

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2017

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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Independent Auditor's Report

To the Board of Supervisors
Plumstead Township
Plumsteadville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plumstead Township, Bucks County, Pennsylvania, as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Plumstead Township's primary government as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plumstead Township, Bucks County, Pennsylvania as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 3-14 and 64-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements and combining pension trust fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and combining pension trust fund financial statements are the responsibility of management and were derived from and related 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.

Dunlap & Associates, P.C.

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
May 22, 2018

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

Our discussion and analysis of Plumstead Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Township's financial statement, which begins on page 15.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$714,803 or 2%, as a result of this year's operations.
- The total cost of all Township programs for the year ended December 31, 2017, was \$9,188,995 compared to \$8,956,189 for 2016.
- During the year, the Township bid, awarded and substantially completed two bridge replacement projects totaling \$544,743.
- The Township paid off its 2009 General Obligation Bond, which was used to acquire conservation easements as part of a voter-approved open space referendum.

USING THIS REPORT

This report consists of a series of financial statements. The statement of Net Position and the Statement of Activities (on pages 15-17) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how the Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

The statement of Net Position and Statement of Activities reports information about the Township as a whole, and about its activities in a way that helps answer the question of whether or not the Township is better or worse off, as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These statements report the Township's net position and changes in them. The Township's net position (the difference between the assets and liabilities) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the Township's financial health is improving or deteriorating.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

USING THIS REPORT (Continued)

Reporting Significant Funds

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors established other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at yearend that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation at the end of fund financial statements.

The Township as a Trustee

The Township is the trustee or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Township fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Position provides an overview of the Township's assets, liabilities, and net position. Over time, this statement will provide a good indicator of the Township's fiscal health. Two years of data are presented in the following tables. During 2017, we continued to update the valuation calculations for capital assets such as land, buildings, vehicles, equipment, furniture, traffic signals, storm sewers, and drainage structures. Management has also updated five-year capital plans for Police, Public Works, Parks and Recreation and the Township buildings.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

Table 1

Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Capital Assets	39,747,850	39,766,257	6,928,175	7,148,349	46,676,025	46,914,606
Current and Other Assets	9,113,384	9,204,256	1,293,702	1,413,130	10,407,086	10,617,386
Total Assets	48,861,234	48,970,513	8,221,877	8,561,479	57,083,111	57,531,992
Net Deferred Outflows/Inflows	175,091	571,002			175,091	571,002
Long-Term Liabilities	18,894,587	19,768,337	1,487,082	1,879,417	20,381,669	21,647,754
Other Liabilities	1,448,961	1,340,831	476,227	481,956	1,925,188	1,822,787
Total Liabilities	20,343,548	21,109,168	1,963,309	2,361,373	22,306,857	23,470,541
Net Assets						
Invested in Capital Assets, net of debt	20,004,365	18,862,410	5,062,654	5,007,314	25,067,019	23,869,724
Restricted	6,489,191	7,064,889			6,489,191	7,064,889
Unrestricted	2,595,132	2,505,048	1,195,914	1,192,792	3,791,046	3,697,840
Total Net Assets	29,088,688	28,432,347	6,258,568	6,200,106	35,347,256	34,632,453

The total net position of the Township shown above is \$35,347,256. Net position increased by 2% in 2017.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

Table 2

Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 647,631	\$ 665,016	\$ 1,155,724	\$ 1,186,451	\$ 1,803,355	\$ 1,851,467
Operating Grants/Contributions	814,504	821,842	-	-	814,504	821,842
Capital Grants and Contributions	-	2,835,189	-	-	-	2,835,189
General Revenues						
Real Estate Taxes	2,968,894	3,245,782	-	-	2,968,894	3,245,782
Transfer Taxes	534,835	552,669	-	-	534,835	552,669
Earned Income & Local Svc. Taxes	3,540,070	3,048,599	-	-	3,540,070	3,048,599
Grants and Contributions not Restricted to Specific Programs	52,434	204,282	-	-	52,434	204,282
Investment Earnings	140,841	107,110	6,452	2,763	147,293	109,873
Gain (Loss) on Sale of Capital Assets	9,187	(6,196)	-	-	9,187	(6,196)
Miscellaneous	33,226	11,982	-	-	33,226	11,982
Total Revenues	8,741,622	11,486,275	1,162,176	1,189,214	9,903,798	12,675,489
Program Expenses						
General Government	1,207,289	1,306,283			1,207,289	1,306,283
Professional Services	215,976	158,887			215,976	158,887
Public Safety	3,497,517	3,515,267			3,497,517	3,515,267
Code Enforcement/Zoning	283,999	289,743			283,999	289,743
Public Works	1,780,209	1,687,810			1,780,209	1,687,810
Water System			1,103,714	1,104,434	1,103,714	1,104,434
Parks and Recreation	470,340	471,980			470,340	471,980
Conservation and Development	47,921	24,802			47,921	24,802
Interest Expense	582,030	396,983			582,030	396,983
Total Expenses	8,085,281	7,851,755	1,103,714	1,104,434	9,188,995	8,956,189
Changes in Net Assets	656,341	3,634,520	58,462	84,780	714,803	3,719,300
Net Assets, beginning of year	<u>28,432,347</u>	<u>24,797,827</u>	<u>6,200,106</u>	<u>6,115,326</u>	<u>34,632,453</u>	<u>30,913,153</u>
Net Assets, end of year	<u>29,088,688</u>	<u>28,432,347</u>	<u>6,258,568</u>	<u>6,200,106</u>	<u>35,347,256</u>	<u>34,632,453</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

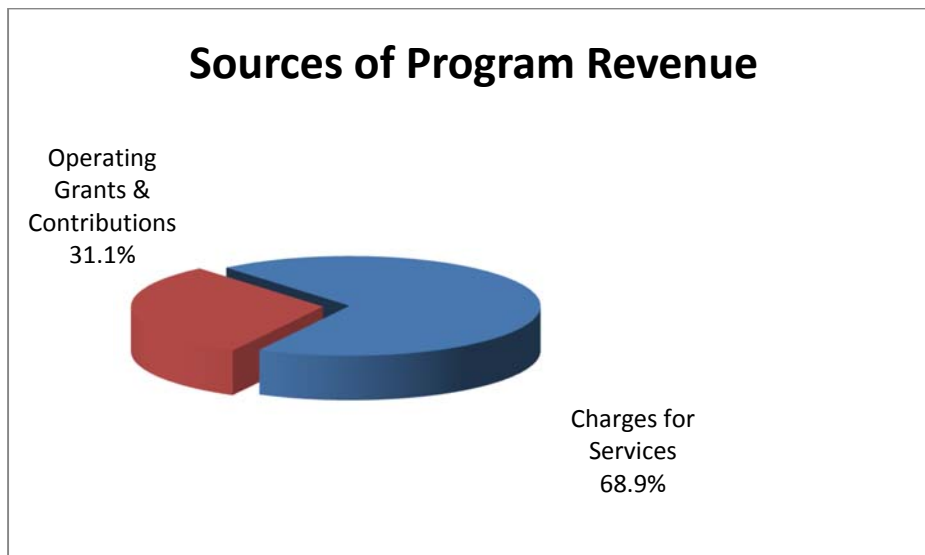
THE TOWNSHIP AS A WHOLE (Continued)

Revenue Overview

Total revenue from all sources was \$9,903,798. Real estate taxes remain assessed at 13.94 mills for 2017. Real Estate Transfer tax revenue remained relatively stable due to the continuing activity in residential resales. Earned income tax (EIT) continues to be the Township's most important revenue source, and saw a 16.1% increase in 2017 due to the increased number of wage earners who have moved in to several new residential developments. The Township continues to annually collect a \$52 Local Services tax. This tax is assessed on individuals working in the Township who earn more than \$12,000 per year. In 2017, this tax generated \$287,051 (2.6% less than in 2016) in revenue which was designated and continues to be used for capital expenditures relating to the Police and Public Works Departments. These expenditures are all permitted under the state law tax-enabling act.

Total revenues decreased \$2,924,754 (21.8%) from the prior year. This was due to \$2.5 million in the loan proceeds being received and reported in 2016, which is being used for three bridge projects slated for 2017 through 2019.

Figure 1

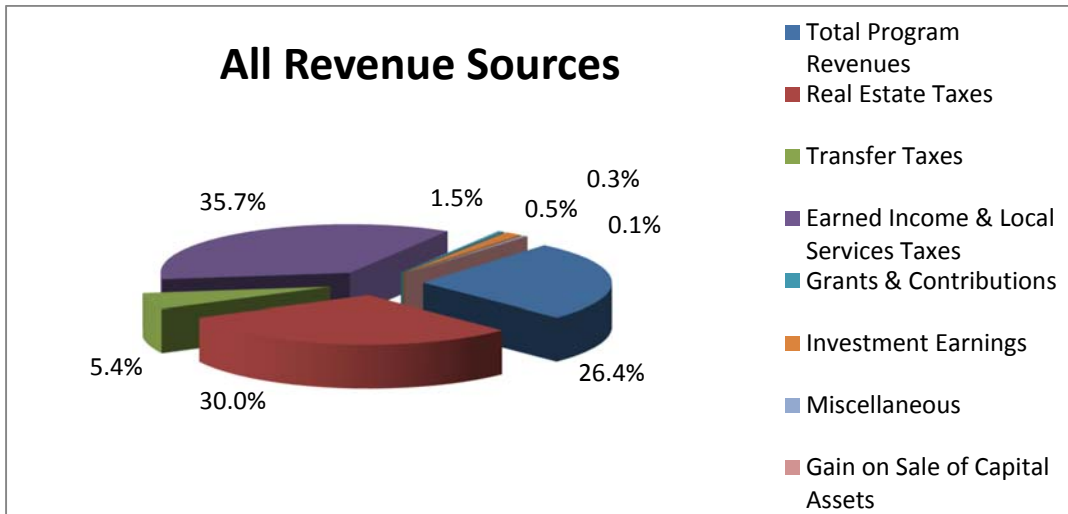


**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017**

THE TOWNSHIP AS A WHOLE (Continued)

Revenue Overview (Continued)

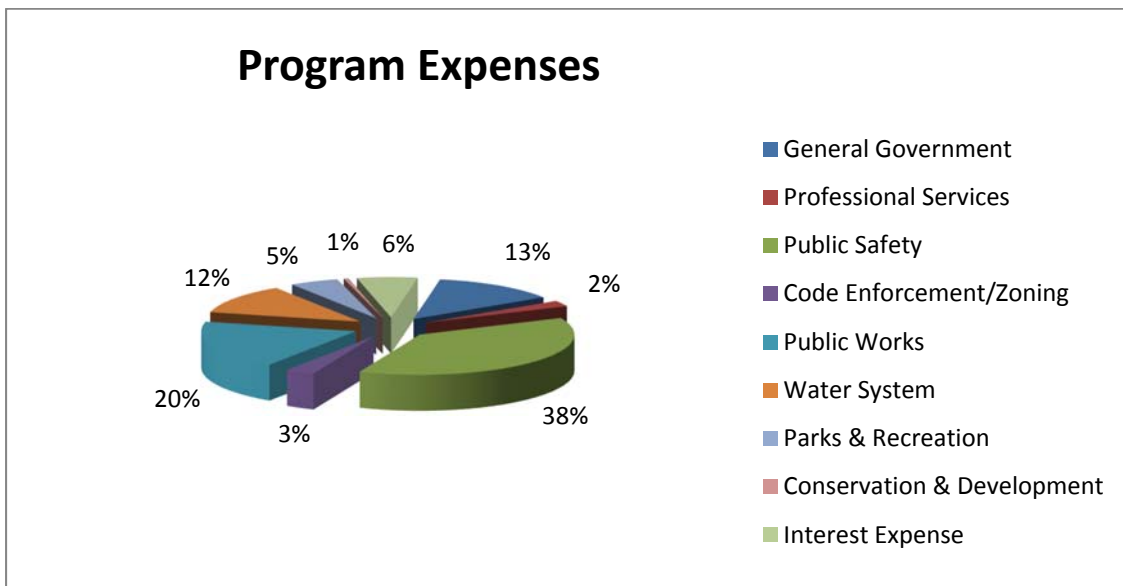
Figure 2



Expense Overview

Total expenses in all categories were \$9,188,995, a \$232,806 increase (2.6%) over 2017. The majority of the increase is associated with engineering and construction costs relating to two bridge rehabilitation projects.

Figure 3



PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's budget and actual results for the General Fund can be found on page 69 of this report.

Taxes were 16.5% above budget as a result of additional earned income tax revenue from new residents who moved into several newly completed residential subdivisions, as well as real estate transfer tax revenue generated by a strong resale market. Earned Income Tax came in 15.1% over budget. Charges for building, electrical, plumbing and zoning permits came in over budget due to a higher than expected volume of permits issued for existing homes. The cable franchise fees budget was increased in 2017 due to more residential connections with revenues coming from Comcast and Verizon. Even with this adjustment, the revenue still increased \$5,440 over budget.

ITEMS OF GENERAL INTEREST

Water

Residents and businesses of the Township are served by Plumstead Township Water Department, Doylestown Township Municipal Authority (DTMA), and on-lot water systems. The Township has no financial or management control of the water companies other than the Township's Water Department. The Township purchases bulk water from DTMA and the water customers supplied with it are customers of the Township's Water Department. Only expenses relating to the public water systems are paid out of the Township's Water Fund.

Fire and Ambulance

Residents and businesses of the Township are served by the Plumsteadville Volunteer Fire Company and the Point Pleasant Volunteer Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. The Point Pleasant/Plumsteadville EMS provides ambulance services utilizing some paid professionals. The Township distributed 1.5 mils of real estate taxes between the two fire companies and the ambulance squad and continues to maintain this dedicated millage in 2017.

Public Facilities

The Township owns seven parks of varying size along with smaller open space parcels, some located within residential subdivisions. The Joseph E. Hanusey III Community Park was dedicated in 2014, and contains a community building equipped with a generator. In November 2014, the Township dedicated a Veterans Park located on a small parcel of land located in the Plumsteadville Village area of the Township. The original portion of the Township Municipal Building, formerly one of thirteen one-room school houses in the Township is close to 150 years old. An addition was constructed twenty years ago, with the original portion of the building being converted to the public meeting room. It is a modern, functional site for local government operations. In 2013, a generator was installed on the Township building to ensure continuation of power and to serve as a comfort station for residents who have lost power during prolonged power outages. Public works is located on a remote site with a pole barn and a service garage that also houses staff quarters and offices. These buildings are in good condition.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS

The revenues in the General Fund exceeded the expenditures resulting in a surplus of \$72,180. The Township continued its practice of developing realistic, but conservative revenue projections in 2017. However, based on 2017 actual revenue received the 2018 budget was revised to be more in line with those receipts. Overall, expenditures came in \$125,484 under budget (2.1%) primarily due to a hiring delay for an Assistant Township Manager. The Township continues to take a conservative approach with its spending, with Department Heads and the Township Manager monitoring the various line items on a monthly basis and presenting reports to the Board of Supervisors each month with a more in depth evaluation at the end of each quarter.

Other Funds

This category includes the Capital Reserves Fund, Open Space Fund, Park and Recreation Fund, Water Fund, Local Services Tax Fund, Emergency Services Fund, State Liquid Fuels Fund and the Debt Service Fund. The Debt Service Fund is comprised of the following issuances: 2009 General Obligation Bond, 2013 General Obligation Bond, 2015 General Obligation Bond, and two 2016 General Obligation Notes.

Open Space Fund

This fund is a holding account for the proceeds of General Obligation bond proceeds to be used to purchase open space and conservation easements. A small amount of real estate tax millage is designated to this fund to pay for annual monitoring and inspections of conservation easements previously acquired by the Township. The Township expended \$46,863 during 2017.

Debt Service Fund

2009 General Obligation Bond

The debt service payments associated with this bond come from real estate tax revenues. A portion remains in place due to the interest rates that were in place at the time of the issuance. This debt was paid off in 2017.

2013 General Obligation Bond

This issuance refunded part of the 2009 General Obligation Bond, paid off the loan for the roof replacement on the Township building and provided funding for parks and future road improvements.

2015 General Obligation Bond

This issuance refunded part of the 2010 General Obligation Bond and paid off the 2014 General Obligation Note.

2016 General Obligation Note

This issuance provided a current refunding of the 2010 General Obligation Bond. The refunding reduced future debt service payments by \$170,938.

2016 General Obligation Note

This issuance through TD Bank will pay for three bridge projects planned for construction in 2017 and 2018. The money was borrowed in December because of historically low interest rates.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Water Fund

This fund receives revenue from charges for water service. This fund operated at a small surplus of \$58,462. As part of a rate increase in 2015, the Board of Supervisors has established a reserve for capital improvements with the amount designated each year representing the annual depreciation expense. This fund has a balance of \$911,045 as of 12/31/17.

State Liquid Fuels Fund

This fund receives revenue from the Commonwealth of Pennsylvania from motor vehicle fuel taxes. This fund had routine and unremarkable results in 2017 and the fund balance of \$251,652 is in place to cover unexpected costs relating to road repairs or snow removal in the early part of the following year before the 2018 allocation is received. It will also be used to augment the 2018 allocation to pay for approved road improvement expenditures.

Pension Plans

Full-time Township employees are also members of the Police or Non-Uniformed pension plan. The Police Pension plan is 93.5% actuarially funded, and the non-uniformed plan is 76.46% actuarially funded. The Township is eligible for Act 205 assistance in the form of state aid. The Non-Uniform plan is administered by Pennsylvania Municipal Retirement System. The Uniform plan is administered by Haverford Trust in accordance with Pennsylvania Act 600 and Township Ordinance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Township has \$25,067,019 invested in Capital Assets, Net of Related Debt. GASB 34 was adopted during the 2004 fiscal year; during 2004 valuation calculations were made for almost 68 miles of Township streets and roads, as well as traffic signals, storm sewers, and drainage structures.

Significant capital events during the year included the reconstruction and milling/paving of several Township roads, and the rehabilitation of two bridges.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Discussion of Future Plans

In 2015 the Township acquired a conservation easement on one final farm utilizing the remaining bond proceeds from a voter-approved referendum to preserve open space. A separate referendum authorizing the Township to borrow up to \$4.5 million for the acquisition of land to develop Township parks that would contain both active and passive recreation for all ages was also approved, and the Township used part of this money in 2013 to acquire two parcels of land adjacent to each other and one of the Township parks, turning a 26-acre park into 100 acres of natural areas. In early 2015, Board of Supervisors formed a Trails Steering Subcommittee for the purpose of developing a Master Trail Plan for the Township. This plan was presented to the public, amended based on residents' feedback and adopted by the Board of Supervisors in 2017. The Township will pursue grant opportunities and also require potential residential developers to consider the plan when they come before the Township for consideration.

In 2009, the Township developed a five-year capital program to fund public safety, public works/parks and public water system capital expenses. As part of this program, the Township has developed a standard replacement plan for police vehicles. Road maintenance and roadway construction plans, and park improvements along with Public Works equipment needs were again reevaluated in late 2017 as part of preliminary planning in advance of the next budget season. The Board of Supervisors will continue to look to this plan when determining acceptable levels of expenditures in the coming years, as well as determining the need for borrowing funds to achieve the goals of the roadway improvement program. The Township will continue to utilize available technology where practical to increase efficiency, including investigating "green" alternatives for its various operations. As a customer of PECO Energy, the Township saw its rate cap expire at the end of 2010 and entered into a four-year contract with Constellation Energy to provide electric with PECO still serving as the distributor, and in 2014 awarded a three-year contract to Constellation Energy. The Township executed a new four-year contract with Patriot Energy Group locking in an attractive rate until the end of 2021. In 2017 the Township along with 33 other municipalities in Bucks County will began negotiations with Verizon for a new cable franchise agreement. It is also expected to join with other Bucks County municipalities to begin negotiations with Comcast in 2018 for a new cable franchise agreement.

Debt

The Township's General Long-Term Debt decreased by 5.8% in 2017. The Township has maintained its Aa2 rating from Standard and Poor's.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt (Continued)

Table 3

General Long-Term Debt

	Balance			Balance
	1/1/2016	Additions	Reductions	12/31/2017
<u>Governmental Activities</u>				
2009 General Obligation Bond- Series B	345,000		345,000	-
2013 General Obligation Bond	9,325,000		75,000	9,250,000
Pennsylvania Infrastructure Loan	217,724		73,259	144,465
2015 General Obligation Bond	5,435,000		240,000	5,195,000
2016 General Obligation Note	3,134,662		393,276	2,741,386
2016 General Obligation Note	2,500,000		94,950	2,405,050
	<u>\$ 20,957,386</u>	<u>\$ -</u>	<u>\$ 1,221,485</u>	<u>\$ 19,735,901</u>

ECONOMIC FORECAST

As discussed above, the Township has four major sources of revenue:

- Earned Income Tax
- Real Estate Tax
- Local Services Tax
- Real Estate Transfer Tax

Earned income tax and real estate transfer tax revenues exceeded assumptions in 2017, and these budgets were modified for 2018 to reflect actual revenue received. During the budget discussion for 2018 the Board of Supervisors voted to increase the real estate tax rate from 13.94 mills to 14.94 mills, which will help the Township keep pace with rising costs associated with its basic operations.

The Township continues to strive to offer services expected of a local municipality, while practicing fiscal responsibility as it pertains to its expenditures. The Township will evaluate increasing staff levels in individual departments only when warranted, recognizing that the needs of our community change through the years.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2017**

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT TEAM

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of important financial matters in a format that is both comprehensive and understandable in nature. For questions relating to the Management Discussion and Analysis, please contact Carolyn McCreary, ICMA-CM, the Township Manager at 5186 Stump Road, Box 387, Plumsteadville, Pennsylvania 18949 or call (215)766-8914 or visit our website at www.plumstead.org.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 7,804,175	\$ 974,720	\$ 8,778,895
Taxes Receivables	1,286,402	0	1,286,402
Accounts Receivable	0	325,161	325,161
Prepaid Expenses and Other Receivables	22,807	0	22,807
Total Current Assets	9,113,384	1,299,881	10,413,265
Noncurrent Assets			
Net Capital Assets	39,747,850	6,928,175	46,676,025
Total Assets	48,861,234	8,228,056	57,089,290
Deferred Outflows of Resources			
Deferred Pension Outflows	963,272	0	963,272
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	1,354,632	0	1,354,632
Current Portion of Capital Lease Payable	32,745	0	32,745
Accounts Payable and Accrued Expenses	214,774	96,847	311,621
Accrued Wages and Payroll Taxes	57,587	2,593	60,180
Accrued Interest Payable	21,173	0	21,173
Internal Balances	(378,439)	378,439	0
Customer Deposits	146,489	0	146,489
Total Current Liabilities	1,448,961	477,879	1,926,840
Noncurrent Liabilities			
General Obligation Note Payable	18,245,886	0	18,245,886
Capital Lease Payable	110,222	0	110,222
Internal Balances	(1,487,082)	1,487,082	0
Compensated Absences	444,709	0	444,709
Net Pension Liability	1,233,850	0	1,233,850
Total Noncurrent Liabilities	18,547,585	1,487,082	20,034,667
Total Liabilities	19,996,546	1,964,961	21,961,507
Deferred Inflows of Resources			
Deferred Pension Inflows	634,354	0	634,354
Net Position			
Invested in Capital Assets, Net of Related Debt	20,004,365	5,062,654	25,067,019
Restricted for			
Capital Projects	2,521,788	0	2,521,788
Debt Service	3,241,470	0	3,241,470
Other	725,933	0	725,933
Unrestricted	2,700,050	1,200,441	3,900,491
Total Net Position	\$ 29,193,606	\$ 6,263,095	\$ 35,456,701

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Legislative	\$ 48,527	\$ 0	\$ 0	\$ 0
Executive	154,526	0	0	0
Finance and Tax Collection	220,004	0	0	0
Professional Fees	215,976	0	0	0
General Government	710,515	334,998	106,833	0
Public Safety				
Police	2,977,430	42,102	137,648	0
Fire/EMS	488,886	34,963	119,670	0
Code Enforcement and Zoning	283,999	198,006	0	0
Highways				
Highway Maintenance	1,705,653	0	450,353	0
Snow and Ice Removal	32,559	0	0	0
Street Lighting	41,997	0	0	0
Park and Recreation	470,340	37,562	0	0
Conservation and Development	47,921	0	0	0
Interest Expense	582,030	0	0	0
Total Governmental Activities	<u>7,980,363</u>	<u>647,631</u>	<u>814,504</u>	<u>0</u>
Business-Type Activities				
Water	<u>1,099,187</u>	<u>1,155,724</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 9,079,550</u>	<u>\$ 1,803,355</u>	<u>\$ 814,504</u>	<u>\$ 0</u>

General Revenues
Real Estate Taxes
Real Estate Transfer Taxes
Earned Income and Local Services Taxes
Grants and Contributions
Investment Income and Rents
Miscellaneous
Gain on Disposal of Capital Assets
Total General Revenues

Change in Net Position

Net Position
Beginning of Year

End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (48,527)	\$ 0	\$ (48,527)
(154,526)	0	(154,526)
(220,004)	0	(220,004)
(215,976)	0	(215,976)
(268,684)	0	(268,684)
(2,797,680)	0	(2,797,680)
(334,253)	0	(334,253)
(85,993)	0	(85,993)
(1,255,300)	0	(1,255,300)
(32,559)	0	(32,559)
(41,997)	0	(41,997)
(432,778)	0	(432,778)
(47,921)	0	(47,921)
(582,030)	0	(582,030)
(6,518,228)	0	(6,518,228)
0	56,537	56,537
(6,518,228)	56,537	(6,461,691)
2,968,894	0	2,968,894
534,835	0	534,835
3,540,070	0	3,540,070
52,434	0	52,434
140,841	6,452	147,293
33,226	0	33,226
9,187	0	9,187
7,279,487	6,452	7,285,939
761,259	62,989	824,248
28,432,347	6,200,106	34,632,453
\$ 29,193,606	\$ 6,263,095	\$ 35,456,701

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2017

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and Cash Equivalents	\$ 3,188,430	\$ 2,483,783	\$ 1,356,752
Taxes Receivable	1,167,782	0	40,370
Note Receivable from Water Fund	0	0	1,865,521
Prepaid Expenses and Other Receivables	<u>22,807</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 4,379,019</u>	<u>\$ 2,483,783</u>	<u>\$ 3,262,643</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 125,252	\$ 2,052	\$ 0
Accrued Wages and Payroll Taxes	57,587	0	0
Customer Deposits	<u>146,489</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>329,328</u>	<u>2,052</u>	<u>0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>617,830</u>	<u>0</u>	<u>33,759</u>
Fund Balances			
Nonspendable	2,402	0	1,865,521
Restricted	0	0	1,363,363
Committed	0	0	0
Assigned	0	2,481,731	0
Unassigned	<u>3,429,459</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>3,431,861</u>	<u>2,481,731</u>	<u>3,228,884</u>
Total Liabilities and Fund Balances	<u>\$ 4,379,019</u>	<u>\$ 2,483,783</u>	<u>\$ 3,262,643</u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 775,210	\$ 7,804,175
78,250	1,286,402
0	1,865,521
0	22,807
<u>853,460</u>	<u>10,978,905</u>

\$ 87,470	\$ 214,774
0	57,587
0	146,489
<u>87,470</u>	<u>418,850</u>

<u>17,038</u>	<u>668,627</u>
---------------	----------------

0	1,867,923
553,047	1,916,410
195,905	195,905
0	2,481,731
0	3,429,459
<u>748,952</u>	<u>9,891,428</u>
<u>\$ 853,460</u>	<u>\$ 10,978,905</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances	\$ 9,891,428
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$10,784,228.	39,747,850
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	668,627
Deferred Pension Outflows of Resources Are Not Available in the Current Period	963,272
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Notes Payable	(19,600,518)
Capital Lease Payable	(142,967)
Accrued Interest Payable	(21,173)
Compensated Absences	(444,709)
Net Pension Liability	(1,233,850)
Deferred Pension Inflows of Resources Are Not Available in the Current Period	(634,354)
Net Position of Governmental Activities	<u><u>\$ 29,193,606</u></u>

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>
Revenues			
Taxes	\$ 4,615,541	\$ 0	\$ 1,756,745
Intergovernmental	374,672	0	0
Charges for Services	286,272	0	0
Fines, Licenses and Permits	350,838	0	0
Interest Income and Rents	114,051	12,729	9,191
Miscellaneous Revenues	86,034	0	0
Total Revenues	<u>5,827,408</u>	<u>12,729</u>	<u>1,765,936</u>
Expenditures			
General Government	902,561	0	0
Public Safety	3,326,767	0	0
Public Works	890,893	15,090	0
Parks and Recreation	390,771	8,693	0
Conservation and Development	0	0	0
Debt Service - Principal	20,024	0	1,221,485
Debt Service - Interest	1,879	0	466,644
Capital Expenditures	63,635	544,743	0
Miscellaneous Governmental	158,698	0	839
Total Expenditures	<u>5,755,228</u>	<u>568,526</u>	<u>1,688,968</u>
Excess (Deficiency) of Revenues Over Expenditures	72,180	(555,797)	76,968
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>68,172</u>	<u>95,937</u>	<u>(170,937)</u>
Net Change in Fund Balances	140,352	(459,860)	(93,969)
Fund Balances			
Beginning of Year	<u>3,291,509</u>	<u>2,941,591</u>	<u>3,322,853</u>
End of Year	<u>\$ 3,431,861</u>	<u>\$ 2,481,731</u>	<u>\$ 3,228,884</u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 647,789	\$ 7,020,075
450,353	825,025
0	286,272
0	350,838
4,870	140,841
8,812	94,846
<u>1,111,824</u>	<u>8,717,897</u>
9,958	912,519
320,161	3,646,928
674,198	1,580,181
0	399,464
46,863	46,863
27,101	1,268,610
3,352	471,875
45,395	653,773
0	159,537
<u>1,127,028</u>	<u>9,139,750</u>
(15,204)	(421,853)
<u>6,828</u>	<u>0</u>
(8,376)	(421,853)
<u>757,328</u>	<u>10,313,281</u>
<u><u>\$ 748,952</u></u>	<u><u>\$ 9,891,428</u></u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (421,853)
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because	
Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount By Which Depreciation Expense of \$672,180 Exceeded Capital Outlays of \$653,773 in the Current Year.	(18,407)
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	23,725
Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	1,160,361
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.	
Accrued Interest Payable	(2,010)
Compensated Absences	(85,475)
Pension Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Revenues or Expenditures in Governmental Funds.	
Deferred Pension Outflows	217,179
Deferred Pension Inflows	(459,263)
Net Pension Liability	347,002
Change in Net Position of Governmental Activities	\$ 761,259

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Net Position
Proprietary Funds - Water Fund
December 31, 2017

Assets

Current Assets	
Cash	\$ 974,720
Accounts Receivable	325,161
Total Current Assets	<u>1,299,881</u>
Noncurrent Assets	
Net Capital Assets	<u>6,928,175</u>
Total Assets	<u><u>8,228,056</u></u>

Liabilities

Current Liabilities	
Current Portion of Note Payable to Debt Service Fund	378,439
Accounts Payable	96,847
Accrued Wages and Payroll Taxes	2,593
Total Current Liabilities	<u>477,879</u>
Noncurrent Liabilities	
Note Payable to Debt Service Fund	<u>1,487,082</u>
Total Liabilities	<u><u>1,964,961</u></u>

Net Position

Invested in Capital Assets, Net of Related Debt	5,062,654
Unrestricted	<u>1,200,441</u>
Total Net Position	<u><u>\$ 6,263,095</u></u>

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Water Fund
Year Ended December 31, 2017

Operating Revenues	
Charges and Fees	\$ 1,135,877
Miscellaneous	19,847
Total Operating Revenues	<u>1,155,724</u>
Operating Expenses	
Depreciation	306,309
Distribution Expense	220,617
Salaries, Wages and Benefits	215,959
Contracted Services	79,621
Professional Fees	66,046
Repairs and Maintenance	55,452
Utilities	48,717
Operating Material and Supplies	16,163
Telephone	15,461
Insurance	15,200
Lab Expenses	10,102
Other	7,667
Office Supplies and Expenses	5,135
Total Operating Expenses	<u>1,062,449</u>
Operating Income Before Nonoperating Revenues (Expenses)	<u>93,275</u>
Nonoperating Revenues (Expenses)	
Interest Income	6,452
Interest Expense	(36,738)
Total Nonoperating Revenue (Expenses)	<u>(30,286)</u>
Change in Net Position	62,989
Net Position	
Beginning of Year	<u>6,200,106</u>
End of Year	<u><u>\$ 6,263,095</u></u>

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

Cash Flows from Operating Activities	
Receipts from Customers	\$ 1,146,566
Payments to Suppliers	(660,613)
Payments to Employees	(216,425)
Net Cash Provided by Operating Activities	269,528
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(86,135)
Principal Paid on Note Payable	(275,514)
Interest Paid on Note Payable	(36,738)
Net Cash Used in Capital and Related Financing Activities	(398,387)
Cash Flows from Investing Activities	
Interest Income	6,452
Net Decrease in Cash	(122,407)
Cash	
Beginning of Year	1,097,127
End of Year	\$ 974,720
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 93,275
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	306,309
Change in Net Assets and Liabilities	
Accounts Receivable	(9,158)
Accounts Payable	(120,432)
Accrued Wages and Payroll Taxes	(166)
Due from Other Funds	(300)
Net Cash Provided by Operating Activities	\$ 269,528

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Fiduciary Net Position
December 31, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and Cash Equivalents	\$ 142,750	\$ 854,952
Investments	10,446,104	0
Contributions Receivable	2,016	0
Accrued Interest Receivable	19,436	0
	<hr/>	<hr/>
Total Assets	<u>10,610,306</u>	<u>854,952</u>
Liabilities		
Accounts Payable	0	31,753
Escrow Deposits	0	823,199
	<hr/>	<hr/>
Total Liabilities	<u>0</u>	<u>\$ 854,952</u>
Net Position		
Held in Trust for Pension Benefits	<u>\$ 10,610,306</u>	

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2017

Additions	
Contributions	
Plan Members	\$ 67,980
State	224,925
Employer	192,252
Total Contributions	<u>485,157</u>
Investment Earnings	
Net Appreciation in Fair Value of Investments	852,324
Dividends	289,881
	<u>1,142,205</u>
Less Investment Expense	(65,635)
Total Net Investment Earnings	<u>1,076,570</u>
Total Additions	<u>1,561,727</u>
Deductions	
Benefits	127,486
Administrative Expense	974
Total Deductions	<u>128,460</u>
Change in Net Position	1,433,267
Net Position, Held in Trust	
Beginning of Year	<u>9,177,039</u>
End of Year	<u><u>\$ 10,610,306</u></u>

See Notes to Financial Statements.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Plumstead Township was incorporated in 1725, in Bucks County, Pennsylvania. The Township is classified as a “Township of the Second Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Township includes all funds that are part of the primary financial reporting entity.

The Township’s statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

A. Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 61, requires Plumstead Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township. 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 benefits to, or impose specific benefits on, the Township. Based upon the aforementioned criteria, there were no entities considered for inclusion in the reporting entity.

In addition, the Township provides some financial support to two fire companies and one ambulance company – the Plumsteadville and Point Pleasant Fire Companies and the Point Point Pleasant/Plumsteadville Ambulance Company. Since there is no fiscal dependency, financial benefit or burden relationship, these companies have been excluded from the reporting entity. The Township levies and collects real estate taxes designated for allocation among the companies. Additionally, on occasion the Township donates funds for various capital projects of the companies and pays certain expenses on their behalf. Annual appropriations totaled \$320,161 for the year ended December 31, 2017.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

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.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary.

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
State Highway Aid	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Park and Recreation	Accounts for revenues and expenditures of park and recreation tax funds	No
Emergency Services	Accounts for revenues and expenditures of fire protection and ambulance funds	No
Local Services Tax	Accounts for tax revenue received from local services tax	No
Open Space	Accounts for tax revenue received to be spent preserving open space in the Township	No

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Capital Projects Fund - Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The reporting entity includes the following capital projects funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve	Accounts for acquisition or construction of capital assets	Yes
Flood Mitigation Grant	Accounts for the grant revenue and expenses of flood mitigation grant	No

Debt Service Fund - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. This fund is a major fund.

Proprietary Funds

Enterprise Fund – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water Fund.

Fiduciary Funds

Pension Trust and Agency Funds – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Agency Funds (which include the Developers Escrow Funds and other agency funds) are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined on the following page.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

All proprietary and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

D. Cash Equivalents

For reporting purposes, the Township defines cash and cash equivalents as cash and investments that have a maturity value of less than three months.

E. Investments and Fair Value

Investments in debt and equity securities with readily determinable fair market values are recorded at fair value, as required by Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Realized and unrealized gains and losses are recorded in the statement of activities, statement of revenues, expenditures, and changes in fund balances as revenue (governmental activities), and on the statement of changes in fiduciary net position (fiduciary funds).

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident’s property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, grants, and police fines. Business-type activities report water billings as their major receivable.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

G. Receivables (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

Classifications	Years
Land/Park Improvements	20-40
Buildings and Improvements	20-40
Water Systems	40
Vehicles	5-25
Machinery, Equipment and Furniture	3-20
Infrastructure	40

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Long-Term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds and notes payable, capital leases, pension liabilities, and accrued compensated absences.

Long-term obligations for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

J. Compensated Absences

The Township employees accumulate sick time in accordance with their applicable contracts. Non-uniformed employees are granted 12 days sick leave per year with an accumulation of unused sick leave of 120 days. Upon retirement or termination, non-uniformed employees are paid at 40% of their pay rate for all sick days accumulated up to a maximum of 90 days.

Uniformed employees are granted 12 days sick leave per year with no limit on the accumulation of days. Upon retirement or termination, uniformed employees are paid at 60% of their pay rate for all sick days accumulated.

The Township's vacation policy for non-uniformed employees encourages the use of all vacation days during the calendar year. Uniformed employees may carry forward a maximum of 12 days' vacation time to the following year. Both uniformed and non-uniformed vacation allowances vary depending on length of service and, upon retirement or termination are paid at 100% of the respective employee's pay rate.

The Township is liable to employees in the amount of \$444,709 for vested sick and vacation pay at December 31, 2017.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept 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.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors. The constraint can only be changed or removed by another formal action of the Board. The same formal action that imposed the constraint originally (e.g., resolution or ordinance), must be used to change or lift it.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Township Manager, as well as the Board of Supervisors.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications (Continued)

Fund Statements (Continued)

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

Proprietary fund equity is classified the same as in the government-wide statements.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one type of this item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Township has one type of this item that qualifies for reporting in this category in the government-wide statements. Additionally, the Township has one type of this item that qualifies for reporting in this category in the fund financial statements. Accordingly, this item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report *unavailable revenue* from three sources: property taxes, earned income taxes and local services taxes. The government wide statement does not report unavailable revenues.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

M. Stewardship, Compliance and Accountability

Budgetary Data

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The taxes levied by the Township are fixed at such figure within the limit allowed by law, as with all other sources of revenues, and will meet and cover appropriations.
4. The budget is formally adopted by the Board of Supervisors prior to December 31.
5. Amendments may be made by the Board of Supervisors during the year.

Excess of Expenditures Over Appropriations

The Township has presented budget to actual comparisons for the General Fund. For the year ended December 31, 2017, General Fund expenditures exceeded appropriations in various categories in the amount of \$57,203. These excess expenditures were funded by greater than anticipated revenues.

N. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund - By Operating and Non-Operating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

O. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

P. Estimates

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

2. Cash and Investments

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 8,778,895
Statement of Fiduciary Net Position:	
Cash	997,702
Investments	<u>10,446,104</u>
Total Cash and Investments	<u>\$ 20,222,701</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with Financial Institutions	\$ 9,633,847
Money Market Funds	142,750
Investments	<u>10,446,104</u>
Total Cash and Investments	<u>\$ 20,222,701</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

2. Cash and Investments (Continued)

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. The Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, as required by Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2017, \$9,575,639 of the Township’s bank balance of \$9,828,363 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township’s name.

B. Investments

At December 31, 2017, the Township’s deposits and investments consisted of the following:

Fiduciary Funds:	
PMRS	\$ 2,366,081
U.S. and Municipal Government Agencies	783,497
Common Stocks	3,135,351
Corporate Bonds	1,704,907
EMF/ETF Funds	1,393,842
Mutual Funds	<u>1,062,426</u>
 Total Investments	 <u>\$ 10,446,104</u>

The investments held by the Pennsylvania Municipal Retirement System (PMRS) are held in an external investment pool and represent non-uniform pension investments that are reported at fair value. PMRS functions as the investment and administrative agent for the Township’s Non-Uniform Pension Plan (see Note 10).

Investments Authorized by Township Code

The Township’s Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and shares of the Pennsylvania Local Government Investment Trust (PLGIT) which are composed solely of the obligations noted above.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices and state statutes.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

2. Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by Township Code (continued)

The Township does not currently have an investment policy as all of their governmental funds are held in bank accounts or PLGIT accounts. The amount held in PLGIT accounts was \$1,065,519 at December 31, 2017, and is included in the governmental cash balance. Fiduciary investments are held and managed by the Haverford Trust (Police Pension) and PMRS (Non-Uniform Pension).

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With the exception of money market funds and certificates of deposit held in the fiduciary funds, all of the Township's investments are either invested in securities which are not subject to custodial credit risk because they do not involve a transferable financial instrument or are backed by the full faith and credit of the U.S. Government. The money market funds of \$142,750 are covered by Securities Investor Protection Corporation up to \$250,000.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. As of December 31, 2017, the Township's investment in the external investment pool was rated AAA by S&P. The Township's investment in bonds and bond mutual funds was rated AAA to BBB by Morningstar.

Concentration of Credit Risk

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township does not currently invest 5% of its assets in any one of its equities, corporate or international bond issuers.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

2. Cash and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Township's investments in corporate bonds and U.S. obligations have remaining maturity dates that range from the years 2018 to 2034. The securities with longer maturity dates are highly sensitive to interest rate risk.

Information on the Township's interest rate risk on its fiduciary investments held by PMRS was not available to the Township at December 31, 2017.

Fair Value of Investments

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2; and measurements using significant unobservable inputs fall within Level 3.

Information related to the Township's assets measured at fair value on a recurring basis at December 31, 2017, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool	\$2,366,081	\$ 0	\$ 0	\$ 2,366,081
US Government Obligations	372,014	0	372,014	0
Municipal Bonds and Notes	411,483	0	411,483	0
Common Stocks	3,135,351	3,135,351	0	0
Corporate Bonds and Notes	1,704,907	1,704,907	0	0
EMF/ETF Funds	1,393,842	1,393,842	0	0
Mutual Funds	1,062,426	1,062,426	0	0
Total Investments	\$10,446,104	\$ 7,296,526	\$ 783,497	\$ 2,366,081

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

3. Fiduciary Funds – Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers, other applicants and other municipalities. Escrow deposits of \$823,199 represent the net developer and other balances held at December 31, 2017.

4. Property Taxes

Taxes are levied on December 31, based on the assessed value established by the Bucks County Board of Assessments. Bills are sent out on February 1 by the Township's tax collector. Real property in the Township was originally assessed at \$215,013,920 for 2017. Property taxes attach as an enforceable lien on property as of December 31. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills (19 with court approval) of assessed property valuation for general purposes and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2017: general purposes, 4.02 mills; fire tax purposes, 1.1 mills; ambulance, .40 mills; open space, 0.188 mills; debt service, 8.232 mills.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

5. Capital Assets

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

	Balance 1/1/17	Additions	Disposals	Balance 12/31/17
Governmental Activities				
Assets Not Being Depreciated				
Land and Conservation Easements	\$ 27,400,578	\$ 0	\$ 0	\$ 27,400,578
Depreciable Assets				
Land Improvements	1,206,759	0	0	1,206,759
Buildings and Improvements	4,736,946	57,889	0	4,794,835
Vehicles	1,750,400	19,975	0	1,770,375
Machinery and Equipment	1,472,663	31,166	48,354	1,455,475
Infrastructure	13,359,313	544,743	0	13,904,056
Total at Historical Cost	<u>49,926,659</u>	<u>653,773</u>	<u>48,354</u>	<u>50,532,078</u>
Less Accumulated Depreciation				
Land Improvements	93,094	33,923	0	127,017
Buildings and Improvements	2,368,255	125,399	0	2,493,654
Vehicles	1,288,870	113,028	0	1,401,898
Machinery and Equipment	999,734	78,382	48,354	1,029,762
Infrastructure	5,410,449	321,448	0	5,731,897
Total Accumulated Depreciation	<u>10,160,402</u>	<u>672,180</u>	<u>48,354</u>	<u>10,784,228</u>
Total Governmental Activities Net Capital Assets	<u>\$ 36,766,257</u>	<u>\$ (18,407)</u>	<u>\$ 0</u>	<u>\$ 39,747,850</u>
Business-Type Activities				
Assets Not Being Depreciated				
Land	\$ 115,313	\$ 0	\$ 0	\$ 115,313
Depreciable Assets				
Buildings and Improvements	120,408	0	0	120,408
Machinery and Equipment	567,670	27,295	0	594,965
Vehicles	177,220	0	0	177,220
Water System	10,615,392	58,840	0	10,674,232
Total at Historical Cost	<u>11,596,003</u>	<u>86,135</u>	<u>0</u>	<u>11,682,138</u>
Less Accumulated Depreciation				
Buildings and Improvements	27,262	3,577	0	30,839
Machinery and Equipment	251,318	28,225	0	279,543
Vehicles	111,821	7,770	0	119,591
Water System	4,057,253	266,737	0	4,323,990
Total Accumulated Depreciation	<u>4,447,654</u>	<u>306,309</u>	<u>0</u>	<u>4,753,963</u>
Total Business-Type Net Capital Assets	<u>\$ 7,148,349</u>	<u>\$ (220,174)</u>	<u>\$ 0</u>	<u>\$ 6,928,175</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

5. Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 122,685
Police	83,596
Highway Maintenance	393,530
Code Enforcement and Zoning	435
Parks and Recreation	70,876
Land Preservation	1,058
	<u>672,180</u>
Business-Type Activities	
Water System	<u>306,309</u>
 Total Depreciation Expense	 <u>\$ 978,489</u>

6. Long-Term Obligations

The Township's General Long-Term Obligations changed as follows during the year:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Governmental Activities					
2009 General Obligation Bonds - Series B	\$ 345,000	\$ 0	\$ 345,000	\$ 0	\$ 0
2013 General Obligation Bonds	9,325,000	0	75,000	9,250,000	345,000
Pennsylvania Infrastructure Loan	217,724	0	73,259	144,465	73,608
2015 General Obligation Bonds	5,435,000	0	240,000	5,195,000	270,000
2016 General Obligation Notes	3,134,662	0	393,276	2,741,386	572,274
2016 General Obligation Notes	2,500,000	0	94,950	2,405,050	93,750
Deferred Bond Discounts	(243,632)	0	(108,249)	(135,383)	0
Subtotal	<u>20,713,754</u>	<u>0</u>	<u>1,113,236</u>	<u>19,600,518</u>	<u>1,354,632</u>
Capital Lease Obligations	190,093	0	47,126	142,967	32,745
Compensated Absences	<u>359,234</u>	<u>85,475</u>	<u>0</u>	<u>444,709</u>	<u>0</u>
	<u>\$21,263,081</u>	<u>\$ 85,475</u>	<u>\$ 1,160,362</u>	<u>\$20,188,194</u>	<u>\$ 1,387,377</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

6. Long-Term Obligations (Continued)

A. General Obligation Bonds and Notes

The Township has issued general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the Township. The bonds are generally issued at 15-20 year serial bonds with varying amounts of principal due during the year. See below for the future debt service requirements.

B. Future Maturities of Long-Term Debt

The revised debt service requirements for the General Obligation Bonds and Notes are shown below.

Year	Principal	12/31/17 Interest Rate	Interest	Total Debt Service
2018	\$ 1,354,632	1.625 – 3.50%	\$ 484,550	\$ 1,839,182
2019	1,377,504	1.625 – 3.50%	454,122	1,831,626
2020	1,325,936	1.625 – 3.50%	426,020	1,751,956
2021	1,354,190	1.625 – 3.50%	401,090	1,755,280
2022	1,382,269	1.625 – 3.50%	375,568	1,757,837
2023-2027	5,122,600	1.625 – 3.50%	1,553,097	6,675,697
2028-2032	5,643,500	1.625 – 3.50%	993,797	6,637,297
2033-2037	1,665,525	1.625 – 3.50%	246,727	1,912,252
2038-2042	509,745	1.625 – 3.50%	66,232	575,977
	<u>\$ 19,735,901</u>		<u>\$ 5,001,203</u>	<u>\$ 24,737,104</u>

C. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$504,098.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

7. Capital Leases Payable

The Township has three lease agreements for the acquisition of two public works vehicles and a tractor. Annual lease payments are due through the year 2023. The capitalized cost of the leased equipment was \$231,144, and accumulated depreciation was \$110,283 at December 31, 2017. At December 31, 2017, future lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 36,768
2019	32,447
2020	32,447
2021	19,186
2022	19,186
2023	<u>14,390</u>
	154,424
Less Interest Portion	<u>(11,457)</u>
	<u><u>\$ 142,967</u></u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

8. Fund Balance Classifications

	General Fund	Capital Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Expenses	\$ 2,402	\$ 0	\$ 0	\$ 0	\$ 2,402
Note Receivable from Water Fund	0	0	1,865,521	0	1,865,521
	<u>2,402</u>	<u>0</u>	<u>1,865,521</u>	<u>0</u>	<u>1,867,923</u>
Restricted for:					
Public Safety	0	0	0	2,703	2,703
Highways and Roads	0	0	0	251,652	251,652
Debt Service	0	0	1,363,363	0	1,363,363
Capital Projects	0	0	0	40,057	40,057
Open Space	0	0	0	258,635	258,635
	<u>0</u>	<u>0</u>	<u>1,363,363</u>	<u>553,047</u>	<u>1,916,410</u>
Committed for:					
Park and Recreation	0	0	0	69,273	69,273
Capital Projects	0	0	0	126,632	126,632
	<u>0</u>	<u>0</u>	<u>0</u>	<u>195,905</u>	<u>195,905</u>
Assigned for:					
Capital Projects	0	2,481,731	0	0	2,481,731
Unassigned	<u>3,429,459</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,429,459</u>
Total Fund Balances	<u>\$ 3,431,861</u>	<u>\$ 2,481,731</u>	<u>\$ 3,228,884</u>	<u>\$ 748,952</u>	<u>\$ 9,891,428</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

9. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Water System Loan *	Debt Service	Water	\$1,865,521
Transfers			
Capital Purchases	Capital Reserve	Debt Service	\$170,937
Capital Projects	General	Capital Reserve	\$75,000
Park and Recreation	Park & Recreation	General	\$6,828

* The Township had loaned funds from the issuance of the General Obligation Notes, Series 2010 from the Debt Service Fund to the Water Fund for improvements to the water system. During 2016, General Obligation Notes, Series 2016 were issued to refinance the General Obligation Notes, Series 2010. The receivables for this loan is recorded in the Debt Service Fund, and the liabilities in the Water Fund. All short-term interest and principal payments on the bond are paid through Debt Service.

10. Defined Benefit Pension Plans

A. Summary of Significant Accounting Policies

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, if required, to the Plan are recognized when due, in accordance with Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. The Police Plan's assets are managed by the Haverford Trust and the Non-Uniform Plan's assets are managed by the Pennsylvania Municipal Retirement System (PMRS). The Non-Uniform Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable securities.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Plan Administration

The Township administers two pension plans, Plumstead Township Police Pension Plan (Police Plan), a single-employer defined benefit pension plan, and Plumstead Township Non-Uniform Employees' Pension Plan (NU Plan), through PMRS, an agent multiple-employer defined benefit pension plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue standalone reports.

Police Pension Defined Benefit Pension Plan

The Plan is a single employer defined benefit plan that covers all full time police employees. Management of the plan is vested in the Police Pension Committee, which consists of five members – one representative of the Police force, who is a Township resident as well, one member of the Board of Supervisors, the Township Manager, and two Supervisors-appointed Township residents knowledgeable in the funding and operation of pension plans.

Non-Uniform Defined Benefit Pension Plan

The Plan participates in the 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.

Plan Membership

At December 31, 2017, plan membership consisted of the following:

	Police	Non-Uniform
Active Employees	15	21
Retirees and Beneficiaries Currently Receiving Benefits	6	2
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	0	1
Total	21	24

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Benefits Provided

The following table provides information concerning the **Township's Police Pension Plan**:

Covered Employees:	All full-time uniformed employees.
Normal Retirement:	Age 50 and the completion of 25 years of service for participants hired after January 1, 2006. Age 50 and the completion of 12 years of service for participants hired between January 1, 1984 and December 31, 2005. Age 59 and completion of 11 years of service for participants hired prior to January 1, 1984.
Early Retirement:	After 24 years of service for employees hired before January 1, 2006.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The monthly pension shall be 50% of the average compensation of the participant's last 36 months of employment, plus a service increment of \$25 per month, if officer completes 26 years or more of benefit service.
Death Benefit:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to an eligible child.
Disability Benefit	
Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability, reduced by Social Security disability benefits provided for the same illness or injury.
Non-Service Related:	None.
Member Contribution Rate:	3.5% of compensation.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

10. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Benefits Provided (Continued)

The following table provides information concerning the **Township's Non-Uniform Employees' Pension Plan**:

Covered Employees:	All full-time non-uniformed employees.
Normal Retirement:	Age 65 and the completion of 10 years of credited service, or at age 60 and the completion of 25 years of credited service.
Vesting:	None for the first ten years of service; thereafter 100%.
Retirement Benefit:	Monthly benefit equal to 1.75% times credit service times final average salary, but no greater than 50% of final average salary. Final average salary is based upon the last two years' annualized salary.
Disability Benefit:	Equal to 40% of the rates set forth in the 1964 OASDI (social security) Experience for Males.

Contributions

For the Police Plan, participating employees are required to contribute a percentage of pay to be determined annually. For the year ended December 31, 2017, participating employees contributed 3.5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the NU Plan, no employee contributions are required. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before five years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the Entry Age Normal Actuarial Funding Method.

The Commonwealth of Pennsylvania provides funds (foreign casualty insurance premium taxes) to the Township, which are used in making contributions to the plans. The Township is required to contribute any remaining amounts necessary to fund the plans, using the actuarial basis specified by the state statute.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

C. Investments

Investment Policy

The Police Plan’s policy regarding the allocation of invested assets is established and may be amended by the 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. The Committees’ adopted asset allocation policy as of December 31, 2017, is as follows:

Asset Class	Target Allocation
Domestic Equity	61%
Fixed Income	35%
International Equity	0%
Real Estate	0%
Cash	4%
	100%

The Non-Uniform Plan’s assets are managed by the Pennsylvania Municipal Retirement System (PMRS). The Plan’s assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB Statement No. 3 for aggregate PMRS investments are included in PMRS’ separately issued Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the PMRS or contacting their accounting office.

The PMRS Board is governed by the “prudent investor” rule in establishing investment policy. The “prudent investor” rule requires the exercise of that degree of judgment, skill, and care under the circumstances then prevailing which investors of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to permanent disposition of the funds, considering the probable income to be derived there from, as well as the probable safety of their capital.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

C. Investments (Continued)

Investment Policy (Continued)

The Board has adopted its Statement of Investment Policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, established guidelines for permissible investments of PMRS. The pension plan's policy in regards to the allocation of invested plan assets is established and may be amended by the Board. The Board has established its allocation goals as follows:

Domestic Equities (Large Capitalized Firms)	25%
Domestic Equities (Small Capitalized Firms)	15%
International Equities (Developed Markets)	15%
International Equities (Emerging Markets)	10%
Fixed Income	15%
Real Estate	20%

Concentrations

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township does not currently invest 5% of its assets in any one of its equities, corporate or international bond issuers.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 13.53% and 8.23% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

D. Deferred Retirement Option Program (DROP)

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.

As of December 31, 2017, there was one participant in the DROP program, and the balance held by the Plan for the DROP program was \$233,615.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township

The components of the net pension liabilities of the Township at December 31, 2017, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 8,814,309	\$ 2,811,186
Plan Fiduciary Net Position	<u>(8,242,209)</u>	<u>(2,149,436)</u>
Township's Net Pension Liability	<u>\$ 572,100</u>	<u>\$ 661,750</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	93.50%	76.46%

Actuarial Assumptions

The total pension liability for the Police Plan was determined by rolling forward the liability from an actuarial valuation as of January 1, 2017. The total pension liability for the Non-Uniform Plan is measured as of December 31, 2016, based on the actuarial valuation of the same date. The liabilities were calculated by using the following actuarial assumptions, applied to all periods included in the measurement.

	<u>Police Per Year</u>	<u>Non-Uniform Per Year</u>
Salary Increases	4.5%	Age-related scale with merit and inflation component
Investment Rate of Return	7%	5.25%
Inflation	3%	2.8%

See Schedule of Township Contributions on pages 66 and 67 for details on mortality rates assumptions.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

The actuarial assumptions used in the December 31, 2017, Police Plan valuation were based on the results of an actuarial experience study for the two-year period ended January 1, 2015.

The actuarial assumptions used in the December 31, 2017, Non-Uniform Plan valuation were based on the results of an actuarial experience study for the period covering January 1, 2009 through December 31, 2013. These assumptions have been changed for the current measurement.

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

The net pension liability for the Non-Uniform Plan was measured as of December 31, 2016. Because the beginning and end of year total pension liability are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported in 2016. The beginning of the year total pension liability is based upon the January 1, 2015, actuarial valuation, with liabilities measured at December 31, 2014, rolled forward to December 31, 2015 and reflecting the impact of assumption changes. The end of year total pension liability is based upon the January 1, 2017, actuarial valuation with liabilities measured at December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Police Long-Term Expected Real Rate of Return, Per Year</u>	<u>Non-Uniform Long-Term Expected Real Rate of Return, Per Year</u>
Domestic Equity	5.5-7.5%	6.4-7.0%
Fixed Income	1.0-3.0%	2.4%
International Equity	4.5-6.5%	3.7-7.9%
Real Estate	4.5-6.5%	7.0%
Cash	0.0-1.0%	0.0%

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

Changes in the Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2017, are as follows:

	Police Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 8,129,436	\$ 7,067,012	\$ 1,062,424
Changes for the Year			
Service Cost	147,277	0	147,277
Interest	610,562	0	610,562
Difference Between Expected and Actual Experience	(151,533)	0	(151,533)
Changes in Assumptions	206,053	0	206,053
Contributions - Employer	0	280,152	(280,152)
Contributions - Employee	0	58,390	(58,390)
Net Investment Income	0	970,641	(970,641)
Benefit Payments	(127,486)	(127,486)	0
Administrative Expense	0	(6,500)	6,500
Net Changes	<u>684,873</u>	<u>1,175,197</u>	<u>(490,324)</u>
Balances At December 31, 2017	<u>\$ 8,814,309</u>	<u>\$ 8,242,209</u>	<u>\$ 572,100</u>

	Non-Uniform Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 2,413,956	\$ 1,895,528	\$ 518,428
Changes for the Year			
Service Cost	111,861	0	111,861
Interest	136,491	0	136,491
Changes in Assumptions	95,053	0	95,053
Difference Between Expected and Actual Experience	133,520	0	133,520
Contributions - Employer	0	115,633	(115,633)
Contributions - Employee	0	9,582	(9,582)
Net Investment Income	0	111,072	(111,072)
Market Value Investment Income	0	103,158	(103,158)
Benefit Payments	(79,695)	(79,695)	0
Administrative Expense	0	(5,842)	5,842
Net Changes	<u>397,230</u>	<u>253,908</u>	<u>143,322</u>
Balances At December 31, 2017	<u>\$ 2,811,186</u>	<u>\$ 2,149,436</u>	<u>\$ 661,750</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for the Police Plan and 5.25% for the Non-Uniform Plan. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Township recognized pension expense of \$427,892. At December 31, 2017, the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ (248,973)
Changes of Assumptions	171,711	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	360,440	(375,033)
	\$ 532,151	\$ (624,006)

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

For the Year Ended	Amount
2018	\$ 44,852
2019	44,852
2020	(105,976)
2021	(84,673)
2022	9,090
	\$ (91,855)

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

**Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions
(Continued)**

	Non-Uniform	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 181,412	\$ (23)
Changes of Assumptions	85,548	(10,325)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	27,136	
Contributions by Employer After the Measurement Date	137,025	0
	\$ 431,121	\$ (10,348)

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

For the Year Ended	Amount
2018	\$ 182,426
2019	45,401
2020	45,053
2021	8,733
2022	29,363
Thereafter	109,793
	\$ 420,773

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017**

10. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

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

The following presents the net pension liabilities of the Township, calculated using the discount rate of 7.0% (Police Plan) and 5.25% (Non-Uniform Plan), as well as what the Township's net pension liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Police Pension Liability	\$1,450,187	\$572,100	\$(421,700)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Non-Uniform Pension Liability	\$1,082,086	\$661,750	\$303,228

11. Other Post-Employment Benefits

In accordance with the Police Labor Contract, effective January 1, 2009, the Township adopted a defined contribution plan to contribute to a post-employment health plan on behalf of each eligible employee. The contribution amounts are prescribed by the labor contract. For the year ended December 31, 2017, the Township was required to contribute \$1,000 per employee. This amount is prorated for a new employee. The amount contributed for 2017 totaled \$16,000. Employees are not required to contribute to the plan. The plan does not issue a standalone report.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

12. Risk Management

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

a. Health Care Coverage

The Township participates in the Delaware Valley Health Trust (DVHT). DVHT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees.

c. Insurance Coverage

The Township participates in the Delaware Valley Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

13. Contingencies

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the Township, management feels that any settlement or judgment not covered by insurance would not materially affect the financial condition of the Township.

14. Subsequent Events

Management has evaluated subsequent events through May 22, 2018, the date which the financial statements were available to be issued.

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2017
(Unaudited)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 147,277	\$ 180,139	\$ 172,382	\$ 163,750
Interest	610,562	600,893	497,205	476,008
Changes of Benefit Terms		0	0	0
Differences Between Expected and Actual Experience	(151,533)	0	(245,390)	0
Changes of Assumptions	206,053	0	0	0
Benefit Payments (Including Refunds of Member Contributions)	(127,486)	(127,486)	(183,156)	(82,547)
Net Change in Total Pension Liability	<u>684,873</u>	<u>653,546</u>	<u>241,041</u>	<u>557,211</u>
Total Pension Liability				
Beginning of Year	<u>8,129,436</u>	<u>7,475,890</u>	<u>7,234,849</u>	<u>6,667,638</u>
End of Year	<u>\$ 8,814,309</u>	<u>\$ 8,129,436</u>	<u>\$ 7,475,890</u>	<u>\$ 7,234,849</u>
Plan Fiduciary Net Position				
Contributions				
Employer	\$ 280,152	\$ 282,362	\$ 282,944	\$ 284,061
Member	58,390	53,877	54,941	54,537
Net Investment Income (Loss)	970,641	364,111	(284,346)	302,996
Benefit Payments (Including Refunds of Member Contributions)	(127,486)	(127,486)	(183,156)	(82,547)
Administrative Expense	(6,500)	(5,314)	(9,804)	(55,107)
Net Change in Plan Fiduciary Net Position	<u>1,175,197</u>	<u>567,550</u>	<u>(139,421)</u>	<u>503,940</u>
Plan Fiduciary Net Position				
Beginning of Year	<u>7,067,012</u>	<u>6,499,462</u>	<u>6,638,883</u>	<u>6,134,943</u>
End of Year	<u>\$ 8,242,209</u>	<u>\$ 7,067,012</u>	<u>\$ 6,499,462</u>	<u>\$ 6,638,883</u>
Township's Ending Net Pension Liability	<u>\$ 572,100</u>	<u>\$ 1,062,424</u>	<u>\$ 976,428</u>	<u>\$ 595,966</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.50%	86.9%	86.9%	91.8%
Covered Employee Payroll	<u>\$ 1,667,126</u>	<u>\$ 1,649,834</u>	<u>\$ 1,530,052</u>	<u>\$ 1,418,564</u>
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	34.3%	64.4%	63.8%	42.0%

Change in benefit terms: None since January 1, 2015

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

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2017
(Unaudited)

	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 111,861	\$ 102,314	\$ 96,125
Interest	136,491	126,627	112,809
Differences Between Expected and Actual Experience	133,520	(27)	84,209
Changes of Assumptions	95,053	(12,619)	0
Benefit Payments (Including Refunds of Member Contributions)	79,695	(12,080)	(82,851)
Net Change in Total Pension Liability	397,230	204,215	210,292
Total Pension Liability			
Beginning of Year	2,413,956	2,209,741	1,999,449
End of Year	\$ 2,811,186	\$ 2,413,956	\$ 2,209,741
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 115,633	\$ 111,485	\$ 87,947
Member	9,582	7,421	7,163
PMRS Investment Income	111,072	107,084	96,101
Market Value Investment Loss	103,158	(181,614)	(1,735)
Benefit Payments (Including Refunds of Member Contributions)	(79,695)	(12,080)	(82,851)
Administrative Expense	(5,842)	(4,904)	(4,126)
Net Change in Plan Fiduciary Net Position	253,908	27,392	102,499
Plan Fiduciary Net Position			
Beginning of Year	1,895,528	1,868,136	1,765,637
End of Year	\$ 2,149,436	\$ 1,895,528	\$ 1,868,136
Township's Ending Net Pension Liability	\$ 661,750	\$ 518,428	\$ 341,605
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.46%	78.52%	84.54%
Covered Employee Payroll	\$ 1,093,113	\$ 948,417	\$ 887,810
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	60.54%	54.66%	38.48%

Change in benefit terms: None

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

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Police Pension Plan
December 31, 2017
(Unaudited)**

Year	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2009	\$168,809	\$168,809	\$0		
2010	\$275,699	\$275,699	\$0		
2011	\$295,592	\$295,592	\$0		
2012	\$310,044	\$310,044	\$0		
2013	\$307,681	\$307,681	\$0		
2014	\$284,681	\$284,681	\$0	\$1,418,564	20.07%
2015	\$282,944	\$282,944	\$0	\$1,530,052	18.49%
2016	\$282,362	\$282,362	\$0	\$1,649,834	17.11%
2017	\$280,152	\$280,152	\$0	\$1,667,126	16.80%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	5 years
Asset Valuation Method	Market Value of Assets
Inflation	0.0%
Salary Increases	4.5% per year
Investment Rate of return	7.0%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Non-Uniform Pension Plan
December 31, 2017
(Unaudited)**

	2017	2016	2015
Actuarially Determined Contribution	\$115,533	\$111,465	\$87,927
Contributions in Relation to the Actuarially Determined Contribution	\$115,633	\$111,485	\$87,947
Contribution Deficiency (Excess)	\$(100)	\$(20)	\$(20)
Covered Employee Payroll	\$1,093,113	\$948,417	\$887,810
Contributions As a Percentage of Covered Employee Payroll	10.58%	11.75%	9.91%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	13 years
Asset Valuation Method	Based Upon Municipal Reserves
Inflation	3.0%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of return	5.5%
Retirement Age	Normal Retirement Age
Pre-Retirement Mortality	Males - RP2000 Table with 1 year set back, Females – RP2000 Table with 5 year set back
Post-Retirement Mortality	Sex distinct RP2000 Combined Healthy Mortality

**PLUMSTEAD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Investment Returns
December 31, 2017
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense		
2017	13.53%	8.23%
2016	5.53%	(0.27)%
2015	(4.16)%	5.20%
2014	7.16%	7.28%

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 3,959,745	\$ 4,615,541	\$ 655,796
Intergovernmental	359,535	374,672	15,137
Charges for Services	214,150	286,272	72,122
Fines, Licenses and Permits	337,000	350,838	13,838
Interest Income and Rents	93,900	114,051	20,151
Miscellaneous Revenues	11,717	86,034	74,317
Total Revenues	<u>4,976,047</u>	<u>5,827,408</u>	<u>851,361</u>
Expenditures			
General Government	858,616	902,561	(43,945)
Public Safety	3,371,497	3,326,767	44,730
Public Works	966,143	890,893	75,250
Parks and Recreation	411,330	390,771	20,559
Debt Service - Principal	8,402	20,024	(11,622)
Debt Service - Interest	243	1,879	(1,636)
Capital Expenditures	103,700	63,635	40,065
Miscellaneous Governmental	160,781	158,698	2,083
Total Expenditures	<u>5,880,712</u>	<u>5,755,228</u>	<u>125,484</u>
Excess (Deficiency) of Revenues Over Over Expenditures	(904,665)	72,180	976,845
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>75,000</u>	<u>68,172</u>	<u>(6,828)</u>
Net Change in Fund Balances	(829,665)	140,352	970,017
Fund Balances			
Beginning of Year	<u>829,665</u>	<u>3,291,509</u>	<u>2,461,844</u>
End of Year	<u>\$ 0</u>	<u>\$ 3,431,861</u>	<u>\$ 3,431,861</u>

See Notes to Schedules of Budget to Actual Comparisons.

PLUMSTEAD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2017

1. Basis of Presentation

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2017 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

**PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	<u>Local Services Tax Fund</u>	<u>Emergency Services Fund</u>	<u>Park and Recreation Fund</u>
Assets			
Cash and Cash Equivalents	\$ 108,603	\$ 5,406	\$ 69,273
Taxes Receivable	<u>70,000</u>	<u>7,327</u>	<u>0</u>
Total Assets	<u><u>\$ 178,603</u></u>	<u><u>\$ 12,733</u></u>	<u><u>\$ 69,273</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	<u>\$ 41,828</u>	<u>\$ 3,907</u>	<u>\$ 0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>10,143</u>	<u>6,123</u>	<u>0</u>
Fund Balances			
Restricted	0	2,703	0
Committed	<u>126,632</u>	<u>0</u>	<u>69,273</u>
Total Fund Balances	<u><u>126,632</u></u>	<u><u>2,703</u></u>	<u><u>69,273</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 178,603</u></u>	<u><u>\$ 12,733</u></u>	<u><u>\$ 69,273</u></u>

<u>Open Space Fund</u>	<u>State Highway Aid Fund</u>	<u>Flood Mitigation Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 269,644	\$ 278,339	\$ 43,945	\$ 775,210
<u>923</u>	<u>0</u>	<u>0</u>	<u>78,250</u>
<u><u>\$ 270,567</u></u>	<u><u>\$ 278,339</u></u>	<u><u>\$ 43,945</u></u>	<u><u>\$ 853,460</u></u>
<u>\$ 11,160</u>	<u>\$ 26,687</u>	<u>\$ 3,888</u>	<u>\$ 87,470</u>
<u>772</u>	<u>0</u>	<u>0</u>	<u>17,038</u>
258,635	251,652	40,057	553,047
<u>0</u>	<u>0</u>	<u>0</u>	<u>195,905</u>
<u>258,635</u>	<u>251,652</u>	<u>40,057</u>	<u>748,952</u>
<u><u>\$ 270,567</u></u>	<u><u>\$ 278,339</u></u>	<u><u>\$ 43,945</u></u>	<u><u>\$ 853,460</u></u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2017

	<u>Local Services Tax Fund</u>	<u>Emergency Services Fund</u>	<u>Park and Recreation Fund</u>
Revenues			
Taxes	\$ 287,051	\$ 320,559	\$ 0
Intergovernmental	0	0	0
Interest Income and Rents	748	116	273
Miscellaneous Revenues	500	0	8,312
Total Revenues	<u>288,299</u>	<u>320,675</u>	<u>8,585</u>
Expenditures			
General Government	9,958	0	0
Public Safety	0	320,161	0
Public Works	219,988	0	0
Conservation and Development	0	0	0
Debt Service - Principal	15,940	0	0
Debt Service - Interest	3,246	0	0
Capital Expenditures	45,395	0	0
Total Expenditures	<u>294,527</u>	<u>320,161</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,228)	514	8,585
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>6,828</u>
Net Change in Fund Balances	(6,228)	514	15,413
Fund Balances			
Beginning of Year	<u>132,860</u>	<u>2,189</u>	<u>53,860</u>
End of Year	<u>\$ 126,632</u>	<u>\$ 2,703</u>	<u>\$ 69,273</u>

Open Space Fund	State Highway Aid Fund	Flood Mitigation Grant Fund	Total Nonmajor Governmental Funds
\$ 40,179	\$ 0	\$ 0	\$ 647,789
0	450,353	0	450,353
1,582	1,649	502	4,870
0	0	0	8,812
<u>41,761</u>	<u>452,002</u>	<u>502</u>	<u>1,111,824</u>
0	0	0	9,958
0	0	0	320,161
0	344,166	110,044	674,198
46,863	0		46,863
0	11,161	0	27,101
0	106	0	3,352
0	0	0	45,395
<u>46,863</u>	<u>355,433</u>	<u>110,044</u>	<u>1,127,028</u>
(5,102)	96,569	(109,542)	(15,204)
0	0	0	6,828
(5,102)	96,569	(109,542)	(8,376)
<u>263,737</u>	<u>155,083</u>	<u>149,599</u>	<u>757,328</u>
<u>\$ 258,635</u>	<u>\$ 251,652</u>	<u>\$ 40,057</u>	<u>\$ 748,952</u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Combining Schedule of Fiduciary Net Position
December 31, 2017

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
Assets			
Cash and Cash Equivalents	\$ 142,750	\$ 0	\$ 142,750
Investments	8,080,023	2,366,081	10,446,104
Contributions Receivable	2,016	0	2,016
Accrued Interest Receivable	<u>19,436</u>	<u>0</u>	<u>19,436</u>
Total Assets	8,244,225	2,366,081	10,610,306
Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net Position			
Held in Trust for Pension Benefits	<u><u>\$ 8,244,225</u></u>	<u><u>\$ 2,366,081</u></u>	<u><u>\$ 10,610,306</u></u>

PLUMSTEAD TOWNSHIP
BUCKS COUNTY, PA
Combining Schedule of Changes in Fiduciary Net Position
Year Ended December 31, 2017

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
Additions			
Contributions			
Plan Members	\$ 58,350	\$ 9,630	\$ 67,980
State	137,648	87,277	224,925
Employer	142,504	49,748	192,252
Total Contributions	<u>338,502</u>	<u>146,655</u>	<u>485,157</u>
Investment Earnings			
Net Appreciation in Fair Value of Investments	852,324	0	852,324
Dividends	177,452	112,429	289,881
	<u>1,029,776</u>	<u>112,429</u>	<u>1,142,205</u>
Less Investment Expense	(65,635)	0	(65,635)
Total Net Investment Earnings	<u>964,141</u>	<u>112,429</u>	<u>1,076,570</u>
Total Additions	<u>1,302,643</u>	<u>259,084</u>	<u>1,561,727</u>
Deductions			
Benefits	127,486	0	127,486
Administrative Expense	0	974	974
Total Deductions	<u>127,486</u>	<u>974</u>	<u>128,460</u>
Change in Net Position	1,175,157	258,110	1,433,267
Net Position, Held in Trust			
Beginning of Year	<u>7,069,068</u>	<u>2,107,971</u>	<u>9,177,039</u>
End of Year	<u>\$ 8,244,225</u>	<u>\$ 2,366,081</u>	<u>\$ 10,610,306</u>