

East Coventry Township
Financial Statements and
Supplementary Information
December 31, 2018

East Coventry Township

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December 31, 2018

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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 general fund, special revenue funds, capital projects funds, enterprise funds, and trust and agency funds presented in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30 of East Coventry Township, Chester County, Pennsylvania (the Township), which comprise the balance sheet - modified cash basis as of December 31, 2018, and the related statement of revenues and expenditures - modified cash basis 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 these financial statements in accordance with the reporting framework of the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30 utilizing the modified cash basis of accounting as 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 Township'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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on Modified Cash Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of East Coventry Township, Chester County, Pennsylvania, as of December 31, 2018, and the changes in the modified cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 2.

Opinion on the Reporting Framework Required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30

In our opinion, the financial statements 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, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended, in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, on Pages 30 and 31, 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.

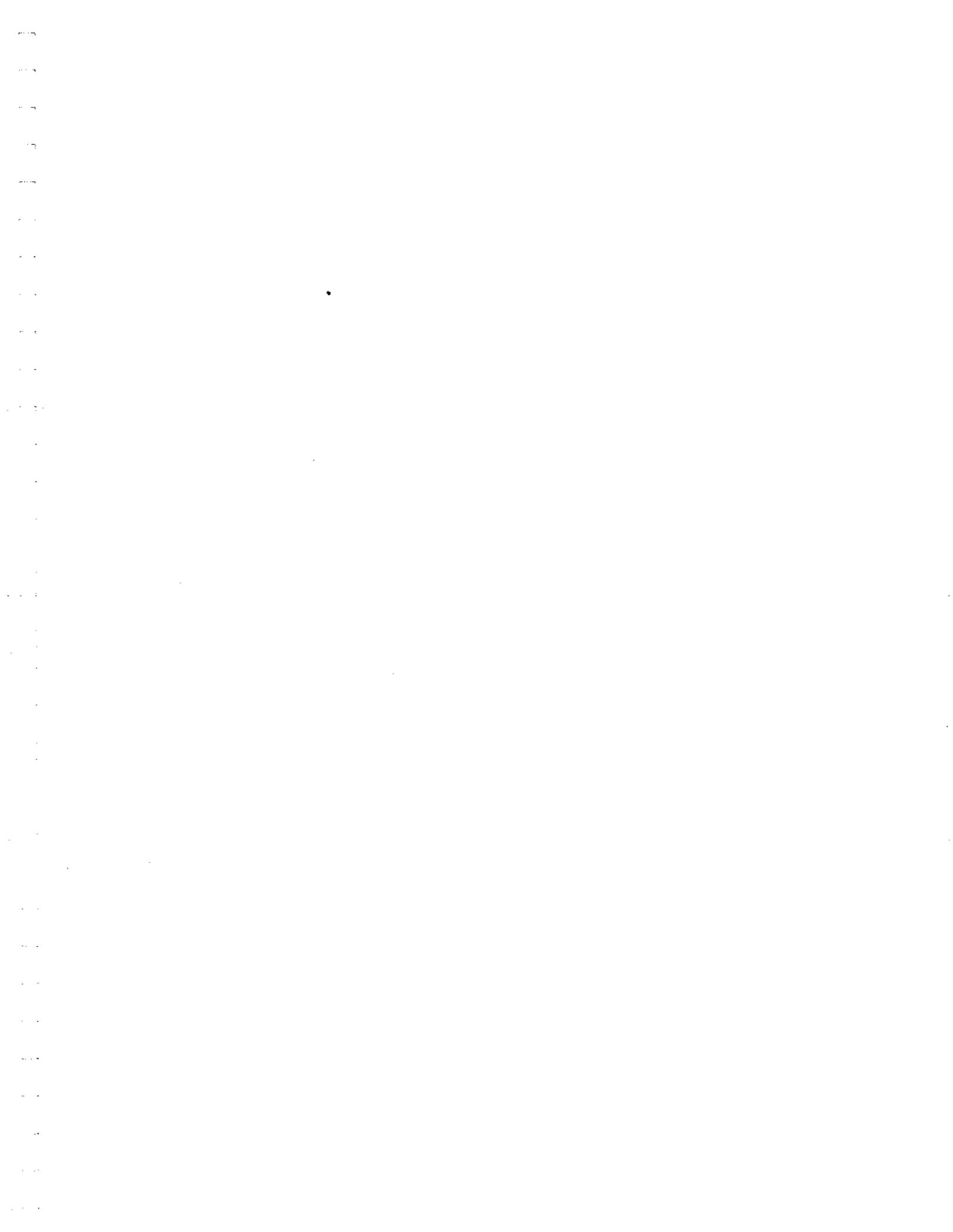
The accompanying other supplementary information, on Page 32, is unaudited and presented for purposes of additional analysis, and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Basis of Accounting and Presentation

We draw your attention to Note 2 of the financial statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. The accompanying financial statements are presented in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30.

RKH LLP

March 28, 2019
Wyomissing, Pennsylvania



Balance Sheet - Modified Cash Basis

December 31, 2018

Assets and Other Debits		Governmental Funds			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
100-120	Cash and Investments	\$ 615,847	\$ 666,270	\$ 3,444,160	\$ -
140-144	Tax Receivable	-	-	-	-
121-129					
145-149	Accounts Receivable (excluding taxes)	125,633	-	-	-
130	Due From Other Funds	25,221	-	-	-
131-139					
150-159	Other Current Assets	-	-	-	-
160-169	Fixed Assets	-	-	-	-
180-189	Other Debits	-	-	-	-
Total Assets and Other Debits		\$ 766,701	\$ 666,270	\$ 3,444,160	\$ -

Liabilities and Other Credits					
210-229	Payroll Taxes and Other Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
200-209					
231-239	All Other Current Liabilities	9,413	-	-	-
230	Due To Other Funds	-	18,846	-	-
260-269	Long-Term Liabilities	-	-	-	-
240-259	Current Portion of Long-Term Debt and Other Credits	-	-	-	-
Total Liabilities and Other Credits		\$ 9,413	\$ 18,846	\$ -	\$ -

Fund and Account Group Equity					
281-284	Contributed Capital	\$ -	\$ -	\$ -	\$ -
290	Investment in General Fixed Assets	-	-	-	-
270-289	Fund Balance/Retained Earnings on 12/31	757,288	647,424	3,444,160	-
291-299	Other Equity	-	-	-	-
Total Fund and Account Group Equity		\$ 757,288	\$ 647,424	\$ 3,444,160	\$ -

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

Proprietary Funds		Fiduciary Fund*	Account Groups		Total
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Memorandum Only
\$ 1,577,956	\$ -	\$ 482,546	\$ -	\$ -	\$ 6,786,779
-	-	-	-	-	-
13,345	-	-	-	-	138,978
-	-	-	-	-	25,221
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 1,591,301	\$ -	\$ 482,546	\$ -	\$ -	\$ 6,950,978

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	476,171	-	-	485,584
-	-	6,375	-	-	25,221
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ 482,546	\$ -	\$ -	\$ 510,805

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,591,301	-	-	-	-	6,440,173
-	-	-	-	-	-
\$ 1,591,301	\$ -	\$ -	\$ -	\$ -	\$ 6,440,173

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 6,950,978
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Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

REVENUES		Governmental Funds			
Taxes		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
301.00	Real Estate Taxes	\$ 1,163,575	\$ -	\$ -	\$ -
305.00	Occupation Taxes (levied under municipal code)	-	-	-	-
308.00	Residence Taxes (levied by cities of the 3rd Class)	-	-	-	-
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)	-	-	-	-
310.00	Per Capita Taxes	36,677	-	-	-
310.10	Real Estate Transfer Taxes	216,966	-	-	-
310.20	Earned Income Taxes/Wage Taxes	1,235,678	-	605,337	-
310.30	Business Gross Receipts Taxes	-	-	-	-
310.40	Occupation Taxes (levied under Act 511)	-	-	-	-
310.50	Local Services Tax**	62,147	-	-	-
310.60	Amusement/Admission Taxes	-	-	-	-
310.70	Mechanical Device Taxes	-	-	-	-
310.90	Other Local Tax Enabling Act/Act 511 Taxes	-	-	-	-
Total Taxes		\$ 2,715,043	\$ -	\$ 605,337	\$ -

Licenses and Permits					
320-322	All Other Licenses and Permits	\$ 32,060	\$ -	\$ -	\$ -
321.80	Cable Television Franchise Fees	108,845	-	-	-
Total Licenses and Permits		\$ 140,905	\$ -	\$ -	\$ -

Fines and Forfeits					
330-332	Fines and Forfeits	\$ 11,051	\$ -	\$ -	\$ -
Total Fines and Forfeits		\$ 11,051	\$ -	\$ -	\$ -

Interest, Rents, and Royalties					
341.00	Interest Earnings	\$ 1,911	\$ 5,679	\$ 21,757	\$ -
342.00	Rents and Royalties	20,432	-	-	-
Total Interest, Rents, and Royalties		\$ 22,343	\$ 5,679	\$ 21,757	\$ -

** This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

Proprietary Funds		Fiduciary Fund		Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>	
\$ -	\$ -	\$ -	\$ 1,163,575	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	36,677	
-	-	-	216,966	
-	-	-	1,841,015	
-	-	-	-	
-	-	-	-	
-	-	-	62,147	
-	-	-	-	
-	-	-	-	
\$ -	\$ -	\$ -	\$ 3,320,380	

\$ -	\$ -	\$ -	\$ 32,060
-	-	-	108,845
\$ -	\$ -	\$ -	\$ 140,905

\$ -	\$ -	\$ -	\$ 11,051
\$ -	\$ -	\$ -	\$ 11,051

\$ 14,501	\$ -	\$ -	\$ 43,848
-	-	-	20,432
\$ 14,501	\$ -	\$ -	\$ 64,280

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

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	\$ 10,829	\$ -	\$ -	\$ -
354.09	Community Development	-	-	-	-
354.15	Recycling/Act 101	-	-	-	-
354.00	All Other State Capital and Operating Grants	188,100	-	-	-
355.01	Public Utility Realty Tax (PURTA)	2,742	-	-	-
355.02- 355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback	-	291,954	-	-
355.04	Alcoholic Beverage Licenses	-	-	-	-
355.05	General Municipal Pension System State Aid	107,741	-	-	-
355.07	Foreign Fire Insurance Tax Distribution	40,339	-	-	-
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		\$ 349,751	\$ 291,954	\$ -	\$ -

Local Government Units					
357.03	Highways and Streets	\$ -	\$ -	\$ -	\$ -
357.00	All Other Local Governmental Units Capital and Operating Grants	-	-	644,624	-
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services	586	-	-	-
359.00	Local Governmental Units, Authorities Payments, and Payments in Lieu of Taxes	-	-	-	-
Total Local Government Units		\$ 586	\$ -	\$ 644,624	\$ -

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

\$ -	\$ -	\$ -	\$ 10,829
-	-	-	-
-	-	-	-
-	-	-	188,100
-	-	-	2,742
-	-	-	291,954
-	-	-	-
-	-	-	107,741
-	-	-	40,339
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 641,705

\$ -	\$ -	\$ -	\$ -
-	-	-	644,624
-	-	-	586
-	-	-	-
\$ -	\$ -	\$ -	\$ 645,210

TOTAL INTERGOVERNMENTAL REVENUES	\$ 1,286,915
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Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

REVENUES		Governmental Funds			
Charges for Service		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
361.00	General Government	\$ 311,146	\$ -	\$ -	\$ -
362.00	Public Safety	68,171	-	-	-
363.20	Parking	-	-	-	-
363.00	All Other Charges for Highway and Streets Services	-	142,300	-	-
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	6,565	-	-	-
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	5,337	-	-	-
Total Charges for Service		\$ 391,219	\$ 142,300	\$ -	\$ -

Unclassified Operating Revenues					
383.00	Assessments	\$ -	\$ -	\$ -	\$ -
386.00	Escheats (sale of personal property)	-	-	-	-
387.00	Contributions and Donations from Private Sectors	2,650	-	-	-
388.00	Fiduciary Fund Pension Contributions	-	-	-	-
389.00	All Other Unclassified Operating Revenues	-	-	-	-
Total Unclassified Operating Revenues		\$ 2,650	\$ -	\$ -	\$ -

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Disposition	\$ 10,560	\$ -	\$ -	\$ -
392.00	Interfund Operating Transfers	7,483	-	325,000	-
393.00	Proceeds of General Long-Term Debt	-	-	-	-
394.00	Proceeds of Short-Term Debt	-	-	-	-
395.00	Refunds of Prior Year Expenditures	26,314	-	-	-
Total Other Financing Sources		\$ 44,357	\$ -	\$ 325,000	\$ -

TOTAL REVENUES		\$ 3,677,905	\$ 439,933	\$ 1,596,718	\$ -
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Proprietary Funds		Fiduciary Fund		Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>	
\$ -	\$ -	\$ -		\$ 311,146
-	-	-		68,171
-	-	-		-
-	-	-		142,300
715,757	-	-		715,757
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		5,337
\$ 715,757	\$ -	\$ -		\$ 1,249,276

\$ -	\$ -	\$ -		\$ -
-	-	-		-
-	-	-		2,650
-	-	-		-
-	-	-		-
\$ -	\$ -	\$ -		\$ 2,650

\$ -	\$ -	\$ -		\$ 10,560
-	-	-		332,483
-	-	-		-
-	-	-		-
-	-	-		26,314
\$ -	\$ -	\$ -		\$ 369,357

\$ 730,258	\$ -	\$ -		\$ 6,444,814
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Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

EXPENDITURES		Governmental Funds			
General Government		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
400.00	Legislative (Governing) Body	\$ 17,295	\$ -	\$ -	\$ -
401.00	Executive (Manager or Mayor)	121,899	-	-	-
402.00	Auditing Services/Financial Administration	75,335	-	-	-
403.00	Tax Collection	58,964	-	-	-
404.00	Solicitor/Legal Services	140,690	-	-	-
405.00	Secretary/Clerk	54,144	-	-	-
406.00	Other General Government Administration	29,987	-	-	-
407.00	IT-Networking Services - Data Processing	17,837	-	-	-
408.00	Engineering Services	362,626	-	-	-
409.00	General Government Buildings and Plant	117,617	-	-	-
Total General Government		\$ 996,394	\$ -	\$ -	\$ -

Public Safety					
410.00	Police	\$ 915,793	\$ -	\$ -	\$ -
411.00	Fire	109,817	-	-	-
412.00	Ambulance/Rescue	-	-	-	-
413.00	UCC and Code Enforcement	61,012	-	-	-
414.00	Planning and Zoning	44,050	-	-	-
415.00	Emergency Management and Communications	-	-	-	-
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		\$ 1,130,672	\$ -	\$ -	\$ -

Health and Human Services					
420.00-					
425.00	Health and Human Services	\$ 8,627	\$ -	\$ -	\$ -

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

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 17,295
-	-	-	121,899
-	-	-	75,335
-	-	-	58,964
-	-	-	140,690
-	-	-	54,144
-	-	-	29,987
-	-	-	17,837
-	-	-	362,626
-	-	-	117,617
\$ -	\$ -	\$ -	\$ 996,394

\$ -	\$ -	\$ -	\$ 915,793
-	-	-	109,817
-	-	-	-
-	-	-	61,012
-	-	-	44,050
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 1,130,672

\$ -	\$ -	\$ -	\$ 8,627
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\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
219,078	-	-	219,078
\$ 219,078	\$ -	\$ -	\$ 219,078

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

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	\$ 418,405	\$ 4,058	\$ 7,057	\$ -
431.00	Cleaning of Streets and Gutters	-	-	-	-
432.00	Winter Maintenance - Snow Removal	-	-	-	-
433.00	Traffic Control Devices	-	3,731	-	-
434.00	Street Lighting	-	-	-	-
435.00	Sidewalks and Crosswalks	-	-	-	-
436.00	Storm Sewers and Drains	-	1,674	-	-
437.00	Repairs of Tools and Machinery	-	16,698	-	-
438.00	Maintenance and Repairs of Roads and Bridges	-	28,960	52,036	-
439.00	Highway Construction and Rebuilding Projects	-	199,077	-	-
Total Public Works - Highways and Streets		\$ 418,405	\$ 254,198	\$ 59,093	\$ -

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	65,670	-	-	-
453.00	Spectator Recreation	-	-	-	-
454.00	Parks	-	-	22,308	-
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	370	-	-	-
Total Culture and Recreation		\$ 66,040	\$ -	\$ 22,308	\$ -

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 429,520
-	-	-	-
-	-	-	-
-	-	-	3,731
-	-	-	-
-	-	-	-
-	-	-	1,674
-	-	-	16,698
-	-	-	80,996
-	-	-	199,077
\$ -	\$ -	\$ -	\$ 731,696

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

\$ -	\$ -	\$ -	\$ -
-	-	-	65,670
-	-	-	-
-	-	-	22,308
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	370
\$ -	\$ -	\$ -	\$ 88,348

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

EXPENDITURES		Governmental Funds			
Community Development		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
461.00	Conservation of Natural Resources	\$ -	\$ -	\$ 29,518	\$ -
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	\$ -	\$ 29,518	\$ -

Debt Service					
471.00	Debt Principal (short-term and long-term)	\$ 50,400	\$ -	\$ 127,881	\$ -
472.00	Debt Interest (short-term and long-term)	9,064	-	16,420	-
475.00	Fiscal Agent Fees	-	-	-	-
Total Debt Service		\$ 59,464	\$ -	\$ 144,301	\$ -

Employer Paid Benefits and Withholding Items					
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	\$ 102,412	\$ -	\$ -	\$ -
482.00	Judgments and Losses	-	-	-	-
483.00	Pension/Retirement Fund Contributions	184,927	-	-	-
484.00	Workers Compensation Insurance	-	-	-	-
487.00	Group Insurance and Other Benefits	421,131	-	-	-
Total Employer Paid Benefits and Withholding Items		\$ 708,470	\$ -	\$ -	\$ -

Insurance					
486.00	Insurance, Casualty, and Surety	\$ 35,790	\$ -	\$ -	\$ -

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

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 29,518
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	3,000
\$ -	\$ -	\$ -	\$ 32,518

\$ 260,000	\$ -	\$ -	\$ 438,281
185,273	-	-	210,757
-	-	-	-
\$ 445,273	\$ -	\$ -	\$ 649,038

\$ -	\$ -	\$ -	\$ 102,412
-	-	-	-
-	-	-	184,927
-	-	-	-
-	-	-	421,131
\$ -	\$ -	\$ -	\$ 708,470

\$ -	\$ -	\$ -	\$ 35,790
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\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2018

EXPENDITURES		Governmental Funds			
Other Financing Uses		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
491.00	Refund of Prior Year Revenues	\$ 12,671	\$ -	\$ -	\$ -
492.00	Interfund Operating Transfers	325,000	7,483	-	-
493.00	All Other Financing Uses	-	-	-	-
Total Other Financing Uses		\$ 337,671	\$ 7,483	\$ -	\$ -

TOTAL EXPENDITURES	\$ 3,764,533	\$ 261,681	\$ 255,220	\$ -
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	\$ (86,628)	\$ 178,252	\$ 1,341,498	\$ -
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Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 12,671
-	-	-	332,483
-	-	-	-
\$ -	\$ -	\$ -	\$ 345,154

\$ 664,351	\$ -	\$ -	\$ 4,945,785
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\$ 65,907	\$ -	\$ -	\$ 1,499,029
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East Coventry Township

Notes to Financial Statements

December 31, 2018

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 and are presented in accordance with the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30. 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. The governing board is an elected five-member Board of Supervisors. The Township is managed by a Township Manager appointed by the Township's Board of Supervisors. The Township operates the general government activities of the community, including public safety, street and road maintenance, public sewer system, culture and recreation, and various administrative functions.

Description of Fund Accounting and Funds

The accounts of the Township are organized on the 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, 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.

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 general 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.

East Coventry Township

Notes to Financial Statements

December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Description of Fund Accounting and Funds (continued)

Governmental Fund Types (continued)

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township.

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).

Proprietary Fund Types

Proprietary funds are used to account for the Township's ongoing activities which are similar to those often found in the private sector and 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.

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.

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, 2018

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 within the limitations of the modified cash basis of accounting. 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 within the limitations of the modified cash basis of accounting. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in fund balance.

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 other than buildings, 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 recognized in the period received. The payment of principal and interest is reported as expenditures when paid.

Fund Equity Accounting Policy

Fund Balances

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

East Coventry Township

Notes to Financial Statements

December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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 2018 was 3 mills for general obligations, as established by the Board of Supervisors. Current tax collections for the Township were approximately 98% 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.

Interfund Transactions

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.

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.

Note 3 - 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, 2018

Note 3 - 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 Pennsylvania Act 72, which 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.

At December 31, 2018, the carrying amount of the Township's bank deposits was \$6,786,779 and the corresponding bank balances were \$6,794,752, of which \$453,545 was covered by Federal Depository Insurance. The remaining \$6,341,207 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 4 - Long-Term Debt

Long-term debt consists of the following at December 31, 2018:

	Balance Outstanding December 31, 2017	Additions	Payments	Balance Outstanding December 31, 2018	Amount Due Within One Year
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, 3.30% at December 31, 2018	\$ 330,223	\$ -	\$ 50,400	\$ 279,823	\$ 58,600
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	220,000	-	220,000	-	-

East Coventry Township
Notes to Financial Statements
December 31, 2018

Note 4 - Long-Term Debt (continued)

	Balance Outstanding December 31, 2017	Additions	Payments	Balance Outstanding December 31, 2018	Amount Due Within One Year
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, 3.85% at December 31, 2018	163,507	-	39,441	124,066	41,081
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, 3.85% at December 31, 2018	373,926	-	88,440	285,486	91,599
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	6,420,000	-	40,000	6,380,000	270,000
	<u>\$ 7,507,656</u>	<u>\$ -</u>	<u>\$ 438,281</u>	<u>\$ 7,069,375</u>	<u>\$ 461,280</u>

East Coventry Township
Notes to Financial Statements
December 31, 2018

Note 4 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt at December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 461,280	\$ 207,276	\$ 668,556
2020	471,788	192,388	664,176
2021	482,484	176,860	659,344
2022	355,300	164,618	519,918
2023	313,523	157,031	470,554
2024-2028	1,560,000	681,720	2,241,720
2029-2033	1,785,000	454,675	2,239,675
2034-2038	1,640,000	144,800	1,784,800
	<u>\$ 7,069,375</u>	<u>\$ 2,179,368</u>	<u>\$ 9,248,743</u>

Annual debt service requirements for variable rate debt were based on the variable interest rate in effect at December 31, 2018.

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

Note 5 - Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2018 were as follows:

	<u>Transfers In/From Other Funds</u>	<u>Transfers Out/To Other Funds</u>
General Fund	\$ 7,483	\$ 325,000
Capital Reserve Fund	325,000	-
Fire Hydrant Fund	-	7,483
	<u>\$ 332,483</u>	<u>\$ 332,483</u>

The composition of interfund balances as of December 31, 2018 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 25,221	\$ -
State Highway Liquid Fuels Fund	-	18,846
Benefit Escrow	-	6,375
	<u>\$ 25,221</u>	<u>\$ 25,221</u>

Note 6 - 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 January 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by the Police Plan:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>7</u>
	<u>10</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. During the year ended December 31, 2018, the Township contributed \$126,264 to the Police Plan.

Note 7 - 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.

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 January 1, 2017, 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>6</u>
	<u>8</u>

East Coventry Township

Notes to Financial Statements
December 31, 2018

Note 7 - East Coventry Township Nonuniformed Pension Plan (continued)

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. During the year ended December 31, 2018, the Township contributed \$49,847 to the Nonuniformed Plan.

Note 8 - Defined Contribution Pension Plan

The Township has a defined contribution pension plan covering administrative employees. Under the terms of the plan, the Borough determines its contributions to the plan annually. Pension expense for the year ended December 31, 2018 was \$8,816.

Note 9 - 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.

For the years ended December 31, 2018 and 2017, claims settled were not in excess of insurance coverage.

For the year ended December 31, 2018, there has been no significant reduction in insurance coverage from the prior year.

Note 10 - Contingency and Commitment

Concentration of Labor

The Township entered into a collective bargaining agreement with the East Coventry Police Association through December 31, 2018. Of the Township's total workforce, approximately 41% is covered by the agreement.

East Coventry Township

Notes to Financial Statements

December 31, 2018

Note 11 - Subsequent Events

The Township has evaluated subsequent events through March 28, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2018 were noted.

Statement of Capital Expenditures - Modified Cash Basis

Category	Capital Purchases	Capital Construction	Total
Community Development	\$ -	\$ -	\$ -
Electric	-	-	-
Fire	-	-	-
Gas System	-	-	-
General Government	7,057	-	7,057
Health	-	-	-
Housing	-	-	-
Libraries	-	-	-
Mass Transit	-	-	-
Parks	-	-	-
Police	39,528	-	39,528
Recreation	-	-	-
Sewer	-	-	-
Solid Waste	-	-	-
Streets/Highways	-	273,785	273,785
Water	-	-	-
Other: (Please Specify)	-	-	-
Open Space	100	-	100
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-

TOTAL CAPITAL EXPENDITURES	\$ 320,470
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EMPLOYEE COMPENSATION

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

\$ 1,411,713

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

East Coventry Township**Schedule of Changes in the Net Pension Liability and Related Ratios - Unaudited***

Year Ended December 31, 2018

	<u>Police</u>	<u>Nonuniformed</u>
Total Pension Liability		
Service cost	\$ 89,418	\$ 46,741
Interest	128,200	79,805
Benefit payments, including refunds of member contributions	<u>(85,908)</u>	<u>(14,134)</u>
Net Change in Total Pension Liability	131,710	112,412
Total Pension Liability, Beginning	<u>2,394,894</u>	<u>1,480,332</u>
Total Pension Liability, Ending	<u>\$ 2,526,604</u>	<u>\$ 1,592,744</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 124,424	\$ 52,604
Contributions - PMRS assessment	140	160
Contributions - member	14,068	-
PMRS investment income	118,757	78,945
Market value investment income	266,673	157,544
Benefit payments	(85,908)	(14,134)
PMRS administrative expense	(140)	(160)
Additional administrative expense	<u>(5,462)</u>	<u>(3,631)</u>
Net Change in Plan Fiduciary Net Position	432,552	271,328
Plan Net Position, Beginning	<u>2,170,192</u>	<u>1,421,570</u>
Plan Net Position, Ending	<u>\$ 2,602,744</u>	<u>\$ 1,692,898</u>
Net Pension Liability	<u>\$ (76,140)</u>	<u>\$ (100,154)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>103.0%</u>	<u>106.3%</u>
Covered Employee Payroll	<u>\$ 653,887</u>	<u>\$ 482,755</u>
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	<u>-11.6%</u>	<u>-20.7%</u>

* These Schedules present information as of the last actuarial valuation date of December 31, 2017.