



2015 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT

City of: _____ County: _____

Borough of: _____ County: _____

Township of: EAST COVENTRY County: CHESTER

Municipality of: _____ County: _____

East Coventry Township

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December 31, 2015

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Independent Auditor's Report

To the Board of Supervisors
East Coventry Township
Chester County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis balance sheet of East Coventry Township, Chester County, Pennsylvania, as of December 31, 2015, and the related modified cash basis statement of revenues and expenditures for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2. 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Auditor's Responsibility (continued)

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

Opinion

In our opinion, the balance sheet and statement of revenues and expenditures referred to above present fairly, in all material respects, the respective modified cash basis financial position of East Coventry Township, Chester County, Pennsylvania, as of December 31, 2015, and the respective changes in modified cash basis financial position thereof, for the year then ended in conformity with the modified basis of accounting described in Note 2.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 2.

Basis of Accounting and Presentation

We draw attention to Note 2 of the financial statements that 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. The financial statements are presented in the format prescribed by the Pennsylvania Department of Community and Economic Development and do not contain financial statements for the governmental activities, the business-type activities, each major fund, aggregate remaining fund information and certain required supplementary information, which would collectively comprise the basic financial statements under accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Reinsel Kuntz Lesher LLP

March 30, 2016
Wyomissing, Pennsylvania

Balance Sheet December 31, 2015

Assets and Other Debits		Governmental Funds			
		<i>General Fund</i>	<i>Special Revenue (Including State Liquid Fuels)</i>	<i>Capital Projects</i>	<i>Debt Service</i>
100-120	Cash and Investments	\$ 872,199	\$ 493,627	\$ 1,658,552	\$ -
140-144	Tax Receivable	-	-	-	-
121-129					
145-149	Accounts Receivable (excluding taxes)	2,119	-	-	-
130	Due From Other Funds	-	-	-	-
131-139					
150-159	Other Current Assets	-	-	-	-
160-169	Fixed Assets	-	-	-	-
180-189	Other Debits	-	-	-	-
Total Assets and Other Debits		\$ 874,318	\$ 493,627	\$ 1,658,552	\$ -

Liabilities and Other Credits					
210-229	Payroll Taxes and Other Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
200-209					
231-239	All Other Current Liabilities	-	-	-	-
230	Due To Other Funds	-	-	-	-
260-269	Long-Term Liabilities	-	-	-	-
240-259	Current Portion of Long-Term Debt and Other Credits	-	-	-	-
Total Liabilities and Other Credits		\$ -	\$ -	\$ -	\$ -

Fund and Account Group Equity					
281-284	Contributed Capital	\$ -	\$ -	\$ -	\$ -
290	Investment in General Fixed Assets	-	-	-	-
270-289	Fund Balance/Retained Earnings on 12/31	874,318	493,627	1,658,552	-
291-299	Other Equity	-	-	-	-
Total Fund and Account Group Equity		\$ 874,318	\$ 493,627	\$ 1,658,552	\$ -

* The financial position of the pension plan is held in a separate trust and therefore not included on the balance sheet.

See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund*	Account Groups		Total
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Memorandum Only
\$ 1,411,220	\$ -	\$ 193,442	\$ -	\$ -	\$ 4,629,040
-	-	-	-	-	-
17,121	-	-	-	-	19,240
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 1,428,341	\$ -	\$ 193,442	\$ -	\$ -	\$ 4,648,280

TOTAL ASSETS AND OTHER DEBITS	\$ 4,648,280
--------------------------------------	--------------

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	193,442	-	-	193,442
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ 193,442	\$ -	\$ -	\$ 193,442

TOTAL LIABILITIES AND OTHER CREDITS	\$ 193,442
--	------------

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,428,341	-	-	-	-	4,454,838
-	-	-	-	-	-
\$ 1,428,341	\$ -	\$ -	\$ -	\$ -	\$ 4,454,838

TOTAL FUND AND ACCOUNT GROUP EQUITY	\$ 4,454,838
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TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 4,648,280
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Proprietary Funds		Fiduciary Fund	Total
Enterprise	Internal Service	Trust and Agency	Memorandum Only
\$ -	\$ -	\$ -	\$ 1,155,165
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	41,888
-	-	-	113,675
-	-	-	1,689,720
-	-	-	-
-	-	-	-
-	-	-	47,633
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 3,048,081

\$ -	\$ -	\$ -	\$ 24,772
-	-	-	118,431
\$ -	\$ -	\$ -	\$ 143,203

\$ -	\$ -	\$ -	\$ 12,186
\$ -	\$ -	\$ -	\$ 12,186

\$ 1,659	\$ -	\$ -	\$ 4,930
-	-	-	16,595
\$ 1,659	\$ -	\$ -	\$ 21,525

Statement of Revenues and Expenditures December 31, 2015

Intergovernmental Revenues		Governmental Funds			
Federal		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
351.03	Highways and Streets	\$ -	\$ -	\$ -	\$ -
351.09	Community Development	-	-	-	-
351.00	All Other Federal Capital and Operating Grants	-	-	-	-
352.01	National Forest	-	-	-	-
352.00	All Other Federal Shared Revenue and Entitlements	-	-	-	-
353.00	Federal Payments in Lieu of Taxes	-	-	-	-
Total Federal		\$ -	\$ -	\$ -	\$ -

State					
354.03	Highway and Streets	\$ 12,331	\$ -	\$ -	\$ -
354.09	Community Development	-	-	-	-
354.15	Recycling/Act 101	5,391	-	-	-
354.00	All Other State Capital and Operating Grants	1,268	-	-	-
355.01	Public Utility Realty Tax (PURTA)	2,823	-	-	-
355.02-	Motor Vehicle Fuel Tax	-	233,863	-	-
355.03	(Liquid Fuels Tax) and State Road Turnback	-	-	-	-
355.04	Alcoholic Beverage Licenses	-	-	-	-
355.05	General Municipal Pension System State Aid	90,179	-	-	-
355.07	Foreign Fire Insurance Tax Distribution	48,408	-	-	-
355.08	Local Share Assessment/Gaming Proceeds	-	-	-	-
355.09	Marcellus Shale Impact Fee Distribution	-	-	-	-
355.00	All Other State Shared Revenues and Entitlements	-	-	-	-
356.00	State Payments in Lieu of Taxes	-	-	-	-
Total State		\$ 160,400	\$ 233,863	\$ -	\$ -

Local Government Units					
357.03	Highways and Streets	\$ -	\$ -	\$ -	\$ -
357.00	All Other Local Governmental Units Capital and Operating Grants	-	-	-	-
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services	18,452	-	-	-
359.00	Local Governmental Units, Authorities Payments and Payments in Lieu of Taxes	-	-	-	-
Total Local Government Units		\$ 18,452	\$ -	\$ -	\$ -

See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

\$ -	\$ -	\$ -	\$ 12,331
-	-	-	-
-	-	-	5,391
-	-	-	1,268
-	-	-	2,823
-	-	-	233,863
-	-	-	-
-	-	-	90,179
-	-	-	48,408
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 394,263

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	18,452
-	-	-	-
\$ -	\$ -	\$ -	\$ 18,452

TOTAL INTERGOVERNMENTAL REVENUES	\$	412,715
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Statement of Revenues and Expenditures December 31, 2015

REVENUES		Governmental Funds			
Charges for Service		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
361.00	General Government	\$ 95,595	\$ -	\$ -	\$ -
362.00	Public Safety	39,422	-	-	-
363.20	Parking	-	-	-	-
363.00	All Other Charges for Highway and Streets Services	-	-	-	-
364.10	Wastewater/Sewage Charges	-	-	-	-
364.30	Solid Waste Collection and Disposal Charge (trash)	-	-	-	-
364.60	Host Municipality Benefit Fee for Solid Waste Facility	-	-	-	-
364.00	All Other Charges for Sanitation Services	-	-	-	-
365.00	Health	-	-	-	-
366.00	Human Services	-	-	-	-
367.00	Culture and Recreation	2,165	-	-	-
368.00	Airports	-	-	-	-
369.00	Bars	-	-	-	-
370.00	Cemeteries	-	-	-	-
372.00	Electric System	-	-	-	-
373.00	Gas System	-	-	-	-
374.00	Housing System	-	-	-	-
375.00	Markets	-	-	-	-
377.00	Transit Systems	-	-	-	-
378.00	Water System	-	-	-	-
379.00	All Other Charges for Service	6,968	-	-	-
Total Charges for Service		\$ 144,150	\$ -	\$ -	\$ -

Unclassified Operating Revenues					
383.00	Assessments	\$ -	\$ 15,448	\$ -	\$ -
386.00	Escheats (sale of personal property)	-	-	-	-
387.00	Contributions and Donations from Private Sectors	22,167	-	-	-
388.00	Fiduciary Fund Pension Contributions	 	 	 	
389.00	All Other Unclassified Operating Revenues	-	-	-	-
Total Unclassified Operating Revenues		\$ 22,167	\$ 15,448	\$ -	\$ -

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Disposition	\$ 3,748	\$ -	\$ -	\$ -
392.00	Interfund Operating Transfers	-	-	300,000	-
393.00	Proceeds of General Long-Term Debt	-	-	-	-
394.00	Proceeds of Short-Term Debt	-	-	-	-
395.00	Refunds of Prior Year Expenditures	20,698	-	-	-
Total Other Financing Sources		\$ 24,446	\$ -	\$ 300,000	\$ -

TOTAL REVENUES		\$ 3,037,572	\$ 249,939	\$ 854,751	\$ -
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See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
Enterprise	Internal Service	Trust and Agency	Memorandum Only
\$ -	\$ -	\$ -	\$ 95,595
-	-	-	39,422
-	-	-	-
-	-	-	-
750,753	-	-	750,753
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	2,165
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	6,968
\$ 750,753	\$ -	\$ -	\$ 894,903

\$ -	\$ -	\$ -	\$ 15,448
-	-	-	-
-	-	-	22,167
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 37,615

\$ -	\$ -	\$ -	\$ 3,748
-	-	-	300,000
6,495,000	-	-	6,495,000
-	-	-	-
-	-	-	20,698
\$ 6,495,000	\$ -	\$ -	\$ 6,819,446

\$ 7,247,412	\$ -	\$ -	\$ 11,389,674
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Statement of Revenues and Expenditures December 31, 2015

EXPENDITURES		Governmental Funds			
General Government		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
400.00	Legislative (Governing) Body	\$ 15,691	\$ -	\$ -	\$ -
401.00	Executive (Manager or Mayor)	122,588	-	-	-
402.00	Auditing Services/Financial Administration	67,971	-	-	-
403.00	Tax Collection	57,707	-	-	-
404.00	Solicitor/Legal Services	115,017	-	-	-
405.00	Secretary/Clerk	54,055	-	-	-
406.00	Other General Government Administration	31,161	-	-	-
407.00	IT-Networking Services - Data Processing	17,500	-	-	-
408.00	Engineering Services	127,466	-	-	-
409.00	General Government Buildings and Plant	83,305	-	-	-
Total General Government		\$ 692,461	\$ -	\$ -	\$ -

Public Safety					
410.00	Police	\$ 877,582	\$ -	\$ -	\$ -
411.00	Fire	100,784	11,704	-	-
412.00	Ambulance/Rescue	-	-	-	-
413.00	UCC and Code Enforcement	26,991	-	-	-
414.00	Planning and Zoning	47,041	-	-	-
415.00	Emergency Management and Communications	644	-	-	-
416.00	Militia and Armories	-	-	-	-
417.00	Examination of Licensed Occupations	-	-	-	-
418.00	Public Scales (weights and measures)	-	-	-	-
419.00	Other Public Safety	-	-	-	-
Total Public Safety		\$ 1,053,042	\$ 11,704	\$ -	\$ -

Health and Human Services					
420.00-					
425.00	Health and Human Services	\$ 8,452	\$ -	\$ -	\$ -

Public Works - Sanitation					
426.00	Recycling Collection and Disposal	\$ -	\$ -	\$ -	\$ -
427.00	Solid Waste Collection and Disposal (trash)	-	-	-	-
428.00	Weed Control	-	-	-	-
429.00	Wastewater/Sewage Collection and Treatment	-	-	-	-
Total Public Works - Sanitation		\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
Enterprise	Internal Service	Trust and Agency	Memorandum Only
\$ -	\$ -	\$ -	\$ 15,691
-	-	-	122,588
-	-	-	67,971
-	-	-	57,707
-	-	-	115,017
-	-	-	54,055
-	-	-	31,161
-	-	-	17,500
-	-	-	127,466
-	-	-	83,305
\$ -	\$ -	\$ -	\$ 692,461

\$ -	\$ -	\$ -	\$ 877,582
-	-	-	112,488
-	-	-	-
-	-	-	26,991
-	-	-	47,041
-	-	-	644
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 1,064,746

\$ -	\$ -	\$ -	\$ 8,452
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\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
279,447	-	-	279,447
\$ 279,447	\$ -	\$ -	\$ 279,447

Statement of Revenues and Expenditures December 31, 2015

EXPENDITURES		Governmental Funds			
Public Works - Highways and Streets		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
430.00	General Services - Administration	\$ 342,608	\$ 12,415	\$ 128,796	\$ -
431.00	Cleaning of Streets and Gutters	-	-	-	-
432.00	Winter Maintenance - Snow Removal	-	61,495	-	-
433.00	Traffic Control Devices	-	8,391	-	-
434.00	Street Lighting	-	-	-	-
435.00	Sidewalks and Crosswalks	-	-	-	-
436.00	Storm Sewers and Drains	-	2,026	-	-
437.00	Repairs of Tools and Machinery	-	11,281	-	-
438.00	Maintenance and Repairs of Roads and Bridges	-	66,870	41,021	-
439.00	Highway Construction and Rebuilding Projects	-	137,000	-	-
Total Public Works - Highways and Streets		\$ 342,608	\$ 299,478	\$ 169,817	\$ -

Public Works - Other Services					
440.00	Airports	\$ -	\$ -	\$ -	\$ -
441.00	Cemeteries	-	-	-	-
442.00	Electric System	-	-	-	-
443.00	Gas System	-	-	-	-
444.00	Markets	-	-	-	-
445.00	Parking	-	-	-	-
446.00	Storm Water and Flood Control	-	-	-	-
447.00	Transit System	-	-	-	-
448.00	Water System	-	-	-	-
449.00	Water Transport and Terminals	-	-	-	-
Total Public Works - Other Services		\$ -	\$ -	\$ -	\$ -

Culture and Recreation					
451.00	Culture-Recreation Administration	\$ -	\$ -	\$ -	\$ -
452.00	Participant Recreation	71,677	-	-	-
453.00	Spectator Recreation	-	-	-	-
454.00	Parks	-	-	-	-
455.00	Shade Trees	-	-	-	-
456.00	Libraries	-	-	-	-
457.00	Civil and Military Celebrations	-	-	-	-
458.00	Senior Citizens' Centers	-	-	-	-
459.00	All Other Culture and Recreation	4,929	-	-	-
Total Culture and Recreation		\$ 76,606	\$ -	\$ -	\$ -

See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
Enterprise	Internal Service	Trust and Agency	Memorandum Only
\$ -	\$ -	\$ -	\$ 483,819
-	-	-	-
-	-	-	61,495
-	-	-	8,391
-	-	-	-
-	-	-	-
-	-	-	2,026
-	-	-	11,281
-	-	-	107,891
-	-	-	137,000
\$ -	\$ -	\$ -	\$ 811,903

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

\$ -	\$ -	\$ -	\$ -
-	-	-	71,677
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	4,929
\$ -	\$ -	\$ -	\$ 76,606

Statement of Revenues and Expenditures December 31, 2015

EXPENDITURES		Governmental Funds			
Community Development		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
461.00	Conservation of Natural Resources	\$ -	\$ -	\$ 95,225	\$ -
462.00	Community Development and Housing	-	-	-	-
463.00	Economic Development	-	-	-	-
464.00	Economic Opportunity	-	-	-	-
465.00 - 469.00	All Other Community Development	3,000	-	-	-
Total Community Development		\$ 3,000	\$ -	\$ 95,225	\$ -

Debt Service					
471.00	Debt Principal (short-term and long-term)	\$ 45,400	\$ -	\$ 116,617	\$ -
472.00	Debt Interest (short-term and long-term)	8,974	-	27,684	-
475.00	Fiscal Agent Fees	-	-	-	-
Total Debt Service		\$ 54,374	\$ -	\$ 144,301	\$ -

Employer Paid Benefits and Withholding Items					
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	\$ 96,649	\$ -	\$ -	\$ -
482.00	Judgments and Losses	-	-	-	-
483.00	Pension/Retirement Fund Contributions	226,463	-	-	-
484.00	Workers Compensation Insurance	-	-	-	-
487.00	Group Insurance and Other Benefits	302,385	-	-	-
Total Employer Paid Benefits and Withholding Items		\$ 625,497	\$ -	\$ -	\$ -

Insurance					
486.00	Insurance, Casualty and Surety	\$ 41,285	\$ -	\$ -	\$ -

Unclassified Operating Expenditures					
488.00	Fiduciary Fund Benefits and Refunds Paid	\$ -	\$ -	\$ -	\$ -
489.00	All Other Unclassified Expenditures	-	-	-	-
Total Unclassified Operating Expenditures		\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 95,225
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	3,000
\$ -	\$ -	\$ -	\$ 98,225

\$ 205,000	\$ -	\$ -	\$ 367,017
265,184	-	-	301,842
127,103	-	-	127,103
\$ 597,287	\$ -	\$ -	\$ 795,962

\$ -	\$ -	\$ -	\$ 96,649
-	-	-	-
-	-	-	226,463
-	-	-	-
-	-	-	302,385
\$ -	\$ -	\$ -	\$ 625,497

\$ -	\$ -	\$ -	\$ 41,285
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\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Statement of Revenues and Expenditures December 31, 2015

EXPENDITURES		Governmental Funds			
Other Financing Uses		<i>General Fund</i>	<i>Special Revenue (Including State Liquid Fuels)</i>	<i>Capital Projects</i>	<i>Debt Service</i>
491.00	Refund of Prior Year Revenues	\$ -	\$ -	\$ -	\$ -
492.00	Interfund Operating Transfers	300,000	-	-	-
493.00	All Other Financing Uses	-	-	-	-
Total Other Financing Uses		\$ 300,000	\$ -	\$ -	\$ -

TOTAL EXPENDITURES	\$ 3,197,325	\$ 311,182	\$ 409,343	\$ -
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	\$ (159,753)	\$ (61,243)	\$ 445,408	\$ -
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See Notes to Financial Statements.

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ -
-	-	-	300,000
6,355,462	-	-	6,355,462
\$ 6,355,462	\$ -	\$ -	\$ 6,655,462

\$ 7,232,196	\$ -	\$ -	\$ 11,150,046
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\$ 15,216	\$ -	\$ -	\$ 239,628
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East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 1 - Nature of Activity

East Coventry Township, Chester County, Pennsylvania (the Township), has an approximate population of 6,600, based on a 2010 census report, living within an area of 11.0 square miles. The Township is located in the northern portion of Chester County within the southeastern quadrant of the Commonwealth of Pennsylvania.

Note 2 - Summary of Significant Accounting Policies

The accompanying primary government financial statements conform to the modified cash basis of accounting as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Township.

The Financial Reporting Entity

The Township is a Pennsylvania Second Class Township, which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Township.

Basis of Presentation

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

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The various funds of the Township are grouped in the primary government financial statements in this report as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Township's governmental fund types:

General Fund - is the primary operating fund of the Township. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The principal activities accounted for in the General Fund are general government, public safety, public works and recreation. These activities are funded principally by property taxes, state-shared taxes and funds from other governmental units.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. The reporting entity includes the following special revenue funds:

State Liquid Fuels Highway Aid Fund - is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this Fund must be kept separate from all other funds and no other funds shall be commingled with this Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. Liquid fuels tax payments to the local government are accounted for in this Fund.

Traffic Impact Fee Fund - is used to account for activities related to the costs of projects identified in the Pennsylvania Act 209 Transportation Improvement Plan. Monies are received as transportation impact fees from developments and other new construction generating additional traffic in the Township.

Fire Hydrant Fund - is used to account for monies collected from an assessment on all properties within 780 feet of a fire hydrant (except farmland and private airports) to cover the cost of fire protection provided through fire hydrants. The Township reestablished the assessment beginning January 1, 2015.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Governmental Fund Types (continued)

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special revenue funds and trust funds). The reporting entity includes the following capital project funds:

Capital Reserve Fund - is used to account for various capital projects and purchases that have a useful life of five years or greater and that generally are very costly. This fund receives the majority of its income from transfer of monies from the General Fund.

Open Space Fund - is used to account for the purchase and maintenance of property to be kept as open space by the Township. This fund received income from a .25% of Earned Income Tax collected for the Township and other funding sources.

Proprietary Fund Types

Enterprise Funds - are used to account for the Township's 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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The measurement focus is upon determination of net income. The reporting entity includes the following enterprise funds:

Sewer Operating Fund - is used to account for receipt of sewer user charges. Major expenditures in this fund consist of operation of the sewer system which is operated as a public utility and loan repayment.

Sewer Capital Fund - is used to account for receipt of sewer connection fees and expenses related to the construction, engineering and professional fees for the sewer system.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the Township's fiduciary fund type:

Trust and Agency Funds - Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Escrow Fund - is used to account for the funds received from organizations for the completion of land improvements within the Township's boundaries.

Benefit Escrow Fund - is used to account for funds transferred from the General Fund and is being held for specific benefits for the full-time police officers as part of the collective bargaining agreement.

Basis of Accounting and Measurement Focus

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the primary government financial statements.

Modified Cash Basis

The Township's policy is to prepare its financial statements on a modified cash basis under which only revenues collected and expenditures paid, reimbursable costs receivable and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation, which may be material in amount, are not reflected in the accompanying primary government financial statements which are not intended to present the financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus (continued)

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity.

Assets and Liabilities

Cash

For the purpose of financial reporting, cash includes all demand and savings accounts and certificates of deposits.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Purchased capital assets are recorded as expenditures in the governmental fund types. Proprietary fund type capital assets are recorded as expenditures in the fund in which they are utilized. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are recorded as expenditures in the fund types expending the funds.

Long-Term Debt

Debt proceeds from issuance of long-term debt are reported as other financing sources, and the payment of principal and interest is reported as expenditures in the fund financial statements.

Compensated Absences

Compensated absences for vacation and sick leave are recorded as paid.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Equity

Fund Balances

Fund balances of governmental fund types and proprietary fund types are classified in two components:

Reserved fund balance - consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors or law and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

Unreserved fund balance - is all other net assets that do not meet the definition of "reserved." These assets are available for appropriation and expenditure in future periods.

It is the Township's policy to first use reserved net assets prior to the use of unreserved net assets when an expenditure is incurred for purposes for which both reserved and unreserved fund balances are available.

Revenues and Expenditures

Revenues

Except for revenue related to reimbursement of certain costs, revenues are recognized when received.

Property Taxes

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2015 was 3 mills for general obligations and .12 mills for fire protection, as established by the Board of Supervisors. Current tax collections for the Township were approximately 97% of the total tax levy.

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The taxes are collected by an elected or appointed local tax collector. Real estate taxes attach an enforceable lien on property when levied on February 1. A discount of 2% is applied to payments made prior to April 1. A penalty of 10% is added to the face amount of taxes paid after May 31. The Chester County Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the Chester County Tax Claim Bureau is made by February 28 of the subsequent year.

Intergovernmental Revenues

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies and local governmental units generally to fund specific programs and are recognized when received.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues and Expenditures (continued)

Expenditures/Expenses

Expenditures and expenses are recognized when paid.

Internal and Interfund Balances and Activities

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund Reimbursements

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Interfund Transfers

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Recent Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The Township adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this Statement affected disclosures and supplementary information only, as the Township reports on the modified cash basis of accounting.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. This Statement is effective for periods beginning after June 15, 2015 for governmental entities reporting certain assets at fair value. The Township is currently evaluating what effect, if any, this Statement will have on the Township's financial statements.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 3 - Budget Matters

The Board of Supervisors annually adopts a budget for the General Fund, State Liquid Fuels Highway Aid Fund, Traffic Impact Fee Fund, Capital Reserve Fund, Open Space Fund, Sewer Operating Fund and Sewer Capital Fund. Budgetary control is legally maintained at the fund level.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

Appropriations, except open project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements.

Budget amounts are not presented in the accompanying financial statements.

Note 4 - Stewardship, Compliance and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Township had no material violations of finance-related legal and contractual provisions.

Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2014 and the cash received for the year ended December 31, 2015. For the year ended December 31, 2015, expenditures exceeded appropriations at the legal level of control in the following funds:

State Liquid Fuels Highway Fund	\$	3,320
Open Space Fund		32,460
Capital Reserve Fund		39,817
Sewer Operating Fund		6,523,529

Expenditures exceed appropriations in the Sewer Operating Fund due to the partial payoff of the General Obligation Bond Series of 2011. This was a result of the refinancing which was not included in the budget.

Note 5 - Deposits

The Township's available cash is invested in demand deposit accounts, savings accounts and certificates of deposit.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 5 - Deposits (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. The Pennsylvania Government Code and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

At December 31, 2015, the carrying amount of the Township's bank deposits was \$4,629,040 and the corresponding bank balances were \$4,640,036, of which \$680,953 was covered by Federal Depository Insurance. The remaining \$3,959,083 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Note 6 - Long-Term Debt

At December 31, 2015, long-term debt consists of the following:

	Balance Outstanding December 31, 2014	Additions	Payments	Balance Outstanding December 31, 2015
2004 General Obligation Note, initial issue of \$1,000,000, interest rate of 3.87% until December 15, 2009, and thereafter at a rate equal to 60% of the Wall Street Prime Rate, subject to rate ceilings as specified in the loan agreement through 2023	\$ 474,423	\$ -	\$ 45,400	\$ 429,023
2011 General Obligation Bonds, initial issue of \$7,525,000, various interest rates ranging from 1.00% to 4.55%, maturing in amounts ranging from \$10,000 to \$450,000 through 2037	6,915,000	-	6,270,000	645,000

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 6 - Long-Term Debt (continued)

	Balance Outstanding December 31, 2014	Additions	Payments	Balance Outstanding December 31, 2015
2011 bank loan, initial issue of \$380,000, initial interest rate of 3.17% for the first 60 months, thereafter to adjust to a floating rate of 70% of the Wall Street Prime Rate with a floor of 4.00% and a ceiling of 6.50%, monthly payments of \$3,700 plus interest through 2021	\$ 275,709	\$ -	\$ 36,061	\$ 239,648
2011 bank loan, initial issue of \$850,000, initial interest rate of 3.25% for the first 60 months, thereafter to adjust to a floating rate of 70% of the Wall Street Prime Rate with a floor of 4.00% and a ceiling of 6.50%, monthly payments of \$8,325, including interest through 2021	623,718	-	80,556	543,162
2015 General Obligation Bonds, initial issue of \$6,495,000, various interest rates ranging from 2.00% to 3.50%, maturing in amounts ranging from \$35,000 to \$430,000 through 2037	-	6,495,000	-	6,495,000
	<u>\$ 8,288,850</u>	<u>\$ 6,495,000</u>	<u>\$ 6,432,017</u>	<u>\$ 8,351,833</u>

East Coventry Township

Notes to Financial Statements
December 31, 2015

Note 6 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt at December 31, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 413,965	\$ 231,266	\$ 645,231
2017	425,477	231,355	656,832
2018	440,573	218,255	658,828
2019	461,280	203,744	665,024
2020	471,788	189,666	661,454
2021-2025	1,758,750	790,404	2,549,154
2026-2030	1,635,000	600,555	2,235,555
2031-2035	1,900,000	341,200	2,241,200
2036-2037	845,000	44,625	889,625
	<u>\$ 8,351,833</u>	<u>\$ 2,851,070</u>	<u>\$ 11,202,903</u>

Substantially all of the Township's assets are pledged as collateral to the long-term debt.

Debt Defeasance

In November 2015, the Township defeased a portion of the General Obligation Bonds, Series of 2011, by creating an irrevocable trust fund. New debt was issued and the proceeds were used to purchase investments that were placed in the trust fund. The investments and earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased. As of December 31, 2015, there was \$6,065,000 of defeased debt outstanding.

Note 7 - Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2015 were as follows:

	<u>Transfers In/From Other Funds</u>	<u>Transfers Out/To Other Funds</u>
General Fund	\$ -	\$ 300,000
Capital Reserve Fund	300,000	-
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

East Coventry Township

Notes to Financial Statements
December 31, 2015

Note 8 - East Coventry Township Police Pension Plan

Plan Description

The East Coventry Township Police Pension Plan (the Police Plan) is a single-employer defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the Police Plan. A copy of that report can be obtained by contacting the PMRS accounting office.

Benefits Provided

The basic annual benefit is calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of 2%. However, in no event shall the annual basic benefit exceed 50% of the member's final salary. The Police Plan provides retirement, disability and death benefits to plan members and beneficiaries. The Police Plan's assets may be used only for the payment of benefits to the members of the Police Plan in accordance with the terms of the Police Plan.

Employees Covered by Benefit Terms

At December 31, 2014, the following employees were covered by the Police Plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>7</u>
	<u>8</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Police Plan be based upon the Police Plan's Minimum Municipal Obligation (MMO), which is based on the Police Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Members hired prior to January 1, 2014 are not required to contribute to the Police Plan. Members hired on or after January 1, 2014 shall contribute 5% of their compensation to the Police Plan. The Township is required to contribute amounts necessary to fund the Police Plan using the actuarial basis specified by statute.

East Coventry Township

Notes to Financial Statements
December 31, 2015

Note 8 - East Coventry Township Police Pension Plan (continued)

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2014, and the total pension liability was determined based upon the actuarial valuation as of January 1, 2015.

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50%; compounded annually
Investment rate of return	5.50%; compounded annually, net of expenses

Preretirement mortality rates were based on the RP-2000 Mortality Table, males with one year set back and females with five year set back. Postretirement mortality rates were based on the RP-2000 Sex Distinct Mortality Table.

The actuarial assumptions used in the December 31, 2014 valuation were based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008, issued by the actuary in July 2010, as well as subsequent Board approved assumption changes.

Information regarding the methodology the Plan utilizes for the long-term expected rate of return on plan assets and the Plan's target allocation of assets was not available.

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Police Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 8 - East Coventry Township Police Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2014.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 2,113,230	\$ 1,691,148	\$ 422,082
Changes for the year:			
Service cost	116,847	-	116,847
Interest	121,572	-	121,572
Differences between expected and actual experience	(176,822)	-	(176,822)
Contributions - employer	-	121,163	(121,163)
Contributions - member	-	2,485	(2,485)
PMRS investment income	-	83,018	(83,018)
Market value investment income (loss)	-	(9,061)	9,061
Benefit payments	(39,877)	(39,877)	-
PMRS administrative expense	-	(160)	160
Additional administrative expense	-	(3,184)	3,184
Balance at December 31, 2014	<u>\$ 2,134,950</u>	<u>\$ 1,845,532</u>	<u>\$ 289,418</u>

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 5.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net pension liability	<u>\$ 605,236</u>	<u>\$ 289,418</u>	<u>\$ 26,127</u>

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 8 - East Coventry Township Police Pension Plan (continued)

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

For the year ended December 31, 2014, the actuarial determined pension expense is \$141,997. However, the Township recognizes pension expense on the modified cash basis which totaled \$151,754 for the year ended December 31, 2015. The Township has deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources at December 31, 2014:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 160,747
Net difference between projected and actual earnings on pension plan investments	<u>7,249</u>	<u>-</u>
	<u>\$ 7,249</u>	<u>\$ 160,747</u>

Actuarially determined deferred outflows of resources and deferred inflows of resources related to the Police Plan are as follows for the years ended December 31:

2015	\$ (14,263)
2016	(14,263)
2017	(14,263)
2018	(14,262)
2019	(16,075)
Thereafter	(80,372)

Note 9 - East Coventry Township Nonuniformed Pension Plan

Plan Description

The East Coventry Township Nonuniformed Employees Pension Plan (the Nonuniformed Plan) is a single-employer defined benefit pension plan administered by the PMRS, which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate publicly available financial report that includes financial statements and required supplementary information for the Nonuniformed Plan. A copy of that report can be obtained by contacting the PMRS accounting office.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 9 - East Coventry Township Nonuniformed Pension Plan (continued)

Benefits Provided

For members hired prior to September 1, 2014, the annual basic benefits are calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of 1.5% plus an annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the optional member contributions and regular interest on the optional member contributions. For members hired on or after September 1, 2014, the annual basic benefit shall be equal to a single life annuity starting on the effective date of retirement with a present value equal to the member's accumulated deductions and municipal contributions made on behalf of the member. The Nonuniformed Plan provides retirement, disability and death benefits to Nonuniformed Plan members and beneficiaries. The Nonuniformed Plan's assets may be used only for the payment of benefits to the members of the Nonuniformed Plan in accordance with the terms of the Nonuniformed Plan.

Employees Covered by Benefit Terms

At December 31, 2014, the date of the most recent actuarial valuation, the following employees were covered by the Nonuniformed Plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>7</u>
	<u>9</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Nonuniformed Plan be based upon the Nonuniformed Plan's MMO, which is based on the Nonuniformed Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Members hired on or prior to December 31, 2013 are not required to contribute to the Nonuniformed Plan. Members hired between January 1, 2014 and September 1, 2014 shall contribute 8% of their compensation to the Nonuniformed Plan, unless lowered by a resolution of the Township. Members hired on or after September 1, 2014 shall contribute 5% of their compensation to the Nonuniformed Plan. For members hired prior to September 1, 2014, the Township is required to contribute amounts necessary to fund the Nonuniformed Plan using the actuarial basis specified by statute. For members hired on or after September 1, 2014, the Township shall contribute 5% of each member's compensation to the Nonuniformed Plan.

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 9 - East Coventry Township Nonuniformed Pension Plan (continued)

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2014, and the total pension liability was determined based upon the actuarial valuation as of January 1, 2015.

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50%; compounded annually
Investment rate of return	5.50%; compounded annually, net of expenses

Preretirement mortality rates were based on the RP-2000 Mortality Table, males with one year set back and females with five year set back. Postretirement mortality rates were based on the RP-2000 Sex Distinct Mortality Table.

The actuarial assumptions used in the December 31, 2014 valuation were based on past experience under the Nonuniformed Plan and reasonable future expectations which represent our best estimate of anticipated experience under the Nonuniformed Plan.

Information regarding the methodology the Nonuniformed Plan utilizes for the long-term expected rate of return on plan assets and the Nonuniformed Plan's target allocation of assets was not available.

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Nonuniformed Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Nonuniformed Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

East Coventry TownshipNotes to Financial Statements
December 31, 2015**Note 9 - East Coventry Township Nonuniformed Pension Plan (continued)****Changes in Net Pension Liability**

The following table shows the changes in net pension liability for the year ended December 31, 2014.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 1,291,992	\$ 1,105,084	\$ 186,908
Changes for the year:			
Service cost	57,764	-	57,764
Interest	74,065	-	74,065
Differences between expected and actual experience	(161,683)	-	(161,683)
Contributions - employer	-	51,398	(51,398)
Contributions - member	-	2,479	(2,479)
PMRS investment income	-	61,815	(61,815)
Market value investment income (loss)	-	(1,848)	1,848
Benefit payments	(6,318)	(6,318)	-
PMRS administrative expense	-	(200)	200
Additional administrative expense	-	(2,371)	2,371
Balance at December 31, 2014	<u>\$ 1,255,820</u>	<u>\$ 1,210,039</u>	<u>\$ 45,781</u>

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability (asset) calculated using the discount rate of 5.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net pension liability (asset)	<u>\$ 200,447</u>	<u>\$ 45,781</u>	<u>\$ (87,855)</u>

East Coventry Township

Notes to Financial Statements

December 31, 2015

Note 9 - East Coventry Township Nonuniformed Pension Plan (continued)

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

For the year ended December 31, 2014, the actuarial determined pension expense is \$43,529. However, the Township recognizes pension expense on the modified cash basis which totaled \$74,629 for the year ended December 31, 2015. The Township has deferred outflows of resources and deferred inflows of resources related to the Nonuniformed Plan from the following sources at December 31, 2014:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 134,736
Net difference between projected and actual earnings on pension plan investments	<u>1,478</u>	<u>-</u>
	<u>\$ 1,478</u>	<u>\$ 134,736</u>

Actuarially determined deferred outflows of resources and deferred inflows of resources related to the Nonuniformed Plan are as follows for the years ended December 31:

2015	\$ (26,577)
2016	(26,577)
2017	(26,577)
2018	(26,579)
2019	(26,948)

Note 10 - Risk Management

The Township entered into an agreement with the Delaware Valley Health Insurance Trust (the Trust) in order to pool workers' compensation and property and liability insurance risks, reserves, claims and losses, and provide self-insurance and reinsurance with other members of the Trust. If annual payments for any fiscal year are insufficient to fund the obligations of the Trust, additional payments will be required by the Township. The Trust will provide excess and aggregate excess insurance either through purchase of insurance or assets of the Trust.

Note 11 - Contingency

Concentration of Labor

The Township entered into a collective bargaining agreement with the East Coventry Police Association through December 31, 2017. Of the Township's total workforce, approximately 35% is covered by the agreement.

East Coventry Township

Schedule of Pension Contributions
Police Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>
Actuarially determined contribution	\$ 121,143
Contributions in relation to the actuarially determined contribution	<u>121,163</u>
Contribution Deficiency (Excess)	<u>\$ (20)</u>
Covered employee payroll	<u>\$ 704,344</u>
Contributions as a percentage of covered employee payroll	<u>17.20%</u>

Actuarial determined contribution rates are calculated as of January 1 for the odd valuation year, at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2014 is based upon the January 1, 2011 actuarial valuation.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves
Discount Rate	5.50%
Inflation	3.00%
Salary Increases	Age-related scale with merit and inflation component
COLA Increases	3.00% for those eligible for COLA
Preretirement Mortality	Males - RP-2000 with one year set back; Females - RP-2000 with five year set back
Postretirement Mortality	Sex distinct RP-2000 Combined Healthy Mortality Table

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown. The most recent actuarial measurement date is December 31, 2014, as reported above.

East Coventry Township

Schedule of Pension Contributions
 Nonuniformed Pension Plan
 Last Ten Fiscal Years*

	<u>2014</u>
Actuarially determined contribution	\$ 51,378
Contributions in relation to the actuarially determined contribution	<u>51,398</u>
Contribution Deficiency (Excess)	<u>\$ (20)</u>
Covered employee payroll	<u>\$ 599,331</u>
Contributions as a percentage of covered employee payroll	<u>8.58%</u>

Actuarial determined contribution rates are calculated as of January 1 for the odd valuation year, at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2014 is based upon the January 1, 2011 actuarial valuation.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves
Discount Rate	5.50%
Inflation	3.00%
Salary Increases	Age-related scale with merit and inflation component
COLA Increases	3.00% for those eligible for COLA
Preretirement Mortality	Males - R-2000 with one year set back; Females - RP-2000 with five year set back
Postretirement Mortality	Sex distinct RP-2000 Combined Healthy Mortality Table

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown. The most recent actuarial measurement date is December 31, 2014, as reported above.

STATEMENT OF CAPITAL EXPENDITURES

Category	Capital Purchases	Capital Construction	Total
Community Development	\$ -	\$ -	\$ -
Electric	-	-	-
Fire	-	-	-
Gas System	-	-	-
General Government	128,796	-	128,796
Health	-	-	-
Housing	-	-	-
Libraries	-	-	-
Mass Transit	-	-	-
Parks	17,029	-	17,029
Police	33,617	-	33,617
Recreation	-	-	-
Sewer	2,414	41,021	43,435
Solid Waste	-	-	-
Streets/Highways	-	137,000	137,000
Water	-	-	-
Other: (Please Specify)	-	-	-
Open Space	84,251	-	84,251
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-

TOTAL CAPITAL EXPENDITURES	\$ 444,128
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EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year
(including all employees and elected officials)*

\$ 1,341,088

* USE INCOME FROM BOX 16 ON THE W-3 STATEMENT

