,200,613</u>
Total Additions	<u>4,986,588</u>
Deductions	
Benefit payments	1,858,538
Actuarial fees	7,025
Allocated insurance premiums	6,277
Administrative costs	<u>1,320</u>
Total Deductions	<u>1,873,160</u>
Change in net position	3,113,428
Net position restricted for pension benefits-beginning	<u>23,016,973</u>
Net position restricted for pension benefits-ending	<u>\$ 26,130,401</u>

The notes to the financial statements are an integral part of this statement.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies

A. Reporting entity

Horsham Township is a municipal corporation existing and operating under the Home Rule Charter code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. There are two component units, described as entities for which the government is considered to be financially accountable.

The following component units are not included in the financial statements:

Horsham Fire Company

Horsham Land Redevelopment Authority

Horsham Township Charitable Foundation

Complete financial statements for the Horsham Fire Company may be obtained at the entity's administrative offices located at the following address: Horsham Fire Company No. 1, 315 Meetinghouse Road, Horsham, PA 19044. Complete financial statements for the Horsham Township Authority for NASJRB and Horsham Land Redevelopment Authority may be obtained at the Township Building located at 1025 Horsham Road, Horsham, PA 19044.

B. Government-wide and fund financial statements

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

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

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *library operating fund* accounts for the general operating fund for the Township Library. Horsham Township adopts an annual appropriated operating fund budget for its Library fund. The tax millage allocation is the largest source of revenue for the fund along with intergovernmental funding and fines and forfeitures.

The *capital improvement fund* is used to account for financial resources for property acquisition and the development and construction of major capital facilities.

The government reports the following fiduciary fund types:

The *pension trust fund* accounts for the activities of the Police and Non-Uniform Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *agency fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's asset, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised primarily of U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area savings account rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

2. *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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2017, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is equal to 2% of outstanding property taxes at December 31, 2017.

Property taxes are levied as of January 1 on property values assessed as of the same date. Any change to the January 1 amount is handled as an interim bill or credit. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 1; face amount May 1 through June 30; and a 10% penalty thereafter. Any unpaid bills at December 31 are subject to lien, with the exception of interim bills dated after September 1, and penalties and interest are assessed. The Township employs an appointed tax collector to collect the property tax levied. The tax collector remits Township taxes several times per month and is paid a salary.

3. *Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles 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 of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar municipal owned items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	45
Roads and bridges	75
Storm sewers	100
Library collection	7
Lighting	20
Machinery, vehicles and equipment	5-25

5. *Compensated absences*

The Township does not allow employees to carry over sick pay until retirement. However vacation pay can be carried over, on a limited basis, from year-to-year. As such, a liability for compensated absences has been included in the government-wide financial statements.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The Township has the following items that qualify for reporting in this category:

1. *Changes in assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.
2. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
3. *Pension contributions made after the measurement date* is reported in the government-wide statement of net position. The pension measurement date is December 31, 2016. These amounts are deferred and recognized as an outflow of resources in the next period.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

7. *Deferred outflows/inflows of resources (continued)*

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

1. *Unavailable revenue - property taxes* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.
3. *Changes in assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.
4. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. *Fund equity*

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

8. *Fund equity (continued)*

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Township Council. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Township Council, has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

9. *Net position*

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

Net Investment in Capital Assets	
Capital assets not being depreciated	\$ 10,246,051
Capital assets being depreciated, net of accumulated depreciation	66,041,685
Less: Long-term debt outstanding	(5,435,462)
Less: Unamortized debt premium	<u>(22,577)</u>
Total Net Investment in Capital Assets	<u>\$ 70,829,697</u>

E. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available to be released. There were no items which required adjustment to or disclosure in the financial statements except for the item in NOTE IV G.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All appropriations lapse at year end.

During the 4th quarter of the fiscal year, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed operating budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The Operating budget includes expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted by Council with or without amendment on or before the twentieth of December and shall become effective immediately upon adoption and shall constitute for the ensuing year appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the taxes therein proposed, and shall be published immediately.

All budget revisions require the approval of the Township Council. At any time during the fiscal year at the request of the Manager, Council may, by resolution, transfer part or all of any unencumbered balance appropriated to a department, office, agency or other organizational level to another. Also, Council may amend the budget at any time during the fiscal year by ordinance, provided that such amendment shall not result in expenditures exceeding the estimated income, except that, if there is available unencumbered revenues in excess of those estimated in the budget, Council may by ordinance, make supplemental appropriations not to exceed such excess. At year end, the Board passes a resolution to move under expended funds to over expended categories. The budgetary information in these financial statements includes these amendments.

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

Budget for the General and Library Operating Funds are adopted on the cash basis of accounting. The following is a reconciliation of Excess (Deficiency) of Revenues over Expenditures from cash basis (budget basis) to modified accrual basis.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (continued)

	<u>General</u>	<u>Library Operating</u>
Budgetary (Cash) Basis	\$ (125,143)	\$ (77,253)
Accrued revenues at December 31, 2016	(2,444,998)	(9,167)
Accrued revenues at December 31, 2017	2,561,846	15,376
Accrued liabilities at December 31, 2016	318,172	38,840
Accrued liabilities at December 31, 2017	<u>(337,725)</u>	<u>(38,808)</u>
GAAP Basis	<u>\$ (27,848)</u>	<u>\$ (71,012)</u>

B. Excess of expenditures over appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations in the general government category of the general fund, but no category in the library operating or highway aid fund.

III. Detailed notes on all funds

A. Deposits and investments

Custodial credit risk - deposits

Horsham Township had the following depository accounts. All deposits are carried at cost plus accrued interest. The government passes an annual depository resolution. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

The investment in externally pooled investments and certificates of deposit are considered cash equivalents due to the short maturities of those investments and are included above. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

A. Deposits and investments (continued)

As of December 31, 2017, the government had the following investments:

		<u>Maturities in Years</u>		
		<u>< 1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>
GOVERNMENTAL FUNDS				
Externally Pooled Investments	\$ 5,547,318	\$ 5,547,318	\$ -	\$ -
Certificates of Deposit	<u>9,258,000</u>	<u>2,427,000</u>	<u>6,831,000</u>	<u>-</u>
Total Governmental Funds	<u>\$ 14,805,318</u>	<u>\$ 7,974,318</u>	<u>\$ 6,831,000</u>	<u>\$ -</u>
FIDUCIARY FUNDS				
Exchange-Traded Fund	\$ 20,054,016	\$ 20,054,016	\$ -	\$ -
State Investment Pool	<u>5,426,414</u>	<u>5,426,414</u>	<u>-</u>	<u>-</u>
Total Fiduciary Funds	<u>\$ 25,480,430</u>	<u>\$ 25,480,430</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The government frequently uses short-term investments with less than one year maturity as a means of managing its exposure to fair value losses arising from increasing and decreasing interest rates.

Credit risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government's investment policy (when not in violation of state law) requires for fixed income securities (here defined as bonds, preferred stocks, and money market instruments) to perform above its peer group (those maintaining portfolios of similar term structure and credit quality). The government's investment in the external investment pool was rated AAAM by Standard & Poor's.

Concentration of credit risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the government's policy that the pension investment portfolio should hold no more than 5% of the fixed income securities be invested in one issuer except U. S. Treasury securities or AAA-rated securities issued by government-sponsored enterprises (upon which there is no limit). Asset allocation is set at 55% equities, 40% fixed income (+ or - 15%) and 5% cash equivalents (+ or - 5%) and should be diversified among capitalization ranges, and between domestic and international equities.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

A. Deposits and investments (continued)

Custodial credit risk - deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2017, the government's carrying amount of deposits was \$5,076,248 and the bank balance was \$5,102,505. Of the bank balance, \$250,000 was covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. Any financial institution holding more than \$250,000 in Township funds must provide the municipality with information that it is in compliance with Act 72.

Investment Pool - The Township has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Township can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

Custodial credit risk - investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are "held in the name of the government" and thus not exposed to custodial credit risk.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

A. Deposits and investments (continued)

Fair Value Measurements: The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2017:

FIDUCIARY FUNDS

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-Traded Fund	\$ 20,054,016	\$ 20,054,016	\$ -	\$ -
State Investment Pool	5,426,414	5,426,414	-	-
Total Fiduciary Funds	<u>\$ 25,480,430</u>	<u>\$ 25,480,430</u>	<u>\$ -</u>	<u>\$ -</u>

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Library Operating</u>	<u>Capital Improvement</u>	<u>Nonmajor and Other Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 2,365,767	\$ 15,376	\$ -	\$ -	\$ -	\$ 2,381,143
Accounts	196,079	-	-	53,226	-	249,305
Loan from Fire Company	-	-	260,000	-	-	260,000
Loan from Horsham						
Redevelopment Authority	-	-	91,500	-	403,342	494,842
Interest from Fire Co.	-	-	10,846	-	-	10,846
Interest from Horsham						
Redevelopment Authority	-	-	2,237	-	100,485	102,722
Total Receivables	<u>\$ 2,561,846</u>	<u>\$ 15,376</u>	<u>\$ 364,583</u>	<u>\$ 53,226</u>	<u>\$ 503,827</u>	<u>\$ 3,498,858</u>

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

B. Receivables (continued)

Horsham Fire Company Term Note

Horsham Fire Company borrowed \$975,000 from Horsham Township for the construction of a new fire house and related facilities located at 1023 Horsham Road, Horsham, Pennsylvania. The purpose for which the Note proceeds may be used will include, without limitation, any and all site improvements, public improvements, public improvements, land development, construction of a new fire house facility and acquisition and installation of fixtures and equipment necessary for firefighting purposes. The Fire Company has agreed to pay interest on the unpaid balance of principal at a per annum rate equivalent to 65% of the New York Prime Rate as set forth in the Wall Street Journal, adjusted from time to time. The annual interest rate is computed on a 365/365 day basis, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal is outstanding. Each annual payment hereunder shall be comprised of a principal payment in the amount of \$65,000 plus all accrued but unpaid interest calculated at the aforesaid rate up to June 1 of the year in which the payment is due. At December 31, 2017, the rate was 4.5%. The interest receivable at December 31, 2017 was \$10,846.

The Authority has a tax exempt demand note securing a revolving line of credit with Horsham Township. The principal balance outstanding shall not exceed \$750,000 at any single time. As collateral security, the Authority grants Horsham Township a security interest in, a lien upon and a right of set-off against all funds, balances or other property of any kind that the Authority has an interest in or custody of. The Authority has agreed to pay interest on the unpaid balance of principal at a per annum rate equivalent to 65% of the New York Prime Rate as set forth in the *Wall Street Journal*, adjusted from time to time. The annual interest rate is computed on a 365/365 day basis, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal is outstanding. At December 31, 2017, the rate was 4.50%. The interest receivable at December 31, 2017 was \$100,485.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

C. Capital assets

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

	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 10,246,051	\$ -	\$ -	\$ 10,246,051
Total capital assets, not being depreciated	<u>10,246,051</u>	<u>-</u>	<u>-</u>	<u>10,246,051</u>
Capital assets, being depreciated:				
Buildings and improvements	8,072,879	152,774	-	8,225,653
Library building and contents	8,428,396	201,888	(339,518)	8,290,766
Police building contents	5,619,409	-	-	5,619,409
Machinery, vehicles and equipment	4,144,054	453,355	(178,595)	4,418,814
Infrastructure	<u>81,778,962</u>	<u>-</u>	<u>-</u>	<u>81,778,962</u>
Total capital assets being depreciated	<u>108,043,700</u>	<u>808,017</u>	<u>(518,113)</u>	<u>108,333,604</u>
Less accumulated depreciation for:				
Buildings and improvements	2,793,831	249,142	-	3,042,973
Library building and contents	3,354,680	278,701	(339,518)	3,293,863
Police building contents	963,553	137,448	-	1,101,001
Machinery, vehicles and equipment	3,133,055	367,999	(178,595)	3,322,459
Infrastructure	<u>30,491,142</u>	<u>1,040,481</u>	<u>-</u>	<u>31,531,623</u>
Total accumulated depreciation	<u>40,736,261</u>	<u>2,073,771</u>	<u>(518,113)</u>	<u>42,291,919</u>
Total capital assets, being depreciated, net	<u>67,307,439</u>	<u>(1,265,754)</u>	<u>-</u>	<u>66,041,685</u>
Governmental-type activities capital assets, net	<u>\$ 77,553,490</u>	<u>\$ (1,265,754)</u>	<u>\$ -</u>	<u>\$ 76,287,736</u>

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

Governmental Activities:	
Administrative	\$ 13,574
Licenses and permits	2,023
Police and emergency services	338,006
Public works	1,230,451
Library and parks	<u>489,717</u>
Total	<u>\$ 2,073,771</u>

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

Interfund transfers:

	<u>Transfers out</u>	<u>Transfers In</u>
General fund	\$ 314,077	\$ -
Library operating fund	280,137	-
Capital improvement fund	-	314,077
Non-major fund	-	280,137
Total	<u>\$ 594,214</u>	<u>\$ 594,214</u>

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Leases

Operating Leases

The government leases many pieces of office equipment under non-cancelable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

F. Long-term debt

General Obligation Bonds and Notes

The bond is subject to redemption prior to maturity at the option of the Township, as described in the Trust Indenture.

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In 2016, The Township issued \$5,540,000 in general obligation bond used for the current refunding of the Township's GO Bond Series 2011 and costs of issuing the bonds. The coupon rate of the new debt ranges from 2%-3% through 2042.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 15-20 year serial bonds with varying amounts of principal maturing each year.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

General obligation bond currently outstanding is as follows:

In 2015, the Township entered into a non-interest bearing note with Montgomery County for the amount of \$500,700 for the purpose of purchasing radio equipment for the Township's police, fire and emergency personnel. The notes will be paid in five annual installments.

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental Activities	0.0% to 3.0%	<u>\$ 5,435,462</u>

Annual debt service requirements to maturity for the general obligation bond and note are as follows:

<u>Year</u>	<u>Bond Payable</u>		<u>Total</u>	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2018	\$ 155,000	\$ 126,600	\$ 281,600	\$ 100,154	
2019	160,000	123,500	283,500	100,154	
2020	170,000	120,300	290,300	100,154	
2021	165,000	116,900	281,900	-	
2022	170,000	113,600	283,600	-	
2023-2027	900,000	515,600	1,415,600	-	
2028-2032	1,000,000	418,614	1,418,614	-	
2033-2037	1,125,000	288,846	1,413,846	-	
2038-2042	<u>1,290,000</u>	<u>118,350</u>	<u>1,408,350</u>	-	
Total	<u>\$ 5,135,000</u>	<u>\$ 1,942,310</u>	<u>\$ 7,077,310</u>	<u>\$ 300,462</u>	

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning</u>		<u>Ending</u>		<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities:					
Bonds payable	\$ 5,285,000	\$ -	\$ 150,000	\$ 5,135,000	\$ 155,000
Deferred amount:					
On debt issuance	23,480	-	903	22,577	-
Total Bonds Payable	5,308,480	-	150,903	5,157,577	155,000
Note payable	400,616	-	100,154	300,462	100,154
Compensated absences	194,036	-	21,314	172,722	-
Net pension liability	7,312,884	4,857,435	6,835,008	5,335,311	-
OPEB obligation	<u>8,810,500</u>	<u>1,311,776</u>	<u>313,817</u>	<u>9,808,459</u>	-
Governmental activity					
Long-Term Liabilities	<u>\$ 22,026,516</u>	<u>\$ 6,169,211</u>	<u>\$ 7,421,196</u>	<u>\$ 20,774,531</u>	<u>\$ 255,154</u>

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Debt service for general obligation bonds and notes is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences, net pension liability, and net OPEB obligations are generally liquidated by the general fund. Currently, there is no net pension obligation.

IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2017 was \$180,554. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2017, there were no additional assessments due or anticipated; instead the pool declared a dividend of which the Township's share was \$72,050.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The insurance expense for the year ended December 31, 2017 was \$240,799. The Trust declared a dividend in 2017. Horsham Township's share of the dividend distribution was \$26,182. In 2017, the Township received \$9,588 as a result of the 2016 payroll audit. No additional contributions are anticipated although an audit of the reported 2017 payroll will be performed in 2018.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans

Defined Benefit Pension Plan

The Township sponsors two single employer defined benefit pension plans, the Non-Uniform Pension Plan and the Police Pension Plan. All full time police and non-uniform employees participate in the plans. Following are details of these two plans. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The most recent actuarial valuation was as of January 1, 2017. Details below are from the valuation.

Plan Description

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full time police officers of the township. An employee enters the plan on the day he becomes a full-time police officer. The Police Pension Advisory Committee consists of seven members who are appointed by the Township Council: four elector/citizens of the Township, the chief of police, the township manager, and a representative of the police department selected by the officers of the department.

Non-Uniform Defined Benefit Pension Plan - The Horsham Township Non-Uniform Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system, which consists of over 900 participating employer plans. It is the responsibility of PMRS to act as a common investment agent for participating municipal pension plan. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of plan benefits to its members. Management of the plan is vested with PMRS, which consists of an 11 member Board - the State Treasurer, Secretary of the Commonwealth, and eight other members appointed by the Governor. A copy of the plan's financial statements can be obtained by writing to the Pennsylvania Municipal Retirement System, PO Box 1165, Harrisburg, PA 17108.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's Plans as part of the December 31, 2017 actuarial valuation:

	<u>Police</u>	<u>Non-Uniform</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits	27	12
Inactive employees entitled to benefits		
but not yet receiving them	-	3
Active employees (1)	<u>38</u>	<u>49</u>
Total Membership	<u>65</u>	<u>64</u>

Benefits Provided

Police Pension Defined Benefit Pension Plan: The pension plan provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Normal retirement is for officers attaining age 50 with 25 years of service. Early retirement is available at age 45 with 10 years of service. Employees who retire at or after age 52 with 25 years of credited service are entitled to monthly retirement benefit, payable for life, in an amount equal to 50% of their final three-year average compensation plus a service increment of 2% of the final average earnings for each year of service past normal retirement up to age 65. Retirement prior to Normal Retirement Date is prorated based on completed service and is actuarially reduced for early commencement.

If the officer dies before retirement age, the spouses receive 100% of the officer's accrued benefit payable until the spouse reaches age 65. In absence of a spouse, the officer's children receive the benefit until they reach the age of 18 (age 23 if attending college). If the member dies after retirement age, the spouse receives 50% of the benefit.

A disability pension is available to participants disabled in the line of duty. The disability pension is equal to 50% of the final average earnings, prorated on actual service over total projected service, and actuarially reduced for early commencement. If an officer is still working and past normal retirement requirements or killed in the line of duty, the Plan also provides certain death benefits to the surviving spouse and/or dependents. The amount of these benefits is 100% of the officer's accrued benefit, payable until the spouse reaches age 65. In the absence of a spouse, the officer's children receive the benefit until they reach age 18 or under the age of 23 if registered at an accredited institution of higher learning and carrying a minimum of 7 credit hours per semester. If the member dies after retirement age, the spouse receives 50% of the benefit. If there is no spouse, then the children receive the benefit.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not less than one year or more than three years. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

Non-Uniform Defined Benefit Pension Plan: The pension plan provides retirement, death, and disability benefits to plan members and their beneficiaries. All benefits are vested after ten years of credited service. Normal retirement is available for plan members at age 52 with 25 years credited service or at age 65, or elect early retirement with 24 years of service. The normal retirement benefit is a monthly benefit equal to 1.25% times credit service times Final Average Salary but in no event is the basic benefit greater than 50% of Final Average Salary. Final Average Salary is based upon the last 3 years' annualized salary. Covered employees are required to contribute 3.0% of their salary to the Pension Fund. At retirement, a member may select a survivor benefit. If eligible to retire at the time of death, the beneficiary receives the present value of accrued benefits. A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. This benefit is offset by workers compensation benefit. A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/ (depreciation) in fair value of investments is recorded as an increase/ (decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Method Used to Value Investments: Pension Plan investments are reported at fair value. Fair value is based on quoted market values. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The Non Uniform plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable securities. Police Pension Plan equity and fixed income securities are reported at fair value.

Contributions

Member contributions are determined on an annual basis. For the year ended December 31, 2017, the Police member contribution was 5% of salary. Non-Uniform members were required to contribute 3% of salary. Administrative costs, including investment manager fees, custodial trustee fees and actuarial fees, are charged to the Plans and funded through investment earnings.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the pensions. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The pension plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its Minimum Municipal Obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension during the year. State law requires that state aid be used first to fund the plan, then employee contribution and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$568,943 for the year ended December 31, 2017.

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Rate of Return: The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Police Pension Plan - For the year ended December 31, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 16.60%

Non-Uniform Pension Plan - For the Measurement Date of December 31, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense was 8.23%.

Net Pension Liability

The components of the net pension liability of participating entities were as follows:

Police Pension Plan - For the year ended December 31, 2017.

Non-Uniform Plan - For the Measurement Date of December 31, 2016.

	<u>Police</u>	<u>Non-Uniform</u>
Total pension liability	\$ 25,015,771	\$ 8,111,295
Plan fiduciary net position	<u>(20,703,987)</u>	<u>(7,087,768)</u>
Net pension liability	<u>\$ 4,311,784</u>	<u>\$ 1,023,527</u>

Plan fiduciary net position as a percentage of the total pension liability	83%	87%
--	-----	-----

Actuarial Assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>
Inflation	3.0%	3.0%
Salary Increases	4.75%	** (average, including inflation)
Investment Rate of Return	7.75%	5.5%
Post retirement Cost of Living Increase	0.0%	3.0%

**age related with merit and inflation component

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The net pension liability for Police was measured as of December 31, 2017 and for Non-Uniform as of the Measurement Date of December 31, 2016. The total pension liability for both plans was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end for the Police Pension Plan. For the Non-Uniform Plan, Investment return assumption for decreased from 5.5% to 5.25%.

Police Pension Plan: 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	70%	10.0%
Fixed Income	27%	3.0%
Cash	3%	1.0%

Non-Uniform Pension Plan: PMRS has not performed a formal cash flow projection but has applied an alternative method to confirm the sufficiency of the pension plan's projected Net Position. The result would be 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.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	
Domestic large capitalized firms	25%
Domestic large capitalized firms	15%
International developed markets	15%
International developed markets	10%
Fixed Income	15%
Real Estate	
Core	12.5%
Timber	7.5%

Discount Rate: The discount rate used to measure the total pension liability was 7.75 percent for Police and 5.25 percent for Non-Uniform. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2016	\$ 24,078,540	\$ 17,590,059	\$ 6,488,481
Changes for the year:			
Service cost	396,240	-	396,240
Interest	1,844,520	-	1,844,520
Change of benefit terms	-	-	-
Differences between expected and actual experience	45,527	-	45,527
Change of assumptions	-	-	-
Contributions - employer	-	1,334,456	(1,334,456)
Contributions - employee	-	206,007	(206,007)
Net investment income	-	2,929,546	(2,929,546)
Benefit payments, including refunds of employee contributions	(1,349,056)	(1,349,056)	-
Administrative expense	-	(7,025)	7,025
Other changes	-	-	-
Net Changes	<u>937,231</u>	<u>3,113,928</u>	<u>(2,176,697)</u>
Balance at December 31, 2017	<u>\$ 25,015,771</u>	<u>\$ 20,703,987</u>	<u>\$ 4,311,784</u>
	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2016	\$ 7,359,583	\$ 6,535,180	\$ 824,403
Changes for the year:			
Service cost	172,933	-	172,933
Interest	408,276	-	408,276
Change of benefit terms	-	-	-
Differences between expected and actual experience	148,256	-	148,256
Change of assumptions	243,858	-	243,858
Contributions - employer	-	120,558	(120,558)
Contributions - employee	-	94,184	(94,184)
Net investment income	-	579,590	(579,590)
Benefit payments, including refunds of employee contributions	(221,611)	(221,611)	-
Administrative expense	-	(20,133)	20,133
Other changes	-	-	-
Net Changes	<u>751,712</u>	<u>552,588</u>	<u>199,124</u>
Balance at December 31, 2017	<u>\$ 8,111,295</u>	<u>\$ 7,087,768</u>	<u>\$ 1,023,527</u>

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1%	Current	1%
Net pension liability	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	(6.75%)	Rate (7.75%)	(8.75%)
Police	\$ 7,197,745	\$ 4,311,784	\$ 1,860,771
	(4.25%)	Rate (5.25%)	(6.25%)
Non-uniform	\$ 2,104,296	\$ 1,023,527	\$ 104,942

Deferred Outflows and Inflows of Resources: The Township recognized pension expense as follows: Police Pension Plan - For the year ended December 31, 2017, the pension expense was \$668,626. Non-Uniform Pension Plan - For the Measurement Date of December 31, 2016, the pension expense was \$219,429.

At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pension related from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 335,995	\$ 188,711
Changes in assumptions	70,588	-
Net difference between projected and actual earnings on pension plan investments	-	741,200
Total	<u>\$ 406,583</u>	<u>\$ 929,911</u>
<u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ 172,543	\$ -
Contributions made after measurement date	152,162	-
Changes in assumptions	213,376	29,997
Net difference between projected and actual earnings on pension plan investments	82,461	-
Total	<u>\$ 620,542</u>	<u>\$ 29,997</u>

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	<u>Police</u>	<u>Non-Uniformed</u>
2017	\$ (2,777)	\$ 97,097
2018	(2,777)	97,098
2019	(279,840)	82,813
2020	(263,846)	12,913
2021	18,485	51,865
Thereafter	<u>7,427</u>	<u>96,597</u>
Total	<u>\$ (523,328)</u>	<u>\$ 438,383</u>

Payable to the Pension Plan: There was no amounts payable for contributions to the pension plans.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than five years. Monthly pension shall be calculated as of the date of participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement. The member must retire within 36 months after entering the DROP. As of December 31, 2017, the DROP account balance of \$125,694 is held by the plan pursuant to the DROP.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other post-employment benefits

At January 1, 2017 for the Horsham Township Police OPEB Plan and Horsham Township Non-Uniform OPEB Plan consisted of the following:

	<u>Non-Uniform</u>	<u>Police</u>
Retired participants	6	19
Active participants	<u>34</u>	<u>39</u>
Total Membership	<u><u>40</u></u>	<u><u>58</u></u>

For Non-Uniform employees who retire at age sixty-five, the Township agrees to provide the Aetna US Healthcare Medicare Supplement. Cobra benefits will be extended an additional 18 months to employees who retire at age 62, but total COBRA benefits allowed will not exceed 36 months. The Township agrees to provide employees who retire at age 62 with a minimum of 20 years of service, the Aetna US Healthcare Medicare Supplement benefit after exhausting Cobra benefits. There will be no post-retirement medical coverage for employees hired after January 1, 2010.

Police pension benefits shall be payable to police officers who have served in the Township for an aggregate total of at least 25 years, provided they have attained at least age 52 years, after which members of the force may retire from active duty on the first day of any month coincident with or next following the completion of the above requirements. The retired employee and spouse shall continue to be provided with hospital and Major Medical coverage. Until age 65, the retirees will be provided with coverage as described in Article III, Section II of their contract.

At 65 years of age, the Township shall provide Blue Cross 65 Special or its equivalent. Should the retiree, uniformed or non-uniformed, relocate out of the service area of the then current provider, he or she shall be provided with a monthly payment equal to the then current premium, to purchase health insurance on his or her own.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other post-employment benefits (continued)

The retired police officer shall also receive Life Insurance equal to one-half the amount for which he or she was insured as an employee, at the time of retirement. When he or she reaches the age of 65, the Life Insurance shall be one-quarter of the original insurance coverage.

The plans do not issue a stand-alone financial report.

Funding Policy

Retirees are not required to make contributions to either plan. The contribution requirements of plan members have been established and may be amended through Non-Uniform Labor Contracts and Police Labor Contracts. The Township is accounting for these expenditures on a “pay-as-you-go” basis. The amount paid out for health insurance premium reimbursements to eligible retirees for 2017 was \$65,269 under the non-uniform plan and \$248,548 under the police plan.

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2017, the most recent actuarial valuation date, is as follows:

	Actuarial	Actuarial	Percentage	Unfunded	Accrued	Liability
	Value of	Accrued		Actuarial	Projected	as a
	Net Assets	Liability	Funded	Accrued	Covered	Percentage
		<u>Obligation</u>		<u>Liability</u>	<u>Payroll</u>	<u>of Payroll</u>
Non-Uniform	\$ -	\$ 4,363,251	0%	\$ 4,363,251	\$ 3,020,548	105%
Police	-	13,259,582	0%	13,259,582	4,134,896	329%

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other post-employment benefits (continued)

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

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

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

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Township's net OPEB obligation:

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other post-employment benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	<u>Non-Uniform</u>	<u>Police</u>
Annual required contribution	\$ 340,371	\$ 1,128,557
Interest on net OPEB obligation	64,026	288,394
Adjustments to annual required contribution	<u>(92,577)</u>	<u>(416,995)</u>
Annual OPEB cost	311,820	999,956
Contributions made	<u>(65,269)</u>	<u>(248,548)</u>
Increase (decrease) in net OPEB obligation	246,551	751,408
Net OPEB obligation (asset) at beginning of year	<u>1,600,662</u>	<u>7,209,838</u>
Net OPEB obligation (asset) at end of year	<u>\$ 1,847,213</u>	<u>\$ 7,961,246</u>

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2017 actuarial valuation using the following assumptions:

	<u>Non-Uniform</u>	<u>Police</u>
Date of actuarial valuation	1/1/2017	1/1/2017
Investment rate of return	4.0%	4.0%
Projected salary increases due to inflation	none assumed	none assumed
Actuarial value of assets	Market Value	Market Value
Cost method	Entry Age Normal	Entry Age Normal
Remaining amortization period	30	30
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Healthcare trend rate: 7% in the first year gradually decreasing by .5% per year, to an ultimate rate of 5%		

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other post-employment benefits (continued)

Three Year Trend Information

NON-UNIFORM

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2015	\$ 245,022	13.7%	\$ 1,392,872
12/31/2016	241,248	13.9%	1,600,662
12/31/2017	311,820	20.9%	1,847,213

POLICE

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2015	\$ 993,000	12.0%	\$ 6,516,439
12/31/2016	979,881	29.2%	7,209,838
12/31/2017	999,956	24.9%	7,961,246

E. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2017, \$4,843,527 represents the balance of these monies held in escrow.

HORSHAM TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

F. New Accounting Pronouncements

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This Statement will be implemented in fiscal year 2018. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) that are included in the general purpose external financial reports of local governments. The implementation of this Statement will have no effect on the balances in the financial statements; however, expanded disclosure will be included.

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal years beginning after June 15, 2017, earlier implementation is encouraged. The objective of this Statement is to improve accounting and financial reporting by local governments for postemployment benefits other than pensions. This statement modifies the accounting for the Township's other postemployment benefit plan. As a result, the beginning governmental activities will be restated.

G. Subsequent Event

In May of 2018 the Township issued \$4,060,000 of General Obligation Bonds Series 2018. The proceeds will be used to construct a new municipal complex and other capital projects of the Township. The bonds bear interest at a rate of 3.0%-5.0% and mature in 2048. The Township Council approved bids totaling \$6,802,000 in June of 2018 for the construction of the new municipal complex.

SUPPLEMENTAL INFORMATION

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 396,240	\$ 370,907	\$ 361,486	\$ 324,093
Interest	1,844,520	1,788,284	1,677,714	1,652,993
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	45,527	(273,967)	501,052	(104,654)
Changes of assumptions	-	-	119,158	-
Benefit payments, including refunds of employee contributions	<u>(1,349,056)</u>	<u>(1,020,818)</u>	<u>(1,463,432)</u>	<u>(1,127,306)</u>
Net change in total pension liability	937,231	864,406	1,195,978	745,126
Total pension liability - beginning	<u>24,078,540</u>	<u>23,214,134</u>	<u>22,018,156</u>	<u>21,273,030</u>
Total pension liability - ending (a)	<u>\$ 25,015,771</u>	<u>\$ 24,078,540</u>	<u>\$ 23,214,134</u>	<u>\$ 22,018,156</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,334,456	\$ 1,240,176	\$ 1,216,457	\$ 795,581
Contributions - employee	206,007	209,503	200,926	181,084
Net investment income	2,929,546	1,324,290	(144,082)	1,061,636
Benefit payments, including refunds of employee contributions	(1,349,056)	(1,020,818)	(1,463,432)	(1,127,306)
Administrative expense	(7,025)	(8,350)	(7,350)	-
Other	<u>-</u>	<u>-</u>	<u>23,002</u>	<u>-</u>
Net change in plan fiduciary net position	3,113,928	1,744,801	(174,479)	910,995
Plan fiduciary net position - beginning	<u>17,590,059</u>	<u>15,845,258</u>	<u>16,019,737</u>	<u>15,108,742</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,703,987</u>	<u>\$ 17,590,059</u>	<u>\$ 15,845,258</u>	<u>\$ 16,019,737</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 4,311,784</u>	<u>\$ 6,488,481</u>	<u>\$ 7,368,876</u>	<u>\$ 5,998,419</u>
Plan fiduciary net position as a percentage of the total pension liability	82.8%	73.1%	68.3%	72.8%
Covered-employee payroll	\$ 4,330,859	\$ 4,228,342	\$ 3,852,683	\$ 3,633,343
Township's net pension liability as a percentage of covered-employee payroll	99.6%	153.5%	191.3%	165.1%
Annual money-weighted rate of return, net of investment expense	16.60%	8.12%	-0.97%	7.29%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

Fiscal year ended December 31,	Actuarially determined contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered payroll
2008	\$ 386,693	\$ 386,693	\$ -	\$ 3,139,515	(1) 12.3%
2009	369,564	369,564	-	3,547,788	(1) 10.4%
2010	380,333	380,333	-	3,547,788	(1) 10.7%
2011	573,516	602,188	(28,672)	3,892,508	(1) 15.5%
2012	575,702	575,702	-	3,892,508	(1) 14.8%
2013	789,861	789,861	-	3,378,449	(1) 23.4%
2014	795,581	795,581	-	3,378,449	(1) 23.5%
2015	1,214,965	1,216,457	(1,492)	3,852,683	31.6%
2016	1,240,176	1,240,176	-	4,228,342	29.3%
2017	1,334,456	1,334,456	-	4,330,859	30.8%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar - closed
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.75% average, including inflation
Investment rate of return	7.75%
Retirement age	Age 55 and 28 years of service
Mortality	RP2000 Table

Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
NON-UNIFORM PENSION PLAN

	Measurement Year Ending		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 172,933	\$ 194,539	\$ 200,125
Interest	408,276	397,422	381,136
Changes of benefit terms	-	-	-
Differences between expected and actual experience	148,256	-	64,227
Changes of assumptions	243,858	(38,567)	-
Benefit payments, including refunds of employee contributions	<u>(221,611)</u>	<u>(444,301)</u>	<u>(245,936)</u>
Net change in total pension liability	751,712	109,093	399,552
Total pension liability - beginning	<u>7,359,583</u>	<u>7,250,490</u>	<u>6,850,938</u>
Total pension liability - ending (a)	<u>\$ 8,111,295</u>	<u>\$ 7,359,583</u>	<u>\$ 7,250,490</u>
Plan fiduciary net position			
Contributions - employer	\$ 120,558	\$ 113,574	\$ 73,565
Contributions - employee	94,184	88,963	83,862
Net investment income	579,590	21,077	290,279
Benefit payments, including refunds of employee contributions	(221,611)	(444,301)	(245,936)
Administrative expense	(20,133)	(16,729)	(15,152)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	552,588	(237,416)	186,618
Plan fiduciary net position - beginning	<u>6,535,180</u>	<u>6,772,596</u>	<u>6,585,978</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,087,768</u>	<u>\$ 6,535,180</u>	<u>\$ 6,772,596</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 1,023,527</u>	<u>\$ 824,403</u>	<u>\$ 477,894</u>
Plan fiduciary net position as a percentage of the total pension liability	87.4%	88.8%	93.4%
Covered-employee payroll	\$ 3,139,448	\$ 2,965,420	\$ 3,051,948
Township's net pension liability as a percentage of covered-employee payroll	32.6%	27.8%	15.7%
Annual money-weighted rate of return, net of investment expense	8.23%	-0.27%	5.20%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

Investment Return Assumption for municipal assets decreased from 5.5% to 5.25%

This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is complete, available information is presented.

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - NON-UNIFORM PENSION PLAN

Fiscal year ended December 31,	Actuarially determined contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered payroll
2008	\$ 89,967	\$ 89,967	\$ -	\$ 2,439,114	(1) 3.7%
2009	87,746	87,746	-	2,693,808	(1) 3.3%
2010	91,161	91,161	-	2,693,808	(1) 3.4%
2011	84,480	102,446	(17,966)	2,555,179	(1) 4.0%
2012	82,695	82,695	-	2,555,179	(1) 3.2%
2013	64,532	64,532	-	2,928,933	(1) 2.2%
2014	66,962	73,565	(6,603)	3,051,948	(1) 2.4%
2015	113,574	113,614	(40)	2,965,420	3.8%
2016	120,478	120,558	(80)	3,139,448	3.8%
2017	152,162	152,162	-	3,138,507	4.8%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar based upon the amortization periods in Act 205 10 years initial liability, 20 years gains and losses, 15 years change in assumption, 20 years changes due to plan provisions, 10 years changes in benefits
Remaining amortization period	
Asset valuation method	Based upon the municipal reserves
Inflation	3%
Salary increases	age related scale with merit and inflation component
Investment rate of return	5.5%
Retirement age	Normal Retirement Age
Mortality	RP2000 Table

Change in benefit terms: None since 1/1/2013

Investment Return Assumption for municipal assets decreased from 5.5% to 5.25%

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION - NON-UNIFORM OPEB PLAN

December 31, 2017

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2011	\$ -	\$ 2,313,089	0%	\$ 2,313,089	\$ 2,666,709	87%
1/1/2014	-	2,998,974	0%	2,998,974	2,844,984	105%
1/1/2017	-	4,363,251	0%	4,363,251	3,020,548	144%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2012	\$ 258,886	\$ 30,245	11.7%
2013	258,886	28,496	11.0%
2014	266,093	33,458	12.6%
2015	266,093	33,458	12.6%
2016	266,093	33,458	12.6%
2017	340,371	65,269	19.2%

See accompanying notes to supplementary schedules

HORSHAM TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION - POLICE OPEB PLAN

December 31, 2017

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2011	\$ -	\$ 11,590,252	0%	\$ 11,590,252	\$ 3,707,150	313%
1/1/2014	-	13,644,214	0%	13,644,214	4,148,357	329%
1/1/2017	-	13,259,582	0%	13,259,582	4,134,896	321%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2012	\$ 1,038,181	\$ 141,592	13.6%
2013	1,038,181	120,551	11.6%
2014	1,096,117	221,769	20.2%
2015	1,096,114	257,493	23.5%
2016	1,096,114	286,482	26.1%
2017	1,128,557	248,548	22.0%

See accompanying notes to supplementary schedules

HORSHAM TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	<u>Special Revenue Funds</u>				
	<u>Park and Recreation</u>	<u>Morale and Welfare</u>	<u>Street Light & Fire Hydrant</u>	<u>Highway Aid</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 40,523	\$ -	\$ 202,240	\$ -	\$ 242,763
Investments	327,749	2,854	-	1,502,709	1,833,312
Receivables	-	-	3,226	-	3,226
Total Assets	<u>\$ 368,272</u>	<u>\$ 2,854</u>	<u>\$ 205,466</u>	<u>\$ 1,502,709</u>	<u>\$ 2,079,301</u>
 <u>LIABILITIES</u>					
Accounts payable	\$ 2,500	\$ -	\$ 132	\$ 35,915	\$ 38,547
Total Liabilities	<u>2,500</u>	<u>-</u>	<u>132</u>	<u>35,915</u>	<u>38,547</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes					
special assessments	-	-	1,606	-	1,606
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,606</u>	<u>-</u>	<u>1,606</u>
 <u>FUND BALANCES</u>					
Restricted for:					
Capital projects	-	-	-	-	-
Street light and fire hydrant	-	-	203,728	-	203,728
Street and highways	-	-	-	1,466,794	1,466,794
Committed for:					
Storm water	-	-	-	-	-
Capital projects	-	-	-	-	-
Park and recreation	365,772	2,854	-	-	368,626
Total Fund Balances	<u>365,772</u>	<u>2,854</u>	<u>203,728</u>	<u>1,466,794</u>	<u>2,039,148</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 368,272</u>	<u>\$ 2,854</u>	<u>\$ 205,466</u>	<u>\$ 1,502,709</u>	<u>\$ 2,079,301</u>

Capital Projects Funds					Total Nonmajor Governmental Funds
<u>Outfall Contribution</u>	<u>Act 209 East and West</u>	<u>Storm Water</u>	<u>Park Improvement</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,763
120,193	1,202,085	35,226	698,287	2,055,791	3,889,103
-	-	-	50,000	50,000	53,226
<u>\$ 120,193</u>	<u>\$ 1,202,085</u>	<u>\$ 35,226</u>	<u>\$ 748,287</u>	<u>\$ 2,105,791</u>	<u>\$ 4,185,092</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,417</u>	<u>\$ 3,417</u>	<u>\$ 41,964</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,417</u>	<u>3,417</u>	<u>41,964</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606</u>
-	1,202,085	-	-	1,202,085	1,202,085
-	-	-	-	-	203,728
-	-	-	-	-	1,466,794
-	-	35,226	-	35,226	35,226
120,193	-	-	744,870	865,063	865,063
-	-	-	-	-	368,626
<u>120,193</u>	<u>1,202,085</u>	<u>35,226</u>	<u>744,870</u>	<u>2,102,374</u>	<u>4,141,522</u>
<u>\$ 120,193</u>	<u>\$ 1,202,085</u>	<u>\$ 35,226</u>	<u>\$ 748,287</u>	<u>\$ 2,105,791</u>	<u>\$ 4,185,092</u>

HORSHAM TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	Special Revenue Funds				Total
	Park and Recreation	Morale and Welfare	Street Light & Fire Hydrant	Highway Aid	
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ 175,699	\$ -	\$ 175,699
Fees, licenses and permits	-	-	-	-	-
Investment income and rent	2,648	18	-	18,439	21,105
Intergovernmental revenues	-	-	-	772,048	772,048
Fines and forfeitures	-	-	-	-	-
Charges for services	155,194	65	-	-	155,259
Other	5,143	-	30,000	-	35,143
Total Revenues	<u>162,985</u>	<u>83</u>	<u>205,699</u>	<u>790,487</u>	<u>1,159,254</u>
Expenditures					
Current:					
Public safety	-	-	63,002	-	63,002
Highways and roads	-	-	95,035	619,979	715,014
Library and parks	173,608	-	-	-	173,608
Miscellaneous	7,128	-	-	-	7,128
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects	-	-	-	-	-
Total Expenditures	<u>180,736</u>	<u>-</u>	<u>158,037</u>	<u>619,979</u>	<u>958,752</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(17,751)</u>	<u>83</u>	<u>47,662</u>	<u>170,508</u>	<u>200,502</u>
Other Financing Sources (Uses)					
Proceeds from debt	-	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-
Premium and debt issuance costs	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(17,751)</u>	<u>83</u>	<u>47,662</u>	<u>170,508</u>	<u>200,502</u>
Fund Balance - Beginning	<u>383,523</u>	<u>2,771</u>	<u>156,066</u>	<u>1,296,286</u>	<u>1,838,646</u>
Fund Balance - Ending	<u>\$ 365,772</u>	<u>\$ 2,854</u>	<u>\$ 203,728</u>	<u>\$ 1,466,794</u>	<u>\$ 2,039,148</u>

Capital Projects Funds						Total Nonmajor Governmental Funds
Outfall Contribution	Act 209 East and West	Sinking Fund Bond Issue	Park Improvement	Storm Water	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,699
-	-	-	-	-	-	-
1,746	8,558	-	95,879	192	106,375	127,480
-	-	-	50,000	-	50,000	822,048
-	-	-	-	-	-	-
-	-	-	-	-	-	155,259
<u>11,221</u>	<u>88,050</u>	<u>-</u>	<u>42,943</u>	<u>21,000</u>	<u>163,214</u>	<u>198,357</u>
<u>12,967</u>	<u>96,608</u>	<u>-</u>	<u>188,822</u>	<u>21,192</u>	<u>319,589</u>	<u>1,478,843</u>
-	-	-	-	-	-	63,002
-	-	-	-	-	-	715,014
-	-	-	-	-	-	173,608
-	-	539	-	-	539	7,667
-	-	150,000	-	-	150,000	150,000
-	-	129,598	-	-	129,598	129,598
-	-	-	168,625	-	168,625	168,625
-	-	280,137	168,625	-	448,762	1,407,514
<u>12,967</u>	<u>96,608</u>	<u>(280,137)</u>	<u>20,197</u>	<u>21,192</u>	<u>(129,173)</u>	<u>71,329</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	280,137	-	-	280,137	280,137
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	280,137	-	-	280,137	280,137
12,967	96,608	-	20,197	21,192	150,964	351,466
<u>107,226</u>	<u>1,105,477</u>	<u>-</u>	<u>724,673</u>	<u>14,034</u>	<u>1,951,410</u>	<u>3,790,056</u>
<u>\$ 120,193</u>	<u>\$ 1,202,085</u>	<u>\$ -</u>	<u>\$ 744,870</u>	<u>\$ 35,226</u>	<u>\$ 2,102,374</u>	<u>\$ 4,141,522</u>

HORSHAM TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2017

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total Pension Trust</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 649,971	\$ -	\$ 649,971
Receivables			
Loan receivable	-	-	-
Loan interest receivable	-	-	-
Total Receivables	<u>-</u>	<u>-</u>	<u>-</u>
Investments			
Exchange-Traded Fund	20,054,016	-	20,054,016
Assets with PMRS	-	5,426,414	5,426,414
Total Investments	<u>20,054,016</u>	<u>5,426,414</u>	<u>25,480,430</u>
 TOTAL ASSETS	 <u>\$ 20,703,987</u>	 <u>\$ 5,426,414</u>	 <u>\$ 26,130,401</u>
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Escrow deposits	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net position restricted for pension benefits	<u>20,703,987</u>	<u>5,426,414</u>	<u>26,130,401</u>
Total Net Position	<u>\$ 20,703,987</u>	<u>\$ 5,426,414</u>	<u>\$ 26,130,401</u>

Agency Funds

Litigation Escrow	Basin Maintenance	449 Cedar Hill Road	Private Public Partnership Escrow	Revolving Escrow	Total Agency Funds	Total
\$ 80,412	\$ 233,275	\$ 6,569	\$ 448,078	\$ 4,075,193	\$ 4,843,527	\$ 5,493,498
-	-	-	-	403,342	403,342	403,342
-	-	-	-	100,485	100,485	100,485
-	-	-	-	503,827	503,827	503,827
-	-	-	-	-	-	20,054,016
-	-	-	-	-	-	5,426,414
-	-	-	-	-	-	25,480,430
<u>\$ 80,412</u>	<u>\$ 233,275</u>	<u>\$ 6,569</u>	<u>\$ 448,078</u>	<u>\$ 4,579,020</u>	<u>\$ 5,347,354</u>	<u>\$ 31,477,755</u>
<u>\$ 80,412</u>	<u>\$ 233,275</u>	<u>\$ 6,569</u>	<u>\$ 448,078</u>	<u>\$ 4,579,020</u>	<u>\$ 5,347,354</u>	<u>\$ 5,347,354</u>
80,412	233,275	6,569	448,078	4,579,020	5,347,354	5,347,354
-	-	-	-	-	-	26,130,401
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,130,401</u>

HORSHAM TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total</u>
Additions			
Contributions			
Member contributions	\$ 206,007	\$ 93,310	\$ 299,317
Employer contributions	765,513	152,202	917,715
State contributions	568,943	-	568,943
Total Contributions	<u>1,540,463</u>	<u>245,512</u>	<u>1,785,975</u>
Investment Income			
Net appreciation (depreciation) in			
fair value of investments	2,555,094	-	2,555,094
Interest and dividends	430,970	271,067	702,037
Total investment earnings	2,986,064	271,067	3,257,131
Less: investment expense	56,518	-	56,518
Net Investment Income	<u>2,929,546</u>	<u>271,067</u>	<u>3,200,613</u>
Total Additions	<u>4,470,009</u>	<u>516,579</u>	<u>4,986,588</u>
Deductions			
Benefit payments	1,349,056	509,482	1,858,538
Actuarial fees	7,025	-	7,025
Allocated insurance premiums	-	6,277	6,277
Refund of member contributions	-	-	-
Administrative costs	-	1,320	1,320
Total Deductions	<u>1,356,081</u>	<u>517,079</u>	<u>1,873,160</u>
Change in Net Position	<u>3,113,928</u>	<u>(500)</u>	<u>3,113,428</u>
Net position restricted for Pension Benefits-beginning	<u>17,590,059</u>	<u>5,426,914</u>	<u>23,016,973</u>
Net position restricted for Pension Benefits-ending	<u>\$ 20,703,987</u>	<u>\$ 5,426,414</u>	<u>\$ 26,130,401</u>

HORSHAM TOWNSHIP

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

For the Year Ended December 31, 2017

<u>Litigation Escrow</u>					
	Balance			Balance	
	December 31, 2016	Additions	Deductions	December 31, 2017	
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 79,797	\$ 615	\$ -	\$ 80,412	
<u>LIABILITIES</u>					
Liabilities					
Deposits	\$ 79,797	\$ 615	\$ -	\$ 80,412	
<u>Basin Maintenance</u>					
	Balance			Balance	
	December 31, 2016	Additions	Deductions	December 31, 2017	
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 237,996	\$ 477	\$ 5,198	\$ 233,275	
<u>LIABILITIES</u>					
Liabilities					
Deposits	\$ 237,996	\$ 477	\$ 5,198	\$ 233,275	
<u>449 Cedar Hill Road</u>					
	Balance			Balance	
	December 31, 2016	Additions	Deductions	December 31, 2017	
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 6,525	\$ 44	\$ -	\$ 6,569	
<u>LIABILITIES</u>					
Liabilities					
Deposits	\$ 6,525	\$ 44	\$ -	\$ 6,569	
<u>Private Public Escrow</u>					
	Balance			Balance	
	December 31, 2016	Additions	Deductions	December 31, 2017	
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 443,483	\$ 4,595	\$ -	\$ 448,078	
<u>LIABILITIES</u>					
Liabilities					
Deposits	\$ 443,483	\$ 4,595	\$ -	\$ 448,078	
<u>Revolving Escrow</u>					
	Balance			Balance	
	December 31, 2016	Additions	Deductions	December 31, 2017	
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 4,331,904	\$ -	\$ 256,711	\$ 4,075,193	
Receivables					
Loan receivable	338,773	64,569	-	403,342	
Loan interest receivable	88,356	12,129	-	100,485	
Total Receivables	427,129	76,698	-	503,827	
TOTAL ASSETS	\$ 4,759,033	\$ 76,698	\$ 256,711	\$ 4,579,020	
<u>LIABILITIES</u>					
Liabilities					
Deposits	\$ 4,759,033	\$ 76,698	\$ 256,711	\$ 4,579,020	