

EASTTOWN TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Easttown Township
Devon, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Easttown Township as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Easttown Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Easttown Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

To the Board of Supervisors
Easttown Township
Devon, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Easttown Township as of December 31, 2015, and the respective changes in financial position--modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note A.

Basis of Accounting

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

Emphasis of Matter

For the year ended December 31, 2015, Easttown Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 48 and 49, pension plan information on pages 50 through 55 and postemployment benefits other than pension funding progress on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maille LLP

West Chester, Pennsylvania
September 16, 2016

EASTTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

The management of Easttown Township offers the readers of the Township's basic financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the introductory section of this report and the Township's basic financial statements in the financial section of this report.

USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Government-Wide Financial Statements

The government-wide financial statements are comprised of the statement of net position and the statement of activities. These statements are designed to provide readers with a broad overview of the Township's finances utilizing the modified cash basis method of accounting. Under the modified cash basis method of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

The statement of net position presents information on all the Township's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, police, fire, community development, planning, public works, etc. The business-type activities of the Township include sanitary sewer, utility and solid waste operations.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

The government-wide financial statements include not only the Township itself but also the Easttown Municipal Authority. Although the Authority is a legally separate entity, it functions for all practical purposes as a part of the Township and, therefore, has been included as a blended component unit as an integral part of the primary government.

The government-wide financial statements can be found later in this report.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - Governmental Funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. The Governmental Funds financial statements utilize the modified cash basis of accounting. Under the modified cash basis method of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

Because the focus of the Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions. Both the Governmental Funds balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The Township maintains numerous individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Highway Aid Fund, Library Fund and Parks and Recreation Fund, all of which are considered to be major funds.

The Township adopts an annually appropriate budget for all Governmental and Proprietary Funds.

Proprietary Funds - The Township maintains Proprietary Funds for the sanitary sewer system and the municipal waste contract. The Proprietary Funds provide the same type of information as the government-wide financial statements.

The Proprietary Funds financial statements can be found later in this report.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources are not available to support the Township's own programs.

The Fiduciary Funds financial statements can be found later in this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in the following pages of this report.

Required Supplementary Information

The management's discussion and analysis, the General Fund budgetary comparison schedule (page 48), the schedule of changes in the net police pension plan liability and related ratios (page 50), the schedule of police pension plan contributions (page 51), the schedule of police pension plan investment returns (page 52), the schedule of changes in the net non-uniformed employees' pension plan liability and related ratios (page 53), the schedule of non-uniformed employees' pension plan contributions (page 54), the schedule of non-uniformed employees' pension plan investment returns (page 55) and the postemployment benefits other than pension funding progress (page 56) represent financial information required by the GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

Basis of Accounting

The Township has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the Township's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of connection fees and Solid Waste Fund receivables in the Proprietary Funds and depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for Proprietary Fund activities.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**Net Position--Modified Cash Basis**

The Township's combined net position, resulting from modified cash basis transactions, was \$1,587,128 at December 31, 2015.

***Statements of Net Position--Modified Cash Basis
December 31, 2015 and 2014***

	2015		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 2,563,172	\$ 9,443,346	\$ 12,006,518
Capital assets	<u>8,923,838</u>	<u>12,252,327</u>	<u>21,176,165</u>
TOTAL ASSETS	<u>11,487,010</u>	<u>21,695,673</u>	<u>33,182,683</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	146,413	146,413
Deferred outflows related to pensions	<u>2,038,098</u>	<u>-</u>	<u>2,038,098</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,038,098</u>	<u>146,413</u>	<u>2,184,511</u>
LIABILITIES			
Long-term debt	5,879,141	21,233,795	27,112,936
Other liabilities	<u>6,664,126</u>	<u>3,004</u>	<u>6,667,130</u>
TOTAL LIABILITIES	<u>12,543,267</u>	<u>21,236,799</u>	<u>33,780,066</u>
NET POSITION			
Net investment in capital assets	3,075,127	(6,840,819)	(3,765,692)
Restricted	1,475,725	-	1,475,725
Unrestricted	<u>(3,569,011)</u>	<u>7,446,106</u>	<u>3,877,095</u>
TOTAL NET POSITION	<u>\$ 981,841</u>	<u>\$ 605,287</u>	<u>\$ 1,587,128</u>

2014		
Governmental Activities	Business-Type Activities	Totals
\$ 3,261,229	\$ 9,520,965	\$ 12,782,194
<u>9,220,848</u>	<u>12,696,059</u>	<u>21,916,907</u>
<u>12,482,077</u>	<u>22,217,024</u>	<u>34,699,101</u>
-	159,767	159,767
<u>-</u>	<u>-</u>	<u>-</u>
-	159,767	159,767
<u>-</u>	<u>159,767</u>	<u>159,767</u>
7,957,660	21,980,771	29,938,431
313,933	3,004	316,937
<u>8,271,593</u>	<u>21,983,775</u>	<u>30,255,368</u>
2,371,926	(6,548,096)	(4,176,170)
1,496,222	-	1,496,222
<u>342,336</u>	<u>6,941,112</u>	<u>7,283,448</u>
<u>\$ 4,210,484</u>	<u>\$ 393,016</u>	<u>\$ 4,603,500</u>

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Changes in Net Position--Modified Cash Basis

For the years ended December 31, 2015 and 2014, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

***Statements of Changes in Net Position--Modified Cash Basis
Years Ended December 31, 2015 and 2014***

	2015		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 810,788	\$ 4,197,279	\$ 5,008,067
Operating grants and contributions	291,133	1,162	292,295
General revenues			
Taxes	5,860,084	-	5,860,084
Intergovernmental revenue	319,253	-	319,253
Licenses and permits	277,570	-	277,570
Fines and forfeitures	40,500	-	40,500
Investment income	3,939	8,816	12,755
Gain on disposal of capital asset	8,050	-	8,050
Miscellaneous	23,171	106,822	129,993
	<u>7,634,488</u>	<u>4,314,079</u>	<u>11,948,567</u>
EXPENSES			
General government	1,029,425	-	1,029,425
Public safety	4,901,632	-	4,901,632
Public works, highways and streets	997,280	-	997,280
Culture and recreation	708,947	-	708,947
Depreciation	378,823	-	378,823
Interest	235,691	-	235,691
Solid waste	-	1,145,805	1,145,805
Sewer	-	2,986,428	2,986,428
Transfers	30,425	(30,425)	-
	<u>8,282,223</u>	<u>4,101,808</u>	<u>12,384,031</u>
CHANGE IN NET POSITION	\$ <u>(647,735)</u>	\$ <u>212,271</u>	\$ <u>(435,464)</u>

2014		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ 974,700	\$ 4,198,935	\$ 5,173,635
267,772	14,830	282,602
5,858,361	-	5,858,361
311,722	-	311,722
272,287	-	272,287
34,560	-	34,560
19,939	26,396	46,335
38,369	-	38,369
48,312	2,530	50,842
<u>7,826,022</u>	<u>4,242,691</u>	<u>12,068,713</u>
804,397	-	804,397
4,355,443	-	4,355,443
1,078,625	-	1,078,625
716,113	-	716,113
381,701	-	381,701
195,422	-	195,422
-	1,132,956	1,132,956
-	3,205,299	3,205,299
-	-	-
<u>7,531,701</u>	<u>4,338,255</u>	<u>11,869,956</u>
<u>\$ 294,321</u>	<u>\$ (95,564)</u>	<u>\$ 198,757</u>

EASTTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets--Modified Cash Basis

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,970,144	\$ -	\$ -	\$ 1,970,144
Infrastructure	272,995	-	-	272,995
Building and improvements	11,264,937	32,108	-	11,297,045
Library collection	1,900,000	-	-	1,900,000
Furniture and equipment	1,903,057	80,136	(77,565)	1,905,628
	<u>17,311,133</u>	<u>112,244</u>	<u>(77,565)</u>	<u>17,345,812</u>
Accumulated depreciation	<u>(8,090,285)</u>	<u>(378,823)</u>	<u>47,134</u>	<u>(8,421,974)</u>
	<u>\$ 9,220,848</u>	<u>\$ (266,579)</u>	<u>\$ (30,431)</u>	<u>\$ 8,923,838</u>
BUSINESS-TYPE ACTIVITIES				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
Buildings and equipment	17,048,882	321,717	-	17,370,599
	<u>17,343,052</u>	<u>321,717</u>	<u>-</u>	<u>17,664,769</u>
Accumulated depreciation	<u>(4,646,993)</u>	<u>(765,449)</u>	<u>-</u>	<u>(5,412,442)</u>
	<u>\$ 12,696,059</u>	<u>\$ (443,732)</u>	<u>\$ -</u>	<u>\$ 12,252,327</u>

Long-Term Debt--Modified Cash Basis

At December 31, 2015, the Township had \$27,235,000 in long-term debt arising from modified cash basis transactions. At December 31, 2015, \$5,830,000 of the debt is related to governmental activities and \$21,405,000 is related to business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Easttown Township's finances are stable and the outlook indicates they will remain that way. The Board of Supervisors continues to modestly build up reserves and anticipates that this will continue into the future by using sound budgeting practices.
- The Board of Supervisors did not raise the millage rate for 2016 due to the stable nature of the overall health of the Township's financial status.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Manager's office at 566 Beaumont Road, Devon, PA 19333-1722 or telephone at 610-687-3000.

EASTTOWN TOWNSHIP**STATEMENT OF NET POSITION--MODIFIED CASH BASIS**

DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and equivalents	\$ 2,399,164	\$ 8,558,060	\$ 10,957,224
Accounts receivable	-	1,049,294	1,049,294
Internal balances	164,008	(164,008)	-
Capital assets			
Land	1,970,144	294,170	2,264,314
Infrastructure	272,995	-	272,995
Building and improvements	11,297,045	800,746	12,097,791
Library collection	1,900,000	-	1,900,000
Vehicles	663,017	-	663,017
Furniture and equipment	1,242,611	16,569,853	17,812,464
Accumulated depreciation	(8,421,974)	(5,412,442)	(13,834,416)
TOTAL ASSETS	<u>11,487,010</u>	<u>21,695,673</u>	<u>33,182,683</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	146,413	146,413
Deferred outflows related to pensions	2,038,098	-	2,038,098
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,038,098</u>	<u>146,413</u>	<u>2,184,511</u>
LIABILITIES			
Accrued expenses	7,343	3,004	10,347
Land development escrows	113,308	-	113,308
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,005,000	755,000	1,760,000
Portion due or payable after one year			
Bonds payable	4,825,000	20,650,000	25,475,000
Bond premium	66,696	79,173	145,869
Bond discounts, net	(17,555)	(250,378)	(267,933)
Compensated absences	52,471	-	52,471
Net pension liability	5,158,645	-	5,158,645
Net OPEB obligation	1,332,359	-	1,332,359
TOTAL LIABILITIES	<u>12,543,267</u>	<u>21,236,799</u>	<u>33,780,066</u>
NET POSITION			
Net investment in capital assets	3,075,127	(6,840,819)	(3,765,692)
Restricted	1,475,725	-	1,475,725
Unrestricted	(3,569,011)	7,446,106	3,877,095
TOTAL NET POSITION	<u>\$ 981,841</u>	<u>\$ 605,287</u>	<u>\$ 1,587,128</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP

STATEMENT OF ACTIVITIES--MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,029,425	\$ 60,927	\$ -	\$ -
Public safety	4,901,632	665,580	-	-
Public works	997,280	10,281	291,133	-
Culture and recreation	708,947	74,000	-	-
Depreciation, unallocated	378,823	-	-	-
Interest on long-term debt	235,691	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,251,798	810,788	291,133	-
BUSINESS-TYPE ACTIVITIES				
Solid waste	1,145,805	1,097,413	1,162	-
Sewer	2,986,428	3,099,866	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,132,233	4,197,279	1,162	-
TOTAL TOWNSHIP ACTIVITIES	\$ 12,384,031	\$ 5,008,067	\$ 292,295	\$ -

GENERAL REVENUES

Taxes
Real estate
Transfer
Intergovernmental revenue not restricted to specific programs
Licenses and permits
Fines and forfeitures
Investment income
Miscellaneous
Gain on disposal of capital asset

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (968,498)	\$ -	\$ (968,498)
(4,236,052)	-	(4,236,052)
(695,866)	-	(695,866)
(634,947)	-	(634,947)
(378,823)	-	(378,823)
<u>(235,691)</u>	<u>-</u>	<u>(235,691)</u>
<u>(7,149,877)</u>	<u>-</u>	<u>(7,149,877)</u>
-	(47,230)	(47,230)
<u>-</u>	<u>113,438</u>	<u>113,438</u>
<u>-</u>	<u>66,208</u>	<u>66,208</u>
<u>(7,149,877)</u>	<u>66,208</u>	<u>(7,083,669)</u>
5,167,637	-	5,167,637
692,447	-	692,447
319,253	-	319,253
277,570	-	277,570
40,500	-	40,500
3,939	8,816	12,755
23,171	106,822	129,993
8,050	-	8,050
<u>(30,425)</u>	<u>30,425</u>	<u>-</u>
<u>6,502,142</u>	<u>146,063</u>	<u>6,648,205</u>
(647,735)	212,271	(435,464)
<u>1,629,576</u>	<u>393,016</u>	<u>2,022,592</u>
<u>\$ 981,841</u>	<u>\$ 605,287</u>	<u>\$ 1,587,128</u>

EASTTOWN TOWNSHIP

BALANCE SHEET--MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>
ASSETS		
Cash and cash equivalents	\$ 866,623	\$ 1,086,656
Due from other funds	<u>204,295</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,070,918</u>	<u>\$ 1,086,656</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Escrows	\$ -	\$ -
Due to other funds	-	40,287
Accrued expenses	7,343	-
Land development escrows	<u>96,779</u>	<u>-</u>
TOTAL LIABILITIES	<u>104,122</u>	<u>40,287</u>
FUND BALANCES		
Restricted		
Capital projects	-	1,046,369
Streets and highways	-	-
Library	-	-
Parks and recreation	-	-
Committed for operational reserve	263,641	-
Unassigned	<u>703,155</u>	<u>-</u>
TOTAL FUND BALANCES	<u>966,796</u>	<u>1,046,369</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,070,918</u>	<u>\$ 1,086,656</u>

See accompanying notes to the basic financial statements.

<u>Highway Aid Fund</u>	<u>Library Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
\$ 216,333	\$ 96,388	\$ 133,164	\$ 2,399,164
<u>-</u>	<u>-</u>	<u>-</u>	<u>204,295</u>
<u>\$ 216,333</u>	<u>\$ 96,388</u>	<u>\$ 133,164</u>	<u>\$ 2,603,459</u>
\$ -	\$ -	\$ 16,529	\$ 16,529
-	-	-	40,287
-	-	-	7,343
<u>-</u>	<u>-</u>	<u>-</u>	<u>96,779</u>
<u>-</u>	<u>-</u>	<u>16,529</u>	<u>160,938</u>
-	-	-	1,046,369
216,333	-	-	216,333
-	96,388	-	96,388
-	-	116,635	116,635
-	-	-	263,641
<u>-</u>	<u>-</u>	<u>-</u>	<u>703,155</u>
<u>216,333</u>	<u>96,388</u>	<u>116,635</u>	<u>2,442,521</u>
<u>\$ 216,333</u>	<u>\$ 96,388</u>	<u>\$ 133,164</u>	<u>\$ 2,603,459</u>

EASTTOWN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES-- MODIFIED CASH BASIS TO NET POSITION OF GOVERNMENTAL ACTIVITIES--MODIFIED CASH BASIS DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 2,442,521
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	1,970,144
Infrastructure	272,995
Building and improvements	11,297,045
Library collection	1,900,000
Vehicles	663,017
Furniture and equipment	1,242,611
Accumulated depreciation	(8,421,974)
<p>Deferred inflows and outflows related to pension activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	2,038,098
<p>Bond discounts and bond premiums are not recorded as assets and liabilities, respectively, in the Governmental Funds; however, these items are capitalized and amortized in the government-wide financial statements.</p>	
	(49,141)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Bonds payable	(5,830,000)
Compensated absences	(52,471)
Net pension liability	(5,158,645)
Net OPEB obligation	<u>(1,332,359)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 981,841</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIPSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>
REVENUES		
Property taxes	\$ 4,016,947	\$ 1,228,758
Fees and fines	40,500	-
Licenses and permits	277,570	-
Intergovernmental	327,762	-
Charges for services	736,788	-
Investment earnings	1,496	1,893
Miscellaneous	23,171	-
	<u>5,424,234</u>	<u>1,230,651</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	859,810	86,211
Public safety	4,256,666	41,871
Public works	694,968	41,076
Culture and recreation	17,264	-
Debt service		
Principal	-	1,000,201
Interest and other charges	25,700	179,640
	<u>5,854,408</u>	<u>1,348,999</u>
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(430,174)</u>	<u>(118,348)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(35,265)	-
Sale of general capital assets	-	38,481
	<u>(35,265)</u>	<u>38,481</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	(465,439)	(79,867)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,432,235</u>	<u>1,126,236</u>
FUND BALANCES AT END OF YEAR	<u>\$ 966,796</u>	<u>\$ 1,046,369</u>

See accompanying notes to the basic financial statements.

<u>Highway Aid Fund</u>	<u>Library Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 563,181	\$ 51,198	\$ 5,860,084
-	-	-	40,500
-	-	-	277,570
282,624	-	-	610,386
-	-	74,000	810,788
238	182	130	3,939
-	-	-	23,171
<u>282,862</u>	<u>563,363</u>	<u>125,328</u>	<u>7,626,438</u>
-	-	-	946,021
-	-	-	4,298,537
208,076	-	-	944,120
-	600,000	108,947	726,211
-	-	-	1,000,201
-	-	-	205,340
<u>208,076</u>	<u>600,000</u>	<u>108,947</u>	<u>8,120,430</u>
<u>74,786</u>	<u>(36,637)</u>	<u>16,381</u>	<u>(493,992)</u>
-	-	4,840	4,840
-	-	-	(35,265)
-	-	-	38,481
<u>-</u>	<u>-</u>	<u>4,840</u>	<u>8,056</u>
74,786	(36,637)	21,221	(485,936)
<u>141,547</u>	<u>133,025</u>	<u>95,414</u>	<u>2,928,457</u>
<u>\$ 216,333</u>	<u>\$ 96,388</u>	<u>\$ 116,635</u>	<u>\$ 2,442,521</u>

EASTTOWN TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-- MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES-- MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (485,936)
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	(266,579)
<p>Bond discounts and bond premiums are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which capital outlays exceed amortization in the current period.</p>	4,780
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	965,000
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.</p>	(30,431)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures are measured by the amount of financial resources used.</p>	(13,502)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Pension plan expense	(539,639)
<p>The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	<u>(281,428)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (647,735)</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP**STATEMENT OF NET POSITION--MODIFIED CASH BASIS****PROPRIETARY FUNDS****DECEMBER 31, 2015**

	Enterprise Funds				Total Proprietary Funds
	Solid Waste Fund	Sewer Revenue Fund	Sewer Operating Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 369,127	\$ 4,141,445	\$ 32,238	\$ 4,015,250	\$ 8,558,060
Accounts receivable, net	474,766	574,528	-	-	1,049,294
Due from other funds		40,287			40,287
Bond discounts, net	-	-	-	250,378	250,378
TOTAL CURRENT ASSETS	843,893	4,756,260	32,238	4,265,628	9,898,019
PROPERTY AND EQUIPMENT					
Land and improvements	-	-	-	294,170	294,170
Buildings	-	-	-	800,746	800,746
Equipment and furniture	-	-	105,799	16,464,054	16,569,853
Accumulated depreciation	-	-	(93,324)	(5,319,118)	(5,412,442)
TOTAL PROPERTY AND EQUIPMENT	-	-	12,475	12,239,852	12,252,327
TOTAL ASSETS	843,893	4,756,260	44,713	16,505,480	22,150,346
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding, net	-	-	-	146,413	146,413
CURRENT LIABILITIES					
Accounts payable	-	-	3,004	-	3,004
Due to other funds	93,217	111,078	-	-	204,295
Bonds payable	-	-	-	755,000	755,000
TOTAL CURRENT LIABILITIES	93,217	111,078	3,004	755,000	962,299
LONG-TERM DEBT, less current portion					
	-	-	-	20,729,173	20,729,173
TOTAL LIABILITIES	93,217	111,078	3,004	21,484,173	21,691,472
NET POSITION					
Net investment in capital assets	-	-	12,475	(6,853,294)	(6,840,819)
Unrestricted	750,676	4,645,182	29,234	2,021,014	7,446,106
TOTAL NET POSITION	\$ 750,676	\$ 4,645,182	\$ 41,709	\$ (4,832,280)	\$ 605,287

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--MODIFIED CASH BASIS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds				Total Proprietary Funds
	Solid Waste Fund	Sewer Revenue Fund	Sewer Operating Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services					
Sewer rents and fees	\$ -	\$ 3,057,226	\$ -	\$ 42,640	\$ 3,099,866
Sewer lease	-	(1,155,705)	-	1,155,705	-
Solid waste	<u>1,097,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,413</u>
TOTAL OPERATING REVENUES	1,097,413	1,901,521	-	1,198,345	4,197,279
OPERATING EXPENSES					
Public works, sanitation	<u>1,145,805</u>	<u>130,626</u>	<u>1,291,923</u>	<u>834,073</u>	<u>3,402,427</u>
OPERATING INCOME (LOSS)	<u>(48,392)</u>	<u>1,770,895</u>	<u>(1,291,923)</u>	<u>364,272</u>	<u>794,852</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	1,162	-	-	-	1,162
Investment income	426	7,729	85	576	8,816
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(622,984)</u>	<u>(622,984)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,588</u>	<u>7,729</u>	<u>85</u>	<u>(622,408)</u>	<u>(613,006)</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>(46,804)</u>	<u>1,778,624</u>	<u>(1,291,838)</u>	<u>(258,136)</u>	<u>181,846</u>
INTERFUND TRANSFERS					
Transfers in	22,860	-	1,257,565	46,500	1,326,925
Transfers out	<u>-</u>	<u>(1,296,500)</u>	<u>-</u>	<u>-</u>	<u>(1,296,500)</u>
TOTAL INTERFUND TRANSFERS	<u>22,860</u>	<u>(1,296,500)</u>	<u>1,257,565</u>	<u>46,500</u>	<u>30,425</u>
CHANGE IN NET POSITION	(23,944)	482,124	(34,273)	(211,636)	212,271
NET POSITION AT BEGINNING OF YEAR	<u>774,620</u>	<u>4,163,058</u>	<u>75,982</u>	<u>(4,620,644)</u>	<u>393,016</u>
NET POSITION AT END OF YEAR	<u>\$ 750,676</u>	<u>\$ 4,645,182</u>	<u>\$ 41,709</u>	<u>\$ (4,832,280)</u>	<u>\$ 605,287</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP
STATEMENT OF CASH FLOWS--MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds				Total Proprietary Funds
	Solid Waste Fund	Sewer Revenue Fund	Sewer Operating Fund	Municipal Authority	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,071,735	\$ 12,165	\$ -	\$ -	\$ 1,083,900
Cash received from rental and tapping fees	-	1,776,316	-	1,198,345	2,974,661
Payments to suppliers	(1,052,588)	(59,835)	(1,278,313)	(61,029)	(2,451,765)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>19,147</u>	<u>1,728,646</u>	<u>(1,278,313)</u>	<u>1,137,316</u>	<u>1,606,796</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(1,296,500)	-	-	(1,296,500)
Transfers from other funds	22,860	-	1,257,565	46,500	1,326,925
Operating grants	<u>1,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>24,022</u>	<u>(1,296,500)</u>	<u>1,257,565</u>	<u>46,500</u>	<u>31,587</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payment on debt	-	-	-	(490,000)	(490,000)
Interest paid on capital debt	-	-	-	(622,984)	(622,984)
Acquisition, construction and improvements of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(321,717)</u>	<u>(321,717)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,434,701)</u>	<u>(1,434,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on investments	<u>426</u>	<u>7,729</u>	<u>85</u>	<u>576</u>	<u>8,816</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,595	439,875	(20,663)	(250,309)	212,498
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	<u>325,532</u>	<u>3,701,570</u>	<u>52,901</u>	<u>4,265,559</u>	<u>8,345,562</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>\$ 369,127</u>	<u>\$ 4,141,445</u>	<u>\$ 32,238</u>	<u>\$ 4,015,250</u>	<u>\$ 8,558,060</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (48,392)	\$ 1,770,895	\$ (1,291,923)	\$ 364,272	\$ 794,852
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	-	-	13,610	773,044	786,654
Increase in receivables	(25,678)	(113,040)	-	-	(138,718)
Increase in due from other funds	-	(40,287)	-	-	(40,287)
Increase in due to other funds	<u>93,217</u>	<u>111,078</u>	<u>-</u>	<u>-</u>	<u>204,295</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 19,147</u>	<u>\$ 1,728,646</u>	<u>\$ (1,278,313)</u>	<u>\$ 1,137,316</u>	<u>\$ 1,606,796</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION--
MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Uniformed Employees' Pension Fund</u>	<u>Non-Uniformed Employees' Pension Fund</u>
ASSETS		
Cash	\$ 109,749	\$ 58,723
Investments	<u>5,750,196</u>	<u>3,437,848</u>
TOTAL ASSETS	<u>\$ 5,859,945</u>	<u>\$ 3,496,571</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 5,859,945</u>	<u>\$ 3,496,571</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIPSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION--
MODIFIED CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Uniformed Employees' Pension Fund</u>	<u>Non-Uniformed Employees' Pension Fund</u>
ADDITIONS		
Contributions		
Employer and Commonwealth	\$ 386,662	\$ 95,929
Employee	<u>79,289</u>	<u>11,498</u>
TOTAL CONTRIBUTIONS	<u>465,951</u>	<u>107,427</u>
Investment earnings		
Loss on sales	(44,015)	(28,003)
Decrease in fair market value of assets	(48,784)	(30,556)
Interest and dividends	<u>132,029</u>	<u>82,567</u>
TOTAL INVESTMENT EARNINGS	<u>39,230</u>	<u>24,008</u>
Less investment expense	<u>2,286</u>	<u>-</u>
NET INVESTMENT EARNINGS	<u>41,516</u>	<u>24,008</u>
 TOTAL ADDITIONS	 507,467	 131,435
DEDUCTIONS		
Administrative	25,100	15,405
Payments to participants	<u>553,044</u>	<u>324,073</u>
TOTAL DEDUCTIONS	<u>578,144</u>	<u>339,478</u>
 CHANGE IN NET POSITION	 (70,677)	 (208,043)
 NET POSITION AT BEGINNING OF YEAR	 <u>5,930,622</u>	 <u>3,704,614</u>
 NET POSITION AT END OF YEAR	 <u>\$ 5,859,945</u>	 <u>\$ 3,496,571</u>

See accompanying notes to the basic financial statements.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Easttown Township (the "Township") is a Second-Class Township located in Chester County, Pennsylvania. The Township is governed by a five-member Board of Supervisors. Supervisors are elected at large for six-year terms in staggered elections. The Board of Supervisors is responsible for the administration, management and operation of the Township. The duties of the Board of Supervisors include the adoption of the annual operating budget, capital improvements, maintenance of roads, public safety and planned development.

Financial Reporting Entity

In determining the financial reporting entity, the Township complies with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No.14 and No. 34*. In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The fire departments receive a contribution from the Township; however, the majority of revenues is generated through private fund-raisers under the direction of a separate independent board not appointed by the Township Supervisors. The departments are organized under a separate charter and, therefore, are not included in the financial statements because they are not considered component units.
- The Easttown Municipal Authority is a legally separate entity. The Authority Board is appointed by the Township Supervisors but acts independently of the Township; however, the Township can impose significant influence on the Authority. The Authority is a component unit and, as such, has been included in the financial statements as a blended component unit. The Township has guaranteed the debt of the Authority. The Authority issues separately audited financial reports. Copies of these reports may be obtained from the Township.

Budgets

Original and supplemental budgets are included under the heading of budget in the financial statements. Appropriations lapse at year-end.

Fund Accounting

The accounts of the Township are organized on a basis of funds, 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 balance, revenues and expenditures or expenses. The various funds are grouped into the categories governmental and proprietary.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major Governmental Funds:

- The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units.
- The *Capital Projects Fund* is used to account for financial resources used for the acquisition of major capital facilities or equipment.
- The *Highway Aid Fund* is used to account for the proceeds of specific revenue sources restricted to expenditures for the construction and maintenance of streets and highways.
- The *Library Fund* is used to account for all financial resources that are legally restricted to expenditures for the Library.
- The *Parks and Recreation Fund* is used to account for all financial resources that are legally restricted to expenditures for park and recreation activities.

The Township reports the following major Proprietary Funds:

- The *Solid Waste Fund*, *Sewer Revenue Fund* and *Sewer Operating Fund* are used to account for the refuse and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered through user charges.
- The *Municipal Authority* is a blended component unit of the Township. The Authority constructs and maintains the sewer system in the Township. The Authority leases the sewer system to the Township.

Government-Wide Financial Statements

The statement of net position--modified cash basis and the statement of activities--modified cash basis display information about the Township as a whole. These statements include the financial activity of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the modified cash basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recognized when cash is received and expenses are recorded when paid.

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when the cash is received and expenditures are recorded when spent, except for the recording of connection fees and Solid Waste Fund receivables in the Proprietary Funds and depreciation expense on capital assets in the fund statements for Proprietary Fund activities. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) or current cash resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. The statement of revenues, expenses and changes in net position--modified cash basis presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the Township reports two Fiduciary Funds. The Pension Trust Funds account for the activities of the Uniformed Employees' Pension Plan and the Non-Uniformed Employees' Pension Plan, which accumulate resources for pension benefit payments to qualified employees. The assets reported in these funds can only be used for the trust beneficiaries.

Real Estate Tax Calendar

The Township imposes a property tax of 4.014 mills on the assessed valuations determined by the County of Chester. Property taxes are levied on March 1 of the calendar year. Property taxes are discounted 2% if remitted by May 1, are due July 1 and are penalized 10% if paid after July 1. Liens are filed for unpaid property taxes on January 15 of the following year.

Cash and Cash Equivalents

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

Investments

The Township has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires the Township to record investments in the Fiduciary Funds at fair value. The additional investments owned by the Township are also recorded at fair value.

Receivables

Accounts receivable are shown net of an allowance for uncollectibles. At December 31, 2015, all accounts receivable were deemed to be fully collectible; therefore, there is no accounts receivable allowance due.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

	<u>Years</u>
Building and improvements	25-40
Library collection	10
Vehicles	5
Furniture and equipment	5-15

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred charge on refunding reported on the statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amount related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance and GASB Statement No. 54

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent.

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

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal resolution of the Board of Supervisors and do not lapse at year-end.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Supervisors has not authorized any other body or official to assign fund balance.
- **Unassigned** - Amounts not contained in other classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 13). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

The Township's deposits with financial institutions at December 31, 2015, consisted of the following:

	<u>Deposit Amount</u>
CASH AND CASH EQUIVALENTS	
Checking	\$ 6,954,853
Money market	<u>4,161,316</u>
	<u>\$ 11,116,169</u>

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2015, the Federal Depository Insurance Corporation insured \$644,255 of the Township's \$11,116,169 bank balances. The remaining bank balances of \$10,471,914 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - Pennsylvania statutes authorize the Township to invest in U.S. Treasury bills, short-term obligations of the U.S. Government, obligations of the U.S. Government or Commonwealth of Pennsylvania or political subdivisions of the Commonwealth that are backed by the full faith and credit of the issuing government and shares of authorized investment companies provided that all of the company investments are authorized investments for a township.

In addition, the Township may invest in time deposits, savings accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent that such investments are insured and, where amounts exceed the insured maximums, that the depository pledge collateral as provided by Pennsylvania law.

The law provides that the Township's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

Investments

As of December 31, 2015, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
Equity mutual funds	\$ 5,983,195	\$ 5,983,195
Bond mutual funds	<u>3,204,849</u>	<u>3,204,849</u>
	<u>\$ 9,188,044</u>	<u>\$ 9,188,044</u>

Concentration of Credit Risk - The Township places no limit on the amount that may be invested in any one issuer. At December 31, 2015, more than 5% of the Township's investments are in equity mutual funds and bond mutual funds. These investments are 65% and 35%, respectively, of the Township's total investments.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,970,144	\$ -	\$ -	\$ 1,970,144
Capital assets being depreciated				
Infrastructure	272,995	-	-	272,995
Building and improvements	11,264,937	32,108	-	11,297,045
Library collection	1,900,000	-	-	1,900,000
Vehicles	660,446	80,136	(77,565)	663,017
Furniture and equipment	1,242,611	-	-	1,242,611
TOTAL CAPITAL ASSETS BEING DEPRECIATED	15,340,989	112,244	(77,565)	15,375,668
Accumulated depreciation				
Infrastructure	(30,008)	(6,825)	-	(36,833)
Building and improvements	(4,556,740)	(294,151)	-	(4,850,891)
Library collection	(1,900,000)	-	-	(1,900,000)
Vehicles	(455,639)	(62,255)	47,134	(470,760)
Furniture and equipment	(1,147,898)	(15,592)	-	(1,163,490)
TOTAL ACCUMULATED DEPRECIATION	(8,090,285)	(378,823)	47,134	(8,421,974)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	7,250,704	(266,579)	(30,431)	6,953,694
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 9,220,848	\$ (266,579)	\$ (30,431)	\$ 8,923,838
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
Capital assets being depreciated				
Building and improvements	800,746	-	-	800,746
Equipment	16,248,136	321,717	-	16,569,853
TOTAL CAPITAL ASSETS BEING DEPRECIATED	17,048,882	321,717	-	17,370,599
Accumulated depreciation				
Building and improvements	(296,243)	(30,925)	-	(327,168)
Equipment	(4,350,750)	(734,524)	-	(5,085,274)
TOTAL ACCUMULATED DEPRECIATION	(4,646,993)	(765,449)	-	(5,412,442)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	12,401,889	(443,732)	-	11,958,157
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 12,696,059	\$ (443,732)	\$ -	\$ 12,252,327

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - LONG-TERM DEBT

As of December 31, 2015, bonds payable consisted of the following individual issues:

GOVERNMENTAL ACTIVITIES

General Obligation Bonds, Series of 2010, dated February 24, 2010, due in annual installments through August 1, 2018, bearing interest at various rates ranging from 2.00% to 4.00%	\$ 1,910,000
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General Obligation Bonds, Series of 2012, dated June 21, 2012, due in annual installments through August 1, 2018, bearing interest at various rates ranging from 1.00% to 3.00%	<u>3,920,000</u>
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TOTAL GOVERNMENTAL ACTIVITIES	<u><u>5,830,000</u></u>
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BUSINESS-TYPE ACTIVITIES

Guaranteed Sewer Revenue Bonds, Series of 2011, due in annual installments through 2036, bearing interest at fixed rates of 1.25% to 4.20%	9,380,000
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Guaranteed Sewer Revenue Bonds, Series of 2012, due in annual installments through 2032, bearing interest at fixed rates of 1.00% to 3.25%	5,215,000
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Guaranteed Sewer Revenue Bonds, Series of 2013, due in annual installments through 2025, bearing interest at fixed rates of 2.00% to 3.00%	2,145,000
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Guaranteed Sewer Revenue Bonds, Series of 2014, due in annual installments through 2027, bearing interest at fixed rates of 1.75% to 4.00%	<u>4,665,000</u>
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TOTAL BUSINESS-TYPE ACTIVITIES	<u><u>21,405,000</u></u>
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	<u><u>\$ 27,235,000</u></u>
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General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Township. General Obligation Bonds require the Township to include in its annual budget such amounts from general revenues for the payment (in each year bonds are outstanding) of interest and principal. The Township is in compliance with this requirement.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - LONG-TERM DEBT (Continued)

The annual aggregate maturities for the years subsequent to December 31, 2015, are as follows:

Year Ending December 31,	Principal	Interest	Total Debt Service
2016	\$ 1,760,000	\$ 839,014	\$ 2,599,014
2017	1,785,000	801,464	2,586,464
2018	1,175,000	750,114	1,925,114
2019	1,325,000	713,507	2,038,507
2020	1,095,000	689,148	1,784,148
2021 to 2025	5,300,000	3,047,612	8,347,612
2026 to 2030	7,080,000	2,147,456	9,227,456
2031 to 2035	6,290,000	1,083,273	7,373,273
2036	1,425,000	59,850	1,484,850
	<u>\$ 27,235,000</u>	<u>\$ 10,131,438</u>	<u>\$ 37,366,438</u>

During the year ended December 31, 2015, long-term liability activity was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Amount Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
Series of 2010	\$ 2,635,000	\$ -	\$ (725,000)	\$ 1,910,000	\$ 760,000
Series of 2012	4,160,000	-	(240,000)	3,920,000	245,000
	<u>6,795,000</u>	<u>-</u>	<u>(965,000)</u>	<u>5,830,000</u>	<u>1,005,000</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Sewer Revenue Bonds					
Series of 2011	9,590,000	-	(210,000)	9,380,000	215,000
Series of 2012	5,235,000	-	(20,000)	5,215,000	25,000
Series of 2013	2,170,000	-	(25,000)	2,145,000	25,000
Series of 2014	4,900,000	-	(235,000)	4,665,000	490,000
	<u>21,895,000</u>	<u>-</u>	<u>(490,000)</u>	<u>21,405,000</u>	<u>755,000</u>
BOND PREMIUM	<u>72,760</u>	<u>-</u>	<u>(6,064)</u>	<u>66,696</u>	<u>-</u>
BOND DISCOUNTS	<u>(18,839)</u>	<u>-</u>	<u>1,284</u>	<u>(17,555)</u>	<u>-</u>
COMPENSATED ABSENCES	<u>38,969</u>	<u>13,502</u>	<u>-</u>	<u>52,471</u>	<u>-</u>
NET PENSION LIABILITY	<u>2,580,908</u>	<u>2,577,737</u>	<u>-</u>	<u>5,158,645</u>	<u>-</u>
NET OPEB OBLIGATION	<u>1,050,931</u>	<u>281,428</u>	<u>-</u>	<u>1,332,359</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 32,414,729</u>	<u>\$ 2,872,667</u>	<u>\$ (1,459,780)</u>	<u>\$ 33,827,616</u>	<u>\$ 1,760,000</u>

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - LONG-TERM DEBT (Continued)

The Township leases from Easttown Municipal Authority sewerage facilities purchased in 1969 and facilities constructed with the proceeds from the Authority's bond issues. The facilities are leased through December 1, 2027, for annual payments which vary to meet debt service requirements of the Authority. The Township has also guaranteed the debt of the Authority.

NOTE E - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them 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.

An employee participating in the plan may defer a maximum of 100% of normal compensation or \$15,500, whichever is less. Employees may invest at their discretion in different funds offered by the trustee, ICMA Retirement Corporation.

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

Summary of Significant Accounting Policies

Method Used to Value Investments - Police Pension Plan investments are carried at fair value as reported by the investment managers. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all full-time salaried members of the Easttown Township Police Department.

Management of the plan is vested in the Police Pension Plan Committee, which consists of three members--two members of the Board of Supervisors and the Township Manager. The Committee is responsible for managing, investing and monitoring the Township's Police Pension Plan.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
	<u>28</u>

Benefits Provided - The plan is a single-employer Public Employee Retirement System (PERS) established by the Township to provide pension benefits for each person in the employ of the Township Police Department whose customary employment is not for fewer than five months per year.

Plan provisions are established by Township ordinance. The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 52 and completion of 25 years of service. A member shall have the opportunity to vest his benefit if he terminates employment after 12 years of service. His benefit will be equal to his normal retirement benefit multiplied by a percentage of his actual years of service over years of service the member would have rendered if he had continued working to the normal retirement date. Upon the termination of a member not entitled to vested benefits, he shall receive a refund of his contributions plus interest credited at a rate of 4% per annum, if any. The normal retirement benefit is 50% of the member's monthly average salary. The monthly average salary is calculated as the average actual monthly salary of the employee over the final 36 months of active continuous employment. It shall include all Pennsylvania W-2 compensation, but shall exclude lump sum payments for sick days and vacation paid for which no employee contributions were required. The surviving family of a police officer who is killed in the line of duty shall receive the benefits provided for and subject to the terms of Act 51 of 2009. In the event that a member who was not killed in service is receiving or eligible to receive his normal retirement benefit, his surviving spouse will receive, until death, 50% of the member's normal retirement benefit. If there is no surviving spouse or if the spouse dies, the member's child or children will receive the benefit until age 18, or age 23 if attending college.

A member who suffers a total and permanent disability while in the service as a police officer shall receive a pension equal to 70% of his monthly average salary up to their normal retirement date and 50% thereafter, reduced by any Worker's Compensation or other disability benefits to which the Township has contributed.

Contributions - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses, in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Members currently contribute 5% of their compensation to the fund. Contributions are subject to collective bargaining.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Police Pension Plan Committee. It is the policy of the Committee to pursue an investment strategy that 1) maintains a fully funded status with regard to accumulated health benefits obligations, 2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, 3) maintains flexibility in determining the future level of contributions and 4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Committee's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2%
Domestic equity	42%
International equity	23%
Fixed income	<u>33%</u>
	<u><u>100%</u></u>

Concentrations - More than 5% of the Township's investments are in domestic equity mutual funds, international equity mutual funds and fixed income mutual funds. These investments are 44%, 24% and 33%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 0.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 10,310,260
Plan fiduciary net position	<u>(5,859,945)</u>
NET PENSION LIABILITY	\$ <u><u>4,450,315</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>56.84%</u></u>

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with Scale AA projected to 2015.

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2014 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	3.30%
Domestic equity	7.70%
International equity	7.70%
Fixed income	5.50%

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

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Changes in the Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
BALANCES AT DECEMBER 31, 2014	\$ 8,381,664	\$ 5,930,622	\$ 2,451,042
Changes for the year:			
Service cost	272,611	-	272,611
Interest cost	607,886	-	607,886
Changes for experience	718,994	-	718,994
Changes of assumptions	882,149	-	882,149
Contributions			
Employer	-	386,662	(386,662)
Member	-	79,289	(79,289)
Net investment income	-	41,516	(41,516)
Benefit payments	(553,044)	(553,044)	-
Administrative expenses	-	(25,100)	25,100
NET CHANGES	<u>1,928,596</u>	<u>(70,677)</u>	<u>1,999,273</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 10,310,260</u>	<u>\$ 5,859,945</u>	<u>\$ 4,450,315</u>

Changes in Assumptions – In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Combined Mortality Table with Blue Collar Adjustment with Scale AA projected to 2015. In prior years, those assumptions were based on the Unisex 1984 Mortality Tables.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability	\$ <u>5,669,981</u>	\$ <u>4,450,315</u>	\$ <u>3,423,008</u>

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Township recognized pension expense of \$745,641. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 596,508	\$ -
Changes of assumptions	731,868	-
Net difference between projected and actual earnings on pension plan investments	<u>311,918</u>	<u>-</u>
TOTAL	<u>\$ 1,640,294</u>	<u>\$ -</u>

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

<u>Year Ending December 31,</u>	
2016	\$ 350,746
2017	350,746
2018	350,746
2019	350,748
2020	237,308

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Plan Description

Plan Administration - The Township administers the Non-Uniformed Employees' Pension Plan--a single-employer plan established by the Township to provide pension benefits for each person in the employ of the Township on the 90th day following the date of hire.

The plan was available to non-uniformed, non-bargaining employees hired prior to January 1, 2010, and non-uniformed bargaining employees hired prior to January 1, 2012. As of January 1, 2012, the defined benefit plan was closed to all new employees.

Management of the plan is vested in the Non-Uniformed Pension Plan Committee, which consists of three members--two members of the Board of Supervisors and the Township Manager. The Committee is responsible for managing, investing and monitoring the Township's Non-Uniformed Employees' Pension Plan.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>9</u>
	<u>29</u>

Benefits Provided - Plan provisions are established by Township ordinance. The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 65 and completion of five years of service. A member is eligible for early retirement on the first of the month coincident with or next following age 62 and ten years of credited service. A member who has completed five or more years of credited service on his termination date shall be fully vested in part (a) of his accrued benefit, based on credited service and final average earnings at the date of termination, commencing at his normal retirement date. If a member has completed ten or more years of credited service at the date of termination, he may elect to receive his benefit on or after age 62. This benefit will be calculated in the same manner as the early retirement benefit. A member may elect a refund of his member contributions plus interest credited at a rate of 7% per annum but upon such election would waive his right to part (b) of his accrued benefit. Upon the termination of a member not entitled to vested benefits, he shall receive a refund of his member contributions plus interest credited at a rate of 7% per annum, if any.

The normal retirement benefit is the accrued benefit based on credited service, final average earnings and member contributions at the normal retirement date. The accrued benefit is the sum of part (a) and part (b). Part (a) is 1.5% of the member's final average earnings multiplied by credited service. Part (b) is the amount of monthly income for life that is the actuarial equivalent of the sum of the member's contributions.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

The early retirement benefit is the accrued benefit under part (a) based on credited service and final average earnings at the date of determination, reduced by 5/9ths of 1% for each month that benefit commencement date precedes the normal retirement date plus part (b). Credited service is calculated as the years and completed calendar months of continuous service as a non-uniformed employee of the Township. Final average earnings is calculated as 1/60 of the member's aggregate earnings (basic earnings and overtime) from employment by the Township during the final 60 months as an employee.

Upon the death of an active member who had met age and service requirements for a pension benefit, the surviving spouse, if any, is entitled to receive a benefit calculated as if the member had retired on the date of his death and elected a joint and 100% survivor option. Upon the death of any other non-retired member, a refund of his member contributions plus interest credited at the rate of 7% per annum will be paid to the member's designated beneficiary.

A member who received a total and permanent disability after ten years of credited service will receive a pension of \$150 per month (beginning six months after the onset of disability) during his period of disability or until the normal retirement date, whichever is earlier.

Contributions - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses, in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Employees are required to contribute 2% of their aggregate earnings to the fund. Contributions are subject to collective bargaining.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Non-Uniformed Pension Plan Committee. It is the policy of the Committee to pursue an investment strategy that 1) maintains a fully funded status with regard to accumulated health benefits obligations, 2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, 3) maintains flexibility in determining the future level of contributions and 4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

The following was the Committee's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2%
Domestic equity	39%
International equity	21%
Fixed income	38%
	<u>100%</u>

Concentrations - More than 5% of the Township's investments are in domestic equity mutual funds, international equity mutual funds and fixed income mutual funds. These investments are 40%, 22% and 38%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 0.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 4,204,901
Plan fiduciary net position	<u>(3,496,571)</u>
NET PENSION LIABILITY	\$ <u>708,330</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.15%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table with Scale AA projected to 2015.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 (see the pension plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	3.30%
Domestic equity	7.70%
International equity	7.70%
Fixed income	5.50%

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

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Changes in the Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
BALANCES AT DECEMBER 31, 2014	\$ 3,834,480	\$ 3,704,614	\$ 129,866
Changes for the year:			
Service cost	106,125	-	106,125
Interest cost	275,433	-	275,433
Changes for experience	123,242	-	123,242
Changes of assumptions	189,694	-	189,694
Contributions			
Employer	-	95,929	(95,929)
Member	-	11,498	(11,498)
Net investment income	-	24,008	(24,008)
Benefit payments	(324,073)	(324,073)	-
Administrative expenses	-	(15,405)	15,405
NET CHANGES	<u>370,421</u>	<u>(208,043)</u>	<u>578,464</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 4,204,901</u>	<u>\$ 3,496,571</u>	<u>\$ 708,330</u>

Changes in Assumptions – In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Combined Mortality Table with Scale AA projected to 2015. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Tables.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability	\$ <u>1,089,470</u>	\$ <u>708,330</u>	\$ <u>378,115</u>

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Township recognized pension expense of \$276,589. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 80,150	\$ -
Changes of assumptions	123,367	-
Net difference between projected and actual earnings on pension plan investments	<u>194,287</u>	<u>-</u>
TOTAL	\$ <u>397,804</u>	\$ <u>-</u>

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

<u>Year Ending December 31,</u>	
2016	\$ 157,991
2017	142,670
2018	48,572
2019	48,571

NOTE H - DEFINED CONTRIBUTION PLAN

The Township has established a defined contribution pension plan to provide pension benefits for nonunion employees hired after January 10, 2010. Under the plan, an individual receives his own account to which all contributions are made. The employee determines how his account is invested. The accounts are administered by ICMA-RC, and the funds held in the plan are invested in VantageTrust, a trust established by public employers for the collective investment of funds held under their retirement plans.

Under the plan, the employer contributes 10% of total employee earnings, with no participant contribution. Covered employees are fully vested in employer contributions after five years of service.

This plan was established effective January 1, 2010, with immediate entry into the plan for eligible employees. As of December 31, 2015, employees have enrolled into the plan, and for the year ended December 31, 2015 the Township has made contributions of \$47,553 to the plan.

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides health benefits and sick leave benefits to eligible retired police officers and spouses, as well as eligible non-uniformed employees, through a single-employer defined benefit plan. The objective of the plan is to provide members with health benefits through age 65 and pay members for any unused sick leave as of the time of retirement. The plan is accounted for as a trust fund.

Funding Policy

The Township is required to pay an actuarially determined amount to support benefits for each member. The costs of administering the plan are paid by the Township.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 506,927
Estimated interest on net OPEB obligation	40,461
Estimated adjustment to ARC	<u>(105,751)</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	441,637
Net OPEB contributions during the year	<u>(160,209)</u>
NET CHANGE IN OPEB OBLIGATION	281,428
Net OPEB obligation at beginning of year	<u>1,050,931</u>
 NET OPEB OBLIGATION AT END OF YEAR	 <u><u>\$ 1,332,359</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 412,029	42.42%	\$ 821,682
2014	426,877	46.30%	1,050,931
2015	441,637	36.28%	1,332,359

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,591,448, and the actuarial value of assets was \$0.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the January 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.85% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets. The UAAL is being amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded actuarial liability (actuarial gains and losses, plan amendments, changes in assumptions, etc.).

EASTTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - PRIOR PERIOD ADJUSTMENT

As the Township implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting for state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated the beginning of year net pension liability of \$2,580,908 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$4,210,484 to \$1,629,576.

NOTE K - SUBSEQUENT EVENTS

Tredyffrin Township and the Tredyffrin Township Municipal Authority have filed a declaratory judgment action against a number of Chester County municipalities and municipal authorities, including Easttown Township and the Easttown Township Municipal Authority. The claim seeks a court-approved process to sell the Valley Creek Trunk Sewer (VCTS) system, which consists of a series of sewer lines, pump stations, and force mains which convey sewage flows from the Easttown entities and other municipal bodies. The Tredyffrin lawsuit seeks court approval to sell the VCTS, and to provide for a distribution of proceeds from any sale.

This dispute centers, in part, on a means of allocating responsibilities for an estimated \$15 million repair/replacement of the main VCTS line; determining the equitable rights of the municipal bodies named in the suit; and calculating the proper method of distributing asset proceeds should there be a sale. Easttown Township and the Easttown Township Municipal Authority have jointly budgeted for possible estimated repair responsibilities; however, at this time, the final amounts of payments to be potentially sent, or proceeds to be received, are unknown as the parties work to see if there are mutually agreeable methods to settle the litigation, or to reach conclusions through the lawsuit process. As of July 2016, the civil action has been taken off the trial list at the request of all parties, and a settlement template has been developed for potential resolution of the litigation which, if successful, would potentially address cost allocations and equitable proceeds if the asset is sold.

REQUIRED SUPPLEMENTARY INFORMATION

EASTTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE--
MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,915,690	\$ 3,915,690	\$ 4,016,947	\$ 101,257
Fees and fines	36,000	36,000	40,500	4,500
Licenses and permits	255,000	255,000	277,570	22,570
Intergovernmental	468,550	468,550	327,762	(140,788)
Charges for services	560,000	560,000	736,788	176,788
Investment earnings	6,000	6,000	1,496	(4,504)
Miscellaneous	30,000	30,000	23,171	(6,829)
TOTAL REVENUES	<u>5,271,240</u>	<u>5,271,240</u>	<u>5,424,234</u>	<u>152,994</u>
EXPENDITURES				
Current				
General government	573,550	573,550	859,810	(286,260)
Public safety	3,915,772	3,915,772	4,256,666	(340,894)
Public works	443,150	443,150	694,968	(251,818)
Culture and recreation	-	-	17,264	(17,264)
Debt service, interest and other charges	-	-	25,700	(25,700)
TOTAL EXPENDITURES	<u>4,932,472</u>	<u>4,932,472</u>	<u>5,854,408</u>	<u>(921,936)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	338,768	338,768	(430,174)	(768,942)
OTHER FINANCING USES				
Interfund transfers	-	-	(35,265)	(35,265)
NET CHANGE IN FUND BALANCE	<u>\$ 338,768</u>	<u>\$ 338,768</u>	<u>\$ (465,439)</u>	<u>\$ (804,207)</u>

See accompanying note to the budgetary comparison schedule--modified cash basis.

EASTTOWN TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE--

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2015

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on the modified cash basis of accounting for all Township funds, which is not consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting is employed in Governmental Funds. Encumbrances (e.g., purchase orders) outstanding at year-end lapse.

Excess of Expenditures Over Appropriations

General government expenditure over budget reflects an increase in employee payroll and benefits, as well as higher than expected legal services expenses and general government buildings and plant expenses. Public safety expenditures over budget reflects an increase in police department payroll and benefits. Public works expenditures over budget reflects an increase in equipment rental and repair expense related to snow and ice maintenance.

EASTTOWN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 272,611	\$ 259,630
Interest	607,886	584,193
Differences between expected and actual experience	718,994	-
Changes of assumptions	882,149	-
Benefit payments	<u>(553,044)</u>	<u>(502,949)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,928,596	340,874
Total pension liability, beginning	<u>8,381,664</u>	<u>8,040,790</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 10,310,260</u>	<u>\$ 8,381,664</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 386,662	\$ 377,990
Member	79,289	77,149
Net investment income	41,516	55,190
Benefit payments, including refunds of member contributions	(553,044)	(502,949)
Administrative expense	<u>(25,100)</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(70,677)	7,380
Plan fiduciary net position, beginning	<u>5,930,622</u>	<u>5,923,242</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 5,859,945</u>	<u>\$ 5,930,622</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 4,450,315</u>	<u>\$ 2,451,042</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>56.84%</u>	<u>70.76%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,640,045</u>	<u>\$ 1,440,417</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>271.35%</u>	<u>170.16%</u>

NOTES TO SCHEDULES

Changes of assumptions: In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Combined Mortality Table with Blue Collar Adjustment with Scale AA projected to 2015. In prior years, those assumptions were based on the Unisex 1984 Mortality Tables.

EASTTOWN TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 386,662	\$ 377,990
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>386,662</u>	<u>377,990</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>1,640,045</u>	\$ <u>1,440,417</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>23.58%</u>	<u>26.24%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	12 years
Asset valuation method	Market value
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%
Retirement age	Active members are assumed to retire at age 52 and completion of 25 years of service, or at attained age plus one year, if later
Mortality	Assumed life expectancies are based on the Unisex Pension 1984 Mortality Tables
Other information	It is assumed that 90% of the police force is married. Husbands are assumed to be three years older than wives.

EASTTOWN TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.70%</u>	<u>4.49%</u>

EASTTOWN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET NON-
UNIFORMED EMPLOYEES' PENSION PLAN
LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 106,125	\$ 101,072
Interest	275,433	269,564
Differences between expected and actual experience	123,242	-
Changes of assumptions	189,694	-
Benefit payments	<u>(324,073)</u>	<u>(260,705)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	370,421	109,931
Total pension liability, beginning	<u>3,834,480</u>	<u>3,724,549</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,204,901</u>	<u>\$ 3,834,480</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 95,929	\$ 116,851
Member	11,498	14,373
Net investment income	24,008	20,594
Benefit payments, including refunds of member contributions	(324,073)	(260,705)
Administrative expense	<u>(15,405)</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(208,043)	(108,887)
Plan fiduciary net position, beginning	<u>3,704,614</u>	<u>3,813,501</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,496,571</u>	<u>\$ 3,704,614</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 708,330</u>	<u>\$ 129,866</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>83.15%</u>	<u>96.61%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 630,057</u>	<u>\$ 587,679</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>112.42%</u>	<u>22.10%</u>

NOTES TO SCHEDULES

Changes of assumptions: In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Combined Mortality Table with Scale AA projected to 2015. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Tables.

EASTTOWN TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 95,929	\$ 116,851
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>95,929</u>	<u>116,851</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 630,057</u>	<u>\$ 587,679</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>15.23%</u>	<u>19.88%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, open
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	Moderate inflation based on long-term historical average rates is a component of the actuarial assumptions
Salary increases	5% annual increase
Investment rate of return	7.5%
Retirement age	Active members are assumed to retire at age 65 and completion of five years of service, or at attained age plus one year, if later
Mortality	Assumed life expectancies are based on the 1983 Group Annuity Mortality Tables
Other information	It is assumed that 90% of employees are married. Husbands are assumed to be three years older than wives.

EASTTOWN TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.70%</u>	<u>4.47%</u>

EASTTOWN TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FUNDING PROGRESS

Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)
2008	\$ -	\$ 2,085,691	\$ 2,085,691	0.00%
2013	-	2,591,448	2,591,448	0.00%