

WASHINGTON TOWNSHIP

FINANCIAL REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Washington Township
Waynesboro, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Township, Franklin County, Pennsylvania (the Township), which comprise the governmental activities, each major fund, aggregate remaining fund information, and the budgetary comparison, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Washington Township's primary government 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township, Pennsylvania, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the major governmental funds for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

The financial statements referred to above include only the primary government of Washington Township, Franklin County, Pennsylvania, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally-separate, component unit, which accounting principles generally accepted in the United States of America, as applied to the Township's modified cash basis of accounting, require to be reported with the financial data of the Township's primary government. As a result, the primary-government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Washington Township, Franklin County, Pennsylvania as of December 31, 2017, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with the basis of accounting described in Note 1.

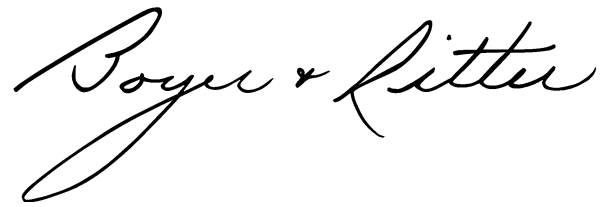
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Township's basic financial statements. The schedules and related notes listed in the table of contents as other information and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The pension schedules and related notes, listed in the table of contents as other information, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania
July 5, 2018

WASHINGTON TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,767,845
Investments	12,000
Capital assets	
Land and historical artifacts	2,766,673
Other capital assets, net of depreciation	14,824,180
Total assets	<u>19,370,698</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on pension liability	<u>503,048</u>
Total assets and deferred outflows of resources	<u><u>\$ 19,873,746</u></u>
LIABILITIES	
Payroll tax withholdings	\$ 980
Due to others	181,520
Long-term liabilities:	
Due within 1 year	133,000
Due in more than 1 year	2,118,204
Total liabilities	<u>2,433,704</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on pension liability	<u>475,248</u>
NET POSITION	
Net investment in capital assets	16,520,460
Restricted for	
Capital improvements	459,606
Specified purposes	696,236
Unrestricted	(711,508)
Total net position	<u>16,964,794</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 19,873,746</u></u>

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
General government	\$ 1,847,275	\$ 239,946	\$ 141,522	\$ -	\$ (1,465,807)
Public safety	1,241,993	126,546	107,809	3,313	(1,004,325)
Health and human services	3,647	-	-	-	(3,647)
Public works	2,523,011	1,043,556	578,821	1,369,047	468,413
Culture and recreation	194,015	13,708	5,946	146,026	(28,335)
Interest on long-term debt	28,454	-	-	-	(28,454)
Total governmental activities	\$ 5,838,395	\$ 1,423,756	\$ 834,098	\$ 1,518,386	(2,062,155)
General Revenues					
Property taxes					910,986
Local-enabling act taxes					1,978,732
Investment income					6,588
Miscellaneous income					16,415
Gain on sale of capital assets					68,216
Refund of prior year expenditures					56,639
Total general revenues					3,037,576
Change in net position					975,421
Net Position:					
January 1, 2017					15,989,373
December 31, 2017					\$ 16,964,794

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
December 31, 2017

	General Fund	Capital Projects Fund	Highway Aid Fund
ASSETS			
Cash and cash equivalents	\$ 442,483	\$ 452,616	\$ 318,554
Investments	-	12,000	-
Total assets	<u>\$ 442,483</u>	<u>\$ 464,616</u>	<u>\$ 318,554</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll tax withholdings	\$ 980	\$ -	\$ -
Due to others	-	5,010	-
Total liabilities	<u>980</u>	<u>5,010</u>	<u>-</u>
Fund Balances			
Restricted for			
Capital improvements	-	459,606	-
Specified purposes	-	-	318,554
Unassigned	441,503	-	-
Total fund balances	<u>441,503</u>	<u>459,606</u>	<u>318,554</u>
Total liabilities and fund balances	<u>\$ 442,483</u>	<u>\$ 464,616</u>	<u>\$ 318,554</u>

See Notes to Financial Statements.

Washington Township Boulevard Fund	Developer's Escrow Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 174,450	\$ 196,241	\$ 183,501	\$ 1,767,845
-	-	-	12,000
<u>\$ 174,450</u>	<u>\$ 196,241</u>	<u>\$ 183,501</u>	<u>\$ 1,779,845</u>
\$ -	\$ -	\$ -	\$ 980
-	176,510	-	181,520
<u>-</u>	<u>176,510</u>	<u>-</u>	<u>182,500</u>
-	-	-	459,606
174,450	19,731	183,501	696,236
-	-	-	441,503
<u>174,450</u>	<u>19,731</u>	<u>183,501</u>	<u>1,597,345</u>
<u>\$ 174,450</u>	<u>\$ 196,241</u>	<u>\$ 183,501</u>	<u>\$ 1,779,845</u>

WASHINGTON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET - MODIFIED
CASH BASIS TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2017**

Total fund balances - governmental funds	\$ 1,597,345
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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, they are not reported as assets in the governmental funds. The cost of capital assets is \$26,459,812, and the related accumulated depreciation is \$8,868,959.

	17,590,853
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Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, they are not reported within the funds. Deferred inflows and outflows related to pensions are as follows:

Deferred outflows	503,048
Deferred inflows	(475,248)

Long-term liabilities are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Note payable	(1,070,393)
Net pension liability	(1,180,811)

Total net position - governmental activities	\$ 16,964,794
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See Notes to Financial Statements.

WASHINGTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

Year Ended December 31, 2017

	General Fund	Capital Projects Fund	Highway Aid Fund
Revenues			
Taxes	\$ 2,881,642	\$ -	\$ -
Licenses and permits	137,466	-	-
Fines	75,150	1,095	-
Investment income	2,540	1,613	1,156
Rents	31,611	-	-
Intergovernmental revenue	341,518	90,213	548,848
Charges for services	1,051,996	-	-
Assessments	-	-	-
Contributions	90	6,197	-
Miscellaneous income	16,114	291	10
Total revenues	4,538,127	99,409	550,014
Expenditures			
General government	487,871	24	-
Public safety	1,191,121	-	-
Health and human services	3,647	-	-
Public works - sanitation	858,240	81,396	-
Public works - highways and streets	283,002	12,730	399,586
Public works - other	178,276	-	-
Culture and recreation	155,463	111,951	-
Employer paid benefits and withholdings	1,299,093	-	-
Insurance	106,350	-	-
Debt service	100,000	-	-
Total expenditures	4,663,063	206,101	399,586
Excess (deficiency) of revenues over expenditures	(124,936)	(106,692)	150,428
Other Financing Sources (Uses)			
Refund of prior year expenditures	56,639	-	-
Operating transfers in	624	25,000	-
Operating transfers out	(25,000)	-	(624)
Debt proceeds	-	-	-
Proceeds from sales of assets	2,321	76,227	-
Total other financing sources (uses)	34,584	101,227	(624)
Net changes in fund balances	(90,352)	(5,465)	149,804
Fund Balances - January 1, 2017	531,855	465,071	168,750
Fund Balances - December 31, 2017	\$ 441,503	\$ 459,606	\$ 318,554

See Notes to Financial Statements.

Washington Township Boulevard Fund	Developer's Escrow Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,881,642
-	-	-	137,466
-	-	-	76,245
13	682	584	6,588
-	-	-	31,611
652,499	-	-	1,633,078
-	-	554	1,052,550
-	-	45,565	45,565
-	-	4,648	10,935
-	-	-	16,415
652,512	682	51,351	5,892,095
-	-	-	487,895
-	-	-	1,191,121
-	-	-	3,647
-	-	-	939,636
747,135	12	31,307	1,473,772
-	-	-	178,276
-	-	3,427	270,841
-	-	-	1,299,093
-	-	-	106,350
55,454	-	-	155,454
802,589	12	34,734	6,106,085
(150,077)	670	16,617	(213,990)
-	-	-	56,639
-	-	-	25,624
-	-	-	(25,624)
150,000	-	-	150,000
-	-	-	78,548
150,000	-	-	285,187
(77)	670	16,617	71,197
174,527	19,061	166,884	1,526,148
\$ 174,450	\$ 19,731	\$ 183,501	\$ 1,597,345

WASHINGTON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH
BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

Year Ended December 31, 2017

Net changes in fund balances - governmental funds	\$	71,197
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the period.

Capital outlays	1,117,842	
Less depreciation expense	<u>(1,028,434)</u>	89,408

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, internal equipment rentals, and payroll expenses) is to increase net assets.	825,350
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The changes in net pension liability, and deferred outflows and inflows related to pensions do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds but are expenses reported in the Statement of Activities.	12,466
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The issuance of long-term debt provides current, financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current, financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	127,000	
Issuance of long-term debt	<u>(150,000)</u>	<u>(23,000)</u>

Total change in net position - governmental activities	\$	<u><u>975,421</u></u>
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See Notes to Financial Statements.

WASHINGTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Year Ended December 31, 2017

	General Fund			Capital Projects Fund		
	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget	Original and Final	Actual	Final Budget
Revenues						
Taxes	\$ 2,677,000	\$ 2,881,642	\$ 204,642	\$ -	\$ -	\$ -
Licenses and permits	121,300	137,466	16,166	-	-	-
Fines	83,500	75,150	(8,350)	-	1,095	1,095
Investment income	3,000	2,540	(460)	1,600	1,613	13
Rents	101,800	31,611	(70,189)	-	-	-
Intergovernmental revenue	336,600	341,518	4,918	66,400	90,213	23,813
Charges for services	958,700	1,051,996	93,296	-	-	-
Contributions	-	90	90	1,000	6,197	5,197
Miscellaneous income	8,600	16,114	7,514	-	291	291
Total revenues	4,290,500	4,538,127	247,627	69,000	99,409	30,409
Expenditures						
General government	535,850	487,871	47,979	213,411	24	213,387
Public safety	1,413,350	1,191,121	222,229	73,981	-	73,981
Health and human services	3,000	3,647	(647)	-	-	-
Public works - sanitation	742,350	858,240	(115,890)	61,103	81,396	(20,293)
Public works - highway and streets	326,900	283,002	43,898	83,242	12,730	70,512
Public works - other	70,000	178,276	(108,276)	-	-	-
Culture and recreation	138,650	155,463	(16,813)	62,337	111,951	(49,614)
Community development	5,000	-	5,000	66,994	-	66,994
Employer-paid benefits and withholdings	1,457,100	1,299,093	158,007	4,832	-	4,832
Insurance	106,000	106,350	(350)	-	-	-
Debt service	100,000	100,000	-	-	-	-
Total expenditures	4,898,200	4,663,063	235,137	565,900	206,101	359,799
Excess (deficiency) of revenues over expenditures	(607,700)	(124,936)	482,764	(496,900)	(106,692)	390,208
Other Financing Sources (Uses)						
Refund of prior year expenditures	25,500	56,639	31,139	-	-	-
Operating transfers in	100,000	624	(99,376)	25,000	25,000	-
Operating transfers out	-	(25,000)	(25,000)	-	-	-
Debt proceeds	-	-	-	-	-	-
Proceeds from sales of assets	4,000	2,321	(1,679)	-	76,227	76,227
Total other financing sources (uses)	129,500	34,584	(94,916)	25,000	101,227	76,227
Net changes in fund balances	\$ (478,200)	(90,352)	\$ 387,848	\$ (471,900)	(5,465)	\$ 466,435
Fund Balances - January 1, 2017		531,855			465,071	
Fund Balances - December 31, 2017		\$ 441,503			\$ 459,606	

See Notes to Financial Statements.

Highway Aid Fund			Washington Township Boulevard Fund			Developer's Escrow Fund		
Budgeted Amounts		Variance with	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with
Original and Final	Actual	Final Budget	Original and Final	Actual	Final Budget	Original and Final	Actual	Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,085	1,156	71	-	13	13	700	682	(18)
-	-	-	-	-	-	-	-	-
530,315	548,848	18,533	920,500	652,499	(268,001)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	10	10	-	-	-	3,900	-	(3,900)
<u>531,400</u>	<u>550,014</u>	<u>18,614</u>	<u>920,500</u>	<u>652,512</u>	<u>(267,988)</u>	<u>4,600</u>	<u>682</u>	<u>(3,918)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
704,900	399,586	305,314	1,360,500	747,135	613,365	-	12	(12)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	200,000	-	200,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	55,454	(55,454)	-	-	-
<u>704,900</u>	<u>399,586</u>	<u>305,314</u>	<u>1,360,500</u>	<u>802,589</u>	<u>557,911</u>	<u>200,000</u>	<u>12</u>	<u>199,988</u>
(173,500)	150,428	323,928	(440,000)	(150,077)	289,923	(195,400)	670	196,070
-	-	-	-	-	-	-	-	-
-	-	-	350,000	-	(350,000)	-	-	-
-	(624)	(624)	-	-	-	-	-	-
-	-	-	-	150,000	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(624)	(624)	350,000	150,000	(200,000)	-	-	-
<u>\$ (173,500)</u>	<u>149,804</u>	<u>\$ 323,304</u>	<u>\$ (90,000)</u>	<u>(77)</u>	<u>\$ 89,923</u>	<u>\$ (195,400)</u>	<u>670</u>	<u>\$ 196,070</u>
	<u>168,750</u>			<u>174,527</u>		<u>19,061</u>		
	<u>\$ 318,554</u>			<u>\$ 174,450</u>		<u>\$ 19,731</u>		

WASHINGTON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS

December 31, 2017

	Pensions	
	Police	Non-Uniformed
ASSETS		
Cash and cash equivalents	\$ 3,392	\$ 1,169
Investments	4,584,033	785,676
Total assets	\$ 4,587,425	\$ 786,845
NET POSITION		
Reserved for:		
Police pension trust fund	\$ 4,587,425	\$ -
Non-Uniformed pension trust fund	-	786,845
Total net position	\$ 4,587,425	\$ 786,845

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
 Year Ended December 31, 2017

	Pensions	
	Police	Non-Uniformed
Additions		
Contributions		
Employer	\$ 80,310	\$ 59,722
State aid	133,059	-
Investment gain	555,209	151,091
Total additions	768,578	210,813
Deductions		
Benefits and claims	238,648	366,783
Administrative expenses	55,874	6,552
Total deductions	294,522	373,335
Changes in net position	474,056	(162,522)
Net Position:		
January 1, 2017	4,113,369	949,367
December 31, 2017	\$ 4,587,425	\$ 786,845

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Washington Township (Township) operates under a Board-Manager form of government and provides the following services as authorized by the Township Code: Public Safety, Public Works, Health and Human Services, Culture and Recreation, Community Development, and General Government Administrative Services.

The financial statements present the primary government of Washington Township and do not include Washington Township Municipal Authority, which represents the only, identifiable, component unit.

The financial statements of the Township have been prepared in conformity with the modified cash basis of accounting as applied to governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the authoritative, standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally-separate organizations if the primary government's officials appoint a voting majority of an organization's governing body, and the primary government is either able to impose its will on that organization or potential exists for the organization to provide specific, financial benefits to, or to impose specific, financial burdens on, the primary government.

A primary government can impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial-benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued):

Based on the application of the above criteria, the Washington Township Municipal Authority (Authority) is a component unit of the Township, and should be, but is not, included in the Township's financial statements. Washington Township Municipal Authority was formed by Washington Township for the primary purpose of operating the Township's sewage and water systems. Washington Township Supervisors appoint the members of Washington Township Municipal Authority for five-year terms and set their salaries in accordance with Pennsylvania Law. The Township guarantees the principal and interest payments of the Authority's debt. A separate audit has been prepared for the Authority and a complete set of financial statements can be obtained at the Township's office. The Authority operates on a fiscal year ending October 31.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government, as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township reports no business-type activities.

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

Fund Financial Statements:

Separate, fund financial statements are provided in the report for all of the governmental and fiduciary funds of the Township, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund-type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The government-wide Statement of Net Position and Statement of Activities are prepared using the “economic-resources” measurement focus, as applied to the modified cash basis of accounting. This approach differs from the focus applied to the governmental fund financial statements, and therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide and governmental fund statements.

Governmental fund financial statements are reported using the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Revenue is recognized when received. Expenditures generally are recorded when paid.

The Township’s policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. GAAP. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions and differs from U.S. GAAP in the following significant respects: certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the U.S. GAAP, the fund financial statements for the governmental funds would be prepared using the modified accrual basis of accounting, while the fund financial statements for the fiduciary funds would be prepared using the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

The Township reports the following major, governmental funds:

General Fund - The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major, capital facilities or equipment.

Highway Aid Fund - The Highway Aid Fund accounts for funds distributed by the state from the collection of the liquid fuels tax. These funds may only be expended on road and street work as authorized by the Department of Transportation.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The Township reports the following major, governmental funds (continued):

Washington Township Boulevard Fund - The Washington Township Boulevard Fund accounts for resources which are to be used for the development and construction of Washington Township Boulevard.

Developer's Escrow Fund - The Developer's Escrow Fund is used to account for escrow deposits held by the Township for private-development projects.

Additionally, the Township reports the following non-major governmental funds:

Drug Enforcement Fund - The Drug Enforcement Fund provides for the accountability of funds related to the on-going struggle against drugs in the community.

Train Fund - The Train Fund accounts for funds related to general expenses and maintenance of recreational facilities.

Impact Fee Fund - The Impact Fee Fund accounts for assessments collected from businesses which are expected to benefit from the Washington Township By-pass.

Traffic Light Escrow Fund - The Traffic Light Escrow Fund accounts for funds that are to be used for construction of a traffic light at the ECHO Development Intersection.

Recreation Fee Fund - The Recreation Fee Fund provides for the development of parks and recreation through fees charged on new lots being developed.

Commonwealth Grant One Fund, Commonwealth Grant Two Fund and Commonwealth Grant Three Fund - The Commonwealth Grant Funds account for revenues and expenditures of various grants received from the Commonwealth of Pennsylvania for general government, public works and community and recreational projects.

Storm Water Fund - The Storm Water Fund accounts for funds that are used to establish storm-water basins in newly developed sections of the Township.

Happel's Meadow Fund - The Happel's Meadow Fund accounts for resources related to the preservation of the Happel's Meadow Wetlands.

Battle of Monterey Pass Fund - The Battle of Monterey Pass Fund accounts for the collections of contributions received for projects related to the Battle of Monterey Pass Land.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fiduciary fund reporting focuses on net position and changes in net position and is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments, and are therefore, not available to support the Township's programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township has no investment trust, private-purpose trust, or agency funds, but reports the following pension trust funds:

Police Pension - The Police Pension Fund accounts for activities of the Township's single-employer, defined-benefit pension plan, which covers all full-time police employees, and accumulates resources for pension-benefit payments to qualified employees.

Non-Uniformed Employees' Pension - The Non-Uniformed Employees' Pension Fund accounts for activities of the Township's single-employer, defined-contribution pension plan, which covers the Township's full-time, non-uniformed employees, and accumulates resources for pension-benefit payments to qualified employees.

Generally, inter-fund activity has been eliminated from the government-wide financial statements.

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: The Board of Supervisors adopts annual, cash-basis budgets for the funds of the Township. All annual appropriations lapse at year-end and must be re-appropriated. There were no budget revisions during the year.

Cash and Cash Equivalents: The Township considers all highly-liquid investments, including restricted assets, with maturities of three (3) months or less when purchased to be cash equivalents.

Investments: Investments are recorded at fair value. Unrealized appreciation and depreciation due to changes in the fair values of such investments are recognized annually.

Capital Assets: Governmental fund capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All purchased capital assets are valued at cost when historical records are available and at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market values on the dates donated. The costs of normal maintenance and repairs that do not add to the values of capital assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation of property, plant and equipment is computed using the straight-line method.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Infrastructure Assets: As permitted by the provisions of GASB Statement No. 34, the Township has not capitalized and depreciated general, infrastructure assets used in its governmental activities and acquired prior to January 1, 2004.

Deferred Outflows of Resources - Pensions: The Township recognizes as deferred outflows of resources the differences between expected and actual experience, changes in assumptions, net differences between projected and actual earnings on pension plan investments, and plan contributions paid subsequent to the measurement date of December 31, 2016. These amounts are amortized over the average-remaining, service lives of active and inactive members.

Deferred Inflows of Resources - Pensions: The Township recognizes as deferred inflows of resources differences between expected and actual experience, changes in assumptions, and net differences between projected and actual earnings on pension plan investments. These amounts are amortized over the average-remaining, service lives of active and inactive members.

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 are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are adjusted for applicable bond premiums and discounts.

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" while discounts on debt issuances are reported as "other financing uses". Issuance costs, either withheld or not withheld from debt proceeds received, are reported as debt-service expenditures.

Compensated Absences: Township employees are granted vacation, personal, compensatory and sick leave in varying amounts. If terminated, uniformed employees, covered by the police collective-bargaining agreement, are reimbursed in full for all accumulated vacation, personal, and compensatory time. Additionally, in the event of full retirement or disability/death in the line of duty, 25% of accumulated sick time is reimbursed. Personal and compensatory time may only be accumulated to a maximum of 104 hours and 40 hours, respectively. Non-uniformed employees are not permitted to carryover personal time into the next fiscal year and forfeit all accumulated, sick time at termination. Only salaried employees are permitted to carryover vacation time and are reimbursed for accumulated, vacation time upon termination. As of December 31, 2017, the Township's total liability for compensated absences was \$104,309.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fund Balance:

The Township's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of Supervisors, the Township's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to use these amounts for specific purposes but are neither restricted nor committed. Through Board Policy, the Board has delegated the authority to express intent to the Township Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Interfund Transactions: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Pension Plans: The Township has established a single-employer, defined-benefit Police Pension Plan and a single-employer, defined-contribution Non-Uniformed Employees' Pension Plan for the benefit of substantially all full-time employees.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated, useful lives in determining depreciation expense). Accordingly, actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosures through July 5, 2018, the date the financial statements were available to be issued.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 2. Legal Compliance - Budgets

The Township utilizes the following procedures to establish the budgetary data reflected in the financial statements:

1. During October, the Township staff prepares preliminary budgets for all funds. The operating budgets include proposed expenditures and revenue.
2. During November, the Board of Supervisors approves the preliminary budgets and makes them available to the public. A notice that the preliminary budgets are available for inspection is published in the local newspaper and posted in the Township Office and on the Township's website for a minimum of 20 days.
3. At the regular meeting in December, the Township entertains public comments, after which the budgets are legally adopted through passage of a resolution.
4. All budget revisions require the approval of the Board of Supervisors.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

Under statutes, the Township is permitted to invest funds, consistent with sound, business practices, in the following types of investments:

- United States Treasury Bills;
- Short-term obligations of the Federal Government or its agencies or instrumentalities;
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), the Pennsylvania Deposit Insurance Corporation (PDIC) or the Pennsylvania Savings Association Insurance Corporation (PSAIC), or their successor agencies, to the extent that the accounts are so insured, and for any amounts above insured maximums, if approved collateral is pledged by the depository;
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full-faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full-faith and credit of the Commonwealth or of any political subdivisions of the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the political subdivisions;
- Shares of an investment company registered under the Investment Company Act of 1940, shares of which are registered under the Securities Act of 1933, if the only investments of that company are in the authorized investments for township funds listed in the above categories;
- Certificates of deposit purchased from institutions insured by the FDIC, the NCUSIF, the PDIC or the PSAIC, or their successor agencies, to the extent that the accounts are so insured. However, for any amounts above the insured maximums, the certificates of deposit shall be secured by a pledge or assignment of assets of the institutions, and the collateral may include loans, including interest in pools of loans, secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to amounts equal to 20% of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to amounts equal to 20% of institutions' assets minus liabilities; and
- Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries investments) and limited to investments for any pension or retirement fund.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

The deposit and investment policies of the Township adhere to state statutes and prudent, business practices. There were no deposit or investment transactions during the year that violated either state statutes or Township Policies.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the Township's investments may not be returned to it. A summary of the Township's deposits, which include certificates of deposit at December 31, 2017, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC Insured	\$ 250,000	\$ 250,000	BB&T
FDIC Insured	328,294	329,625	F&M Trust/ICS
Uninsured and collateralized by assets maintained in conformity with Act 72	1,206,112	1,303,144	
	<u>\$ 1,784,406</u>	<u>\$ 1,882,769</u>	

All deposits of the Township are either insured or collateralized. All deposits that exceed FDIC coverage are collateralized under the Pooling Method which is a collateral pool. Accordingly, all uninsured deposits are collateralized with securities maintained in conformity with Act 72 of 1971. Act 72 of 1971 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgors of the assets. The Township has no policy regarding custodial-credit risk for deposits.

Investments

The Township's investments consist solely of investments held for pensions. See Notes 8 and 9 for investment information of the Police and Non-Uniformed Employees' Pension Plans.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 4. Property Taxes and Tax Abatements

Property taxes are levied on March 1. Taxes are collected at discounts until April 30, at face amounts from May 1 through June 30, and include penalties thereafter. The taxes are billed by Franklin County and are collected by a local, elected tax collector. After December 31, the bills are considered delinquent and are turned over to the Franklin County Tax Claim Bureau for collection. The Township's real estate tax rate for 2017 was 6.4 mills (\$6.40 per \$1,000 assessed valuation). The assessed value upon which the 2017 levy was based was \$141,091,810. Current tax collections for the year ended December 31, 2017, were 96.91% of the tax levy.

The Township is a local taxing authority, authorized by the Local Economic Revitalization Tax Assistance Act (LERTA), of December 1, 1977, to provide property-tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial and other business properties. Resolution No. 557, effective April 1, 2013, adopted the LERTA Program. Exhibit A of Resolution No. 557 provides a map of the eligible properties in the Township. Through the LERTA Program, eligible properties will pay no new property taxes on the improvements during the first year. Each following year, the tax will increase by 10% until reaching 100% in year 10. For the year ended December 31, 2017, the Township had two properties participating in the LERTA Program. Both properties were in year two (10% tax), and abated property taxes totaled \$2,854.

Note 5. Interfund Receivables, Payables and Transfers

There were no individual fund receivable and payable balances at December 31, 2017.

Operating transfers between funds at December 31, 2017, were as follows:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 624	\$ 25,000
Capital Projects Fund	25,000	-
Highway Aid Fund	-	624
	<u>\$ 25,624</u>	<u>\$ 25,624</u>

Transfers and payments within the Township are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt-service on a routine basis. Resources are accumulated in funds to support and simplify the administration of various projects or programs.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Property, Plant and Equipment

Governmental fund, capital assets, which include property, plant and equipment; and infrastructure assets, are reported in the governmental column in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated, useful life exceeding two years. Such assets are recorded at historical cost or estimated, historical cost if purchased or constructed. Donated, capital assets are recorded at their estimated, fair market values at the dates of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets is included as part of the capitalized values of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30-75
Public Domain Infrastructure	20
Vehicles and Equipment	5-30
Land Improvements	20-40

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Property, Plant and Equipment (Continued)

Capital asset activity for the year ended December 31, 2017, and a summary of capital asset balances as of December 31, 2017, are as follows:

Governmental Activities	Balances			Balances
	January 1, 2017	Increases	Decreases	December 31, 2017
Capital assets not being depreciated				
Land	\$ 2,741,673	\$ -	\$ -	\$ 2,741,673
Historical artifacts	25,000	-	-	25,000
Total capital assets not being depreciated	<u>2,766,673</u>	-	-	<u>2,766,673</u>
Capital assets being depreciated				
Land improvements	555,990	204,098	-	760,088
Buildings and improvements	2,437,987	625,388	-	3,063,375
Machinery and equipment	3,770,078	194,786	(178,567)	3,786,297
Infrastructure	15,154,127	929,252	-	16,083,379
Total capital assets being depreciated	<u>21,918,182</u>	<u>1,953,524</u>	<u>(178,567)</u>	<u>23,693,139</u>
Less accumulated depreciation for:				
Land improvements	(243,005)	(29,985)	-	(272,990)
Buildings and improvements	(1,454,893)	(61,629)	-	(1,516,522)
Machinery and equipment	(2,643,178)	(187,845)	168,235	(2,662,788)
Infrastructure	(3,667,684)	(748,975)	-	(4,416,659)
Total accumulated depreciation	<u>(8,008,760)</u>	<u>(1,028,434)</u>	<u>168,235</u>	<u>(8,868,959)</u>
Total capital assets being depreciated, net	<u>13,909,422</u>	<u>925,090</u>	<u>(10,332)</u>	<u>14,824,180</u>
Governmental Activities, Capital Assets, Net	<u>\$ 16,676,095</u>	<u>\$ 925,090</u>	<u>\$ (10,332)</u>	<u>\$ 17,590,853</u>

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

	Amount
Governmental Activities:	
General government	\$ 15,977
Public safety	50,872
Public works	893,671
Culture and recreation	67,914
Total depreciation expense - governmental activities	<u>\$ 1,028,434</u>

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

A summary of the Township's long-term obligations as of December 31, 2017, and transactions during the year then ended follows:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017	Due Within One Year
General Obligation Note					
Series 2016	\$ 1,047,393	\$ 150,000	\$ (127,000)	\$ 1,070,393	\$ 133,000
Net Pension Liability	1,673,079	(492,268)	-	1,180,811	-
	<u>\$ 2,720,472</u>	<u>\$ (342,268)</u>	<u>\$ (127,000)</u>	<u>\$ 2,251,204</u>	<u>\$ 133,000</u>

General Obligation Note, Series 2016 - On July 5, 2016, the Township obtained financing through Farmers & Merchants Trust Company in the principal amount of \$2,400,000. This facility matures on December 1, 2031, and bears interest at an annual, fixed rate of 2.38%. The proceeds were applied to the refunding the General Obligation Note, Series 2011, and to assist in funding the completion of Washington Township Boulevard. A total of \$1,147,393 was drawn on the loan during 2016, which was used to refund the General Obligation Note, Series 2011. The additional funds available can be drawn down at any time to help fund the completion of Washington Township Boulevard. \$150,000 was drawn on the note in 2017. Due to the partial drawdown of funds at issuance of the note, the current debt will be repaid by December 2025. Interest paid on the note during the year ended December 31, 2017, was \$28,454.

The minimum, debt-service requirements through maturity for this obligation are as follow:

Year	Principal to Maturity	Interest to Maturity	Debt Service Payments
2018	\$ 133,000	\$ 25,602	\$ 158,602
2019	135,000	22,421	157,421
2020	138,000	19,192	157,192
2021	142,000	15,891	157,891
2022	145,000	12,495	157,495
2023-2025	377,393	16,293	393,686
	<u>\$ 1,070,393</u>	<u>\$ 111,894</u>	<u>\$ 1,182,287</u>

All debt outstanding at December 31, 2017, is general obligation debt supported by the full faith and credit of the Township. Although the Township has not pledged specific revenues for the payment of debt-service, the Township expects to utilize impact-fee revenues as its principal source of funds to pay this obligation's debt-service, supplemented by funds held in the Capital Reserve and General Funds.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan

The Washington Township Police Pension Plan is a single-employer, defined-benefit pension plan which covers all full-time, police employees upon date of hire. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries pursuant to Act 600 of 1956, as amended. The Plan is controlled by the provisions of Ordinance No. 177, effective January 1, 2004, amended and restated; Ordinances No. 218, 233 and 236; and the terms of the Collective Bargaining Agreement. The Plan is governed by the Washington Township Board of Supervisors, which may amend plan provisions, and which is responsible for management of the Plan's assets. The Township has delegated authority to manage certain assets to the Plan's investment consultant, Ferrara Kampstra. Unless otherwise indicated, Plan information is provided as of the latest actuarial valuation dated January 1, 2017. Actuarial valuations are performed every two years.

Plan Membership

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

	Police Pension Plan
Active members	7
Terminated participants with deferred benefits	1
Retirees and beneficiaries receiving benefits (including DROP members)	7
	<u>15</u>

The following is a summary of benefit provisions:

Eligibility Requirements:

Normal: First day of the month after a member turns age 50 and completes 25 years of vesting service.

Early: N/A

Vesting: 100% vested in accrued benefits after the completion of 12 years of service and filing written notice of intention to vest within 90 days of termination of employment.

Retirement Benefit Formula:

Sum of (a) and (b) below:

(a) 50% of average compensation.

(b) 2% of average compensation per month for each completed year of benefit service in excess of 25, up to a maximum-service increment of \$100 per month.

Late Retirement Benefit:

If a member continues to work beyond his normal retirement date, he will be eligible to receive his accrued pension payable at his late, retirement date.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

The following is a summary of benefit provisions (Continued):

DROP Benefit:	A member is eligible to enter the DROP Program on or after his normal, retirement date. Upon entering the DROP Program, the member's retirement benefit is frozen, and his retirement benefit payments will be credited with interest at 3% per year and paid to the participant in a lump sum at his actual retirement, in addition to his monthly, pension payments. The maximum period of participation in the DROP Program is 60 months, and elections to enter are irrevocable.
Postretirement:	
Cost-of-Living Increase:	Members are eligible to receive an annual cost-of-living adjustment effective each January 1 after retirement, based on the increase in the Consumer Price Index during the 12 months ended the prior September, with the following limitations: (a) the total cost-of-living increase cannot exceed the lesser of 30% of the initial pension payable at retirement or the increase in the Consumer Price Index since the member's retirement date, (b) the total pension payable may not exceed 75% of the average salary used to determine his retirement benefit, and (c) no cost-of-living increase will be granted that will impair the actuarial soundness of the Plan. The increase is applied to the member's original monthly pension, net of any service increment.
Death Benefit:	
Eligible for Retirement	Surviving spouse or eligible child will receive a pension equal to 50% of the pension the member would have received had he been retired at the time of his death.
Not Eligible for Retirement	Surviving spouse or eligible child will receive a pension payable at his normal retirement date equal to 50% of the pension he had accrued at the time of his death.
Disability Benefit:	
Service-Related:	Member will receive a disability-retirement pension equal to 50% of the salary he was receiving at the time of his disablement, reduced by any Social Security Disability Benefits payable due to the same illness or injury.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

The following is a summary of benefit provisions (Continued):

Termination of Employment Benefits:	If a member terminates employment prior to retirement eligibility, but after completing 12 or more years of vesting service, he will be eligible for a benefit from the plan equal to his accrued pension at the date of his termination. The benefit will be deferred to his normal retirement date. If a member terminates employment prior to completing 12 or more years of vesting service, he will receive a refund of any accumulated member contributions with interest.
Contributions:	Member contributions are established at 5% of compensation, but may be reduced or eliminated on an annual basis by resolution. Members currently do not contribute.

Plan Funding: Act 205 requires annual contributions to the plan based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial-actuarial valuation. In accordance with the Plan's governing document, employees are not required to contribute to the plan. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program; this allocation must be used for pension funding. Any funding requirements established by the MMO exceeding employees' contributions and state aid must be paid by the municipality in accordance with Act 205. In accordance with Act 205, the required contribution to the Police Pension Plan for year 2017 was \$213,369. The Township's actual contribution was equal to the required contribution.

Administrative costs of the plan are financed through an addition to the Actuarially-Determined, Employer Contribution.

Basis of Accounting: The Plan's financial statements are prepared on the accrual basis of accounting. Plan-member contributions are recognized in the period in which they are due. Employer contributions to the Plan are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments: All investments of the Pension Trust Fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated, fair value.

Investment Policy: The Plan's policy regarding the allocation of invested assets is established and may be amended by the Pension Board. The investment objective of the Plan is to meet or exceed the actuarial-assumed, annual rate of 7% on a net-of-fee basis over the long-term, while minimizing the risk of principal loss through diversification amongst various, non-correlated, asset classes, including domestic and foreign-equity securities, domestic and foreign-fixed-income securities, and several other asset classes as may be deemed prudent.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Long-Term, Expected Rate-of-Return: The long-term, expected rate-of-return on pension plan investments was determined using a building-block method according to which the best-estimate ranges of expected, future, real rates-of-return (expected returns, net of inflation of 2.75%) are developed for each major-asset class. These ranges are combined to produce the long-term, expected rate-of-return by weighting the expected, future, real rates-of-return by the target, asset-allocation percentage and by adding expected inflation.

The target-allocation percentages and best estimates of arithmetic, real rates-of-return for each major-asset class included in the Plan as of December 31, 2016, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Contribution to Rate of Return
Domestic Equity, Core	33.00%	5.25%	1.73%
Domestic Equity, Dividend	22.00%	4.75%	1.05%
International Equity	7.00%	8.25%	0.58%
Fixed Income, Investment Grade	15.50%	1.05%	0.16%
Fixed Income, Opportunistic	15.70%	3.75%	0.59%
Fixed Income, Investment Grade, Global	5.80%	5.25%	0.30%
Cash	1.00%	-0.75%	-0.01%
Total	100.00%		4.40%
Inflation			2.75%
Long-Term, Expected Rate-of-Return			7.15%

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

As of December 31, 2017, the Police Pension Plan held the following investments:

Investment Type	Maturity	12/31/2017	Level 1
Investment by Fair Value Level:			
Money Market Funds	Less than one year	\$ 173,145	\$ 173,145
Mutual Funds			
Fixed-Income	Less than one year	650,313	650,313
International Equity	Less than one year	248,814	248,814
Corporate bonds	Less than one year	15,017	15,017
Corporate bonds	One-five years	115,555	115,555
Corporate bonds	Six-ten years	291,583	291,583
Corporate bonds	More than ten years	44,442	44,442
Equity Securities			
High-Dividend Income	Less than one year	1,037,808	1,037,808
Core Equity	Less than one year	1,560,361	1,560,361
Total Investments by Fair Value Level		<u>4,137,038</u>	<u>\$ 4,137,038</u>
Investments Measured at the Net Asset Value (NAV):			
Event-Driven Hedge Funds	More than ten years	257,059	
Private-Debt Hedge Funds	More than ten years	186,162	
Total Investments Measured at NAV		<u>443,221</u>	
Total Investments		<u>\$ 4,580,259</u>	

As of December 31, 2017, the Police Pension Plan investments presented in the Statement of Fiduciary Net Position include deposits in transit of \$3,774.

The Police Pension Plan categorizes its fair-value measurements within the fair-value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure assets fair values. 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.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Further information on the investments measured at the net asset value (NAV) is as follows:

	Fair Value 12/31/2017	Redemption Frequency	Redemption- Notice Period
Event-Driven, Unlisted, Closed-End Fund	\$ 257,059	Quarterly	30 days
Business-Development Companies	186,162	Quarterly	30 days
Total Investments Measured at NAV	<u>\$ 443,221</u>		

Event-Driven, Unlisted, Closed-End Fund - This Fund includes an investment in a closed-end fund that invests primarily in global-corporate credit, including loans, bonds, and other credit instruments that companies use to finance their operations. The Fund seeks to identify under-valued companies that are undergoing change or are out of favor and offer upside potential to generate income and growth for the Fund's investors. The fair value of this investment-type has been determined using the NAV per share. The Fund currently offers a quarterly, re-purchase program to provide limited liquidity. The offer limits the number of shares to be re-purchased in any calendar year up to the lesser of (i) 20% of the weighted-average number of shares outstanding in the prior calendar year, or 5% in each quarter, and (ii) the number of shares the Fund can re-purchase with the aggregate proceeds it has received during the current quarter from sales of shares under the Fund's distribution-reinvestment plan. The offer is for a cash price equal to the NAV per share in effect on the date of the offer.

Business-Development Companies - This investment-type includes an unlisted, business-development company (BDC) that invests primarily in floating-rate, senior-secured loans of private, U.S., middle-market companies. As of December 31, 2017, the BDC held loans of 131 companies, diversified amongst economic sectors. 82% of the loans are characterized by floating-rates, and 81% of the loans are senior-secured loans. The fair value of this investment-type has been determined using the NAV per share of the investment. The BDC currently offers a quarterly re-purchase program to provide limited liquidity. The offer limits the number of shares to be re-purchased in any quarter to (i) 2.50% of the weighted-average number of shares outstanding in the prior calendar quarter, and (ii) the number of shares the BDC can re-purchase with the proceeds it receives from sales of shares under the BDC's distribution-reinvestment plan. The BDC will offer to repurchase shares at a price (i) not less than the NAV per share in effect on the date of the offer and (ii) not more than 2.50% greater than the NAV per share as of such date.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Interest-Rate Risk: The Plan may utilize a diverse mix of fixed-income asset classes to attempt to reduce the fluctuations associated with changes in interest rates.

Credit Risk: Diversified Investment Act of 1940 Funds are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Custodial-Credit Risk: Plan assets were not exposed to custodial-credit risk. Pershing segregates clients' assets from its own to protect client's funds in the unlikely event of Pershing's failure. Pershing is a member of the SIPC which protects customers up to \$500,000. In addition, Pershing provides excess SIPC coverage from certain underwriters in Lloyd's insurance market and other commercial insurers which provides an aggregate loss limit of \$1 billion for eligible securities over all clients' accounts, plus a per client loss limit of \$1.9 million for cash awaiting reinvestment.

Foreign-Currency Risk: Plan assets held were not exposed to foreign-currency risk.

Derivatives: Diversified Investment Act of 1940 Funds held may use derivatives as part of the Funds' investment strategies. These accounts are commingled pools, rather than individual securities.

Concentration: There are no assets legally reserved for purposes other than the payment of Plan-member benefits. At December 31, 2017, the Plan held the following investments, the fair values of which exceeded 5% percent or more of net position, available for benefits:

	Fair Value 12/31/2017	Percentage of Net Position Available for Benefits
City National Rochdale Emerging Markets	\$ 248,814	5.42%
City National Rochdale Fixed	\$ 502,720	10.96%
Franklin Squares Global Credit Opportunities Fund - A	\$ 257,059	5.60%

Rate-of-Return: For the year ended December 31, 2016, the annual money-weighted rate-of-return on Plan investments, net of investment expenses, was 4.12%.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2016, the Township reported a net pension liability of \$1,180,811 for the Police Pension Plan. The net pension liability reported at December 31, 2017, was measured as of December 31, 2016.

Changes in the total pension liability, Plan fiduciary net position, and net pension liability during the year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan-Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 5,546,265	\$ 3,873,186	\$ 1,673,079
Service cost	84,599	-	84,599
Interest cost	346,280	-	346,280
Differences between expected and actual experience	(334,460)	-	(334,460)
Changes of actuarial assumptions	(249,789)	-	(249,789)
Contributions - employer	-	190,856	(190,856)
Net investment income	-	187,868	(187,868)
Benefit payments, including refunds	(99,475)	(99,475)	-
Administrative expenses	-	(39,826)	39,826
Net changes	(252,845)	239,423	(492,268)
Balances at December 31, 2016	\$ 5,293,420	\$ 4,112,609	\$ 1,180,811

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2017, the Township recognized pension expense of \$200,903 for the Police Pension Plan. At December 31, 2017, the Township reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in projected and actual experience	\$ -	\$ 272,061
Net difference between projected and actual earnings	289,679	-
Changes in actuarial assumptions	-	203,187
Contributions subsequent to the measurement date	213,369	-
	<u>\$ 503,048</u>	<u>\$ 475,248</u>

\$213,369 of the Township's contributions after the measurement date will be recognized as a reduction of the net pension liability during the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2018	\$ (12,470)
2019	(12,471)
2020	(26,275)
2021	(95,109)
2022	(39,244)
	<u>\$ (185,569)</u>

Net Pension Liability: The net pension liability was measured as of December 31, 2016, and the total pension liability was determined as of December 31, 2016. The components of pension expense and changes in the net pension liability were determined by rolling forward the liabilities from the January 1, 2015, actuarial valuation through the measurement date and adjusting for experience gains and losses at January 1, 2016. No significant events or changes in the assumptions occurred between the valuation date and year end. Actuarial assumptions presented the Other Information Section of this report.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7%. The Plan's fiduciary net position is projected to be available to make all projected, future-benefit payments of current active and inactive employees. Therefore, the long-term, expected rate-of-return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry-age-normal cost, plus plan expenses, and amortization of the unfunded liability.

Deferred Retirement Option Program (DROP): The Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. The maximum DROP period is 48 months. The DROP provisions are described in more detail in the January 1, 2017, actuarial-valuation report.

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

The following sensitivity analysis presents the net pension liability for the Police Pension Plan, calculated using the discount rate of 7% and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 1,844,412	\$ 1,180,811	\$ 633,716

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Contribution Plan

The Washington Township (Franklin County) Non-Uniformed Employees' Pension Plan is a single-employer, defined-contribution pension plan controlled by the provisions of Ordinance No. 212, as amended and restated, effective January 1, 2007 and enacted December 17, 2007 pursuant to Act 69. The plan is governed by the Board of Township Supervisors which is responsible for the management of Plan assets. The Board of Township Supervisors has delegated to the plan participants the authority to manage their own accounts held with MG Trust/Expert Plan. The checking account held with BB&T is managed by the Board of Township Supervisors. This Plan covers all full-time, non-uniformed municipal employees after six months of employment. Members begin vesting after 5 years and are fully vested after 10 years of credited service. An employee who reaches normal, retirement date (attains age 65 or completes 35 years of service) or early, retirement date (attains 62 years of age and completes 10 years of service) will be eligible to receive retirement benefits on the date of retirement with a present value equal to the accumulated, municipal contributions and any member deductions, regular interest and all excess, investment funds credited to the member's account. The Plan also provides death, disability, and early-retirement benefits.

Plan provisions and contribution requirements are established and may be amended by the Board of Supervisors. The Township contributes 8.50% of each member's compensation to the Plan. Members may not contribute to the Plan. The Plan's biennial Act 205 Actuarial Valuation Report is prepared on the accrual basis of accounting and is available at the Township's Office. During the year ended December 31, 2017, municipal contributions of \$59,722 were made to the Plan.

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

As of December 31, 2017, the Non-Uniformed Employees' Pension Plan held the following investments:

Investment Type	Maturity	12/31/2017	Level 1
Investment by Fair-Value Level:			
US Equity Mutual Funds	Less than one year	\$ 42,591	\$ 42,591
International Equity Mutual Funds	Less than one year	9,027	9,027
Fixed-Income Mutual Funds	Less than one year	16,109	16,109
Allocation/Target-Date Mutual Funds	Less than one year	701,503	701,503
Real Estate Mutual Funds	Less than one year	192	192
Total Investments by Fair Value Level		<u>769,422</u>	<u>\$ 769,422</u>
Total Investments		<u>\$ 769,422</u>	

As of December 31, 2017, the Plan's investments include deposits in transit of \$4,606, and the forfeiture account balance of \$11,648.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Contribution Plan (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair values of assets. 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. All Plan investments are reported at fair value as Level 1 investments.

The Plan did not hold any individual securities as of December 31, 2017, and was holding only broadly diversified funds as defined under the Diversified Investment Act of 1940.

Interest-Rate Risk: The Plan may utilize a diverse mix of fixed-income, asset classes to attempt to reduce the fluctuations associated with changes in interest rates.

Credit Risk: Diversified Investment Act of 1940 Funds are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Custodial-Credit Risk: Plan assets were not exposed to custodial-credit risk. MG Trust, a subsidiary of Matrix Financial Solutions, Inc. (Matrix), holds most of the assets at the Fund Family, and even though MG Trust may act as custodian or directed trustee, assets are registered “for the benefit of” the customer. Therefore, the assets are held by the mutual-fund company and not by Matrix or any of its affiliated entities.

Foreign-Currency Risk: Plan assets held were not exposed to foreign-currency risk.

Derivatives: Diversified Investment Act of 1940 Funds may use derivatives as part of their investment strategy. These accounts are commingled pools, rather than individual securities.

Concentration: There are no assets legally reserved for purposes other than the payment of Plan-member benefits. At December 31, 2017, the Plan held the following investments, the fair values of which exceeded 5% or more of net position available for benefits:

	Fair Value 12/31/2017	Percentage of Net Position Available for Benefits
Vanguard Target Retirement 2045	\$ 146,007	18.56%
Vanguard Target Retirement 2035	\$ 49,503	6.29%
Vanguard Target Retirement 2025	\$ 426,052	54.15%
Vanguard Target Retirement 2015	\$ 52,509	6.67%

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Contingencies

The Township participates in numerous grant programs for which it will be contingently liable for any disallowed expenditures. At December 31, 2017, the Township was not aware of any disallowances.

Note 11. Related Party Transactions

During the year ended December 31, 2017, Washington Township Municipal Authority paid the Township \$94,114 for contracted services and equipment rentals. The Township paid the Authority \$4,877 for water, sewer and miscellaneous services.

Note 12. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Note 13. Subsequent Events

In May 2018, the Township approved a paving bid costing \$83,490. The Township also decided to draw down the remaining proceeds available on the General Obligation Note, Series 2016. The draw down is expected to occur in 2018 for a total of \$1,102,607. The proceeds will be used as allowed by the loan document.

OTHER INFORMATION

WASHINGTON TOWNSHIP

SCHEDULE OF CHANGES IN THE PENSION PLAN'S NET PENSION LIABILITY

AND RELATED RATIOS - POLICE PENSION PLAN

Year Ended December 31,

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 84,599	\$ 130,366	\$ 127,810
Interest	346,280	345,078	318,040
Differences between expected and actual experience	(334,460)	-	-
Changes of actuarial assumptions	(249,789)	-	-
Benefit payments, including refunds of member contributions	(99,475)	(54,534)	(25,032)
Net change in total pension liability	<u>(252,845)</u>	<u>420,910</u>	<u>420,818</u>
Total pension liability - beginning	5,546,265	5,125,355	4,704,537
Total pension liability - ending	<u>\$ 5,293,420</u>	<u>\$ 5,546,265</u>	<u>\$ 5,125,355</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 190,856	\$ 209,646	\$ 208,229
Net investment income	187,868	(87,244)	166,526
Benefit payments, including refunds of member contributions	(99,475)	(54,534)	(25,032)
Administrative expenses	(39,826)	(19,616)	(6,484)
Net change in plan fiduciary net position	<u>239,423</u>	<u>48,252</u>	<u>343,239</u>
Plan net position - beginning	3,873,186	3,824,934	3,481,695
Plan net position - ending	<u>\$ 4,112,609</u>	<u>\$ 3,873,186</u>	<u>\$ 3,824,934</u>
Plan net pension liability	<u>\$ 1,180,811</u>	<u>\$ 1,673,079</u>	<u>\$ 1,300,421</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>77.69%</u>	<u>69.83%</u>	<u>74.63%</u>
Covered-employee Payroll	<u>\$ 422,288</u>	<u>\$ 472,737</u>	<u>\$ 479,748</u>
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	<u>279.62%</u>	<u>353.91%</u>	<u>271.06%</u>

WASHINGTON TOWNSHIP

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION PLAN**

Year Ended December 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 213,369	\$ 190,856	\$ 209,646	\$ 206,152	\$ 204,267	\$ 195,765	\$ 227,673	\$ 162,710	\$ 159,784	\$ 130,586
Contributions in relation to the actuarially determined contribution	213,369	190,856	209,646	206,152	204,267	195,765	228,464	162,710	159,784	137,388
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (791)	\$ -	\$ -	\$ (6,802)
Covered-employee payroll	\$ 422,288	\$ 472,737	\$ 479,748	\$ 854,688	\$ 881,268	\$ 870,511	\$ 822,011	\$ 825,678	\$ 891,207	\$ 861,020
Contributions as a percentage of covered-employee payroll	50.53%	40.37%	43.70%	24.12%	23.18%	22.49%	27.79%	19.71%	17.93%	15.96%

WASHINGTON TOWNSHIP

SCHEDULE OF INVESTMENT RETURNS

POLICE PENSION PLAN

Year Ended December 31,

	2016	2015	2014
Annual, money-weighted rate-of-return, net of investment expense	4.12%	-2.30%	5.14%

WASHINGTON TOWNSHIP

NOTES TO OTHER INFORMATION

POLICE PENSION PLAN

Year Ended December 31, 2017

Valuation Date	1/1/2017
Cost Method	Entry-age normal.
Actuarial Value of Assets	The valuation uses an asset-smoothing method to even out the year-to-year fluctuations in the investment markets. Under the method being used for this valuation, the investment gains or losses (i.e., actual vs. expected performance) are recognized over a five-year period. The actuarial values of assets determined under this method are limited to 20% above or below the market values of assets.
Interest rate	7.00% per year
Salary increase	3.00% per year thereafter.
Expenses	Most recent year's expenses.
Inflation	2.75% per year
Mortality	Assumed rates of post-retirement mortality are based on the RP-2000 Table, projected indefinitely using Scale BB2D, with blue-collar adjustments. No mortality is assumed prior to retirement.
Turnover	None assumed.
Disability	None assumed.
Retirement	50% of members are assumed to retire or enter the DROP Program on the date they are first eligible for retirement and the remainder are assumed to retire at the latest of age 52, completion of 25 years of service, or the valuation date.
Percent Married	80% of employees are assumed to be married. Male spouses are assumed to be three years older than their female spouses.
Administrative Expenses	An amount is added to the plan's annual, normal cost to represent the administrative expenses expected to be paid during the plan year.

SUPPLEMENTARY INFORMATION

WASHINGTON TOWNSHIP

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS**

December 31, 2017

	Special Revenue				
	Drug Enforcement	Train	Impact Fee	Traffic Light Escrow	Recreation Fee
ASSETS					
Cash and cash equivalents	\$ 8,655	\$ 1,929	\$ 25,330	\$ 115,814	\$ 3,524
Total assets	\$ 8,655	\$ 1,929	\$ 25,330	\$ 115,814	\$ 3,524
FUND BALANCES					
Restricted for specified purposes	\$ 8,655	\$ 1,929	\$ 25,330	\$ 115,814	\$ 3,524
Total fund balances	\$ 8,655	\$ 1,929	\$ 25,330	\$ 115,814	\$ 3,524

Funds							Total
Commonwealth Grant One	Commonwealth Grant Two	Storm Water	Happel's Meadow	Commonwealth Grant Three	Battle of Monterey Pass		Non-Major Governmental Funds
\$ -	\$ -	\$ 22,422	\$ 4,309	\$ -	\$ 1,518		\$ 183,501
\$ -	\$ -	\$ 22,422	\$ 4,309	\$ -	\$ 1,518		\$ 183,501
\$ -	\$ -	\$ 22,422	\$ 4,309	\$ -	\$ 1,518		\$ 183,501
\$ -	\$ -	\$ 22,422	\$ 4,309	\$ -	\$ 1,518		\$ 183,501

WASHINGTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Year Ended December 31, 2017

	Special Revenue				
	Drug Enforcement	Train	Impact Fee	Traffic Light Escrow	Recreation Fee
Revenues					
Investment income	\$ 30	\$ 6	\$ 42	\$ 400	\$ 7
Assessments	-	-	45,565	-	-
Contributions	-	3,388	-	-	1,150
Charges for services	-	554	-	-	-
Total revenues	30	3,948	45,607	400	1,157
Expenditures					
Public works	-	-	31,254	12	-
Culture and recreation	-	3,423	-	-	-
Total expenditures	-	3,423	31,254	12	-
Net changes in fund balances	30	525	14,353	388	1,157
Fund Balances:					
January 1, 2017	8,625	1,404	10,977	115,426	2,367
December 31, 2017	\$ 8,655	\$ 1,929	\$ 25,330	\$ 115,814	\$ 3,524

Funds							Total
Commonwealth Grant One	Commonwealth Grant Two	Storm Water	Happel's Meadow	Commonwealth Grant Three	Battle of Monterey Pass	Total Non-Major Governmental Funds	
\$ -	\$ -	\$ 79	\$ 15	\$ -	\$ 5	\$ 584	
-	-	-	-	-	-	45,565	
-	-	-	110	-	-	4,648	
-	-	-	-	-	-	554	
-	-	79	125	-	5	51,351	
5	-	-	-	36	-	31,307	
-	4	-	-	-	-	3,427	
5	4	-	-	36	-	34,734	
(5)	(4)	79	125	(36)	5	16,617	
5	4	22,343	4,184	36	1,513	166,884	
\$ -	\$ -	\$ 22,422	\$ 4,309	\$ -	\$ 1,518	\$ 183,501	