

**Ross Township,
Pennsylvania**

Financial Statements
and Required Supplementary
and Supplementary Information

Year Ended December 31, 2017
with Independent Auditor's Report

MaherDuessel

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ROSS TOWNSHIP, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis	i
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Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	6
Statement of Net Position Fiduciary Funds – Trust Funds	7
Statement of Changes in Fiduciary Net Position Fiduciary Funds – Trust Funds	8
Notes to Financial Statements	9

ROSS TOWNSHIP, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

(Continued)

Required Supplementary Information:

Pension Plan Disclosures:

Schedules of Required Supplementary Information – Pension Plan:

Schedule of Changes in the Township’s Net Pension Liability (Asset) and Related Ratios – General Employees Plan 42

Schedule of Changes in the Township’s Net Pension Liability and Related Ratios – Police Plan 43

Schedules of Township Contributions and Investment Returns 44

Notes to Schedules of Required Supplementary Information – Pension Plan 45

Postemployment Benefits Other than Pension Benefits (OPEBs) Disclosures:

Schedule of Funding Progress 47

Factors and Trends Used in Actuarial Valuation 48

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 49

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sewer Fund 50

ROSS TOWNSHIP, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

(Continued)

Supplementary Information:

Combining Nonmajor Funds:

Other Governmental Funds:

Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	52

Independent Auditor's Report

**Board of Commissioners
Ross Township,
Pennsylvania**

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

Management's Responsibility for the Financial Statements

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2017, and the respective changes in financial position 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, pension and other post-employment benefit plan information, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
June 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Ross Township, Pennsylvania, hereafter referred to as the "Township," is pleased to present its financial statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, entitled "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*" (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents the discussion and analysis of the Township's financial performance during the year that ended on December 31, 2017. Please read this Management's Discussion and Analysis in conjunction with the Township's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following:

- Management's Discussion and Analysis (this section)
- Basic financial statements (including notes to the financial statements)
- Required supplementary information

Management's Discussion and Analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Township's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the Township's budget to actual figures for the General Fund and the Sewer Fund.

The basic financial statements present two different views of the Township.

- *Government-wide financial statements*, the first two statements (pages 1-2) provide information about the Township's overall financial status.
- *Fund financial statements*, the remaining statements (pages 3-8) focus on individual parts of the Township's government. They provide more detail on operations than the government-wide statements. There are two types of fund statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short-term, as well as what remains for future spending.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the Township as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources cannot be used to support the Township's programs.

Table A-1: Organization of the Township's Annual Financial Report

Required Components of the Annual Financial Statements

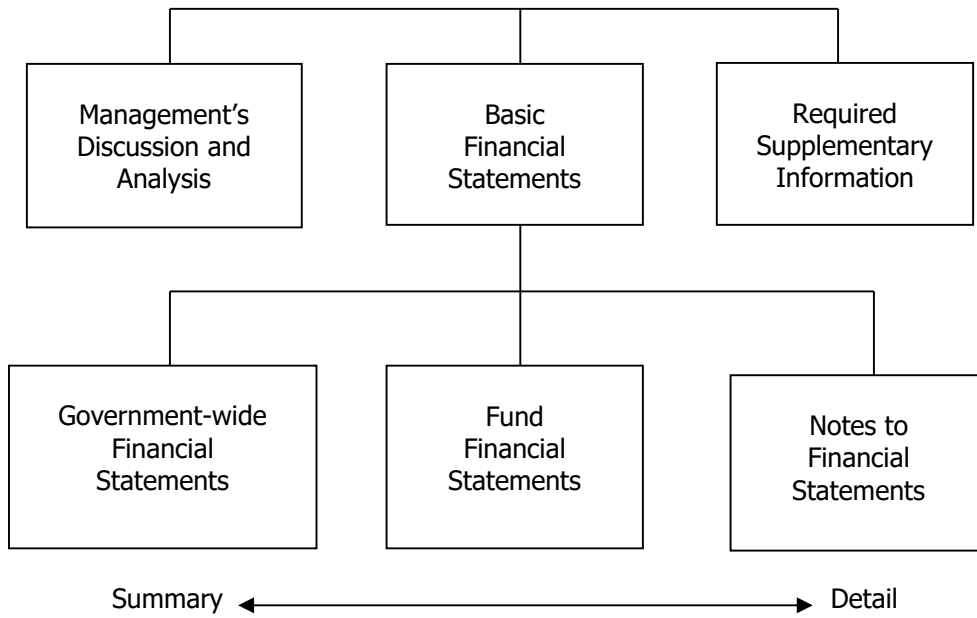


Table A-2 summarizes the major features of the Township’s financial statements, including the area of the Township’s activities they cover and the types of information they contain.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Financial Statements	<u>Fund Financial Statements</u>	
		<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the Township, such as public safety	Instances in which the Township administers resources on behalf of others
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual	Modified accrual	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability, and deferred inflows of resources information	All assets, deferred outflows of resources and liabilities, and deferred inflows of resources, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during year, regardless of when cash is received or paid

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide Financial Statements

Government-wide financial statements report information about the Township as a whole, using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the Township's assets, deferred inflows of resources, liabilities and deferred outflows of resources, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Township's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses be recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net position is one way to measure the Township's financial position. Over time, increases or decreases in the Township's net position are one indicator of whether the Township's financial position is improving or deteriorating. However, other non-financial factors such as changes in the Township's property tax base and general economic conditions must be considered to assess the overall position of the Township.

The activities for the primary government include the Township's basic services such as general government, public safety, fire and building inspection, highways, roads, and streets, sanitation, parks and recreation, library, and senior citizens services.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered expenditures when they are received. The principal and interest payments are both considered revenue when they are paid. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide financial statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as liabilities
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position is that with constraints placed on its use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the Township's most significant funds, not the Township as a whole. Funds are accounting devices, i.e., a group of related accounts that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The Township has two kinds of funds:

- *Governmental funds* include most of the Township's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The Township adopts an annual budget for the General Fund, as required by state law, and the Sewer Fund. A budgetary comparison of the Township's General and Sewer Funds is presented as required supplementary information.

- *Fiduciary Funds* are those for which the Township is the trustee or fiduciary. This includes the pension trust funds. The Township is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

Change in Net Position

The following statements of activities represents the changes in net position for the years ended December 31, 2017 and 2016. It shows revenues by source and expenses by function.

Condensed Statements of Activities Year Ended December 31, 2017 and 2016

	2017	2016
	Governmental Activities	Governmental Activities
	<u> </u>	<u> </u>
Revenues:		
Program revenues:		
Charges for services	\$ 12,155,847	\$ 11,860,448
Grants and contributions	1,666,842	1,753,453
General revenues:		
Real estate taxes	6,972,010	7,362,196
Other taxes	7,591,977	7,576,512
Interest income	75,470	37,028
Gain (loss) on disposal of capital assets	(42,217)	-
Miscellaneous	318,841	295,295
	<u> </u>	<u> </u>
Total revenues	<u>28,738,770</u>	<u>28,884,932</u>
Expenses:		
Program expenses:		
General government	1,796,117	2,081,982
Public safety	7,300,701	7,889,680
Fire and building inspection	1,662,280	1,804,987
Highways, roads, and streets	7,218,808	5,395,901
Sanitation	8,458,359	7,994,646
Parks and recreation	718,335	646,863
Library	482,410	470,936
Senior citizen services	45,000	45,000
Interest	224,078	232,478
	<u> </u>	<u> </u>
Total expenses	<u>27,906,088</u>	<u>26,562,473</u>
Change in net position	832,682	2,322,459
Net position - beginning	<u>32,992,429</u>	<u>30,669,970</u>
Net position - ending	<u><u>\$ 33,825,111</u></u>	<u><u>\$ 32,992,429</u></u>

Public safety expenses decreased by approximately \$588,000 due to capital assets that occurred in 2016. Highways, roads, and streets expenses increased by approximately \$1.8 million due to increases in salaries and wages accounts, as well as increases in capital assets and maintenance

accounts. Sanitation expenses increased by approximately \$460,000 due to the mandated ALCOSAN sewage treatment rate increase.

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2017, taxes brought in \$14,563,987.

Net Cost of Governmental Activities

	2017 Total Cost of Services	2016 Total Cost of Services	2017 Net Cost of Services	2016 Net Cost of Services
Program:				
General government	\$ 1,796,117	\$ 2,081,982	\$ 798,070	\$ 1,040,724
Public safety	7,300,701	7,889,680	6,092,880	6,711,934
Fire and building inspection	1,662,280	1,804,987	774,075	893,102
Highways, roads, and streets	7,218,808	5,395,901	6,247,844	4,474,270
Sanitation	8,458,359	7,994,646	(1,095,108)	(1,262,348)
Parks and recreation	718,335	646,863	514,150	342,476
Library	482,410	470,936	482,410	470,936
Senior citizens service	45,000	45,000	45,000	45,000
Interest	224,078	232,478	224,078	232,478
Total	<u>\$ 27,906,088</u>	<u>\$ 26,562,473</u>	<u>\$ 14,083,399</u>	<u>\$ 12,948,572</u>

Capital Assets

The Township's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$26,327,577. Capital assets consist primarily of land, buildings, and equipment. The following is a summary of capital assets at December 31,

	Capital Assets	
	2017	2016
	Governmental Activities	Governmental Activities
Land	\$ 7,719,337	\$ 7,719,337
Building	14,937,146	14,768,621
Machinery and equipment	4,721,013	4,258,530
Vehicles	4,381,908	3,925,200
Infrastructure	10,228,547	10,228,547
	<u>41,987,951</u>	<u>40,900,235</u>
Less accumulated depreciation	<u>15,660,374</u>	<u>14,561,217</u>
Total net capital assets	<u>\$ 26,327,577</u>	<u>\$ 26,339,018</u>

Detailed information about the Township's capital assets can be found in Note 4 of the notes to financial statements.

Debt Administration

At December 31, 2017, the Township had \$8,655,000 of bonds outstanding as compared to \$9,090,000 as of December 31, 2016. The following is a summary of long-term liabilities for the 2017 year:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 9,090,000	\$ -	\$ (435,000)	\$ 8,655,000	\$ 435,000
Capital lease payable	758,049	236,084	(404,217)	589,916	279,435
Compensated absences	394,660	39,514	-	434,174	-
Total long-term liabilities	<u>\$ 10,242,709</u>	<u>\$ 275,598</u>	<u>\$ (839,217)</u>	<u>\$ 9,679,090</u>	<u>\$ 714,435</u>

The Township has an unfunded Other Postemployment Liability (OPEB) of \$43,641 at December 31, 2017, an increase of \$14,488 from December 31, 2016. The liability results from health insurance payments that will be made on behalf of police officers after retirement.

See Note 7 for more information regarding long-term debt.

TRUST AND AGENCY OPERATIONS

Pension Trust Funds

The Township maintains two defined benefit pension plans, the General Employees Plan and the Police Plan, for the benefit of its full-time employees. The Township remits the required employee contribution withholdings and the annual actuarially calculated contributions directly to the respective Plan Trust. Employee benefit calculations are determined by a contracted actuary for the defined benefit plans and monthly benefit payments are handled by a disbursing agent.

The General Employees Plan has a net pension asset of \$1,580,088 and the Police Plan has a net pension liability of \$1,161,429 at December 31, 2017. In addition, more detailed information regarding municipal pension plans can be found in Note 8 of the notes to financial statements section of this report.

GOVERNMENTAL FUNDS

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the Township's net resources available for spending at the end of the year.

The Township's governmental funds include the General Fund and various special revenue funds. The General Fund is the chief operating fund for the Township. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Taxes	\$ 14,895,252	\$ 14,744,602
Licenses and permits	1,570,639	1,609,238
Fines and forfeits	113,980	111,669
Interest, rent, and royalties	75,470	37,028
Intergovernmental	1,689,055	1,769,738
Charges for services	10,504,412	10,363,207
Miscellaneous	264,833	253,737
Operating transfer in	3,968,710	7,985,508
Proceeds from capital lease	236,084	879,046
Total	<u>\$ 33,318,435</u>	<u>\$ 37,753,773</u>

While a majority of the revenue sources were relatively flat or changed slightly in 2017 when compared to 2016, the Township had proceeds from capital leases of approximately \$236,000 in 2017 due to one new capital lease of vehicles for the Township.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenditures:		
General government	\$ 1,620,885	\$ 1,578,728
Public safety	7,638,836	8,396,713
Fire and building inspection	1,658,863	1,799,277
Highways, roads, and streets	7,440,699	10,075,397
Sanitation	8,458,359	7,994,646
Parks and recreation	829,209	651,627
Library	482,410	470,936
Senior citizen services	45,000	45,000
Miscellaneous	574,104	341,065
Debt service	659,078	652,478
Operating transfer out	3,968,710	7,985,508
Total	<u>\$ 33,376,153</u>	<u>\$ 39,991,375</u>

Highways, roads, and street expenditures decreased by approximately \$2.6 million due to the Public Works Building Project that was completed in 2016. Public Safety expenditures decreased by approximately \$750,000 due to a decrease in capital purchases of approximately \$880,000 from 2016. Sanitation expenditures increased by approximately \$460,000 mostly due

to the mandated ALCOSAN rate increase. Parks and recreation expenditures increased by approximately \$175,000 due to more capital improvements to parks in 2017.

GOVERNMENTAL FUND BALANCES

Ending fund balances for governmental funds at December 31, 2017 and 2016 were as follows:

Fund	2017 Governmental Funds	2016 Governmental Funds
General	\$ 10,167,759	\$ 10,319,959
Unspent bond proceeds	48	209,296
Sewer	4,809,464	4,166,800
Capital improvements	91,680	430,351
Highways and streets	130,231	175,769
Sidewalks	9,245	9,217
Traffic impact	116,972	71,725
Total	\$ 15,325,399	\$ 15,383,117

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

BUDGETARY HIGHLIGHTS

The Township adopts an annual appropriated budget for its General Fund and Sewer Fund. Detailed information about the Township's 2017 General Fund and Sewer Fund budget can be found in Required Supplementary Information.

Overall, the Township had an unfavorable variance of \$208,523 for actual results in comparison to budget for the General Fund. Numerous factors went into these results. Highways, roads, and streets had a negative variance of \$600,230 due to increases in the salaries and wages accounts and capital purchases more than expected.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Ross Township is very fortunate, in that a large portion of our revenue stream is from our business taxes related to our high-end retail district; the recent economic environment affecting those businesses has improved. In general, the Pittsburgh area seems to have been insulated from the large swings in the housing markets. The Township has continued to implement programs to reduce costs whenever possible and will continue to work toward reducing overall expenditures.

The Township believes that the future economic outlook, as it affects the Township residents, will remain positive into the foreseeable future.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Ross Township Finance Department
1000 Ross Municipal Drive
Pittsburgh, PA 15237

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2017

Assets	Governmental Activities
Cash and cash equivalents	\$ 13,849,361
Receivables, net of allowance for uncollectibles:	
Taxes	1,783,482
Sewer charges	3,564,056
Other	409,132
Net pension asset	1,580,088
Net investment in joint venture	1,699,456
Capital assets, not being depreciated	7,719,337
Capital assets, net of accumulated depreciation	18,608,240
Total Assets	49,213,152
Deferred Outflows of Resources	
Deferred outflows of resources for pension	1,277,780
Liabilities	
Accounts payable	2,212,905
Accrued payroll and related benefits	223,542
Returnable deposits	179,660
Other liabilities	24,672
Long-term liabilities due within one year:	
Capital lease payable	279,435
Bonds payable	435,000
Long-term liabilities due in more than one year:	
Net pension liability	1,161,429
Other postemployment benefits obligation	43,641
Compensated absences	434,174
Capital lease payable	310,481
Bonds payable	8,220,000
Total Liabilities	13,524,939
Deferred Inflows of Resources	
Deferred inflows of resources for pension	3,140,882
Net Position	
Net investment in capital assets	17,082,709
Restricted for:	
Highways and streets	130,231
Sidewalks	9,245
Traffic impact	116,972
Pension	1,580,088
Unrestricted	14,905,866
Total Net Position	\$ 33,825,111

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Total	
Governmental activities:					
General government	\$ 1,796,117	\$ 998,047	\$ -	\$ -	\$ (798,070)
Public safety	7,300,701	644,204	563,617	-	(6,092,880)
Fire and building inspection	1,662,280	697,359	190,846	-	(774,075)
Highways, roads, and streets	7,218,808	67,335	903,629	-	(6,247,844)
Sanitation	8,458,359	9,553,467	-	-	1,095,108
Parks and recreation	718,335	195,435	-	8,750	(514,150)
Library	482,410	-	-	-	(482,410)
Senior citizen services	45,000	-	-	-	(45,000)
Interest	224,078	-	-	-	(224,078)
Total governmental activities	\$ 27,906,088	\$ 12,155,847	\$ 1,658,092	\$ 8,750	(14,083,399)
General revenues:					
Taxes:					
Real estate					6,972,010
Earned income					5,012,284
Business and mercantile					1,339,801
Other					1,239,892
Interest income					75,470
Gain (loss) on disposal of capital asset					(42,217)
Miscellaneous					318,841
Total general revenues					14,916,081
Change in Net Position					832,682
Net position - beginning of year					32,992,429
Net position - end of year					\$ 33,825,111

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

Assets	General Fund	Capital Improvements	Sewer Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 9,744,558	\$ 163,443	\$ 3,801,884	\$ 139,476	\$ 13,849,361
Accounts receivable, net:					
Taxes	1,783,482	-	-	-	1,783,482
Sewer charges	-	-	3,564,056	-	3,564,056
Other	409,132	-	-	-	409,132
Due from other funds	4,458	-	-	-	4,458
Total Assets	\$ 11,941,630	\$ 163,443	\$ 7,365,940	\$ 139,476	\$ 19,610,489
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 277,659	\$ 67,305	\$ 1,867,941	\$ -	\$ 2,212,905
Accrued payroll and related benefits	223,542	-	-	-	223,542
Returnable deposits	174,000	-	5,660	-	179,660
Other liabilities	24,672	-	-	-	24,672
Due to other funds	-	4,458	-	-	4,458
Total Liabilities	699,873	71,763	1,873,601	-	2,645,237
Deferred Inflows of Resources:					
Unavailable revenue - taxes	956,978	-	-	-	956,978
Unavailable revenue - sewer charges	-	-	682,875	-	682,875
Total Deferred Inflows of Resources	956,978	-	682,875	-	1,639,853
Fund Balance:					
Restricted:					
Highways and streets	-	-	-	130,231	130,231
Sidewalks	-	-	-	9,245	9,245
Traffic impact	116,972	-	-	-	116,972
Assigned	-	91,680	4,809,464	-	4,901,144
Unassigned	10,167,807	-	-	-	10,167,807
Total Fund Balance	10,284,779	91,680	4,809,464	139,476	15,325,399
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 11,941,630	\$ 163,443	\$ 7,365,940	\$ 139,476	\$ 19,610,489

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

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

DECEMBER 31, 2017

Total Fund Balance - Governmental Funds	\$ 15,325,399
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	26,327,577
Certain taxes and sewer charges are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,639,853
Net pension asset and liability, deferred inflows of resources, and deferred outflows of resources for pensions are reflected on the statement of financial position, but are not recorded in the fund statements.	(283,014)
The Township's net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds.	1,699,456
Long-term liabilities, including net pension liability, compensated absences, capital leases, bonds payable, and OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,884,160)</u>
Net Position - Governmental Activities	<u><u>\$ 33,825,111</u></u>

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Improvements	Sewer Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 14,564,884	\$ -	\$ -	\$ -	\$ 14,564,884
Licenses and permits	1,570,639	-	-	-	1,570,639
Fines and forfeits	113,980	-	-	-	113,980
Interest, rent, and royalties	52,181	603	14,941	7,745	75,470
Intergovernmental	780,236	8,750	-	900,069	1,689,055
Charges for services	989,638	-	9,514,774	-	10,504,412
Miscellaneous	264,833	-	-	-	264,833
Total revenues	18,336,391	9,353	9,529,715	907,814	28,783,273
Expenditures:					
Current:					
General government	1,548,459	72,426	-	-	1,620,885
Public safety	7,529,342	109,494	-	-	7,638,836
Fire and building inspection	1,658,863	-	-	-	1,658,863
Highways, roads, and streets	5,015,743	2,424,956	-	-	7,440,699
Sanitation	21,308	-	8,437,051	-	8,458,359
Parks and recreation	522,675	306,534	-	-	829,209
Library	482,410	-	-	-	482,410
Senior citizen services	45,000	-	-	-	45,000
Miscellaneous	243,736	-	-	-	243,736
Debt service:					
Principal	435,000	-	-	-	435,000
Interest	224,078	-	-	-	224,078
Total expenditures	17,726,614	2,913,410	8,437,051	-	29,077,075
Excess (Deficiency) of Revenues Over Expenditures	609,777	(2,904,057)	1,092,664	907,814	(293,802)
Other Financing Sources (Uses):					
Proceeds from capital lease	236,084	-	-	-	236,084
Transfers in	1,403,324	2,565,386	-	-	3,968,710
Transfers out	(2,565,386)	-	(450,000)	(953,324)	(3,968,710)
Total other financing sources (uses)	(925,978)	2,565,386	(450,000)	(953,324)	236,084
Net Change in Fund Balance	(316,201)	(338,671)	642,664	(45,510)	(57,718)
Fund Balance:					
Beginning of year	10,600,980	430,351	4,166,800	184,986	15,383,117
End of year	\$ 10,284,779	\$ 91,680	\$ 4,809,464	\$ 139,476	\$ 15,325,399

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Governmental Funds \$ (57,718)

Amounts reported for governmental activities in the statement of activities are difference 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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital additions	\$ 1,379,695	
Capital disposals	(42,217)	
Depreciation expense	<u>(1,348,919)</u>	(11,441)

The actuarially accrued other post-employment benefit (OPEB) obligation for the police and general employees is not recorded on the fund financial statements. (14,488)

Changes in the net pension asset and liability and related deferred outflows of resources, and deferred inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. 354,996

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (56,294)

The issuance of long-term obligations (bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term obligations consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of the long-term debt and related items. 603,133

The Township's increase in the value of the net investment in joint venture does not represent a revenue that would be recorded in the governmental funds. 54,008

In the statement of activities, certain operating expenses - accumulated employee benefits (vacation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (39,514)

Change in Net Position of Governmental Activities \$ 832,682

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS - TRUST FUNDS

DECEMBER 31, 2017

Assets	Pension Trust Funds
Cash and cash equivalents	\$ 694,460
Investments:	
U.S. Treasury bonds	1,149,697
Agency bonds	1,631,438
Corporate bonds	2,065,451
Municipal bonds	55,019
Mortgages	915,531
Asset backed securities	567,914
Other fixed income investments	916,784
Equity mutual funds	29,439,156
Alternative investments	765,871
Other investments	5,060,396
Accrued interest receivable	39,357
Total Assets	43,301,074
<hr/> Net Position Restricted For <hr/>	
Pension benefits	<u><u>\$ 43,301,074</u></u>

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS - TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

	<u>Pension Trust Funds</u>
Additions:	
<hr/>	
Contributions:	
Employer, including state aid	\$ 811,205
Employee	262,896
	<hr/>
Total contributions	1,074,101
	<hr/>
Investment income:	
Net increase in fair value of investments	5,163,182
Interest and dividends	910,033
	<hr/>
Total investment income	6,073,215
	<hr/>
Less investment expense	(85,057)
	<hr/>
Net investment income	5,988,158
	<hr/>
Total additions	7,062,259
	<hr/>
Deductions:	
<hr/>	
Benefits	2,412,128
Administrative expense	45,567
	<hr/>
Total deductions	2,457,695
	<hr/>
Net Increase (Decrease) in Net Position	4,604,564
	<hr/>
Net Position:	
<hr/>	
Beginning of year	38,696,510
	<hr/>
End of year	\$ 43,301,074
	<hr/> <hr/>

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

Ross Township, Pennsylvania (Township) operates under the First Class Township Code (Code). In accordance with the Code, the Township is governed by an elected Board of nine Commissioners (Commissioners) and a Manager who is appointed by the Commissioners. The Township provides services in many areas to its residents, including various general government services, public safety, highway maintenance, sanitation, and health and welfare.

No potential component units meet the criteria for inclusion in the Township reporting entity.

Please refer to Note 10 for a description of joint ventures, a jointly governed organization, and a related organization of the Township.

2. Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the Township. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from any business-type activities or component units for which the primary government is financially accountable. As a general rule, any effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds are also reported on the accrual basis; however, they have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property, earned income, local services, and franchise taxes, as well as licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

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

The *Capital Improvements Fund* is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital projects and facilities.

The *Sewer Fund*, a special revenue fund, is used to account for resources derived from sewer billings to Township residents and related disbursements. Sewer treatment

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

services are provided by the Allegheny County Sanitary Authority (ALCOSAN). The Township bills customers based on ALCOSAN rates plus the Township surcharge (\$4.50 per 1,000 gallons of water consumed). The Township then pays ALCOSAN for providing services.

The Township also reports two other governmental funds, which are the Liquid Fuels Fund and the Sidewalks Fund.

Additionally, the Township reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for the assets held by the Township in a trustee capacity for future payment of retirement benefits to employees or former employees. The Township has two separate pension trust funds: the General Employees Plan and the Police Plan.

Cash and Cash Equivalents

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

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Capital Assets

Capital assets, which include buildings, machinery and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

assets, other than infrastructure assets, are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at estimated historical cost or historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price what would have been paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Township chose to include all such items regardless of their acquisition date or amount. The Township was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings	40 years
Building improvements	20 years
Infrastructure – bridges and sewers	50 years
Infrastructure – roads	20 years
Vehicles	2-8 years
Machinery, equipment, and fixtures	5-20 years

Compensated Absences

Calculation of the liability is determined by the vacation and sick-day payments that would be made if employees were to leave or retire from the Township. Compensated absences accrue when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

result of employee resignations and retirements. The liability for compensated absences has typically been liquidated by the General Fund in prior years.

Employees earn vacation, based upon their anniversary date, for use during the current calendar year. The number of days earned each month varies depending upon length of service and union contracts. Vacation pay cannot be carried over; therefore, it is not recorded as a liability.

Employees earn sick days based upon their contract. General employees (those other than police officers) are not paid sick leave upon termination, therefore, no liability is accrued. Police officers earn sick leave at the rate of 10 sick days in the first year, 15 sick days in the second year, and 18 sick days in each of the following years. Unused sick days may be accumulated, up to a maximum of 250 days. Upon retirement, officers are entitled to sell back one sick day for every four days of accumulated sick time. Using the vesting method, all officers with 10 years of service or more are presumed to stay until retirement and $\frac{1}{4}$ of sick leave is accrued.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses.

Deferred Outflows/Inflows of Resources

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

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

that qualifies for reporting in this category in conjunction with pension accounting requirements. The net difference between projected and actual earnings on pension plan investments is recorded as deferred outflows of resources related to pensions on the government-wide financial statements. This amount is determined based on an actuarial valuation performed for the plan. Note 8 presents additional information about the pension plan.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has items that qualify for reporting in this category: unavailable revenue is reported only on the balance sheet and represents property and other taxes and sewer charges which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources also includes the excess of actual over projected earnings on pension plan investments on the government wide financial statements.

Pension

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, employer contributions are recognized as a reduction (addition) of the net pension liability (asset) upon payment into the pension trust. Investments are reported at fair value.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form. The Township did not have any nonspendable fund balance as of December 31, 2017.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Township’s highest level of decision-making authority. The Commissioners are the highest level of decision-making authority for the Township and can make such commitment via an ordinance or resolution prior to the end of the fiscal year. A commitment can only be modified or removed by an equal action of the Commissioners. The Township did not have any committed fund balance as of December 31, 2017.
- Assigned – This category represents intentions of the Township to use the funds for specific purposes but do not meet the criteria to be classified as committed. The Commissioners have authorized the Township’s management to assign fund balance. This category includes amounts set aside for sewer and capital improvements expenditures.
- Unassigned – This category includes the residual classification for the Township’s General Fund and includes all spendable amounts not contained in other classifications.

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

Net Position

Accounting standards require the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets net of accumulated depreciation, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Budgets and Budgetary Accounting

An annual appropriated budget was adopted for 2017 for the General Fund and the Sewer Fund on the same basis of accounting described above for governmental fund types. Management control over the other Special Revenue Fund is exercised through either their relationship with the General Fund or the terms of grant awards. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements:

- The proposed budget is published or made available for public inspection at least twenty days prior to the date set for the adoption of the budget.
- Final action is not taken on the proposed budget until after at least ten days of public notice.
- The Commissioners legally adopt the budget prior to December 31 of each preceding year.

Appropriations may be transferred between departments only if approved by a Commissioner's resolution. Department heads, in consultation with the Township Manager, may transfer funds within departments. The Commissioners also have the

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

authority to enact supplemental appropriations and emergency appropriations. No emergency or supplemental appropriations were necessary during the year. The budget and actual financial statements presented for the General Fund and Sewer Fund display departmental information as the Township defines departments for budgetary purposes. For the year ended December 31, 2017, General Fund expenditures for highways, roads, and streets, and miscellaneous exceeded their budget. Budgetary amounts reflected in the statement of revenues, expenditures, and changes in fund balance - budget and actual incorporate any budgetary transfers approved by the Commissioners throughout the year. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Encumbrances

The Township uses encumbrances accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-appropriation is required by the Commissioners. As of December 31, 2017, the Township had no outstanding encumbrances.

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) statements were adopted for the Township's 2017 financial statements.

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefits Other Than Pension,"* improves the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general-purpose external financial reports of OPEB plans. The adoption of this statement had no impact on the Township's financial statements.

GASB Statement No. 80, *"Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,"* clarifies the financial statement presentation

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

requirements for the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of this statement had no impact on the Township's financial statements.

GASB Statement No. 82, "*Pension Issues – An Amendment of GASB Statements No 67, No. 68, and No. 73*)," addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The provisions of this statement have been adopted and incorporated into these financial statements.

Pending Pronouncements

GASB has issued the following statements that will become effective in future years including Statement Nos. 75 (OPEB Employer), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus), 86 (Certain Debt Extinguishment Issues), 87 (Leases), and 88 (Certain Debt Disclosures). Management has not yet determined the impact of these statements on the Township's financial statements.

3. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are either maintained in demand deposits or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Deposits

The following is a description of the Township's deposit risk:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk.

As of December 31, 2017, \$250,000 of the Township's \$11,885,962 governmental funds bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$11,843,276 as of December 31, 2017.

Cash Equivalent Investments

The fair value of the Township's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

The Township can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT PLUS accounts, there is a 30-day holding period and a penalty for early withdrawal. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net assets to compute share prices. It is PLGIT's policy to maintain a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

As of December 31, 2017, the entire PLGIT book balance of \$2,006,085 (bank balance of \$2,006,082) is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

The following is a description of the Township's investment risks:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2017, investments in PLGIT have received an AAAM rating from Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Township does not have a formal investment policy for custodial credit risk. The Township's investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. The Township has no investments of greater than 5% with one issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Pension Trust Funds

The Pension Trust Funds' investments are held separately from those of other Township funds. Assets in the Pension Trust Funds are stated at fair value. The Commissioners determine the investment managers of the General Employees Pension Plan and the Police Pension Committee determines the investment managers of the Police Pension Plan. The Commissioners and investment managers meet periodically with the trustees to discuss the general categories of investments to be made. Currently, the investments agreed upon are equities, fixed income, and alternatives. Investments were consistent with those authorized.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

As of December 31, 2017, pension trust fund investments consisted of the following:

Deposit or Investment Type	Fair Value	Investment Maturities from December 31, 2017			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
U.S. Treasury bonds	\$ 1,149,697	\$ 35,907	\$ 442,702	\$ 671,088	\$ -
Agency bonds	1,631,438	-	53,863	254,260	1,323,315
Corporate bonds	2,065,451	65,499	1,262,081	737,871	-
Municipal bonds	55,019	55,019	-	-	-
Mortgage bonds	915,531	-	62,716	128,480	724,335
Asset backed securities	567,914	-	336,575	180,315	51,024
Total debt securities	6,385,050	\$ 156,425	\$ 2,157,937	\$ 1,972,014	\$ 2,098,674
Cash and cash equivalents	694,460				
Other fixed income investments	916,784				
Equity mutual funds	29,439,156				
Alternative investments	765,871				
Other investments	5,060,396				
Total cash, cash equivalents, and other investments	36,876,667				
Accrued interest receivable	39,357				
Total cash, cash equivalents, and investments reported on statement of net position - fiduciary funds	\$ 43,301,074				

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The Township's Pension Trust Funds categorize its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The Pension Trust Funds have the following recurring fair value measurements at December 31, 2017:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income:				
Corporate bonds	\$ 2,065,451	\$ -	\$ 2,065,451	\$ -
U.S. Treasury bonds	1,149,697	1,149,697	-	-
Agency bonds	1,631,438	-	1,631,438	-
Municipal bonds	55,019	-	55,019	-
Mortgage bonds	915,531	-	915,531	-
Asset backed securities	567,914	-	567,914	-
Other fixed income investments	916,784	-	916,784	-
Total fixed income	<u>7,301,834</u>	<u>1,149,697</u>	<u>6,152,137</u>	<u>-</u>
Equity mutual funds:				
Small blend	5,502,452	5,502,452	-	-
Large growth	8,220,465	8,220,465	-	-
Large value	9,318,554	9,318,554	-	-
Foreign large growth	3,247,630	3,247,630	-	-
Foreign large value	3,150,055	3,150,055	-	-
Total equity mutual funds	<u>29,439,156</u>	<u>29,439,156</u>	<u>-</u>	<u>-</u>
Money market mutual funds	694,460	694,460	-	-
Principal U.S. Property Separate Account	5,060,396	-	-	5,060,396
Alternative investments	765,871	-	-	765,871
Total Investments by Fair Value Level	<u>\$ 43,261,717</u>	<u>\$ 31,283,313</u>	<u>\$ 6,152,137</u>	<u>\$ 5,826,267</u>

U.S. Treasury bonds, equity mutual funds, and money market mutual funds are valued using prices quoted in active markets for those securities (Level 1 inputs). Corporate bonds, municipal bonds, mortgage bonds, and asset backed securities, and other fixed income investments are valued using a matrix pricing model (Level 2 inputs). Agency bonds are priced by third-party pricing services using observable market data (Level 2 inputs). The fair value of the Principal U.S. Property Separate Account and alternative investments are based

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

upon independent appraisals or internally prepared valuations for real estate (Level 3 inputs).

The following is a description of the Pension Trust Funds' deposit and investment risks:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have no formal deposit or investment policy that would limit their investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2017, the pension trust funds' investments had the following rates:

<u>Investment Type</u>	<u>Standard & Poor's Rating</u>	<u>Percentage of Debt Securities</u>
Bonds	AAA	6%
Bonds	AA	20%
Bonds	A	51%
Bonds	BAA	23%
		<u>100%</u>
Mortgages	AAA	57%
Mortgages	A	4%
Mortgages	Not Rated	39%
		<u>100%</u>
Asset backed securities	AAA	29%
Asset backed securities	AA	19%
Asset backed securities	A	3%
Asset backed securities	Not Rated	49%
		<u>100%</u>

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal investment policy for custodial credit risk. The Township's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2017, the Township's entire pension cash balance of \$694,460 (bank and book balance) was exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Pension Trust Funds' investments. The

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. The average maturities of the various investments are disclosed above.

4. Capital Assets

A summary of changes in capital assets during 2017 is as follows:

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,719,337	\$ -	\$ -	\$ 7,719,337
Total capital assets, not being depreciated	<u>7,719,337</u>	<u>-</u>	<u>-</u>	<u>7,719,337</u>
Capital assets, being depreciated:				
Buildings	14,768,621	168,525	-	14,937,146
Machinery and equipment	4,258,530	562,077	(99,594)	4,721,013
Vehicles	3,925,200	649,093	(192,385)	4,381,908
Infrastructure	10,228,547	-	-	10,228,547
Total capital assets, being depreciated	<u>33,180,898</u>	<u>1,379,695</u>	<u>(291,979)</u>	<u>34,268,614</u>
Less: accumulated depreciation for:				
Buildings	(3,560,300)	(394,952)	-	(3,955,252)
Machinery and equipment	(3,007,212)	(224,209)	99,594	(3,131,827)
Vehicles	(2,717,829)	(314,139)	150,168	(2,881,800)
Infrastructure	(5,275,876)	(415,619)	-	(5,691,495)
Total accumulated depreciation	<u>(14,561,217)</u>	<u>(1,348,919)</u>	<u>249,762</u>	<u>(15,660,374)</u>
Total capital assets, being depreciated net	<u>18,619,681</u>	<u>30,776</u>	<u>(42,217)</u>	<u>18,608,240</u>
Governmental activities, capital assets, net	<u>\$ 26,339,018</u>	<u>\$ 30,776</u>	<u>\$ (42,217)</u>	<u>\$ 26,327,577</u>

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

Governmental activities:		
General government	\$	145,181
Public safety		146,868
Highways, roads, and streets		959,678
Fire and building inspection		3,417
Parks and recreation		93,775
		<hr/>
Total depreciation expense	\$	<u>1,348,919</u>

5. Real Estate Taxes

Real estate taxes are an enforceable lien on property as of January 1 and are levied on July 1. These taxes are billed and collected by an outside tax collection agency. Taxes paid through August 31 are given a 2% discount. Amounts paid after October 31 are assessed a 10% penalty.

The Township is permitted by the First Class Township Code of Pennsylvania to levy real estate taxes up to 30 mills on every dollar of assessed valuation for general Township purposes. Additional taxes may be levied for certain specified purposes. For 2017, Township real estate taxes were levied at the rate of 2.7 mills for general purposes. The millage is applied to assessed market valuation as determined periodically by Allegheny County, Pennsylvania.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

6. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers at December 31, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:				
General	\$ 4,458	\$ -	\$ 1,403,324	\$ 2,565,386
Capital Improvements	-	4,458	2,565,386	-
Sewer	-	-	-	450,000
Other Governmental Funds:				
Liquid Fuels	-	-	-	953,324
Total	<u>\$ 4,458</u>	<u>\$ 4,458</u>	<u>\$ 3,968,710</u>	<u>\$ 3,968,710</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The transfer from the General Fund to the Capital Improvements Fund was to transfer 2015 bond proceeds intended to cover expenses incurred as part of the new Public Works facility construction. The transfer from the Sewer Fund represents reimbursements made to the General Fund for expenditures on behalf of the Sewer Fund. The transfer from the Liquid Fuels Fund to the General Fund represents reimbursements made to the General Fund for expenditures on behalf of the Liquid Fuels Fund.

7. Long-Term Debt

General Obligation Bonds

In 2015, the Township issued General Obligation Bonds (Series 2015 Bonds) in the amount of \$9,955,000 to refund \$2,630,000 of outstanding Series 2009 Bonds and to use remaining proceeds to build a new Public Works facility. The Series 2015 Bonds bear interest at rates ranging from 0.35% to 2.95% and are scheduled to mature annually through December 2034.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Annual debt service requirements to maturity related to the above-discussed bonds are as follows:

	Governmental Activities	
	Principal	Interest
2018	\$ 435,000	\$ 215,378
2019	450,000	206,678
2020	455,000	197,678
2021	470,000	188,578
2022	480,000	179,175
2023-2027	2,550,000	739,975
2028-2032	2,885,000	395,594
2033-2034	930,000	36,285
	<u>\$ 8,655,000</u>	<u>\$ 2,159,341</u>

Capital Leases

The Township has entered into lease agreements for financing the acquisitions of vehicles and road equipment. These lease agreements qualify as capital leases for accounting purposes. As of December 31, 2017, \$1,751,569 of the leased assets have been recorded as capital assets in the statement of net position. Reductions to the capital lease liabilities are recorded to expenses in which they relate on the statement of revenues, expenditures, and changes in fund balance – governmental funds.

The future minimum lease obligations are as follows:

Year	Amount
2018	\$ 279,435
2019	143,991
2020	127,078
2021	39,412
	<u>\$ 589,916</u>

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 9,090,000	\$ -	\$ (435,000)	\$ 8,655,000	\$ 435,000
Capital lease payable	758,049	236,084	(404,217)	589,916	279,435
Compensated absences	394,660	39,514	-	434,174	-
Total long-term liabilities	<u>\$ 10,242,709</u>	<u>\$ 275,598</u>	<u>\$ (839,217)</u>	<u>\$ 9,679,090</u>	<u>\$ 714,435</u>

8. Pension Plans

Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law.

Plan Descriptions

The Township administers two single-employer, defined benefit pension plans established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The Plans cover substantially all full-time employees. The Plans are governed by the Township's Board, which has delegated the authority to manage certain Plan assets to the Township Manager. Plan provisions and contribution requirements are established and may be amended by the Township. The activity of the Plans is reported as the Pension Trust Funds in the accompanying financial statements. Separate plan financial statements are not available.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

	<u>General Employees</u>	<u>Police</u>
Inactive plan members or beneficiaries currently receiving benefits	34	40
Inactive plan members entitled to but not yet receiving benefits	7	2
Active plan members	<u>41</u>	<u>39</u>
Total plan members	<u><u>82</u></u>	<u><u>81</u></u>

Benefits Provided – General Employees Plan

Retirement Benefit - A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 55 for employment that began after November 1, 1998. Public works employees hired before November 1, 1998 are entitled to receive benefits after completing 20 years of service and attaining age 60. The scheduled monthly retirement benefit is 55% of the participant's final average salary earned during the highest three years of employment for office employees or the last 36 months of employment out of the last five years for public works employees, plus an additional monthly benefit of \$25 for each completed year of service in excess of 25 years.

Survivor Benefit - If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest. If a participant's death occurs after the participant has qualified for retirement, the survivor annuity is based on 50% of the pension the participant was receiving or entitled to receive on the date of death.

Disability Benefit - If a participant becomes totally and permanently disabled as a result of a service related accident or sickness, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 25% of the participant's average compensation at the time the disability was incurred.

Benefits Provided – Police Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 50 for employment. The scheduled monthly retirement benefit is 50% of the participant's final average monthly compensation earned during the last 36 months of employment, plus a service increment to participants

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

who retire after the completion of 26 years of service of \$100 per month. Compensation if hired prior to January 1, 2005 is total compensation. For those employees hired after January 1, 2005, compensation is the basic rate of pay, including longevity.

Survivor Benefit – If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse, the benefit payable is 50% of the amount the participant was receiving or entitled to receive on the date of death, for life. In the event of the spouse's death, the participant's children under age 18 (age 23 if attending college) will share the benefit.

Disability Benefit – If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits as a result of the same injury.

Cost-of-Living Adjustments – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. On the anniversary of the participant's retirement, a retiree will receive an increase in the monthly benefit equal to the percentage change in the Consumer Price Index during the last year. The total increase of all increases may not exceed 30% of the original benefit, nor can the benefit ever exceed 75% of the final average monthly compensation used to compute the original benefit. Participants who retire on or after January 1, 2007 will receive cost-of-living adjustments on January 1 following the date which is 12 months after the date of retirement.

Defined Contribution Plan

All full-time public service non-police employees hired after January 1, 2016 are participants in a defined contribution plan. The Township administers the plan with ICMA acting as the agent for the funds. All plan provisions were established by Township ordinance and any changes to those provisions are required to be made via ordinance.

Administrative employees contribute 3% of gross salary with an 8% Township match, and public service employees contribute 3% of gross salary with an 8% Township match. All amounts contributed vest immediately to the employee. All amounts forfeited by

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

terminated participants shall be allocated to a suspense account and used to reduce dollar for dollar employer contributions required under the Plan.

There were six participants in the plan as of December 31, 2017. During 2017, employees contributed \$9,830 and the Township contributed \$11,746.

Contributions

The Plans are funded by the Township on an annual basis pursuant to the provisions of the Act. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. For the year ended December 31, 2017, participating employees in the General Employees and Police Plans were required to contribute 3% and 5% of their compensation, respectively. During the year, the Township made its required contributions of \$127,937 and \$683,268 to the General Employees and Police Pension Plans, respectively, based upon the MMO.

Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Township’s net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2017. There were no plan changes between the January 1, 2017 valuation date and the December 31, 2017 liability measurement date. Standard actuarial techniques were used to roll forward the total pension liability from the valuation date to the measurement date.

The components of the net pension liability (asset) of the Plans at December 31, 2017 were as follows:

	General Employees	Police
Total pension liability	\$ 12,380,440	\$ 30,501,975
Plan fiduciary net position	13,960,528	29,340,546
Net pension liability (asset)	<u>\$ (1,580,088)</u>	<u>\$ 1,161,429</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>113%</u>	<u>96%</u>

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Changes in the Net Pension Liability (Asset) – The changes in the net pension liability (asset) of the Township for the year ended December 31, 2017 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	\$ 41,025,587	\$ 38,696,510	\$ 2,329,077
Changes for the year:			
Service cost	948,006	-	948,006
Interest	2,810,399	-	2,810,399
Differences between expected and actual experience	17	-	17
Changes of assumptions	510,534	-	510,534
Contributions - employer	-	811,205	(811,205)
Contributions - employee	-	262,896	(262,896)
Net investment income (loss)	-	5,988,158	(5,988,158)
Benefit payments, including refunds	(2,412,128)	(2,412,128)	-
Administrative expense	-	(45,567)	45,567
Net changes	<u>1,856,828</u>	<u>4,604,564</u>	<u>(2,747,736)</u>
Balances at December 31, 2017	<u>\$ 42,882,415</u>	<u>\$ 43,301,074</u>	<u>\$ (418,659)</u>
Reconciliation to Statement of Net Position:			
Net pension asset			\$ (1,580,088)
Net pension liability			<u>1,161,429</u>
			<u>\$ (418,659)</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>100.98%</u>

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2017 and rolled forward to December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement:

	General Employees	Police
Actuarial assumptions:		
Investment rate of return	7.125%	7.125%
Projected salary increases	4.50%	4.50%
Underlying inflation rate	2.50%	2.50%
Cost-of-living adjustments increase	n/a	2.50%

Mortality rates were based on RP-2014 bc Mortality Table with rates set forward 7 years for all disabled lives.

Changes in Actuarial Assumptions – The following changes were made to the actuarial assumptions used in the 1/1/17 valuation compared to the previous actuarial valuation on 1/1/15. The interest rate for discounting future benefit payments was reduced from 7.25% to 7.125% based on the recommendation of the Plan’s investment advisor. In addition, the mortality table was updated from the UP-1994 Mortality Table to the RP-2014 Mortality Table with the blue collar adjustment with no assumption at this time for mortality improvement. The effect of the assumption changes increased the unfunded actuarial accrued liability by \$337,734 for the Police Plan and \$172,800 for the General Employees Plan.

Investment Policy – The Plans’ policies in regard to the allocation of invested assets are established and may be amended by the Board. It is the policy of the Board to pursue an overall asset allocation strategy that identifies a portfolio structure and sets a long-term percentage target for the amount of the Plans’ market value that is to be invested in each asset class. Numerous asset classes are considered to provide the Plans with a diversified investment portfolio.

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

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2017:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	General Employees	Police	General Employees	Police
Domestic large cap equity	36.00%	36.00%	6.00%	6.00%
Domestic small cap equity	12.00%	12.00%	6.25%	6.25%
International equity	12.00%	12.00%	6.75%	6.75%
Fixed income - core	25.00%	25.00%	0.75%	0.75%
Real estate - core	10.00%	10.00%	4.75%	4.75%
Private debt	5.00%	5.00%	7.25%	7.25%
	<u>100.00%</u>	<u>100.00%</u>		

⁴ *Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return on the General Employees and Police Plan investments, net of investment expense, was 15.86% and 15.88%, respectively.

Concentrations – At December 31, 2017, the Plans had no investments (other than mutual funds or other pooled investments) in any one issuer that represented 5% or more of either Plan's fiduciary net position.

Discount Rate – The discount rates used to measure the total pension liability for the General Employees Plan and Police Plan were 7.125% and 7.125%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans’ net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
General Employees Plan	<u>\$ (439,527)</u>	<u>\$ (1,580,088)</u>	<u>\$ (2,569,265)</u>
	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
Police Plan	<u>\$ 4,712,940</u>	<u>\$ 1,161,429</u>	<u>\$ (1,826,679)</u>

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

For the year ended December 31, 2017, the Township recognized pension expense of approximately \$456,209. At December 31, 2017, the Township reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>General Employees</u>	<u>Police</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between projected and actual earnings on pension plan investments	<u>\$ 407,742</u>	<u>\$ 870,038</u>	<u>\$ 1,277,780</u>
<u>Deferred Inflows of Resources:</u>			
Differences between projected and actual earnings on pension plan investments	<u>\$ (1,060,797)</u>	<u>\$ (2,080,085)</u>	<u>\$ (3,140,882)</u>

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

<u>Year ending December 31,</u>	<u>Outflows</u>	<u>Inflows</u>
2018	\$ 415,466	\$ (811,763)
2019	415,465	(811,763)
2020	42,359	(811,761)
2021	42,359	(664,340)
2022	42,359	(4,424)
Thereafter	319,772	(36,831)
	<u>\$ 1,277,780</u>	<u>\$ (3,140,882)</u>

Deferred Retirement Option Program (DROP)

The Police Plan includes a DROP. Active participants who have attained normal retirement age are eligible to participate for a period of three years beginning on the first day of any calendar month coinciding with or next following the date the individual attains normal retirement age. Participation shall automatically end on the third anniversary of the effective date of participation in the DROP, or if earlier, on the date of their death or the date his covered employment terminates. Distribution of a DROP account to a DROP participant is made after the later of the date participation ends for any reason other than death or the date the participant files the application for distribution. At December 31, 2017, there were four employees participating in the DROP Plan. The amount held by the Police Plan pursuant to the DROP at December 31, 2017 was \$634,580.

9. Other Post-Employment Benefits (OPEBs)

Plan Description

In addition to the pension benefits described in Note 8, the Township provides post-employment health care benefits to all retired police officers, in accordance with collective bargaining agreements between the Township and the Township Police. Effective for retirees during 1996 and subsequent years, the Township pays \$200 per month towards the retiree's own health care costs until the officer is eligible for Medicare. Retirees not eligible for Medicare shall be paid this monthly stipend for life.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Funding Policy

Expenditures for post-retirement health care benefits are recognized in the General Fund when paid by the Township. During 2017, total disbursements from the General Fund for seven beneficiaries were \$16,800.

The Township's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following table shows the component of the Township's annual OPEB cost for the year, the amount actually contributed, and changes in the Township's net OPEB obligation:

Annual required contribution	\$	40,593
Interest on net OPEB obligation		1,219
Adjustment to annual required contribution		<u>(1,695)</u>
Annual OPEB cost		40,117
Contributions made		<u>(25,629)</u>
Increase in net OPEB obligation		14,488
Net OPEB obligation - beginning of year		<u>29,153</u>
Net OPEB obligation - end of year	\$	<u><u>43,641</u></u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>% Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 39,504	112.39%	\$ 25,581
December 31, 2016	40,117	91.10%	29,153
December 31, 2017	40,117	63.89%	43,641

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The schedule of funding progress for the post-employment healthcare benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2011	\$ -	\$ 567,018	\$ (567,018)	0.0%	\$ 3,191,450	-17.8%
January 1, 2013	-	543,793	(543,793)	0.0%	3,661,016	-14.9%
January 1, 2015	-	545,972	(545,972)	0.0%	4,063,149	-13.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the Township's medical plans. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

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

For the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return, which is the expected long-term investment yield on investments that are expected to be used to finance the payments of benefits. The unfunded actuarial accrued liability is being amortized using the level dollar method over a period of 30 years on a closed basis.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

10. Joint Ventures and Related Organizations

Joint Ventures

Northland Public Library

Northland Public Library (Library) is a public library that is considered to be a municipal authority by the Commonwealth of Pennsylvania. The governing body of the Library is its Board of Trustees, which is comprised of seven members appointed by the elected officials of its five supporting municipalities (one of which is the Township). Since no individual municipality has control, the Library is not considered a component unit of any one member community.

The Library meets the criteria for a joint venture as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial responsibility.

The Township, per contractual agreement, is obligated to pay a share of the budgeted expenses of operation annually. The Township's contribution is based upon circulation, population, and assessed valuation. Such payments amounted to \$482,410 for the year ended December 31, 2017.

The Township has no equity interest in the Library.

The Library issues separate financial statements, which are available at the Northland Public Library, 300 Cumberland Road, Pittsburgh, PA 15237.

Lowries Run Joint Owned Sewer

Lowries Run Joint Owned Sewer (Lowries Run) is a jointure formed to handle the sewer activity in a particular area of the northern suburbs of Pittsburgh. The governing body of Lowries Run is its Board of Directors, which is comprised of representatives from its two member entities (the Township and the McCandless Township Sanitary Authority). Since no individual entity has control, Lowries Run is not considered a component unit of any one member.

Lowries Run meets the criteria for a joint venture, as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

specific activity subject to joint control, in which participants retain an ongoing financial responsibility.

The Township is responsible for a pro rata share of net expenses incurred by this entity which could not be met with existing resources. The Township's contribution for 2017 was \$11,782. The Township maintains a 50% equity interest in Lowries Run, and if Lowries Run were to be liquidated, the Township would receive 50% of the assets. The Township holds an equity interest in Lowries Run valued at \$1,699,456 as of December 31, 2017.

Lowries Run issues separate financial statements, which are available at the McCandless Township Sanitary Authority, 418 Arcadia Drive, Pittsburgh, PA 15237.

Jointly Governed Organization

Girty's Run Joint Sewer Authority

The Township, in conjunction with three other neighboring municipalities, created the Girty's Run Joint Sewer Authority (Authority) to handle the sewer systems and the main trunk line within the Girty's Run Watershed. The governing Board of the Authority is comprised of two representatives from each of the member municipalities. Except for user fees related to the sewer system usage based on the volume of water consumed by individual residents and commercial enterprises within the watershed for each respective municipality, no participant has any obligation, entitlement, or residual interest. The Township's user charges related to the Authority for the year ended December 31, 2017 approximated \$1.13 million. Separate financial statements for the Authority are available at their office.

Related Organization

Ross/West View EMS

Ross/West View EMS (EMS) is a related organization in that a majority of its governing Board is appointed by the Commissioners, without the Township being financially accountable for the organization. The EMS Board is appointed by the Township and operates independently of any ongoing involvement of the Commissioners. Separate financial statements for EMS are available at their office.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

11. Commitments and Contingencies

Various claims and lawsuits are pending against the Township. In the opinion of the Township management and solicitor, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying financial statements.

12. Risk Financing

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

For its workers' compensation insurance coverage, the Township participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 239 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2017 were \$151,056. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant of the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years the Trust purchased excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust. Estimates of any additional assessments are unknown.

**REQUIRED SUPPLEMENTARY
INFORMATION – PENSION
PLAN DISCLOSURES**

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

GENERAL EMPLOYEES PLAN

YEAR ENDED DECEMBER 31,
LAST TEN YEARS*

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 277,674	\$ 263,372	\$ 251,813	\$ 227,147
Interest	706,956	620,108	851,485	634,166
Differences between expected and actual experience	(63,375)	-	-	(273,994)
Changes of assumptions	172,800	-	-	193,321
Benefit payments, including refunds of member contributions	(777,688)	(739,659)	(729,226)	(743,393)
Net Changes in Total Pension Liability	316,367	143,821	374,072	37,247
Total Pension Liability - Beginning	12,064,073	11,920,252	11,546,180	11,508,933
Total Pension Liability - Ending (a)	<u>\$ 12,380,440</u>	<u>\$ 12,064,073</u>	<u>\$ 11,920,252</u>	<u>\$ 11,546,180</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 127,937	\$ 116,216	\$ 136,014	\$ 137,596
Contributions - employee	71,898	70,689	71,032	64,626
Net investment income	1,945,080	1,094,530	256,082	728,928
Benefit payments, including refunds of member contributions	(777,688)	(739,659)	(729,226)	(743,393)
Administrative expense	(16,455)	(13,736)	(16,452)	(14,165)
Net Change in Plan Fiduciary Net Position	1,350,772	528,040	(282,550)	173,592
Plan Fiduciary Net Position - Beginning	12,609,756	12,081,716	12,364,266	12,190,674
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,960,528</u>	<u>\$ 12,609,756</u>	<u>\$ 12,081,716</u>	<u>\$ 12,364,266</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (1,580,088)</u>	<u>\$ (545,683)</u>	<u>\$ (161,464)</u>	<u>\$ (818,086)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>112.76%</u>	<u>104.52%</u>	<u>101.35%</u>	<u>107.09%</u>
Covered Payroll	<u>\$ 2,396,584</u>	<u>\$ 2,407,760</u>	<u>\$ 2,436,936</u>	<u>\$ 2,173,878</u>
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-65.93%	-22.66%	-6.63%	-37.63%

* Until a full 10-year-trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of
required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION -
PENSION PLAN

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

POLICE PLAN

YEAR ENDED DECEMBER 31,
LAST TEN YEARS*

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 670,332	\$ 639,929	\$ 660,409	\$ 622,437
Interest	2,103,443	1,842,212	2,001,996	1,841,562
Differences between expected and actual experience	63,392	-	-	953,980
Changes of assumptions	337,734	-	-	495,132
Benefit payments, including refunds of member contributions	<u>(1,634,440)</u>	<u>(1,591,000)</u>	<u>(1,397,538)</u>	<u>(1,336,336)</u>
Net Changes in Total Pension Liability	1,540,461	891,141	1,264,867	2,576,775
Total Pension Liability - Beginning	<u>28,961,514</u>	<u>28,070,373</u>	<u>26,805,506</u>	<u>24,228,731</u>
Total Pension Liability - Ending (a)	<u>\$ 30,501,975</u>	<u>\$ 28,961,514</u>	<u>\$ 28,070,373</u>	<u>\$ 26,805,506</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 683,268	\$ 697,406	\$ 515,830	\$ 481,920
Contributions - employee	190,998	179,918	203,943	188,318
Net investment income	4,043,078	2,234,305	510,698	1,486,313
Benefit payments, including refunds of member contributions	<u>(1,634,440)</u>	<u>(1,591,000)</u>	<u>(1,397,538)</u>	<u>(1,336,336)</u>
Administrative expense	<u>(29,112)</u>	<u>(22,969)</u>	<u>(25,670)</u>	<u>(24,291)</u>
Net Change in Plan Fiduciary Net Position	3,253,792	1,497,660	(192,737)	795,924
Plan Fiduciary Net Position - Beginning	<u>26,086,754</u>	<u>24,589,094</u>	<u>24,781,831</u>	<u>23,985,907</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 29,340,546</u>	<u>\$ 26,086,754</u>	<u>\$ 24,589,094</u>	<u>\$ 24,781,831</u>
Net Pension Liability - Ending (a-b)	<u>\$ 1,161,429</u>	<u>\$ 2,874,760</u>	<u>\$ 3,481,279</u>	<u>\$ 2,023,675</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>96.19%</u>	<u>90.07%</u>	<u>87.60%</u>	<u>92.45%</u>
Covered Payroll	<u>\$ 3,819,958</u>	<u>\$ 3,960,935</u>	<u>\$ 4,520,503</u>	<u>\$ 4,082,778</u>
Net Pension Liability as a Percentage of Covered Payroll	30.40%	72.58%	77.01%	49.57%

* Until a full 10-year-trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules
of required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION -
PENSION PLAN

SCHEDULES OF TOWNSHIP CONTRIBUTIONS
AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31,
LAST TEN YEARS

GENERAL EMPLOYEES PLAN:

Schedule of Township Contributions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 19,722	\$ 126,243	\$ 124,764	\$ 137,596	\$ 136,014	\$ 116,216	\$ 127,937
Contributions in relation to the actuarially determined contribution	-	-	-	19,722	126,243	124,764	137,596	136,014	116,216	127,937
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,003,220	\$ 1,978,443	\$ 2,092,655	\$ 2,049,070	\$ 1,799,171	\$ 2,176,208	\$ 2,173,878	\$ 2,436,936	\$ 2,407,760	\$ 2,396,584
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.96%	7.02%	5.73%	6.33%	5.58%	4.83%	5.34%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-18.51%	10.47%	11.91%	1.37%	10.73%	19.43%	6.14%	2.13%	9.31%	15.86%

POLICE PLAN:

Schedule of Township Contributions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 366,178	\$ 248,138	\$ 321,840	\$ 331,892	\$ 408,387	\$ 438,037	\$ 481,920	\$ 515,830	\$ 697,406	\$ 683,268
Contributions in relation to the actuarially determined contribution	366,178	248,138	321,840	331,892	408,387	438,037	481,920	515,830	697,406	683,268
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,734,763	\$ 2,754,231	\$ 2,906,073	\$ 3,381,245	\$ 3,661,016	\$ 3,876,727	\$ 4,082,778	\$ 4,520,503	\$ 3,960,935	\$ 3,819,958
Contributions as a percentage of covered payroll	13.39%	9.01%	11.07%	9.82%	11.16%	11.30%	11.80%	11.41%	17.61%	17.89%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-22.33%	14.40%	11.97%	1.46%	10.71%	19.46%	6.33%	2.11%	9.31%	15.88%

See accompanying notes to schedules of
required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2017

Actuarial Methods and Assumptions

The information presented in the required supplementary information – pension plan was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

	<u>General Employees</u>	<u>Police</u>
Actuarial valuation date	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Open
Asset valuation method	Method described in Act 205, Section 210(a), Asset corridor +/- 20%	Method described in Act 205, Section 210(a), Asset corridor +/- 20%
Amortization period	15 years	13 years
Actuarial assumptions:		
Investment rate of return	7.125%	7.125%
Projected salary increases	4.50%	4.50%
Underlying inflation rate	2.50%	2.50%
Cost-of-living adjustments	n/a	2.50%

Benefit Changes

No benefit terms were modified.

Change in Actuarial Assumptions

The following changes were made to the actuarial assumptions used in the 1/1/15 valuation compared to the previous actuarial valuation on 1/1/13. The interest rate for discounting future benefit payments was reduced from 7.50% to 7.25% based on the recommendation of the Plan's investment advisor. The rate of future salary increase was reduced from 5% to 4.50%. The rate of future cost-of-living was reduced to 2.5% from 2.75%. The effect of the assumption changes increased the unfunded actuarial accrued liability by \$495,132 for the Police Plan and \$193,321 for the General Employees Plan.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2017

The following changes were made to the actuarial assumptions used in the 1/1/17 valuation compared to the previous actuarial valuation on 1/1/15. The interest rate for discounting future benefit payments was reduced from 7.25% to 7.125% based on the recommendation of the Plan's investment advisor. In addition, the mortality table was updated from the UP-1994 Mortality Table to the RP-2014 Mortality Table with the blue collar adjustment with no assumption at this time for mortality improvement. The effect of the assumption changes increased the unfunded actuarial accrued liability by \$337,734 for the Police Plan and \$172,800 for the General Employees Plan.

**REQUIRED SUPPLEMENTARY
INFORMATION – POSTEMPLOYMENT
BENEFITS OTHER THAN PENSION
BENEFITS (OPEBS) DISCLOSURES**

ROSS TOWNSHIP, PENNSYLVANIA

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess (Deficiency) as a Percentage of Covered Payroll</u>
1/1/2011	\$ -	\$ 567,018	\$ (567,018)	0%	\$ 3,191,450	-17.8%
1/1/2013	-	543,793	(543,793)	0%	3,661,016	-14.9%
1/1/2015	-	545,972	(545,972)	0%	4,063,149	-13.4%

ROSS TOWNSHIP, PENNSYLVANIA

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED DECEMBER 31, 2017

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

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.00%
Mortality	RP2014 Blue Collar

SUPPLEMENTARY INFORMATION

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 14,235,000	\$ 14,235,000	\$ 14,564,884	\$ 329,884
Licenses and permits	1,224,200	1,224,200	1,570,639	346,439
Fines and forfeits	145,480	145,480	113,980	(31,500)
Interest, rent, and royalties	13,500	13,500	52,181	38,681
Intergovernmental	765,754	765,754	780,236	14,482
Charges for services	674,720	674,720	989,638	314,918
Miscellaneous	180,000	180,000	264,833	84,833
Total revenues	<u>17,238,654</u>	<u>17,238,654</u>	<u>18,336,391</u>	<u>1,097,737</u>
Expenditures:				
Current:				
General government	1,873,793	1,873,793	1,548,459	325,334
Public safety	7,757,137	7,757,137	7,529,342	227,795
Fire and building inspection	1,750,726	1,750,726	1,658,863	91,863
Highways, roads, and streets	4,415,513	4,415,513	5,015,743	(600,230)
Sanitation	12,000	12,000	21,308	(9,308)
Parks and recreation	603,690	603,690	522,675	81,015
Library	478,954	478,954	482,410	(3,456)
Senior citizen services	45,000	45,000	45,000	-
Miscellaneous	251,125	251,125	243,736	7,389
Debt service	659,078	659,078	659,078	-
Total expenditures	<u>17,847,016</u>	<u>17,847,016</u>	<u>17,726,614</u>	<u>120,402</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(608,362)</u>	<u>(608,362)</u>	<u>609,777</u>	<u>1,218,139</u>
Other Financing Sources (Uses):				
Proceeds from capital lease	-	-	236,084	236,084
Transfers in	1,331,700	1,331,700	1,403,324	71,624
Transfers out	(2,150,000)	(2,150,000)	(2,565,386)	(415,386)
Total other financing sources (uses)	<u>(818,300)</u>	<u>(818,300)</u>	<u>(925,978)</u>	<u>(107,678)</u>
Net Change in Fund Balance	<u>\$ (1,426,662)</u>	<u>\$ (1,426,662)</u>	<u>(316,201)</u>	<u>\$ 1,110,461</u>
Fund Balance:				
Beginning of year			<u>10,600,980</u>	
End of year			<u>\$ 10,284,779</u>	

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER FUND

YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ 2,000	\$ 2,000	\$ 14,941	\$ 12,941
Charges for services	9,661,000	9,661,000	9,514,774	(146,226)
Total revenues	9,663,000	9,663,000	9,529,715	(133,285)
Expenditures:				
Sanitation	10,037,714	10,037,714	8,437,051	1,600,663
Excess (Deficiency) of Revenues over Expenditures	(374,714)	(374,714)	1,092,664	1,467,378
Other Financing Sources (Uses):				
Transfers out	(450,000)	(450,000)	(450,000)	-
Net Change in Fund Balance	\$ (824,714)	\$ (824,714)	642,664	\$ 1,467,378
Fund Balance:				
Beginning of year			4,166,800	
End of year			\$ 4,809,464	

ROSS TOWNSHIP, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2017

	Liquid Fuels Fund	Sidewalks Fund	Total
Assets			
Cash and cash equivalents	\$ 130,231	\$ 9,245	\$ 139,476
Total Assets	\$ 130,231	\$ 9,245	\$ 139,476
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Fund Balance:			
Restricted:			
Highways and streets	\$ 130,231	\$ -	\$ 130,231
Sidewalks	-	9,245	9,245
Total Fund Balance	130,231	9,245	139,476
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 130,231	\$ 9,245	\$ 139,476

ROSS TOWNSHIP, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2017

	Liquid Fuels Fund	Sidewalks Fund	Total
Revenues:			
Interest, rent, and royalties	\$ 7,717	\$ 28	\$ 7,745
Intergovernmental	900,069	-	900,069
 Total revenues	907,786	28	907,814
Excess (Deficiency) of Revenues over Expenditures	907,786	28	907,814
Other Financing Sources (Uses):			
Transfers in (out)	(953,324)	-	(953,324)
Net Change in Fund Balance	(45,538)	28	(45,510)
Fund Balance:			
Beginning of year	175,769	9,217	184,986
End of year	\$ 130,231	\$ 9,245	\$ 139,476