

BOROUGH OF ROYERSFORD
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2017



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Borough Council
Borough of Royersford
Royersford, Pennsylvania

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

To the Borough Council
Borough of Royersford
Royersford, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Royersford as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 50 and 51, and schedule of changes in the net police pension plan liability and related ratios on page 52, schedule of police pension plan contributions on page 53, schedule of police pension plan investment returns on page 54, schedule of changes in the net non-uniformed pension plan liability and related ratios on page 55, schedule of non-uniformed pension plan contributions on page 56 and schedule of non-uniformed pension plan investment returns on page 57 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.

Maille LLP

Oaks, Pennsylvania
July 24, 2018

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Our discussion and analysis of the Borough of Royersford's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Borough's financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

The assets of the Borough exceeded its liabilities by \$8 million.

OVERVIEW OF FINANCIAL STATEMENTS

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Our analysis of the Borough as a whole begins with the statement of net position. One of the most important questions asked about the Borough's finances is, "What is the Borough's overall financial condition?" The statement of net position and the statement of activities report information about the Borough as a whole and about its activities in a way that helps answer this question.

Governmental Activities

Most of the Borough's basic services are reported here, including police, public works, planning and zoning, parks and recreation and administration. The Borough also contributes to the fire departments, library and historical society.

Business-Type Activities

The Borough charges a fee to customers to cover the cost of the operation of the Waste Water Treatment Plant and the collection of solid waste, including recyclables.

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

General Fund

The Borough realizes two major sources of income for the operation of the general government (excluding the trash collection service and the operations of the waste water treatment facility). The two major income sources are real estate taxes and earned income taxes (EIT). The tax millage rate increased for general purposes and decreased for the fire tax in 2017; the rate increased from 6.95 mills to 7.45 mills per \$1 of assessed valuation for general purposes and decreased for the fire tax from 1.25 mills to 1.00 mills per \$1 of assessed valuation for a total assessment of 8.45 mills per \$1 of assessed valuation. A property assessed at \$100,000 would have paid \$845 including fire tax for Borough taxes in 2017.

EIT tax revenue has remained steady. Continued monitoring of collections reflects the proper amount being received by the Borough.

General Real Estate Taxes increased in 2017 due to the millage increase. Real estate transfer tax decreased due to some high value property sales taking place in 2016.

Increasing costs will be experienced with the ongoing Storm Water Management related to compliance with the Department of Environmental Protection requirements of permitting and inspecting storm water systems.

A number of minor projects were completed and are reflected in the Capital Project Fund.

Sewer Fund

The Sewer Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income sources are connection fees for new construction and user fees based on water consumption.

The Borough has started its Infiltration Inflow Project required by the Department of Environmental Protection. The Borough's engineer has recommended completing the project within five years. In 2012, the Borough implemented the Root Control Program and Sewer Lining Project. The project should be completed by 2017.

Trash Collection Fund

The Trash Collection Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income source is the user fees.

A contract with the landfill which accepts the Borough's solid waste showed a slight increase in the volume of trash collected. The recycling collector's contract is a fixed cost for five years (through 2018). The Borough went through the bidding process for a new trash collection contract in 2015. The recycling contract runs from 2014 to 2018. The trash contract for dumping portion of trash collection runs from 2015 to 2019. Long term contracts of trash and recycling will enable the Borough to budget for future years with some certainty.

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

The analysis which follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Borough's governmental and business-type activities. Comparative data from fiscal year 2016 is included.

Table 1
Condensed Statements of Net Position
December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS						
Cash and cash equivalents	\$ 587,627	\$ 382,586	\$ 381,725	\$ 328,926	\$ 969,352	\$ 711,512
Other assets	114,918	27,723	256,835	150,999	371,753	178,722
Capital assets	6,094,996	6,017,438	4,661,294	4,816,810	10,756,290	10,834,248
TOTAL ASSETS	6,797,541	6,427,747	5,299,854	5,296,735	12,097,395	11,724,482
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	83,728	127,219	15,710	38,656	99,438	165,875
LIABILITIES						
Other liabilities	214,803	165,577	37,731	36,987	252,534	202,564
Long-term	655,203	924,222	2,955,000	3,071,627	3,610,203	3,995,849
TOTAL LIABILITIES	870,006	1,089,799	2,992,731	3,108,614	3,862,737	4,198,413
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	523,169	282,604	114,196	54,891	637,365	337,495
NET POSITION						
Net investment in capital assets	5,710,997	5,641,973	1,706,294	1,745,183	7,417,291	7,387,156
Restricted	112,408	57,358	-	-	112,408	57,358
Unrestricted	(335,311)	(516,768)	502,343	426,703	167,032	(90,065)
TOTAL NET POSITION	\$ 5,488,094	\$ 5,182,563	\$ 2,208,637	\$ 2,171,886	\$ 7,696,731	\$ 7,354,449

Cash and cash equivalents represent 8% and 6% of the Borough's total assets for the years ended December 31, 2017 and 2016, respectively.

By far, the largest portion of the Borough's assets, 90% (2017) and 92% (2016), reflects its investment in capital assets (e.g., land, buildings, waste water treatment plant, vehicles and recreation equipment). Because the Borough uses these capital assets to provide services to residents, these assets are not available for future spending.

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Table 2
Changes in Net Position
Years Ended December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 148,800	\$ 69,204	\$ 1,177,215	\$ 1,130,205	\$ 1,326,015	\$ 1,199,409
Operating grants and contributions	266,074	287,736	-	7,384	266,074	295,120
Capital grants and contributions	126,527	377,044	-	-	126,527	377,044
General revenues						
Property taxes	1,563,972	1,524,339	-	-	1,563,972	1,524,339
Earned income taxes	676,205	644,043	-	-	676,205	644,043
Real estate transfer taxes	106,065	254,948	-	-	106,065	254,948
Per capita taxes and local services tax	71,803	71,944	-	-	71,803	71,944
Public utility taxes	2,281	2,526	-	-	2,281	2,526
Franchise taxes	114,213	113,723	-	-	114,213	113,723
Amusement taxes	11,790	-	-	-	-	-
Investment earnings	9,020	2,302	2,821	959	11,841	3,261
Miscellaneous	64,864	64,609	-	-	64,864	64,609
Gain on sale of capital assets	-	-	-	7,775	-	7,775
TOTAL REVENUES	3,161,614	3,412,418	1,180,036	1,146,323	4,329,860	4,558,741
EXPENSES						
General government	655,305	673,710	-	-	655,305	673,710
Public safety	1,463,325	1,635,445	-	-	1,463,325	1,635,445
Highway/streets	588,540	762,894	-	-	588,540	762,894
Culture and recreation	141,326	210,189	-	-	141,326	210,189
Health and public welfare	-	1,345	-	-	-	1,345
Interest on long-term debt	7,587	11,928	-	-	7,587	11,928
Sewer	-	-	758,768	794,754	758,768	794,754
Trash collection	-	-	384,517	380,400	384,517	380,400
TOTAL EXPENSES	2,856,083	3,295,511	1,143,285	1,175,154	3,999,368	4,470,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	305,531	116,907	36,751	(28,831)	330,492	88,076
TRANSFERS	-	70,300	-	(70,300)	-	-
CHANGE IN NET POSITION	305,531	187,207	36,751	(99,131)	330,492	88,076
NET POSITION AT BEGINNING OF YEAR, 2016	5,182,563	4,995,356	2,171,886	2,271,017	7,354,449	7,266,373
NET POSITION AT END OF YEAR	\$ 5,488,094	\$ 5,182,563	\$ 2,208,637	\$ 2,171,886	\$ 7,684,941	\$ 7,354,449

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The uncollected real estate taxes increased from 2016 to 2017, while the earned sick leave of Borough employees decreased. The uncollected fees for the Trash Collection Fund and the Sewer Fund increased from 2016 to 2017.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS

The Borough has not made it a practice to change the budget amounts between the original adoption of the budget and year-end. Where actual expenses are in excess of budget amounts, or less than budget amounts, the department heads are expected to adjust spending in other areas to offset the differences. The total for the department is the driving force, and each department head is accountable for his department. Certain circumstances which are beyond the control of the department head are brought to Borough Council and appropriate actions taken. A review of the operations of all departments is undertaken at the end of June. Reviews are also conducted at the end of September (or more often if necessary) and monthly thereafter through December 31. The Finance Committee within Borough Council and the Borough Manager conduct the reviews. Necessary adjustments in spending are instituted as needed.

VARIATIONS BETWEEN BUDGET AND ACTUAL AMOUNTS

Taxes

Real Estate Transfer Taxes produced \$27,000 over the budgeted amount and Earned Income Tax produced \$26,000 over the budgeted amount. There was also an increase in Local Services Tax of \$4,200.

Intergovernmental Revenue

The Borough received liquid fuels money for 2017 and it will be used for 2018 road projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Borough of Royersford's investment in capital assets for its governmental and business-type activities as of December 31, 2016, totals \$10,756,290 in all funds (net of accumulated depreciation). The Borough's investment in capital assets includes building and building improvements, equipment, vehicles, recreational equipment, land and the Waste Water Treatment Plant.

Long-Term Debt

The 1997 General Obligation Note (utilized to finance the renovations to the Waste Water Treatment Plant) was paid off in 2017.

The Borough has a 2008 series sewer bond in the amount of \$2,960,000. Interest on this fixed loan is 1.840% and payment is until the year 2032.

BOROUGH OF ROYERSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Income from the tapping fees for the sewer services paid for the Infiltration and Airflow Project in 2017.

The Borough has given approval for two duplexes to be built on Second Avenue in 2016 and were finished in 2017.

The Hill School in Pottstown, PA built a boat ramp on the Borough's river front at the bottom of Arch Street. The Hill School partnered with the Borough on the ramp allowing the public to use the boat ramp.

CONTACTING THE BOROUGH'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the accountability for the money that the Borough receives and disburses. If you have any questions about this report or need additional information, contact Michael Leonard, Borough Manager.

BOROUGH OF ROYERSFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 587,627	\$ 381,725	\$ 969,352
Accounts receivable	2,948	82,297	85,245
Taxes receivable	25,797	-	25,797
Internal balances	(61,842)	61,842	-
Prepaid expenses	148,015	24,010	172,025
Net pension asset	-	88,686	88,686
Capital assets			
Land	216,461	-	216,461
Infrastructure	6,780,236	-	6,780,236
Plant	-	6,802,794	6,802,794
Buildings and building improvements	642,197	-	642,197
Equipment	413,235	-	413,235
Vehicles	448,117	29,268	477,385
Accumulated depreciation	(2,405,250)	(2,170,768)	(4,576,018)
TOTAL ASSETS	<u>6,797,541</u>	<u>5,299,854</u>	<u>12,097,395</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>83,728</u>	<u>15,710</u>	<u>99,438</u>
LIABILITIES			
Accounts payable	147,912	32,092	180,004
Escrows payable	15,225	-	15,225
Payroll and payroll taxes payable	51,666	5,639	57,305
Long-term liabilities			
Portion due or payable within one year			
Capital lease	9,984	-	9,984
Bonds and notes payable	23,178	172,000	195,178
Portion due or payable after one year			
Capital lease	21,251	-	21,251
Bonds and notes payable	329,586	2,783,000	3,112,586
Net pension liability	170,736	-	170,736
Compensated absences	100,468	-	100,468
TOTAL LIABILITIES	<u>870,006</u>	<u>2,992,731</u>	<u>3,862,737</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>523,169</u>	<u>114,196</u>	<u>637,365</u>
NET POSITION			
Net investment in capital assets	5,710,997	1,706,294	7,417,291
Restricted	112,408	-	112,408
Unrestricted	(335,311)	502,343	167,032
TOTAL NET POSITION	<u>\$ 5,488,094</u>	<u>\$ 2,208,637</u>	<u>\$ 7,696,731</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 655,305	\$ -	\$ 22,764	\$ 126,527
Public safety	1,463,325	88,448	114,569	-
Highways and streets	588,540	59,482	126,866	-
Culture and recreation	141,326	870	1,875	-
Interest on long-term debt	7,587	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	2,856,083	148,800	266,074	126,527
BUSINESS-TYPE ACTIVITIES				
Sewer	758,768	797,521	-	-
Trash collection	384,517	379,694	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,143,285	1,177,215	-	-
TOTAL BOROUGH ACTIVITIES	\$ 3,999,368	\$ 1,326,015	\$ 266,074	\$ 126,527

GENERAL REVENUES
Property taxes, levied for general purposes
Earned income taxes
Transfer taxes
Per capita taxes and local services tax
Public utility taxes
Franchise taxes
Amusement taxes
Investment earnings
Miscellaneous
TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (506,014)	\$ -	\$ (506,014)
(1,260,308)	-	(1,260,308)
(402,192)	-	(402,192)
(138,581)	-	(138,581)
<u>(7,587)</u>	<u>-</u>	<u>(7,587)</u>
<u>(2,314,682)</u>	<u>-</u>	<u>(2,314,682)</u>
-	38,753	38,753
-	<u>(4,823)</u>	<u>(4,823)</u>
-	33,930	33,930
<u>(2,314,682)</u>	<u>33,930</u>	<u>(2,280,752)</u>
1,563,972	-	1,563,972
676,205	-	676,205
106,065	-	106,065
71,803	-	71,803
2,281	-	2,281
114,213	-	114,213
11,790	-	11,790
9,020	2,821	11,841
64,864	-	64,864
<u>2,620,213</u>	<u>2,821</u>	<u>2,623,034</u>
305,531	36,751	342,282
<u>5,182,563</u>	<u>2,171,886</u>	<u>7,354,449</u>
<u>\$ 5,488,094</u>	<u>\$ 2,208,637</u>	<u>\$ 7,696,731</u>

BOROUGH OF ROYERSFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 475,219	\$ 112,408	\$ 587,627
Accounts receivable	2,948	-	2,948
Taxes receivable	3,525	-	3,525
Prepaid expenditures	<u>148,015</u>	<u>-</u>	<u>148,015</u>
TOTAL ASSETS	<u>\$ 629,707</u>	<u>\$ 112,408</u>	<u>\$ 742,115</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 147,912	\$ -	\$ 147,912
Escrows payable	15,225	-	15,225
Due to other funds	61,842	-	61,842
Payroll and payroll taxes payable	<u>51,666</u>	<u>-</u>	<u>51,666</u>
TOTAL LIABILITIES	<u>276,645</u>	<u>-</u>	<u>276,645</u>
FUND BALANCES			
Nonspendable, prepaid expenses	148,015	-	148,015
Restricted, highway and street projects	-	112,408	112,408
Unassigned	<u>205,047</u>	<u>-</u>	<u>205,047</u>
TOTAL FUND BALANCES	<u>353,062</u>	<u>112,408</u>	<u>465,470</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 629,707</u>	<u>\$ 112,408</u>	<u>\$ 742,115</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 465,470

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

These assets consist of:

Land	216,461
Infrastructure	6,780,236
Buildings and building improvements	642,197
Equipment	413,235
Vehicles	448,117
Accumulated depreciation	(2,405,250)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred inflows and outflows related to pension activities	(439,441)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable and capital lease	(383,999)
Compensated absences	(100,468)
Net pension liability	(170,736)

Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds.

22,272

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,488,094

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 2,418,344	\$ -	\$ 2,418,344
Intergovernmental revenues	275,533	123,035	398,568
Investment income	8,012	1,008	9,020
Licenses and permits	115,313	-	115,313
Fines	26,148	-	26,148
Charges for services	123,427	-	123,427
Miscellaneous revenues	10,540	-	10,540
TOTAL REVENUES	<u>2,977,317</u>	<u>124,043</u>	<u>3,101,360</u>
EXPENDITURES			
General government	430,515	-	430,515
Public safety	1,615,983	-	1,615,983
Highways and streets	586,275	68,993	655,268
Recreation	95,397	-	95,397
Retirement expenses	122,388	-	122,388
Debt service			
Principal	22,701	-	22,701
Interest and other charges	7,587	-	7,587
TOTAL EXPENDITURES	<u>2,880,846</u>	<u>68,993</u>	<u>2,949,839</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>96,471</u>	<u>55,050</u>	<u>151,521</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	31,235	-	31,235
Insurance recoveries	54,324	-	54,324
TOTAL OTHER FINANCING SOURCES (USES)	<u>85,559</u>	<u>-</u>	<u>85,559</u>
NET CHANGE IN FUND BALANCES	182,030	55,050	237,080
FUND BALANCES AT BEGINNING OF YEAR	<u>171,032</u>	<u>57,358</u>	<u>228,390</u>
FUND BALANCES AT END OF YEAR	<u>\$ 353,062</u>	<u>\$ 112,408</u>	<u>\$ 465,470</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 237,080

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period. 77,558

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net effect of these differences in the treatment of long-term debt. (8,534)

Pension plan expenses are reported in the statement of activities and do not require the use of current financial resources and are not reported as expenditures in Governmental Funds. (11,007)

Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. This is the amount of the change in real estate taxes outstanding during the year. 5,930

In the statement of activities, certain operating expenses--compensated absences (sick leave)--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 (essentially, the amounts actually paid). 4,504

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 305,531

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 129,839	\$ 251,886	\$ 381,725
Accounts receivable	49,162	33,135	82,297
Due from other funds	65,037	-	65,037
Prepaid expenses	19,239	4,771	24,010
TOTAL CURRENT ASSETS	<u>263,277</u>	<u>289,792</u>	<u>553,069</u>
NON CURRENT ASSETS			
CAPITAL ASSETS			
Plant	6,802,794	-	6,802,794
Vehicles	29,268	-	29,268
Accumulated depreciation	(2,170,768)	-	(2,170,768)
Net pension asset	66,168	22,518	88,686
TOTAL NON CURRENT ASSETS	<u>4,727,462</u>	<u>22,518</u>	<u>4,749,980</u>
TOTAL ASSETS	4,990,739	312,310	5,303,049
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	11,721	3,989	15,710
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,002,460</u>	<u>\$ 316,299</u>	<u>\$ 5,318,759</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 14,295	\$ 17,797	\$ 32,092
Due to other funds	-	3,195	3,195
Payroll and payroll taxes payable	5,639	-	5,639
Current portion of long-term debt	172,000	-	172,000
TOTAL CURRENT LIABILITIES	<u>191,934</u>	<u>20,992</u>	<u>212,926</u>
NONCURRENT LIABILITIES			
Long-term debt	2,783,000	-	2,783,000
TOTAL LIABILITIES	<u>2,974,934</u>	<u>20,992</u>	<u>2,995,926</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	85,201	28,995	114,196
NET POSITION			
Net investment in capital assets	1,706,294	-	1,706,294
Unrestricted	236,031	266,312	502,343
TOTAL NET POSITION	<u>1,942,325</u>	<u>266,312</u>	<u>2,208,637</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,002,460</u>	<u>\$ 316,299</u>	<u>\$ 5,318,759</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Enterprise Funds</u>		Total Proprietary Funds
	<u>Sewer Fund</u>	<u>Trash Collection Fund</u>	
OPERATING REVENUES			
Sewer rents and installation	\$ 797,521	\$ -	\$ 797,521
Trash collection	-	379,694	379,694
TOTAL OPERATING REVENUES	<u>797,521</u>	<u>379,694</u>	<u>1,177,215</u>
OPERATING EXPENSES			
Expenses	534,843	384,517	919,360
Depreciation	166,468	-	166,468
TOTAL OPERATING EXPENSES	<u>701,311</u>	<u>384,517</u>	<u>1,085,828</u>
OPERATING INCOME (LOSS)	<u>96,210</u>	<u>(4,823)</u>	<u>91,387</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,821	-	2,821
Interest expense	(57,457)	-	(57,457)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(54,636)</u>	<u>-</u>	<u>(54,636)</u>
CHANGE IN NET POSITION	41,574	(4,823)	36,751
NET POSITION AT BEGINNING OF YEAR	<u>1,900,751</u>	<u>271,135</u>	<u>2,171,886</u>
NET POSITION AT END OF YEAR	<u>\$ 1,942,325</u>	<u>\$ 266,312</u>	<u>\$ 2,208,637</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Trash Collection Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 783,398	\$ 372,741	\$ 1,156,139
Payments to suppliers	(349,290)	(329,271)	(678,561)
Payments to employees	(191,293)	(51,271)	(242,564)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>242,815</u>	<u>(7,801)</u>	<u>235,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of equipment	(10,952)	-	(10,952)
Principal paid on long-term debt	(116,627)	-	(116,627)
Interest paid on long-term debt	(57,457)	-	(57,457)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(185,036)</u>	<u>-</u>	<u>(185,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings from investments	2,821	-	2,821
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,600	(7,801)	52,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>69,239</u>	<u>259,687</u>	<u>328,926</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 129,839</u>	<u>\$ 251,886</u>	<u>\$ 381,725</u>

BOROUGH OF ROYERSFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Trash Collection Fund</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 96,210	\$ (4,823)	\$ 91,387
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	166,468	-	166,468
Pension expense	(1,403)	(476)	(1,879)
Change in assets and liabilities			
Accounts receivable	(14,123)	(6,953)	(21,076)
Prepaid expenses	(6,343)	5,713	(630)
Accounts payable	1,592	(1,262)	330
Payroll and payroll taxes payable	414	-	414
	<u>414</u>	<u>-</u>	<u>414</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 242,815</u>	 <u>\$ (7,801)</u>	 <u>\$ 235,014</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>Pension Trust Funds</u>		<u>Total Fiduciary Funds</u>
	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	
ASSETS			
Cash and cash equivalents	\$ 81,395	\$ 24,161	\$ 105,556
Investments	<u>2,710,944</u>	<u>2,470,292</u>	<u>5,181,236</u>
TOTAL ASSETS	<u>\$ 2,792,339</u>	<u>\$ 2,494,453</u>	<u>\$ 5,286,792</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 2,792,339</u>	<u>\$ 2,494,453</u>	<u>\$ 5,286,792</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	Pension Trust Funds		Total Fiduciary Funds
	Police Pension	Non-Uniformed Pension	
ADDITIONS			
Contributions			
Employees	\$ 30,458	\$ 12,851	\$ 43,309
Employer	12,270	-	12,270
State aid	75,084	35,034	110,118
Investment income	413,998	372,904	786,902
TOTAL ADDITIONS	<u>531,810</u>	<u>420,789</u>	<u>952,599</u>
DEDUCTIONS			
Benefits	98,183	93,200	191,383
Administrative	39,857	36,653	76,510
TOTAL DEDUCTIONS	<u>138,040</u>	<u>129,853</u>	<u>267,893</u>
CHANGE IN NET POSITION	393,770	290,936	684,706
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES			
BEGINNING OF YEAR	<u>2,398,569</u>	<u>2,203,517</u>	<u>4,602,086</u>
END OF YEAR	<u>\$ 2,792,339</u>	<u>\$ 2,494,453</u>	<u>\$ 5,286,792</u>

See accompanying notes to the basic financial statements.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Borough of Royersford (the "Borough") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Borough's accounting policies are described below.

Reporting Entity

The financial statements of the Borough include the departments and other organizational units over which Borough Council exercises oversight responsibility, including general government, police protection, parks and recreation, public works and sanitation.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable and, as such, be includable within the Borough's financial statements. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Borough's financial statements to be misleading or incomplete.

Management has evaluated the following potential component units and determined they did not meet the criteria for inclusion as component units in the December 31, 2017 annual financial report:

- The fire department receives a contribution from the Borough and uses the personal property of the Borough. However, the majority of revenues generated is through private fund-raisers under the direction of a separate independent board not appointed by Borough Council. The department is organized under a separate charter, and, therefore, it is not included in the financial statements.
- The tax collector is an elected officer who collects taxes on behalf of the Borough, the Spring-Ford Area School District and Montgomery County. The Borough regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

Fund Accounting

The Borough uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Borough functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds of the Borough are grouped into the categories governmental, proprietary and fiduciary.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public works and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted expenditures for specified purposes. This fund accounts principally for the disposition of dedicated state liquid fuels highway aid funding.

The Borough reports the following major Proprietary Funds:

Enterprise Funds

Sewer Fund - The Sewer Fund accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems.

Trash Collection Fund - The Trash Collection Fund accounts for the operation of the Borough's trash collection system.

The Borough reports the following Fiduciary Funds:

Pension Trust Funds - The Pension Trust Funds are used to account for financial resources restricted solely for life insurance, disability and retirement benefits of the employees participating under the Borough's defined benefit pension plans.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds' financial statements but differs from the manner in which Governmental Funds' financial statements are prepared. Governmental Funds' financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Borough and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental and Proprietary Funds' financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are sewer rents and trash collection fees. Operating expenses of the Borough's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Cash Equivalents

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Borough may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. State law does not limit pension investments. Investments are stated at fair value.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2017, was in excess of the minimum requirements just described.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with this Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

Prepaid Expenditures/Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures/expenses in both the government-wide and fund financial statements.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the Governmental Funds' financial statements.

Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	5-40
Plant	5-40
Equipment	10-20
Vehicles	3-10
Infrastructure	25

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions, the differences between expected and actual experience of the pension plan and the net difference between projected and actual earnings on pension plan investments. Additionally, the deferred inflow of resources related to pensions is reported in the proprietary fund statement of net position and is the result of differences between expected and actual experience of the pension plan and the net difference between projected and actual earnings on pension plan investments.

Long-Term Obligations

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds' statement of net position.

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

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Beginning with the year ended December 31, 2011, the Borough implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which Borough Council delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Tax Calendar

The original tax duplicate is received by the tax collector and mailed February 1. The discount period extends through March 31, followed by the flat period through May 31 and ends with the penalty period after June 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be liened by January 15 with the county.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough follows state statute as it relates to custodial credit risk. As of December 31, 2017, \$739,573 of the Borough's bank balance of \$1,095,126 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Borough's name	\$ <u>627,165</u>
Held by PLGIT, which is uninsured and uncollateralized	\$ <u>112,408</u>

Investments

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

<u>Investment Type</u>	Fair Value (Level 1)	<u>Investment Maturities</u>	
		1 Year or Less	2 to 5 Years
Equity investments	\$ 2,813,930	\$ 2,813,930	\$ -
Mutual funds	2,339,965	2,339,965	-
Exchange traded products	<u>27,341</u>	<u>27,341</u>	-
	<u>\$ 5,181,236</u>	<u>\$ 5,181,236</u>	<u>\$ -</u>

Interest Rate Risk - The Borough's investment policy does limit investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	<u>General Fund</u>	<u>Proprietary Fund Type</u>	<u>Totals</u>
Sewer billings	\$ -	\$ 49,162	\$ 49,162
Refuse billings	-	33,135	33,135
Other	<u>2,948</u>	<u>-</u>	<u>2,948</u>
	<u>\$ 2,948</u>	<u>\$ 82,297</u>	<u>\$ 85,245</u>

The Borough believes that all receivables are collectible; therefore, an allowance for doubtful accounts is not needed.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 216,461	\$ -	\$ -	\$ 216,461
Capital assets being depreciated				
Infrastructure	6,437,699	342,537	-	6,780,236
Buildings and building improvements	615,753	26,444	-	642,197
Equipment	413,235	-	-	413,235
Vehicles	442,343	31,235	(25,461)	448,117
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>7,909,030</u>	<u>400,216</u>	<u>(25,461)</u>	<u>8,283,785</u>
Accumulated depreciation				
Infrastructure	(1,264,625)	(259,813)	-	(1,524,438)
Buildings and building improvements	(258,693)	(15,214)	-	(273,907)
Equipment	(286,974)	(23,356)	-	(310,330)
Vehicles	(297,761)	(24,275)	25,461	(296,575)
TOTAL ACCUMULATED DEPRECIATION	<u>(2,108,053)</u>	<u>(322,658)</u>	<u>25,461</u>	<u>(2,405,250)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>5,800,977</u>	<u>77,558</u>	<u>-</u>	<u>5,878,535</u>
	<u>6,017,438</u>	<u>77,558</u>	<u>-</u>	<u>6,094,996</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Plant	6,791,842	10,952	-	6,802,794
Vehicles	29,268	-	-	29,268
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>6,821,110</u>	<u>10,952</u>	<u>-</u>	<u>6,832,062</u>
Accumulated depreciation				
Plant	(1,990,153)	(163,541)	-	(2,153,694)
Vehicles	(14,147)	(2,927)	-	(17,074)
TOTAL ACCUMULATED DEPRECIATION	<u>(2,004,300)</u>	<u>(166,468)</u>	<u>-</u>	<u>(2,170,768)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>4,816,810</u>	<u>(155,516)</u>	<u>-</u>	<u>4,661,294</u>
CAPITAL ASSETS, net	<u>\$ 10,834,248</u>	<u>\$ (77,958)</u>	<u>\$ -</u>	<u>\$ 10,756,290</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - CAPITAL ASSETS (Continued)

The net book value of each capital asset category for governmental and business-type activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
GOVERNMENTAL ACTIVITIES			
Capital assets not being depreciated			
Land	\$ 216,461	\$ -	\$ 216,461
Capital assets being depreciated			
Infrastructure	6,780,236	(1,524,438)	5,255,798
Buildings and building improvements	642,197	(273,907)	368,290
Equipment	413,235	(310,330)	102,905
Vehicles	448,117	(296,575)	151,542
	<u>8,500,246</u>	<u>(2,405,250)</u>	<u>6,094,996</u>
BUSINESS-TYPE ACTIVITIES			
Capital assets being depreciated			
Plant	6,802,794	(2,153,694)	4,649,100
Vehicles	29,268	(17,074)	12,194
	<u>6,832,062</u>	<u>(2,170,768)</u>	<u>4,661,294</u>
TOTAL CAPITAL ASSETS	\$ <u>15,332,308</u>	\$ <u>(4,576,018)</u>	\$ <u>10,756,290</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,329
Public safety	22,529
Highways and streets	238,871
Culture and recreation	45,929
	<u>45,929</u>
	\$ <u>322,658</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE E - LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Borough for the year ended December 31, 2017:

	Principal Outstanding January 1, 2017	Additions/ Refundings
	<u>2017</u>	<u>Refundings</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds and Notes		
Bonds, Series of 2011	\$ 375,465	\$ -
Capital leases	-	31,235
Net Pension Liability	443,785	-
Compensated absences (Note G)	104,972	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>924,222</u>	<u>31,235</u>
BUSINESS-TYPE ACTIVITIES		
Notes		
General Obligation Note, Series of 1997	111,627	-
Guaranteed Sewer Revenue Note, Series of 2008	2,960,000	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,071,627</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 3,995,849</u>	<u>\$ 31,235</u>

The General Fund funds the payment of long-term debt and compensated absences in the governmental activities.

<u>Deletions/ Maturities</u>	<u>Principal Outstanding December 31, 2017</u>	<u>Due Within One Year</u>
\$ (22,701)	\$ 352,764	\$ 23,178
-	31,235	9,984
(273,049)	170,736	-
(4,504)	100,468	-
<u>(300,254)</u>	<u>655,203</u>	<u>33,162</u>
(111,627)	-	-
(5,000)	2,955,000	172,000
<u>(116,627)</u>	<u>2,955,000</u>	<u>172,000</u>
\$ <u>(416,881)</u>	\$ <u>3,610,203</u>	\$ <u>205,162</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE E - LONG-TERM LIABILITIES (Continued)

Bonds and notes payable at December 31, 2017, consisted of:

Governmental Activities

General Obligation Bonds, Series of 2011, used to currently refund the General Obligation Note, Series of 2008, which was originally used to finance the revitalization of Main Street, principal and interest payments were due monthly and began in April 2011 and continued through July 2016 at a fixed rate of 3.45%. In August 2016, the interest rate was set at a fixed rate of 2.08% continuing through April 2021. In April 2021 and continuing through April 2026 interest will be set at a variable rate of the prime rate plus an additional .25%, not to exceed 5.99%. In April 2026 the rate will change to a fixed rate of 5.99% through maturity in April 2031.

\$ 352,764

Business-Type Activities

Guaranteed Sewer Revenue Note, Series of 2008, used for renovations to the Royersford Waste Water Treatment Plant; principal payments began in June 2009 and continue through June 2032 ranging from \$5,000 to \$265,000 annually; interest payments began in July 2008 and are due monthly at a fixed rate of 1.84%

2,955,000

TOTAL BONDS AND NOTES PAYABLE

\$ 3,307,764

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE E - LONG-TERM LIABILITIES (Continued)

Debt Service Requirements

A summary of notes payable debt service requirements to maturity, including principal and interest, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 195,178	\$ 61,482	\$ 256,660
2019	198,645	57,830	256,475
2020	203,144	54,131	257,275
2021	203,734	57,320	261,054
2022	206,424	56,318	262,742
2023 to 2027	1,110,563	207,670	1,318,233
2028 to 2032	1,190,076	71,959	1,262,035
	<u>\$ 3,307,764</u>	<u>\$ 566,710</u>	<u>\$ 3,874,474</u>

NOTE F - CAPITAL LEASE

The Borough has entered into a lease agreement as lessee for financing the acquisition of a vehicle for the Police Department. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease have a cost of \$31,295 and accumulated depreciation of \$1,043 as of December 31, 2017.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

<u>Year Ending December 31,</u>	<u>General Fund</u>
2018	\$ 11,299
2019	11,299
2020	11,299
Amount representing interest	<u>(2,662)</u>
	<u>\$ 31,235</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE G - SICK LEAVE

The Borough does not accrue accumulated sick leave on its Governmental or Proprietary Funds but expenses these costs as paid in the fund financial statements. Sick leave is accrued on the government-wide financial statements. The amount of vested accumulated sick leave was \$100,468 as of December 31, 2017. Non-uniform employees earn 1 1/4 days of sick leave per month with a maximum accumulation of 75 days for hourly employees and 100 days for salaried employees. Uniform employees earn ten hours of sick leave per month with a maximum accumulation of 1040 hours. All employees are entitled to payment for 80% of accumulated sick leave upon retirement and 50% upon termination after three years of employment. Effective January 1, 2012, all uniform employees are eligible to receive payment of accumulated sick leave up to a maximum of \$9,000.

NOTE H - INTERGOVERNMENTAL REVENUES

Intergovernmental revenues by source are summarized as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
COMMONWEALTH OF PENNSYLVANIA		
Payment in lieu of taxes	\$ 5,561	\$ -
Public utility realty tax	2,281	-
Liquid fuels	-	123,035
Pension	110,118	-
Snow removal	3,831	-
Liquor Control Board	650	-
County of Montgomery		
Streetscape enhancement	<u>126,527</u>	<u>-</u>
	<u>\$ 275,533</u>	<u>\$ 123,035</u>

Approximately 8% of all Borough revenues represents federal, state and county grants.

NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are summarized as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 61,842
Sewer Fund	65,037	-
Trash Collection Fund	<u>-</u>	<u>3,195</u>
	<u>\$ 65,037</u>	<u>\$ 65,037</u>

There were no Interfund transfers that occurred for the year ended December 31, 2017.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration - The Borough administers the Police Pension Plan—a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the Borough Manager, one police department representative and one non-uniformed employees representative—all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Police Pension Fund.

Plan Membership - At December 31, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
	<u><u>9</u></u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month per year of benefit service completed in excess of 25 years, up to a maximum of \$500 additional per month. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 80% of the member's monthly salary at the time of disability reducing to 50% of salary at normal retirement date less worker's compensation benefits. There is no benefit for non-service related disability.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefit terms provide for an annual cost-of-living increase, based upon the increase in the Consumer Price Index for the preceding year, shall be granted to retired members equal to not more than the increase in the Consumer Price Index from the year in which the member last worked, with a maximum total cost-of-living increase of 30%.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

Contributions - The Borough's police employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$87,354 to the plan for the year 2017. The Borough's actual contributions for the plan year 2017 were \$87,354.

Per the collective bargaining agreement, employees are required to contribute 5% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

Investments

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

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

The following was the Board's adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	30%
Core equity	25%
International	15%
Fixed income	<u>30%</u>
	<u>100%</u>

Concentrations - More than 5% of the Borough's investments are in equity securities and mutual funds. These investments are 54% and 45% of the plan's total investments, respectively.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2017, were as follows:

Total pension liability	\$ 3,054,243
Plan fiduciary net position	<u>(2,792,339)</u>
NET PENSION LIABILITY	\$ <u>261,904</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>91.42%</u>

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

Inflation	3%
Salary increases	4.25% average, including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with Scale AA.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Dividend and income stocks	7.5%
Core equity	8.0%
International	10.0%
Fixed income	3.8%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Changes in the Net Pension Liability

	Governmental Activities:		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
Balance at December 31, 2016	\$ 2,847,037	\$ 2,398,569	\$ 448,468
Changes for the year			
Service cost	103,774	-	103,774
Interest cost	210,375	-	210,375
Changes for experience	(82,990)	-	(82,990)
Changes of assumptions	74,230	-	74,230
Contributions			
Employer	-	87,354	(87,354)
Member	-	30,458	(30,458)
Net investment income	-	413,998	(413,998)
Benefit payments	(98,183)	(98,183)	-
Administrative expenses	-	(39,857)	39,857
Net Changes	<u>207,206</u>	<u>393,770</u>	<u>(186,564)</u>
Balance at December 31, 2017	<u>\$ 3,054,243</u>	<u>\$ 2,792,339</u>	<u>\$ 261,904</u>

Changes in Assumptions

In the 2017 actuarial valuation, the investment rate of return was changed to 7.25%, in prior years the investment rate of return was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ <u>722,690</u>	\$ <u>261,904</u>	\$ <u>(118,179)</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$100,296. At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 93,222
Change of assumptions	67,578	145,974
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>166,582</u>
	<u>\$ 67,578</u>	<u>\$ 405,778</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2018	\$ (50,090)
2019	(50,090)
2020	(79,251)
2021	(68,505)
2022	(20,338)
Thereafter	(69,926)

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration - The Borough administers the Non-Uniformed Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniformed Borough employees.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the borough manager, one police department representative and one non-uniformed employees representative--all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Non-Uniformed Pension Fund.

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

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>10</u>
	<u>17</u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 62. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to a designated beneficiary, equal to the present value of the accrued benefit at the time of the member's death. The amount of monthly pension is equal to 1.667% times average monthly compensation. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability. If the disability is not service related, a benefit of 30% of salary is provided to a member who has at least ten years of service.

The benefit provisions of the Borough's plan are established by Borough ordinances.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)

Contributions - The Borough's non-uniformed employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$35,034 to the plan for the year 2017. The Borough's actual contributions for the plan year 2017 were \$35,034.

Per Borough ordinance, employees are required to contribute 2.25% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	28%
Core equity	26%
International	15%
Fixed income	30%
	<u>100%</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)

Concentrations - More than 5% of the Borough's investments are in equity securities and mutual funds. These investments are 55% and 45% of the plan's total investments, respectively.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2017, were as follows:

Total pension liability	\$ 2,314,600
Plan fiduciary net position	<u>(2,494,453)</u>
NET PENSION LIABILITY	\$ <u>(179,853)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>107.77%</u>

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

Inflation	3%
Salary increases	4.75% average, including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with Scale AA.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	28%
Core equity	26%
International	15%
Fixed income	30%
	<u>100%</u>

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	<u>Governmental Activities:</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at December 31, 2016	\$ 1,112,229	\$ 1,116,911	\$ (4,682)
Changes for the year			
Service cost	24,180	-	24,180
Interest cost	80,681	-	80,681
Changes for experience	(17,359)	-	(17,359)
Changes of assumptions	20,732	-	20,732
Contributions			
Employer	-	17,759	(17,759)
Member	-	6,514	(6,514)
Net investment income	-	189,026	(189,026)
Benefit payments	(47,243)	(47,243)	-
Administrative expenses	-	(18,579)	18,579
Net changes	<u>60,991</u>	<u>147,476</u>	<u>(86,486)</u>
Balance at December 31, 2017	<u>\$ 1,173,220</u>	<u>\$ 1,264,387</u>	<u>\$ (91,167)</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)

	Business-type Activities		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2016	\$ 1,082,050	\$ 1,086,606	\$ (4,556)
Changes for the year			
Service cost	23,521	-	23,521
Interest cost	78,484	-	78,484
Changes for experience	(16,886)	-	(16,886)
Changes of assumptions	20,168	-	20,168
Contributions			
Employer	-	17,275	(17,275)
Member	-	6,337	(6,337)
Net investment income	-	183,878	(183,878)
Benefit payments	(45,957)	(45,957)	-
Administrative expenses	-	(18,074)	18,074
Net changes	<u>59,330</u>	<u>143,460</u>	<u>(84,129)</u>
Balance at December 31, 2017	<u>\$ 1,141,380</u>	<u>\$ 1,230,066</u>	<u>\$ (88,686)</u>

Changes in Assumptions

In the 2017 actuarial valuation, the investment rate of return was changed to 7.25%, in prior years the investment rate of return was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u>(6.25%)</u>	<u>Rate (7.25%)</u>	<u>(8.25%)</u>
Net pension liability	<u>\$ 34,233</u>	<u>\$ (179,853)</u>	<u>\$ (365,190)</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$31,227. At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 38,069	\$ -	\$ 37,032
Change of assumptions	16,150	-	15,710	-
Net difference between projected and actual earnings on pension plan investments	-	79,322	-	77,164
	<u>\$ 16,150</u>	<u>\$ 117,391</u>	<u>\$ 15,710</u>	<u>\$ 114,196</u>

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

<u>December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ (21,623)	\$ (21,035)
2019	(21,623)	(21,035)
2020	(34,422)	(33,484)
2021	(23,573)	(22,932)

NOTE L - RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Borough to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ROYERSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts	
	Original	Final
REVENUES		
Taxes	\$ 2,403,830	\$ 2,403,830
Intergovernmental revenues	133,750	133,750
Investment income	1,200	1,200
Licenses and permits	121,500	121,500
Fines	26,000	26,000
Charges for services	67,700	67,700
Miscellaneous revenues	30,000	30,000
TOTAL REVENUES	<u>2,783,980</u>	<u>2,783,980</u>
EXPENDITURES		
General government	478,521	478,521
Public safety	1,527,280	1,527,280
Highways and streets	555,624	555,624
Health	-	-
Recreation	100,155	100,155
Retirement expenses	122,400	122,400
Debt service		
Principal	-	-
Interest and other charges	-	-
TOTAL EXPENDITURES	<u>2,783,980</u>	<u>2,783,980</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES		
Proceeds from capital lease	-	-
Insurance recoveries	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the budgetary comparison schedule.

Budgetary Basis	Actual Amounts		Variance With Final Budget Favorable (Unfavorable)
	Budget to GAAP Differences	GAAP Basis	
\$ 2,419,524	\$ (1,180)	\$ 2,418,344	\$ 15,694
275,533	-	275,533	141,783
8,012	-	8,012	6,812
115,313	-	115,313	(6,187)
25,185	963	26,148	(815)
122,567	860	123,427	54,867
15,397	(4,857)	10,540	(14,603)
<u>2,981,531</u>	<u>(4,214)</u>	<u>2,977,317</u>	<u>197,551</u>
433,015	(2,500)	430,515	45,506
1,670,145	(54,162)	1,615,983	(142,865)
533,049	53,226	586,275	22,575
1,345	(1,345)	-	(1,345)
98,795	(3,398)	95,397	1,360
122,388	-	122,388	12
22,701	-	22,701	(22,701)
7,587	-	7,587	(7,587)
<u>2,889,025</u>	<u>(8,179)</u>	<u>2,880,846</u>	<u>(105,045)</u>
<u>92,506</u>	<u>3,965</u>	<u>96,471</u>	<u>92,506</u>
31,235	-	31,235	31,235
54,324	-	54,324	54,324
85,559	-	85,559	85,559
<u>\$ 178,065</u>	<u>\$ 3,965</u>	<u>\$ 182,030</u>	<u>\$ 178,065</u>

BOROUGH OF ROYERSFORD
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2017

NOTE A - BUDGETARY INFORMATION

The Borough's process for establishing its annual operating budget involves submission of the budget by the Borough Manager to Borough Council for its approval and adoption.

The Borough prepares the General Fund budget on the cash basis of accounting, which is not consistent with accounting principles generally accepted in the United States of America.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2017, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

Public safety	\$ (142,865)
Health	(1,345)
Debt service	(30,288)

These excess expenditures were funded by cash reserves and increased charges for services.

BOROUGH OF ROYERSFORD
SCHEDULE OF CHANGES IN THE NET POLICE PENSION
PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 103,774	\$ 84,558	\$ 82,517	\$ 87,111
Interest	210,375	202,448	204,204	181,670
Differences between expected and actual experience	(82,990)	(6,320)	(17,032)	41,156
Changes of assumptions	74,230	-	(198,360)	-
Benefit payments	(98,183)	(96,785)	(96,785)	(95,228)
NET CHANGE IN TOTAL PENSION LIABILITY	207,206	183,901	(25,456)	214,709
Total pension liability, beginning	2,847,037	2,663,136	2,688,592	2,473,883
TOTAL PENSION LIABILITY, ENDING (a)	\$ 3,054,243	\$ 2,847,037	\$ 2,663,136	\$ 2,688,592
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 87,354	\$ 84,837	\$ 75,396	\$ 54,795
Member	30,458	28,541	24,350	23,616
Net investment income	413,998	218,177	19,273	185,226
Benefit payments, including refunds of member contributions	(98,183)	(96,785)	(96,785)	(95,228)
Administrative expense	(39,857)	(41,095)	(33,862)	(35,637)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	393,770	193,675	(11,628)	132,772
Plan fiduciary net position, beginning	2,398,569	2,204,894	2,216,522	2,083,750
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 2,792,339	\$ 2,398,569	\$ 2,204,894	\$ 2,216,522
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 261,904	\$ 448,468	\$ 458,242	\$ 472,070
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	91%	84%	83%	82%
COVERED-EMPLOYEE PAYROLL	\$ 637,431	\$ 557,623	\$ 523,032	\$ 464,976
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	41%	80%	88%	102%

NOTE TO SCHEDULE

Changes of Assumptions:

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

In 2015 amounts reported as changes of assumptions resulted from adjustment to the assumed average annual salary increase, decreasing the rate from 5.0% to 4.5%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF ROYERSFORD
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 87,354	\$ 84,837	\$ 75,396	\$ 54,795
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>87,354</u>	<u>84,837</u>	<u>75,396</u>	<u>54,795</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 637,431</u>	<u>\$ 557,623</u>	<u>\$ 523,032</u>	<u>\$ 464,975</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>14%</u>	<u>15%</u>	<u>14%</u>	<u>12%</u>

NOTES TO SCHEDULE

Valuation date January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	11 years	13 years
Asset valuation method	PMRS asset method	PMRS asset method
Inflation	3.0%	3.0%
Salary increases	4.25% annual increase	5% annual increase
Investment rate of return	7.50%	7.50%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF ROYERSFORD
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>15.70%</u>	<u>8.50%</u>	<u>0.02%</u>	<u>7.20%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF ROYERSFORD
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 47,701	\$ 55,458	\$ 54,051	\$ 46,392
Interest	159,165	158,932	152,820	137,776
Differences between expected and actual experience	(34,245)	(42,091)	(43,982)	50,099
Changes of assumptions	40,900	-	-	-
Benefit payments	(93,200)	(83,298)	(82,313)	(101,635)
NET CHANGE IN TOTAL PENSION LIABILITY	120,321	89,001	80,576	132,632
Total pension liability, beginning	2,194,279	2,105,278	2,024,702	1,892,070
TOTAL PENSION LIABILITY, ENDING (a)	\$ 2,314,600	\$ 2,194,279	\$ 2,105,278	\$ 2,024,702
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 35,034	\$ 51,650	\$ 47,508	\$ 42,475
Member	12,851	13,419	12,375	10,730
Net investment income	372,904	211,303	23,312	191,181
Benefit payments, including refunds of member contributions	(93,200)	(83,298)	(82,313)	(101,635)
Administrative expense	(36,653)	(38,702)	(31,585)	(33,668)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	290,936	154,372	(30,703)	109,083
Plan fiduciary net position, beginning	2,203,517	2,049,145	2,079,848	1,970,765
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 2,494,453	\$ 2,203,517	\$ 2,049,145	\$ 2,079,848
NET PENSION LIABILITY, ENDING (a)-(b)	\$ (179,853)	\$ (9,238)	\$ 56,133	\$ (55,146)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	108%	100%	97%	103%
COVERED-EMPLOYEE PAYROLL	\$ 577,111	\$ 582,264	\$ 617,654	\$ 502,883
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	-31%	-2%	9%	-11%

NOTE TO SCHEDULE

Changes of Assumptions:

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF ROYERSFORD
SCHEDULE OF NON-UNIFORMED PENSION
PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 35,034	\$ 51,650	\$ 47,508	\$ 42,475
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>35,034</u>	<u>51,650</u>	<u>47,508</u>	<u>42,475</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 577,111</u>	<u>\$ 582,264</u>	<u>\$ 462,914</u>	<u>\$ 502,883</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>6%</u>	<u>9%</u>	<u>10%</u>	<u>8%</u>

NOTES TO SCHEDULE

Valuation date January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	0 years	0 years
Asset valuation method	PMRS asset method	PMRS asset method
Inflation	3.0%	3.0%
Salary increases	4.75% annual increase	5% annual increase
Investment rate of return	7.50%	7.50%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF ROYERSFORD
SCHEDULE OF NON-UNIFORMED PENSION PLAN
INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>15.60%</u>	<u>9.00%</u>	<u>0.02%</u>	<u>8.00%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.