

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2017

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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Independent Auditor's Report

To the Board of Supervisors
Hilltown Township
Hilltown, Pennsylvania

Report on the Financial Statements

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

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 3-17 and 58-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Supplementary Information

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

Dunlap & Associates, P.C.

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
July 9, 2018

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

Our discussion and analysis of Hilltown Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Township's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

During the year the Township purchased capital assets totaling approximately \$900,000, which includes two police all-wheel drive vehicles with accompanying equipment (\$73,533), two tasers (\$3,435), two replacement computers (\$2,445), two Vascar units (\$3,500), and body cameras for police officers (\$21,770). Renovations were completed in the police department (\$7,802), Township meeting room (\$16,435), and an administrative office (\$7,630). Thirty-year-old window blinds were replaced throughout the building (\$9,177). The exterior lighting surrounding the Township building was repaired and replaced with LED fixtures (\$9,147). Parking lots and driveways around the building were repaired and repaved (\$24,787). The Public Works Department replaced a deteriorating leaf collection box (\$5,773). Additionally, the Township purchased the Hockman conservation easement (\$640,325).

USING THIS REPORT

The report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 18 and 19-20) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

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

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

USING THIS REPORT (Continued)

Reporting Significant Funds

The Fund Financial Statements begin on page 21 and provide detailed information about the most significant funds, not the Township as a whole. Some Funds are required to be established by State law. However, the Board of Supervisors established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

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

The Township as a Trustee

The Township is a trustee, or fiduciary, for its employees' pension funds. The Pennsylvania Municipal Retirement System has been appointed to handle all employee pensions. It is important to note here that the original pension contracts were issued with the Pennsylvania Municipal Retirement System in the late 1980's. At the end of 2012 these contracts were revised and updated to include current Internal Revenue and Pennsylvania regulations. The police pension contract was again updated in December of 2014 to include the (DROP) Deferred Retirement Option Program, effective January 1, 2015. This change was a result of collective bargaining. During 2015, two police officers signed up for DROP. An additional officer signed up in early 2016, and a fourth officer signed up for this program in early 2017. The first officer retired in early 2017, opting to retire before his due date, and a second officer retired in May 2018.

Hilltown Township is also responsible for escrow deposits from developers, businesses, and individuals for legal and engineering fees. The Township is also responsible for escrow deposits for on-lot septic systems. All of the Township's fiduciary activities are reported in separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25-26. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

THE TOWNSHIP AS A WHOLE

The Statement of Net Position provides an overview of the Township's assets, deferred inflows, liabilities, deferred outflows, and net position. Overtime this statement will provide a good indication of the Township's fiscal health.

Table 1
Net Position

<u>Account</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Assets	\$ 22,882,147	\$ 19,073,860	\$ 3,808,287	19.97
Current and Other Assets	12,672,093	12,421,025	251,068	2.02
Total Assets	<u>35,554,240</u>	<u>31,494,885</u>	<u>4,059,355</u>	12.89
Deferred Outflows	<u>1,258,178</u>	<u>866,633</u>	<u>391,545</u>	45.18
Long-Term Liabilities	1,782,963	1,909,390	(126,427)	(6.62)
Other Liabilities	<u>281,950</u>	<u>297,345</u>	<u>(15,395)</u>	(5.18)
Total Liabilities	<u>2,064,913</u>	<u>2,206,735</u>	<u>(141,822)</u>	(6.43)
Deferred Inflows	<u>572,267</u>	<u>341,321</u>	<u>230,946</u>	67.66
Net Position				
Invested in Capital Assets, Net of Related Debt	22,882,147	19,073,860	3,808,287	19.97
Restricted	7,166,306	7,682,898	(516,592)	(6.72)
Unrestricted	<u>4,126,785</u>	<u>3,056,704</u>	<u>1,070,081</u>	35.01
Total Net Position	<u>\$ 34,175,238</u>	<u>\$ 29,813,462</u>	<u>\$ 4,361,776</u>	14.63

The total net position of the Township shown is approximately \$34.1 million. However, this does not include certain physical assets such as traffic signals, storm sewers and drainage structures acquired or constructed before January 1, 2004. Net position shows an increase of 14.63%.

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

THE TOWNSHIP AS A WHOLE (Continued)

Table 2
Changes in Net Position

Account	2017	2016	\$ Change	% Change
Program Revenues				
General Government	\$ 421,530	\$ 516,981	\$ (95,451)	(18.46)
Police	366,159	376,866	(10,707)	(2.84)
Fire	128,060	137,567	(9,507)	(6.91)
Code Enforcement	544,441	487,032	(42,591)	(7.26)
Highway Maintenance	4,878,852	1,036,509	3,842,343	370.70
Snow Removal	5,650	5,175	475	9.18
Traffic Signals	6,816	2,182	4,634	212.37
Street Lighting	0	36	(36)	(100.00)
Parks and Recreation	18,645	193,144	(174,499)	(90.35)
General Revenues				
Real Estate Taxes	1,935,225	1,914,542	20,683	1.08
Transfer Taxes	540,074	460,619	79,455	17.25
Earned Income Taxes	2,863,575	2,805,721	57,854	2.06
Other Taxes	261,480	255,002	6,478	2.54
Interest and Rents	175,996	125,085	50,911	40.70
Miscellaneous	59,252	11,019	48,233	437.73
Total Revenues (Forwarded)	\$12,205,755	\$ 8,327,480	\$ 3,778,275	44.83

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

THE TOWNSHIP AS A WHOLE (Continued)

Table 2
Changes in Net Position

Account	2017	2016	\$ Change	% Change
Total Revenues (Forwarded)	<u>\$12,205,755</u>	<u>\$ 8,327,480</u>	<u>\$ 3,778,275</u>	44.83
Program Expenses				
Legislative	53,418	60,353	(6,935)	(11.49)
Executive	165,673	199,836	(34,163)	(17.10)
Finance and Tax Collection	191,018	204,372	(13,354)	(6.53)
Professional Services	120,043	72,077	47,966	66.55
General Government	921,835	857,902	63,933	7.45
Police	3,583,706	3,552,119	31,587	0.89
Fire	349,534	351,856	(2,322)	(0.66)
Code Enforcement	342,480	316,195	26,285	8.31
Highway Maintenance	2,158,566	1,999,509	159,057	7.95
Snow and Ice Removal	95,519	94,594	925	0.98
Traffic Signals	58,265	49,268	8,997	18.26
Street Lighting	45,887	43,635	2,252	5.16
Parks and Recreation	109,393	105,686	3,707	3.51
Conservation and Development	<u>8,376</u>	<u>8,067</u>	<u>309</u>	3.83
Total Expenses	<u>8,203,713</u>	<u>7,915,469</u>	<u>288,244</u>	3.64
Changes in Net Position	<u>\$ 4,002,042</u>	<u>\$ 512,011</u>	<u>\$ 3,490,031</u>	681.63

Total revenue from all sources was approximately \$12.2 million. Real Estate taxes continued to be assessed at 8.75 mills. Revenue from this source remained stable. Transfer taxes increased by 17.25% indicating a recovery of the housing market. Earned Income Tax (EIT) revenue showed a modest gain of 2.06%. The Open Space Fund (EIT) assessment, which was suspended for the year 2016, remained suspended for 2017 as well as 2018.

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

THE TOWNSHIP AS A WHOLE (Continued)

Figure 1

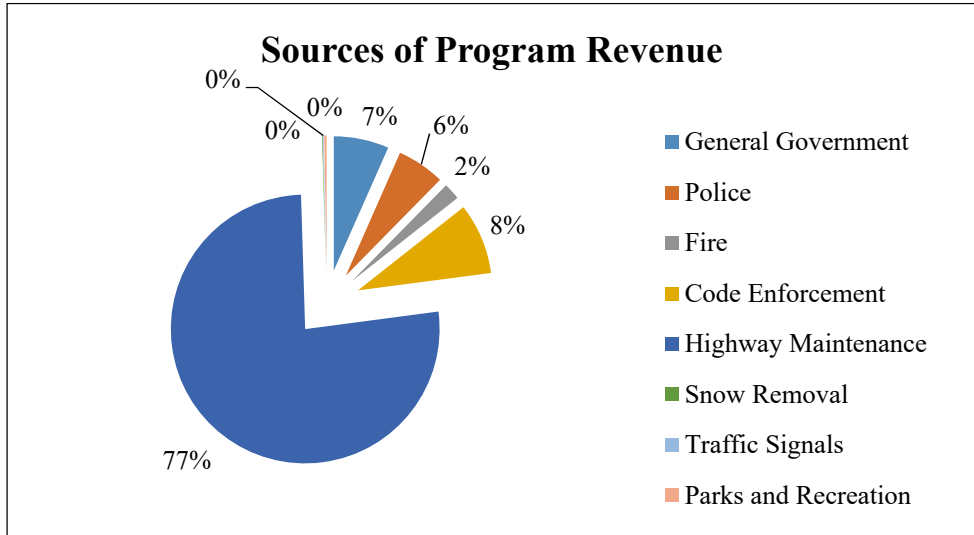
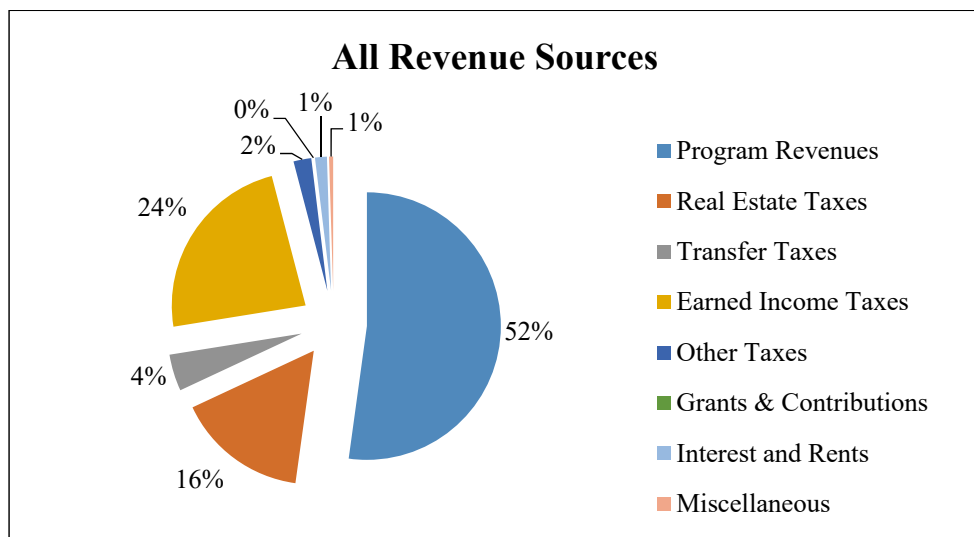


Figure 2



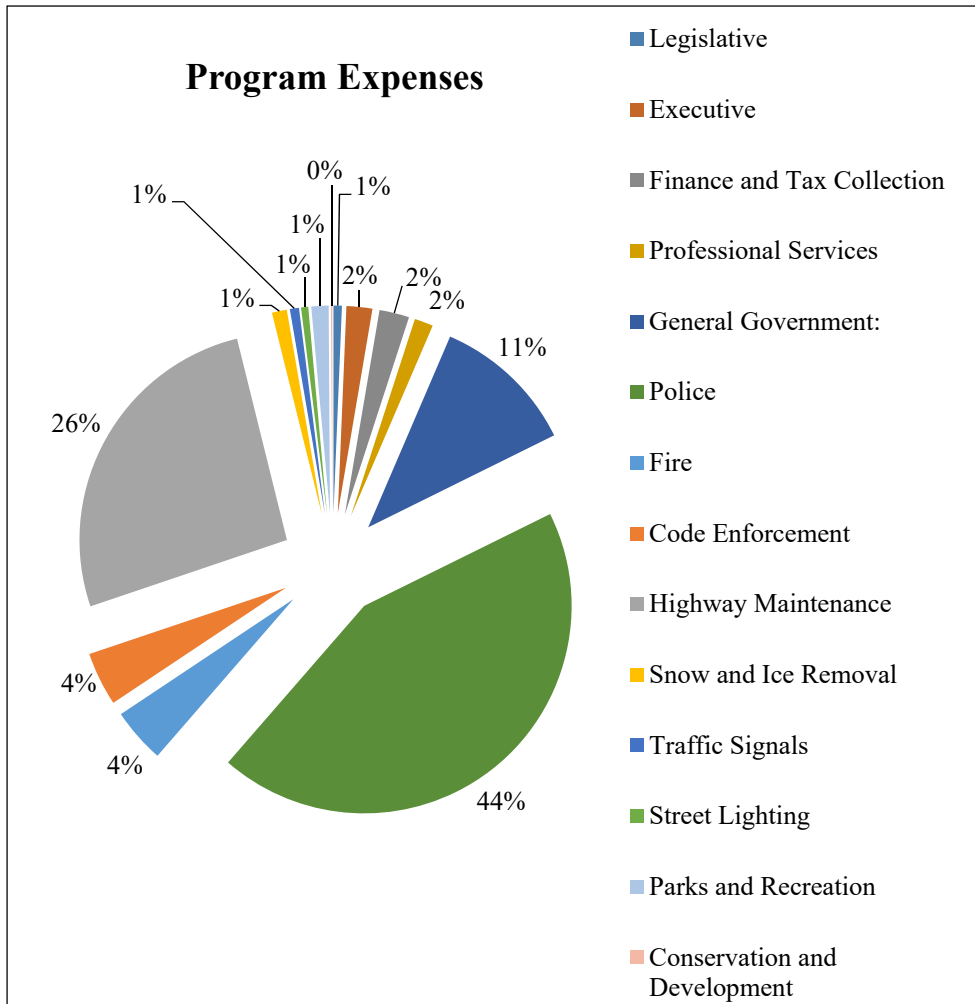
**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

THE TOWNSHIP AS A WHOLE (Continued)

Expense Overview

Total expenses in all categories were approximately \$8.2 million, which is an increase over 2016 of 3.64%. Police and Public Works are the largest expenses accounting for spending of approximately \$5.9 million. The increases in expenses in these areas is primarily contractual salary increases but also include an increased paving project plan as well as additional capital investments. Savings in other areas accounted for the overall increase remaining with budget constraints. Careful budgeting and fiscal prudence helped to hold this increase within revenues received.

Figure 3



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

ITEMS OF GENERAL INTEREST

Fire

Residents and businesses of the Township are served by the Hilltown Township Volunteer Fire Company, Perkasio Fire Company, Sellersville Fire Company, Dublin Fire Company, Silverdale Fire Company, Souderton Fire Company, and Telford Fire Company. There are mutual aid agreements and central dispatching throughout the area. A fire tax of 0.75 mills is assessed and the proceeds of this tax are distributed to the fire companies based on a formula of 50% area covered and 50% assessed valuation. The following disbursements were made in 2017.

Dublin Fire Company	\$ 24,394
Hilltown Township Volunteer Fire Company	38,834
Perkasie Fire Company	3,966
Sellersville Fire Company	8,105
Silverdale Fire Company	40,102
Souderton Fire Company	9,649
Telford Fire Company	<u>1,909</u>
Total	<u>\$ 126,959</u>

Additionally, in 2017 and for the fifth year, Telford Borough received \$5,041 in fire tax funds in payment for Worker's Compensation Insurance. Telford Borough calculated that this amount represented the cost of Worker's Compensation Insurance for Telford Fire Company's coverage of Hilltown Township. Hilltown Township also paid \$14,811 for Worker's Compensation Insurance for the Hilltown Township Volunteer Fire Company from General Funds.

In addition to the above, Hilltown Township also paid \$28,591 for Hilltown Township Volunteer Fire Company's property, equipment and liability insurance coverage.

The Volunteer Fire Relief Associations also received an allocation from the Commonwealth of Pennsylvania. This allocation is made in accordance with Act 205 of 1984 which stipulates that 50% of the allocation is based on the population of the municipality, and 50% is determined by the market value of real estate in the municipality. The Township received a disbursement of \$128,060. These funds are derived from a charge that the Commonwealth of Pennsylvania imposes on insurance companies located outside of Pennsylvania who are doing business within the State.

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

ITEMS OF GENERAL INTEREST (Continued)

Fire (Continued)

The monies were distributed as follows:

Dublin Fire Company Relief Association	\$ 23,666
Hilltown Township Volunteer Fire Co. Relief Assoc.	37,675
Perkasie Fire Company Relief Association	3,848
Sellersville Fire Company Relief Association	7,863
Silverdale Fire Company Relief Association	38,905
Souderton Fire Company Relief Association	9,361
Telford Fire Company Relief Association	<u>6,742</u>
Total	<u>\$ 128,060</u>

Ambulance Service

The Township is served by four (4) ambulance companies. They are Chal-Brit Ambulance, Grand View Hospital Ambulance, Point Pleasant-Plumsteadville Regional Ambulance and Souderton Ambulance. They are centrally dispatched by Bucks County Emergency Management. The Board of Supervisors, in fiscal year 2010 voted to provide financial assistance to the primary ambulance companies servicing Hilltown Township. That financial assistance was continued in 2017. The disbursements were made as follows:

Point Pleasant-Plumsteadville Regional Ambulance	\$ 6,300
Chal-Brit Regional Ambulance	18,900
Souderton Ambulance	<u>16,800</u>
Total	<u>\$ 42,000</u>

Water

Residents and businesses of the Township are served by Hilltown Township Water and Sewer Authority (HTWSA), Telford Borough Authority (TBA), North Penn Water Authority (NPWA), and primarily on-lot water systems.

Waste Water

Residents and businesses of the Township are principally served by HTWSA, TBA, and primarily on-lot sewage disposal systems. The Township has no financial or management control of the sewer authorities.

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

ITEMS OF GENERAL INTEREST (Continued)

Public Facilities

The Township owns two parks along with scattered open space parcels. The Township is continuing the creation of a third park in the Forest Road area. The Township municipal building is 30 years old and houses both the Police Department and the administrative offices. The Public Works Department is located to the rear of the Township administration building in facilities approximately 14 years old and centralizes all Township services. The Township also owns the former municipal building more commonly referred to as the old school house, and located in the Blooming Glen Village. The building is currently empty.

ANALYSIS OF INDIVIDUAL FUNDS

Special Revenue Funds

Liquid Fuels Fund

The following roads had single-application oil and chip programs. This work was completed by Asphalt Maintenance Solutions, LLC for \$83,120.

- Cherry Road – from New Pavement to Bethlehem Pike
- Central Avenue – from Bethlehem Pike to End of Widening
- Keystone Drive – from Route 113 to Bethlehem Pike
- Township Line Road – from Route 152 to New Britain Line
- Chalfont Road – from Hilltown Pike to Township Line Road
- Green Street – from Hilltown Pike to new pavement

Fairhill Road from Spur Road to SR 4013 (Diamond Street) had super pave level course and wearing course applications. This work was completed by Blooming Glen Contractors for a total of \$204,998.

The following roads had ultra-thin bonded wearing course and Grad B-SRL-H, PG 64-22 Applied in Place applications. This work was completed by Asphalt Maintenance Solutions, LLC for \$178,951.

- Nobel Drive
- Gentry Drive
- Deerfield Circle
- Deerfield Place
- Sterling drive
- Sterling Drive Stub
- Brittany Lane
- Tall Oaks Drive

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

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Special Revenue Funds (Continued)

Liquid Fuels Fund (Continued)

The following roads had leveling and wearing applications. This work was completed between September 20, 2017, and November 8, 2017, by the Hilltown Township Road Department for \$161,346. These in-house paving projects were completed using General Fund monies allocated in the 2017 budget.

Fairhill Road – from Diamond Street to Route 152
Central Avenue – end of widening at Shopping Center to County Line Road
Broad Street – from Hilltown Pike to widening near Conlin Way
Hillcrest Road – Hill between Glenwood Drive and the Perkasio Borough Line

In addition to the above roads, additional road surfaces were patch paved in order to preserve the road surface for future work.

Open Space Fund

Collection of the Earned Income Tax in the Open Space Fund has been suspended since 2015. This suspension continues into 2018. In 2017, the Township, using an Open Space grant through Bucks County, purchased the development rights from the Hockman family across Pennview Farms located along Broad Street.

Street Light, Fire Tax, and Park and Recreation Funds

These funds had routine and unremarkable results in 2017.

Capital Projects Funds

Road Equipment Fund and Operating Reserve Fund

The Road Equipment Fund is used to purchase on-road equipment for the Public Works Department.

The Operating Reserve Fund was created by the Board of Supervisors in order to minimize future revenue shortfalls and deficits, provide greater continuity and predictability in the funding of vital government services, minimize the need to increase taxes to balance the budget in times of fiscal distress, provide the capacity to undertake long-range financial planning and develop fiscal resources to meet long-term needs. This fund is combined with the General Fund in the fund financial statements.

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

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Pension Plan

Full-time employees are also members of the Police or Non-Uniform local pension plans. The pension plans for both groups are managed by the Pennsylvania Municipal Retirement System. The Township is eligible for Act 205 assistance in the form of State Aid which for 2017 was \$201,883.14. These monies are collected from Insurance Companies located outside of the State but doing business within the State.

The Minimum Municipal Obligation (MMO) was as follows:

Police Pension Plan	\$ 295,261
Non-Uniform Plan	<u>96,911</u>
Total	<u><u>\$ 392,172</u></u>

The Minimum Municipal Obligation is calculated based on total payroll information from the prior year. Multiplying rates are set by the actuarial studies performed every other year. Administrative charges are then included. Any actuarial surpluses or deficiencies are then amortized. The Pennsylvania Municipal Retirement System (PMRS) sets this amount based on the actuarial study.

Police officers of the Township were required to begin contributing to their pension plans as a result of an arbitration award granted in 2009. They are currently contributing the maximum allowed of 5%. The rate will remain at 5% in 2018. The police member contributions totaled \$81,929 for 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Discussion of Future Plans

The budget consists of 7 operating funds and four capital improvement funds. It is prepared in line-item format in accordance with the Pennsylvania Chart of Accounts for local government published by the State Department of Community and Economic Development (DCED).

An analysis of the 2018 budget will show that the Township is maintaining municipal services in such areas as police protection, code enforcement, fire protection, and public works services at or above present levels. The 2018 budget provides the necessary resources to these important areas to achieve the priorities, goals, and policies of the Board and for the Township to continue to fulfill its obligation to provide for health, safety, and welfare of the community.

The 2018 budget carries forward any projects which were not completed in 2017. The Police Department will be replacing two vehicles, one in-car video system, one VASCAR Speed Timing Device, two Tasers, and one computer, and will continue renovations to the police side of the Township building.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Discussion of Future Plans (Continued)

The budget also includes \$165,000 in additional paving monies to supplement the Liquid Fuels Funds used for that purpose.

The Road Equipment Budget includes a replacement Crack Filling Machine, a small Roller and a replacement Dump Truck. The Public Works will also be purchasing an additional salt shed which was originally slated to be accomplished in 2017 but will be completed in 2018.

The Capital Projects Budget includes monies to continue renovations of the Township building including renovation of the kitchen in the administrative offices and replacement doors on the front and the rear of the building.

The Recreation Capital Reserve Budget includes funding for the beginning of the walking path extension which was slated to begin in 2017 but will begin in the spring of 2018.

The Park and Recreation Budget includes basic operating costs of the existing parks and expenses incurred in hosting the Easter Egg Hunt and summer movies. This budget also includes the purchase of a replacement mower used to maintain the parks. The revenues indicated are from the rental of park facilities and advertising revenue from the signs at the baseball field as well as .20 mills of real estate taxes.

The Fire Budget continues using .75 mills and use the same assessment as does the General Fund. The fund covers Hilltown Fire Company's insurance and fire hydrant rentals, and retains \$4,000 for the beginning of 2019. The remainder of the funds are distributed to the seven fire companies using the 50% area and 50% assessment formula.

The Street Light Budget calls for an assessment on properties benefiting from street lights. This assessment was discontinued for years 2016 and 2017 as funds were adequate to cover the cost of utilities. Those excess funds have now been exhausted, and the assessment was reapplied to the annual tax bills for 2018.

The Operating Reserve Budget remains the same for 2018. If additional funds become available during 2018 a transfer can be made at that time.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Discussion of Future Plans (Continued)

The State Highway Aid Budget (Liquid Fuels) indicates a small increase in revenue as announced by the Pennsylvania Department of Transportation. Depending on conditions this winter, the Public Works Department should have approximately \$445,735 available for paving projects. They hope to include the following road applications:

OIL AND CHIP

Middle Rd. – Dublin Line to Broad St.
Fretz Rd. – Middle Rd. to Broad St.
Forest Rd. – Minsi Trail to Rickert Rd.
Frontier Road

NOVA CHIP – ULTRA-THIN FRICTION COURSE

Rosewood Drive
Holly Court
Briarwood Drive
Brinkley Drive
Glenwood Drive

The above listed roads are the current plan depending on the prices of materials when bidding occurs.

ECONOMIC FORCAST

As discussed above, the Township derives its operating revenue from a variety of other sources in addition to real estate taxes. These include Act 511 taxes such as a ½% levy on earned income of residents. A local services tax of \$47 per year is also assessed on individuals working in the community, many of whom do not live in the Township but take advantage of its services. The Township also receives revenue from a 1% transfer tax on real estate sales, fees for licenses and permits, interest on investments, rents, royalties, grants and charges for use of municipal services.

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

ECONOMIC FORCAST (Continued)

It is anticipated that in 2018, earned income tax will remain stable showing moderate growth. The Open Space Tax on earned income remains suspended. Real estate transfer taxes will show growth due to new housing being developed. Several developments within the Township are underway and are selling very well. An over fifty-five community continues to be developed in 2018 and is also selling very well.

Tax rates for 2018 remain the same as 2017. The tax rates are as follows:

General purposes	7.30 mills
Fire Protection	0.75 mills
Park and Recreation	0.20 mills
Road Equipment Acquisition	0.50 mills

For the homeowner with an average assessed value of \$36,000, the total real estate tax paid to the Township is \$315.00

It is important to note that there have been no increases in Real Estate Taxes since 2011.

It is with these factors in mind that the 2018 budget indicates some limited growth constantly staying mindful of cost constraints. Consistently looking for better value and lower costs for the dollars spent is a priority of all staff.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

The Management Discussion and Analysis is intended to provide our citizens, taxpayers, and creditors with a general, plain English overview of important financial matters. The Township's Manager and Treasurer is Lorraine E. Leslie who can be reached at 215-453-6000 extension 212. The Township's Finance Director can be reached by contacting Marianne Egan at 215-453-6000 extension 213. The Township can also be reached by fax at 215-453-1024 or by the internet at www.hilltown.org.

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

Assets

Current Assets

Cash	\$ 11,400,130
Taxes Receivable	1,136,046
Other Receivables	116,206
Due from Fiduciary Fund	19,711
Total Current Assets	12,672,093

Noncurrent Assets

Net Capital Assets	22,882,147
--------------------	------------

Total Assets	35,554,240
---------------------	-------------------

Deferred Outflows of Resources

Deferred Pension Outflows	1,258,178
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Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	211,047
Accrued Wages and Benefits	70,903
Total Current Liabilities	281,950

Noncurrent Liabilities

Net Pension Liability	1,656,346
Compensated Absences	126,617
Total Noncurrent Liabilities	1,782,963

Total Liabilities	2,064,913
--------------------------	------------------

Deferred Inflows of Resources

Deferred Pension Inflows	572,267
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Net Position

Invested in Capital Assets, Net of Related Debt	22,882,147
Restricted for	
Land Preservation	5,234,439
Capital Projects	1,576,564
Other Purposes	355,303
Unrestricted	4,126,785

Total Net Position	\$ 34,175,238
---------------------------	----------------------

See Notes to Financial Statements.

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

Functions/Programs	Expenses	<u>Program Revenue</u>	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government			
Legislative	\$ 53,418	\$ 0	\$ 0
Executive	165,673	0	0
Finance and Tax Collection	191,018	0	0
Professional Services	120,043	0	0
General Government	921,835	352,173	69,357
Public Safety			
Police	3,583,706	207,448	158,711
Fire and Ambulance	349,534	0	128,060
Code Enforcement and Planning and Zoning	342,480	536,051	8,390
Highways			
Highway Maintenance	2,158,566	199,424	603,352
Snow and Ice Removal	95,519	5,650	0
Traffic Signals	58,265	6,816	0
Street Lights	45,887	0	0
Parks and Recreation	109,393	7,905	5,370
Conservation and Development	8,376	0	0
Total Governmental Activities	<u>\$ 8,203,713</u>	<u>\$ 1,315,467</u>	<u>\$ 973,240</u>

General Revenues

Taxes

Real Estate Taxes

Real Estate Transfer Taxes

Earned Income Taxes

Other Taxes

Interest Income and Rents

Miscellaneous

Total General Revenues

Change in Net Assets

Net Position, Beginning of Year, as Restated

Net Position, End of Year

See Notes to Financial Statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ 0	\$ (53,418)
0	(165,673)
0	(191,018)
0	(120,043)
0	(500,305)
0	(3,217,547)
0	(221,474)
0	201,961
4,076,076	2,720,286
0	(89,869)
0	(51,449)
0	(45,887)
5,370	(90,748)
0	(8,376)
<u>\$ 4,081,446</u>	<u>(1,833,560)</u>

1,935,225
540,074
2,863,575
261,480
175,996
59,252
<u>5,835,602</u>
4,002,042
<u>30,173,196</u>
<u>\$ 34,175,238</u>

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

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$4,081,514	\$5,233,771	\$ 2,084,845	\$11,400,130
Taxes Receivable	1,127,712	671	7,663	1,136,046
Other Receivables	116,206	0	0	116,206
Due from Other Funds	14,143	0	5,568	19,711
Total Assets	<u><u>\$5,339,575</u></u>	<u><u>\$5,234,442</u></u>	<u><u>\$ 2,098,076</u></u>	<u><u>\$12,672,093</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 44,835	\$ 3	\$ 166,209	\$ 211,047
Accrued Wages and Benefits	70,903	0	0	70,903
Total Liabilities	<u>115,738</u>	<u>3</u>	<u>166,209</u>	<u>281,950</u>
Deferred Inflows of Resources				
Deferred Tax Receipts	579,648	0	4,322	583,970
Fund Balances				
Restricted	5,260	4,839,144	266,554	5,110,958
Committed	3,542,954	0	0	3,542,954
Assigned	0	395,295	1,660,991	2,056,286
Unassigned	1,095,975	0	0	1,095,975
Total Fund Balances	<u>4,644,189</u>	<u>5,234,439</u>	<u>1,927,545</u>	<u>11,806,173</u>
Total Liabilities and Fund Balances	<u><u>\$5,339,575</u></u>	<u><u>\$5,234,442</u></u>	<u><u>\$ 2,098,076</u></u>	<u><u>\$12,672,093</u></u>

See Notes to Financial Statements.

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

Total Governmental Fund Balances	\$ 11,806,173
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources, and Therefore Not Reported in Funds, Net of Accumulated Depreciation of \$21,791,832.	22,882,147
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	583,970
Deferred Pension Outflows of Resources Are Not Available in the Current Period	1,258,178
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
Net Pension Liability	(1,656,346)
Compensated Absences	(126,617)
Deferred Pension Inflows of Resources Are Not Available in the Current Period	<u>(572,267)</u>
Net Position of Governmental Activities	<u><u>\$ 34,175,238</u></u>

See Notes to Financial Statements.

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

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$5,280,143	\$ 19,267	\$ 321,614	\$ 5,621,024
Intergovernmental Revenues	391,902	0	555,136	947,038
Charges for Services	891,132	0	7,905	899,037
Fines, Licenses and Permits	416,430	0	0	416,430
Interest Income and Rents	122,181	38,130	15,685	175,996
Miscellaneous	59,447	0	77,648	137,095
Total Revenues	<u>7,161,235</u>	<u>57,397</u>	<u>977,988</u>	<u>8,196,620</u>
Expenditures				
General Government	624,517	0	87,077	711,594
Public Safety	3,933,849	0	189,307	4,123,156
Highways	1,378,629	0	676,021	2,054,650
Parks and Recreation	0	0	73,605	73,605
Conservation and Development	8,000	376	0	8,376
Capital Expenditures	0	645,755	238,499	884,254
Miscellaneous Governmental	53,614	0	0	53,614
Total Expenditures	<u>5,998,609</u>	<u>646,131</u>	<u>1,264,509</u>	<u>7,909,249</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,162,626	(588,734)	(286,521)	287,371
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(360,000)</u>	<u>0</u>	<u>360,000</u>	<u>0</u>
Net Change in Fund Balances	802,626	(588,734)	73,479	287,371
Fund Balances				
Beginning of Year	<u>3,841,563</u>	<u>5,823,173</u>	<u>1,854,066</u>	<u>11,518,802</u>
End of Year	<u>\$4,644,189</u>	<u>\$5,234,439</u>	<u>\$ 1,927,545</u>	<u>\$11,806,173</u>

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

Net Change in Fund Balances - Total Governmental Funds	\$ 287,371
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because	
Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This Is the Amount By Which Capital Outlays of \$884,254 and Dedicated Infrastructure of \$4,030,000 Was More Than Depreciation Expense of \$1,105,772 and Net Book Value of Assets Sold of \$195 in the Current Year.	
	3,808,287
Revenues in the Funds That Provide Current Resources Are Not Reported As Revenues in the Statement of Activities.	
Taxes Receivable	(20,908)
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources, and Therefore Are Not Reported As Expenditures in Governmental Funds.	
Compensated Absences	(11,682)
Other Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds.	
Deferred Pension Outflows	31,811
Net Pension Liability	138,109
Deferred Pension Inflows	(230,946)
	31,811
	138,109
	(230,946)
Change in Net Position of Governmental Activities	\$ 4,002,042

See Notes to Financial Statements.

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

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 0	\$ 1,672,976
Investments	<u>9,466,912</u>	<u>0</u>
Total Assets	<u>9,466,912</u>	<u>1,672,976</u>
Liabilities		
Accounts Payable	0	5,904
Due to Other Funds	0	19,711
Escrow Deposits	<u>0</u>	<u>1,647,361</u>
Total Liabilities	<u>0</u>	<u><u>\$ 1,672,976</u></u>
Net Position		
Held in Trust for Pension Benefits	<u><u>\$ 9,466,912</u></u>	

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017

Additions

Contributions:

Commonwealth	\$ 201,883
Member	81,929
Employer (Township)	190,289
Total Contributions	474,101

Investment Income	494,205
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Total Additions	968,306
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Deductions

Benefits	1,518,540
Insurance Premiums	4,857
Administrative	960
Total Deductions	1,524,357

Decrease in Net Position	(556,051)
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Net Position, Held in Trust

Beginning of Year	10,022,963
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End of Year	\$ 9,466,912
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HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Hilltown Township was incorporated in 1721, in Bucks County, Pennsylvania. The Township is classified as a “Township of the Second Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services.

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

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

The Township complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 61, requires Hilltown Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township.

The Township has no component units. Although the Township appoints the Hilltown Township Water and Sewer Authority (Authority) board members, there is no financial accountability between the Township and the Authority and, therefore, does not meet the criteria of a component unit.

In addition, the Township provides some financial support to seven fire companies – the Hilltown Township Volunteer Fire Company, and the Dublin, Perkasio, Sellersville, Silverdale, Souderton and Telford Fire Companies. Since there is no fiscal dependency, financial benefit or burden relationship, these organizations have been excluded from the reporting entity. The Township levies and collects real estate taxes designated for allocation among the seven fire companies. Additionally, on occasion the Township donates funds for various capital projects of the fire companies, and pays certain expenses on their behalf. Annual appropriations totaled \$132,000 for the year ended December 31, 2017.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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

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

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

FUND FINANCIAL STATEMENTS

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

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

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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

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

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

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Operating Reserve Fund has been combined with the General Fund to conform with the fund definitions set forth in GASB 54 – *Fund Balance Reporting and Governmental Type Definitions*.

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

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

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Liquid Fuels	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Street Light	Accounts for revenues and expenditures of street light tax funds	No
Fire Tax	Accounts for revenues and expenditures of fire protection tax funds	No
Open Space	Accounts for tax money received for protection of open space	Yes
Park and Recreation	Accounts for tax money received for parks and recreation	No

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

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fund	Description	Major Fund?
Capital Projects	Accounts for funds received from developers to be spent for capital projects in the Township	No
Road Equipment	Accounts for tax money received for the purchase of road equipment	No
Recreation Capital Reserve	Accounts for funds received from developers in lieu of recreation improvements to be used to construct recreational and park facilities	No
Stormwater System Reserve	Accounts for funds received from developers in lieu of stormwater improvements	No

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

Fiduciary Funds

Pension Trust Funds and Agency Funds - Pension Trust Funds (which include the Police and Non-Uniform Pension Plans that are administered by the Pennsylvania Municipal Retirement System) and Agency Funds (which include the Developers Escrow and Sewer Maintenance Funds) are used to account for assets held by a third party in the Township's name in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Pension Trust Funds and Agency Funds are custodial in nature and do not involve measurement of results of operations.

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

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

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 7 for details of interfund transactions, including receivables and payables at year end.

E. Receivables

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

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

F. Capital Assets

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Repairs and maintenance are recorded as expenditures, and renewals and betterments are capitalized. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation.

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

1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Government-wide Statements (Continued)

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

Classifications	Years
Land/Park Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10
Vehicles	5-10
Furniture and Fixtures	10
Traffic Lights	20
Infrastructure	40

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

G. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, if applicable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Any debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

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

1. Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Township uniformed employees accumulate vacation and sick time in accordance with their contract. Uniformed employees can earn up to 240 hours of vacation time depending on their years of service. Uniformed employees may carry over 120 unused vacation hours per year.

Uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 360 hours can be accumulated from year to year. Upon retirement, resignation or termination, the employee is not paid for accumulated sick time.

Township non-uniformed employees accumulate vacation and sick time in accordance with their contract. Non-uniformed employees can earn up to 184 hours of vacation time depending on their years of service. Non-uniformed employees may carry over 240 hours of vacation per year.

Non-uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 240 hours of sick leave can be accumulated from year to year. Upon retirement, resignation or termination, non-uniformed employees are not paid for accumulated sick time.

The Township is liable to employees in the amount of \$126,617 for vested vacation pay at December 31, 2017.

I. Equity Classifications

Government-Wide Statements

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

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

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

1. Summary of Significant Accounting Policies (Continued)

I. Equity Classifications (Continued)

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2017.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed.

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

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

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

The Township does not currently have a formal minimum fund balance policy.

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

1. Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

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

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

K. Expenditures/Expenses

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

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

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

L. Interfund Transfers

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

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

1. Summary of Significant Accounting Policies (Continued)

M. Estimates

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

N. Stewardship, Compliance, and Accountability

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

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Board members prior to December 31.
4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.
5. Amendments may be approved by the Board during the year.

Excess of Expenditures Over Appropriations

The Township has presented budget to actual comparisons for the General and Open Space Funds. For the year ended December 31, 2017, expenditures exceeded appropriations in the Miscellaneous Governmental category of the General Fund by \$7,061. These excess expenditures were funded by greater than anticipated revenues. Additionally, expenditures exceeded appropriations in the Open Space Fund, in the Capital Expenditure category by \$645,755. This excess expenditure was funded by previous years' excess revenue.

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

2. Cash and Investments

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

Statement of Net Position:	
Cash	\$ 11,400,130
Statement of Fiduciary Net Position:	
Cash	1,672,976
Investments	<u>9,466,912</u>
 Total Cash and Investments	 <u>\$ 22,540,018</u>

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. All Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2017, \$12,975,098 of the Township's bank balance of \$13,225,098 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Township's name.

B. Investments

At December 31, 2017, the Township's investments of \$9,466,912 were all held in fiduciary funds. The funds are invested in an external investment pool with the Pennsylvania Municipal Retirement System (PMRS) and are reported at fair value. PMRS functions as the investment and administrative agent for the Township's police and non-uniform pension plans (see Note 8).

Investments Authorized by the Township

The Township does not currently have an investment policy as all of their governmental funds are held in bank accounts. Fiduciary investments are held and managed by PMRS.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. The credit risk for the Township's investments held in trust with PMRS was not available at December 31, 2017.

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

2. Cash and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information on the Township's interest rate risk on its fiduciary investments was not available to the Township at December 31, 2017.

3. Fiduciary Funds - Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers and other applicants. At December 31, 2017, the Township had \$1,647,361 in escrow deposits and sewer maintenance deposits.

4. Property Taxes

Taxes are levied on March 1, based on the assessed value established by the Bucks County Board of Assessments. Real property in the Township was originally assessed at \$222,775,130 for 2017. Property taxes attach as an enforceable lien on property as of January 15 of the following year. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2017: general purposes, 7.30 mills; fire tax purposes, 0.75 mills; park and recreation purposes, 0.2 mills; road equipment, 0.5 mills.

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

5. Capital Assets

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

	<u>Balance 1/1/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/17</u>
Governmental Activities				
Assets Not Being Depreciated				
Land/Conservation Easements	\$ 7,805,815	\$ 649,017	\$ 0	\$ 8,454,832
Depreciable Assets				
Land/Park Improvements	854,902	0	0	854,902
Buildings and Improvements	3,546,564	0	0	3,546,564
Equipment	1,341,480	0	0	1,341,480
Vehicles	2,264,100	73,533	117,603	2,220,030
Furniture and Fixtures	71,684	0	0	71,684
Traffic Lights	149,302	0	0	149,302
Infrastructure	23,843,481	4,191,704 *	0	28,035,185
Total at Historical Cost	<u>39,877,328</u>	<u>4,914,254</u>	<u>117,603</u>	<u>44,673,979</u>
Less Accumulated Depreciation				
Land/Park Improvements	367,783	32,767	0	400,550
Buildings and Improvements	1,705,864	96,026	0	1,801,890
Equipment	824,727	82,789	0	907,516
Vehicles	1,675,499	183,296	117,408	1,741,387
Furniture and Fixtures	70,902	275	0	71,177
Traffic Lights	63,056	7,712	0	70,768
Infrastructure	16,095,637	702,907	0	16,798,544
Total Accumulated Depreciation	<u>20,803,468</u>	<u>1,105,772</u>	<u>117,408</u>	<u>21,791,832</u>
Total Governmental Activities				
Net Capital Assets	<u>\$ 19,073,860</u>	<u>\$ 3,808,482</u>	<u>\$ 195</u>	<u>\$ 22,882,147</u>

* Includes dedicated infrastructure of \$4,030,000.

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 680,655
Police	115,366
Highway Maintenance	273,963
Park	<u>35,788</u>
Total Depreciation Expense	<u>\$ 1,105,772</u>

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

6. Fund Balance Classifications

	General Fund	Open Space Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Open Space Preservation	\$ 0	\$ 4,839,144	\$ 0	\$ 4,839,144
Police Equipment	5,260	0	0	5,260
Street Light Costs	0	0	5,568	5,568
Highway Improvements	0	0	22,594	22,594
Public Works Equipment Acquisition	0	0	109,197	109,197
Parks and Recreation	0	0	128,393	128,393
Fire Protection	0	0	802	802
	<u>5,260</u>	<u>4,839,144</u>	<u>266,554</u>	<u>5,110,958</u>
Committed for:				
General Operations	<u>3,542,954</u>	<u>0</u>	<u>0</u>	<u>3,542,954</u>
Assigned for:				
Open Space Preservation	0	395,295	0	395,295
Capital Acquisition and Construction	0	0	298,983	298,983
Parks and Recreation Improvements	0	0	644,568	644,568
Parks and Recreation	0	0	190,896	190,896
Fire Protection	0	0	4,219	4,219
Public Works Equipment Acquisition	0	0	180,324	180,324
Stormwater System Improvements	0	0	342,001	342,001
	<u>0</u>	<u>395,295</u>	<u>1,660,991</u>	<u>2,056,286</u>
Unassigned	<u>1,095,975</u>	<u>0</u>	<u>0</u>	<u>1,095,975</u>
Total Fund Balances	<u>\$ 4,644,189</u>	<u>\$ 5,234,439</u>	<u>\$ 1,927,545</u>	<u>\$ 11,806,173</u>

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

7. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due to/from			
Net Funds Advanced for Operating Costs	Street Light	General	\$5,568
Interest Income Payable	General	Escrow	\$19,711
Transfers to/from			
Capital Expenditures	Stormwater Reserve	General	\$200,000
Capital Expenditures	Road Equipment	General	\$160,000

8. Defined Benefit Pension Plans

A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

Investments are reported at fair value. The Plan' assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable securities.

B. Plan Descriptions

Plan Administration

The Township contributes to two public employee retirement systems (PERS), one for its police employees and one for its non-uniformed employees, established in 1980 by resolutions 80-16 and 80-15, respectively. The plans were revised in 2012 by Ordinances 2012-2 and 2012-4. The Plan participates in the PMRS, which is an agent multiple-employer public employee retirement system, which consists of over 1000 participating employer plans. It is the responsibility of PMRS to act as a common investment agent for participating municipal pension plans. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of plan benefits to its members. Management of the plan is vested with PMRS, which consists of an eleven-member Board: the State Treasurer, Secretary of the Commonwealth, and nine other members appointed by the Governor. A copy of the plan's financial statements can be obtained by writing to the Pennsylvania Municipal Retirement System, PO Box 1165, Harrisburg, PA 17108.

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

8. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Plan Administration (Continued)

Responsibility for PMRS is vested in the eleven-member Pennsylvania Municipality Retirement Board. There are over 900 participating employer plans, each of which has the authority to establish or amend its respective benefits and employee contribution rates, subject to PMRS Board approval. PMRS has the broad authority of enabling a municipality to design its own retirement benefit structure. As an alternative, PMRS has two basic benefit structures: one for municipal employees and one for uniformed employees (police and fire fighters). However, municipalities may provide for benefits different from those basic structures. Automatic postretirement benefit increases are optional in plan contracts. Some member municipalities include the automatic increase; others occasionally grant an ad hoc cost-of-living (COLA) increase. The most common method of granting a postretirement benefit increase is through PMRS' excess interest award. Member municipalities interested in amending benefits contact the PMRS staff to discuss desired amendments and to obtain a cost study. Amendments are drafted by the PMRS staff, reviewed by the Chief Counsel's Office, adopted by the municipality, and submitted to the Board for formal approval.

Plan Membership

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

	<u>Police</u>	<u>Non-Uniform</u>
Active Employees	14	16
Retirees and Beneficiaries Currently Receiving Benefits	10	6
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>1</u>	<u>2</u>
Total	<u>25</u>	<u>24</u>

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

8. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Benefits Provided

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

Covered Employees:	All full-time uniformed employees.
Normal Retirement:	Age 55 and the completion of 12 years of service.
Early Retirement:	After 24 years of service for voluntary terminations, after 8 years for involuntary terminations.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The annual basic benefit shall be calculated by multiplying the member's final average salary (the average compensation of the participant's last 36 months of employment) by all years of credited service and multiplied by the benefit accrual rate of 2%, not to exceed 50% of final average salary, plus a service increment that is not to exceed \$100 per month, if officer completes 26 years or more of benefit service.
Death Benefit	
Before Retirement:	Beneficiary receives the balance of the officer's account.
After Retirement:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to an eligible child.
Disability Benefit	
Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability.
Non-Service Related:	A 30% disability benefit is provided to a member who has at least 10 years of service.
Member Contributions Rate:	5% of compensation.
Interest Rate Credited to Member Contributions:	5.5% per annum.

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

8. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Benefits Provided (Continued)

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

Covered Employees:	All full-time non-uniformed employees employed by the Township.
Normal Retirement:	Age 60 and the completion of 12 years of credited service.
Early Retirement:	After 20 years of service for voluntary retirement, or after 8 years for involuntary retirement.
Vesting:	None for the first 12 years of service; thereafter 100%.
Retirement Benefit:	The annual basic benefit shall be calculated by multiplying the member's final average salary (the average compensation of the participant's last five years of employment) by all years of credited service and multiplied by the benefit accrual rate of 1.25%.
Death Benefit	
Before Retirement:	Beneficiary receives the present value of the accrued pension benefit at the date of death.
After Retirement:	The form of benefit payment in force for such participant at the time death occurs.
Disability Benefit:	A service-related disability pension shall be provided to an employee equal to 50% of the member's monthly salary at the time of disability. A 30% disability benefit is provided to a member who has at least 10 years of service. For a non-service-related disability, a 30% disability benefit is provided to a member who has at least 10 years of service
Member Contributions Rate:	N/A

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

8. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Contributions

For the Police Plan, participating employees can be required to contribute 5% of their salary to the Plan. For the year 2017, members contributed 5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the Non-Uniform Plan, participating employees can be required to contribute 3.5% of their salary to the Plan. For the year 2017, members contributed 0% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

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

The Township's covered employees may be required to contribute a percentage of their salary to the employees' PERS as noted above. The Township is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by state statute. The Commonwealth of Pennsylvania also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plans.

C. Investments

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

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

8. Defined Benefit Pension Plans (Continued)

C. Investments (Continued)

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

The Board has adopted its Statement of Investment Policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, established guidelines for permissible investments of PMRS. The pension plan’s policy in regards to the allocation of invested plan assets is established and may be amended by the Board. The adopted allocation policy as of December 31, 2017, is as follows:

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

Rate of Return

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

D. Deferred Retirement Option Program (DROP)

An active member who has met the eligibility requirements for the program, which are age 55 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than three years. Monthly pension shall be calculated as of the date of participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement.

As of December 31, 2017, there were three participants in the DROP program, and the balance held by the Plan for the DROP program was \$391,678.

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township

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

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$13,696,873	\$ 4,506,131
Plan Fiduciary Net Position	<u>(12,292,822)</u>	<u>(4,253,836)</u>
Township's Net Pension Liability	<u>\$ 1,404,051</u>	<u>\$ 252,295</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	89.7%	94.4%

Actuarial Assumptions

The total pension liability for the Plans were determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

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

See Schedule of Township Contributions on pages 60 and 61 for details on mortality rates assumptions.

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

The net pension liability for both Plans were measured as of December 31, 2016. Because the beginning and end of year total pension liabilities are based upon different actuarial valuation dates, there is a difference between expected and actual experiences reported in 2016. The beginning of the year total pension liabilities are based upon the January 1, 2015, actuarial valuation, with liabilities measured at December 31, 2014, rolled forward to December 31, 2015. The end of year total pension liabilities are based upon the January 1, 2017, actuarial valuation with liabilities measured at December 31, 2016.

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

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

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

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

Changes in the Net Pension Liability

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

	Police Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 12,998,629	\$ 11,531,844	\$ 1,466,785
Changes for the Year			
Service Cost	195,144	0	195,144
Interest	716,784	0	716,784
Changes of Assumptions	357,857	0	357,857
Difference Between Actual and Expected Experience	(244,483)	0	(244,483)
Contributions – Employer	0	277,890	(277,890)
Contributions – Employee	0	80,524	(80,524)
Contributions – PMRS Assessment	0	480	(480)
Net Investment Income	0	639,837	(639,837)
Market Value Investment Income	0	121,131	(121,131)
Benefit Payments	(327,058)	(327,058)	0
Administrative Expenses	0	(31,826)	31,826
Net Changes	698,244	760,978	(62,734)
Balances at December 31, 2017	\$ 13,696,873	\$ 12,292,822	\$ 1,404,051

	Non-Uniform Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 4,239,195	\$ 3,911,525	\$ 327,670
Changes for the Year			
Service Cost	84,467	0	84,467
Interest	236,208	0	236,208
Change in Assumptions	98,913	0	98,913
Difference Between Actual and Expected Experience	(93,931)	0	(93,931)
Contributions – Employer	0	81,364	(81,364)
Contributions – PMRS Assessment	0	20	(20)
Net Investment Income	0	228,783	(228,783)
Market Value Investment Income	0	102,513	(102,513)
Benefit Payments	(58,721)	(58,721)	0
Administrative Expense	0	(11,648)	11,648
Net Changes	266,936	342,311	(75,375)
Balances at December 31, 2017	\$ 4,506,131	\$ 4,253,836	\$ 252,295

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.50% for both Plans. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the year ended December 31, 2017, the Township recognized pension expense of \$315,141 and \$138,077 in the Police and Non-Uniform Plans, respectively. At December 31, 2017, the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 59,507	\$ (209,557)
Changes in Assumptions	306,735	(284,434)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	336,774	0
Contributions by Employer After the Measurement Date	295,261	0
	\$ 998,277	\$ (493,991)

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

For the Year Ending December 31	Amount
2018	\$ 91,748
2019	91,749
2020	100,059
2021	(50,039)
2022	(40,690)
2023	16,198
	\$ 209,025

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

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

	Non-Uniform	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 15,327	\$ (78,276)
Changes of Assumptions	89,128	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	58,535	0
Contributions by Employer After the Measurement Date	96,911	0
	\$ 259,901	\$ (78,276)

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

For the Year Ending December 31	Amount
2018	\$ 131,448
2019	34,536
2020	32,808
2021	(17,994)
2022	827
	\$ 181,625

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

8. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

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

The following presents the net pension liabilities of the Township, calculated using the discount rate of 5.5% for both the Police and Non-Uniform Plans, as well as what the Township's net pension liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Police Pension Liability	\$3,007,311	\$1,404,051	\$62,062
	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Non-Uniform Pension Liability (Asset)	\$641,581	\$252,295	\$(85,092)

9. Post-Employment Benefits

In addition to the pension benefits described in Note 8, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria outlined in the police collective bargaining agreement.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on the terms in the police contract. The contribution for the year ended December 31, 2017 was \$31,029. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, other than direct long-term care expenses, and without regard to any limitations imposed based on the adjusted gross income of an eligible employee. Any plan participant who separates from police employment with the Township prior to retirement shall have his or her medical reimbursement accounts revert back to the Township. The accounts also revert back to the Township upon the death of the participant.

The plan became effective January 1, 2009. Currently, there is one retiree who has received benefits and 17 uniformed employees are receiving contributions in their medical reimbursement account.

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

10. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of IRC Section 457(g) prescribe that the Township is not the owner of the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the related liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Township's financial statements.

11. Risk Management

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

a. Health Care Coverage

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

b. Workers' Compensation Coverage

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees. The volunteer firemen's workers' compensation benefits are provided through the state program.

c. Insurance Coverage

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

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

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

12. Contingencies

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

13. Related Party Transactions

During the year, the Township received \$31,104 from the Hilltown Township Water and Sewer Authority for cell tower rentals.

14. Restatement of Net Position

Net position as of December 31, 2016 was restated to reflect employer pension contributions made after the measurement date as a deferred outflows of resources as follows:

Net Position, Originally Stated	\$29,813,462
Contributions Made After Measurement Date	<u>359,734</u>
Net Position, Restated	<u><u>\$30,173,196</u></u>

15. Subsequent Events

Management has evaluated subsequent events and transactions through July 9, 2018, the date which the financial statements were available to be issued, and determined that, based upon such events and transactions, no adjustment to, or additional disclosure in the financial statements is required.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 195,144	\$ 270,302	\$ 293,988
Interest	716,784	706,740	666,256
Changes in Benefit Terms	0	0	0
Differences Between Expected and Actual Experience	(244,483)	0	104,135
Changes of Assumptions	357,857	(398,208)	0
Benefit Payments (Including Refunds of Member Contributions)	<u>(327,058)</u>	<u>(315,216)</u>	<u>(294,300)</u>
Net Change in Total Pension Liability	698,244	263,618	770,079
Total Pension Liability			
Beginning of Year	<u>12,998,629</u>	<u>12,735,011</u>	<u>11,964,932</u>
End of Year	<u>\$ 13,696,873</u>	<u>\$ 12,998,629</u>	<u>\$ 12,735,011</u>
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 278,370	\$ 307,434	\$ 231,746
Member	80,524	87,400	97,792
Net Investment Income (Loss)	760,968	(105,023)	644,800
Benefit Payments (Including Refunds of Member Contributions)	(327,058)	(315,216)	(294,300)
Administrative Expense	<u>(31,826)</u>	<u>(27,429)</u>	<u>(23,635)</u>
Net Change in Plan Fiduciary Net Position	760,978	(52,834)	656,403
Plan Fiduciary Net Position			
Beginning of Year	<u>11,531,844</u>	<u>11,584,678</u>	<u>10,928,275</u>
End of Year	<u>\$ 12,292,822</u>	<u>\$ 11,531,844</u>	<u>\$ 11,584,678</u>
Township's Ending Net Pension Liability	<u>\$ 1,404,051</u>	<u>\$ 1,466,785</u>	<u>\$ 1,150,333</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	89.7%	88.7%	91.0%
Covered Employee Payroll	<u>\$ 1,610,469</u>	<u>\$ 1,747,984</u>	<u>\$ 1,903,578</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	87.2%	83.9%	60.4%

Change in benefit terms: None

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 84,467	\$ 86,229	\$ 89,869
Interest	236,208	221,762	206,453
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual Experience	(93,931)	0	30,654
Changes of Assumptions	98,913	10,051	0
Benefit Payments (Including Refunds of Member Contributions)	<u>(58,721)</u>	<u>(48,665)</u>	<u>(41,413)</u>
Net Change in Total Pension Liability	266,936	269,377	285,563
Total Pension Liability			
Beginning of Year	<u>4,239,195</u>	<u>3,969,818</u>	<u>3,684,255</u>
End of Year	<u>\$ 4,506,131</u>	<u>\$ 4,239,195</u>	<u>\$ 3,969,818</u>
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 81,384	\$ 87,655	\$ 73,825
Member	0	0	0
Net Investment Income (Loss)	331,296	(11,654)	195,839
Benefit Payments (Including Refunds of Member Contributions)	(58,721)	(48,665)	(41,413)
Administrative Expense	<u>(11,648)</u>	<u>(9,479)</u>	<u>(8,262)</u>
Net Change in Plan Fiduciary Net Position	342,311	17,857	219,989
Plan Fiduciary Net Position			
Beginning of Year	<u>3,911,525</u>	<u>3,893,668</u>	<u>3,673,679</u>
End of Year	<u>\$ 4,253,836</u>	<u>\$ 3,911,525</u>	<u>\$ 3,893,668</u>
Township's Ending Net Pension Liability	<u>\$ 252,295</u>	<u>\$ 327,670</u>	<u>\$ 76,150</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	94.4%	92.2%	98.1%
Covered Employee Payroll	<u>\$ 1,183,775</u>	<u>\$ 1,119,646</u>	<u>\$ 1,126,981</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	21.3%	29.2%	6.7%

Change in benefit terms: None

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

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

	2017	2016	2015
Actuarially Determined Contribution	\$278,370	\$307,414	\$231,746
Contributions in Relation to the Actuarially Determined Contribution	\$278,370	\$307,434	\$231,746
Contribution Deficiency (Excess)	\$0	\$(20)	\$0
Covered Employee Payroll	\$1,610,469	\$1,747,984	\$1,903,578
Contributions As a Percentage of Covered Employee Payroll	17.29%	17.59%	12.17%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	11 years
Asset Valuation Method	Based on the municipal reserves
Inflation	3.0%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of return	5.5%
Retirement Age	Normal Retirement Age
Pre-Retirement Mortality	Males - RP2000 Table with 1 year set back, Females – RP2000 Table with 5 year set back
Post-Retirement Mortality	Sex distinct RP2000 Combined Healthy Mortality

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

	2017	2016	2015
Actuarially Determined Contribution	\$81,364	\$87,635	\$72,077
Contributions in Relation to the Actuarially Determined Contribution	\$81,384	\$87,655	\$73,825
Contribution Deficiency (Excess)	\$(20)	\$(20)	\$(1,748)
Covered Employee Payroll	\$1,183,775	\$1,119,646	\$1,126,981
Contributions As a Percentage of Covered Employee Payroll	6.9%	7.83%	6.55%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	11 years
Asset Valuation Method	Based on the municipal reserves
Inflation	3.0%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of return	5.5%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table
Pre-Retirement Mortality	Males - RP2000 Table with 1 year set back, Females – RP2000 Table with 5 year set back
Post-Retirement Mortality	Sex distinct RP2000 Combined Healthy Mortality

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Investment Returns
December 31, 2017
(Unaudited)

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

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General and Open Space Funds
Year Ended December 31, 2017

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 4,445,150	\$ 5,280,143	\$ 834,993
Intergovernmental Revenues	404,633	391,902	(12,731)
Charges for Services	716,951	891,132	174,181
Fees, Licenses and Permits	405,400	416,430	11,030
Interest Income and Rents	78,842	122,181	43,339
Miscellaneous	72,814	59,447	(13,367)
Total Revenues	<u>6,123,790</u>	<u>7,161,235</u>	<u>1,037,445</u>
Expenditures			
General Government	639,122	624,517	14,605
Public Safety	4,165,243	3,933,849	231,394
Highways	1,426,302	1,378,629	47,673
Conservation and Development	8,000	8,000	0
Capital Expenditures	0	0	0
Miscellaneous Governmental	46,553	53,614	(7,061)
Total Expenditures	<u>6,285,220</u>	<u>5,998,609</u>	<u>286,611</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(161,430)	1,162,626	1,324,056
Other Financing Sources (Uses)			
Operating Transfers Out	<u>0</u>	<u>(360,000)</u>	<u>(360,000)</u>
Net Change in Fund Balances	(161,430)	802,626	964,056
Fund Balances			
Beginning of Year	<u>1,905,987</u>	<u>3,841,563</u>	<u>1,935,576</u>
End of Year	<u>\$ 1,744,557</u>	<u>\$ 4,644,189</u>	<u>\$ 2,899,632</u>

See Notes to Financial Statements.

Open Space Fund

Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 19,267	\$ 19,267
0	0	0
0	0	0
0	0	0
20,000	38,130	18,130
0	0	0
<u>20,000</u>	<u>57,397</u>	<u>37,397</u>
0	0	0
0	0	0
0	0	0
2,600	376	2,224
0	645,755	(645,755)
0	0	0
<u>2,600</u>	<u>646,131</u>	<u>(643,531)</u>
17,400	(588,734)	(606,134)
<u>0</u>	<u>0</u>	<u>0</u>
17,400	(588,734)	(606,134)
<u>5,820,514</u>	<u>5,823,173</u>	<u>2,659</u>
<u>\$ 5,837,914</u>	<u>\$ 5,234,439</u>	<u>\$ (603,475)</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2017

1. Basis of Presentation

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

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

2. Differences in Budget Basis versus GAAP Basis

Miscellaneous governmental expenditures are budgeted for as such. Actual expenses have been allocated to activities.

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

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>	<u>Park and Recreation Fund</u>
Assets				
Cash	\$ 7,365	\$ 0	\$ 44,050	\$ 319,360
Taxes Receivable	3,978	0	0	1,042
Due from Other Funds	<u>0</u>	<u>5,568</u>	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$ 11,343</u></u>	<u><u>\$ 5,568</u></u>	<u><u>\$ 44,050</u></u>	<u><u>\$ 320,402</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	<u>\$ 4,072</u>	<u>\$ 0</u>	<u>\$ 21,456</u>	<u>\$ 532</u>
Deferred Inflows of Resources				
Deferred Tax Receipts	<u>2,250</u>	<u>0</u>	<u>0</u>	<u>581</u>
Fund Balances				
Restricted	802	5,568	22,594	128,393
Assigned	<u>4,219</u>	<u>0</u>	<u>0</u>	<u>190,896</u>
Total Fund Balances	<u><u>5,021</u></u>	<u><u>5,568</u></u>	<u><u>22,594</u></u>	<u><u>319,289</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 11,343</u></u>	<u><u>\$ 5,568</u></u>	<u><u>\$ 44,050</u></u>	<u><u>\$ 320,402</u></u>

<u>Capital Projects Fund</u>	<u>Recreation Capital Reserve</u>	<u>Road Equipment Fund</u>	<u>Stormwater System Reserve Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 312,558	\$ 646,615	\$ 288,369	\$ 466,528	\$ 2,084,845
0	0	2,643	0	7,663
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,568</u>
<u>\$ 312,558</u>	<u>\$ 646,615</u>	<u>\$ 291,012</u>	<u>\$ 466,528</u>	<u>\$ 2,098,076</u>
<u>\$ 13,575</u>	<u>\$ 2,047</u>	<u>\$ 0</u>	<u>\$ 124,527</u>	<u>\$ 166,209</u>
<u>0</u>	<u>0</u>	<u>1,491</u>	<u>0</u>	<u>4,322</u>
0	0	109,197	0	266,554
298,983	644,568	180,324	342,001	1,660,991
<u>298,983</u>	<u>644,568</u>	<u>289,521</u>	<u>342,001</u>	<u>1,927,545</u>
<u>\$ 312,558</u>	<u>\$ 646,615</u>	<u>\$ 291,012</u>	<u>\$ 466,528</u>	<u>\$ 2,098,076</u>

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

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>	<u>Park and Recreation Fund</u>
Revenues				
Taxes	\$ 166,351	\$ 0	\$ 0	\$ 44,361
Intergovernmental Revenues	0	0	555,136	0
Charges for Services	0	0	0	7,905
Interest Income and Rents	559	0	2,256	2,292
Miscellaneous	0	0	0	0
Total Revenues	<u>166,910</u>	<u>0</u>	<u>557,392</u>	<u>54,558</u>
Expenditures				
General Government	2,559	0	0	682
Public Safety	164,663	0	0	0
Highways	0	44,011	617,726	0
Parks and Recreation	0	0	0	41,168
Capital Expenditures	0	0	0	0
Total Expenditures	<u>167,222</u>	<u>44,011</u>	<u>617,726</u>	<u>41,850</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(312)	(44,011)	(60,334)	12,708
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(312)	(44,011)	(60,334)	12,708
Fund Balances				
Beginning of Year	<u>5,333</u>	<u>49,579</u>	<u>82,928</u>	<u>306,581</u>
End of Year	<u>\$ 5,021</u>	<u>\$ 5,568</u>	<u>\$ 22,594</u>	<u>\$ 319,289</u>

Capital Projects Fund	Recreation Capital Reserve	Road Equipment Fund	Stormwater System Reserve Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 110,902	\$ 0	\$ 321,614
0	0	0	0	555,136
0	0	0	0	7,905
2,690	4,647	977	2,264	15,685
43,310	10,740	0	23,598	77,648
<u>46,000</u>	<u>15,387</u>	<u>111,879</u>	<u>25,862</u>	<u>977,988</u>
82,131	0	1,705	0	87,077
24,644	0	0	0	189,307
5,773	0	0	8,511	676,021
0	32,437	0	0	73,605
73,533	3,262	0	161,704	238,499
<u>186,081</u>	<u>35,699</u>	<u>1,705</u>	<u>170,215</u>	<u>1,264,509</u>
(140,081)	(20,312)	110,174	(144,353)	(286,521)
<u>0</u>	<u>0</u>	<u>160,000</u>	<u>200,000</u>	<u>360,000</u>
(140,081)	(20,312)	270,174	55,647	73,479
<u>439,064</u>	<u>664,880</u>	<u>19,347</u>	<u>286,354</u>	<u>1,854,066</u>
<u>\$ 298,983</u>	<u>\$ 644,568</u>	<u>\$ 289,521</u>	<u>\$ 342,001</u>	<u>\$ 1,927,545</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Fiduciary Net Position - Pension Trust Funds
December 31, 2017**

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total</u>
Assets			
Investments	\$ 5,665,805	\$ 3,801,107	\$ 9,466,912
Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net Position			
Held in Trust for Pension Benefits	<u>\$ 5,665,805</u>	<u>\$ 3,801,107</u>	<u>\$ 9,466,912</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
December 31, 2017

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total</u>
Additions			
Contributions:			
Commonwealth	\$ 153,431	\$ 48,452	201,883
Member	81,929	0	81,929
Employer (Township)	141,830	48,459	190,289
Total Contributions	<u>377,190</u>	<u>96,911</u>	<u>474,101</u>
Investment Income	<u>299,197</u>	<u>195,008</u>	<u>494,205</u>
Total Additions	<u>676,387</u>	<u>291,919</u>	<u>968,306</u>
Deductions			
Benefits	1,174,147	344,393	1,518,540
Insurance Premiums	2,758	2,099	4,857
Administrative	500	460	960
Total Deductions	<u>1,177,405</u>	<u>346,952</u>	<u>1,524,357</u>
Decrease in Net Position	(501,018)	(55,033)	(556,051)
Net Position, Held in Trust			
Beginning of Year	<u>6,166,823</u>	<u>3,856,140</u>	<u>10,022,963</u>
End of Year	<u><u>\$ 5,665,805</u></u>	<u><u>\$ 3,801,107</u></u>	<u><u>\$ 9,466,912</u></u>