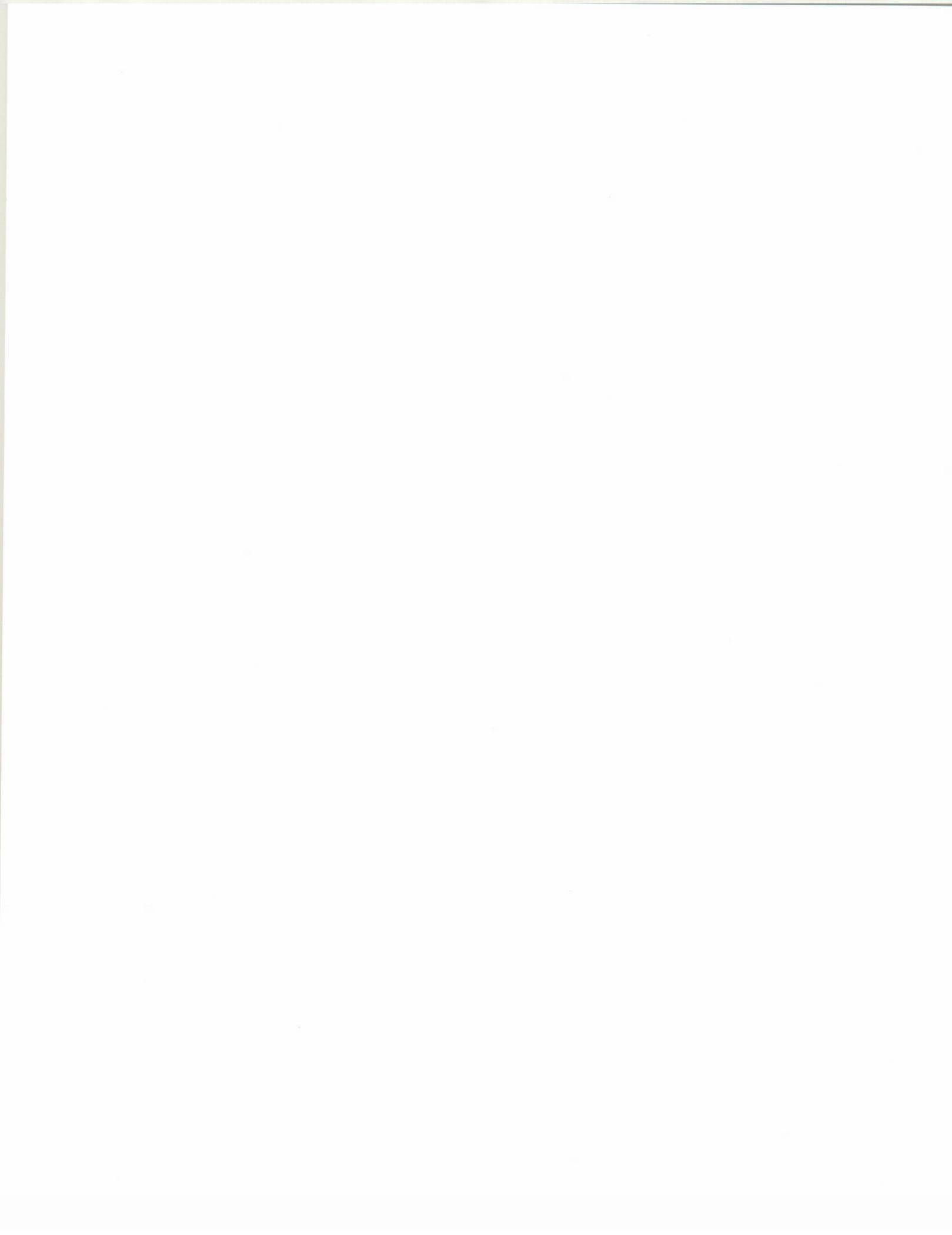


West Manchester Township

Financial Statements and
Required Supplementary and
Supplementary Information

Year Ended December 31, 2015 with
Independent Auditor's Report



WEST MANCHESTER TOWNSHIP

YEAR ENDED DECEMBER 31, 2015

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WEST MANCHESTER TOWNSHIP

YEAR ENDED DECEMBER 31, 2015

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Independent Auditor's Report

Board of Supervisors
West Manchester Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Manchester Township (Township), Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the Township's legally separate component unit (Shiloh Water Authority). Accounting principles generally accepted in the United States of America require financial data for this component unit to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that include financial data for its component unit. The Township has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred inflows of resources, liabilities, deferred outflows of resources, net position, revenues, and expenses of the government-wide financial statements has not been determined.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Township, as of December 31, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the Township to record its net pension liability and related items on the government-wide and proprietary fund financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and historical pension information on pages 45 and 46 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maher Duessel

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WEST MANCHESTER TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,714,431	\$ 11,978,379	\$ 21,692,810
Accounts receivable	120,101	1,229,545	1,349,646
Due from other governments	-	279,263	279,263
Taxes receivable	783,340	-	783,340
Prepaid expenses	248,923	110,404	359,327
Capital assets not being depreciated	1,332,960	51,200	1,384,160
Capital assets, net of accumulated depreciation	8,059,336	8,313,536	16,372,872
Total Assets	20,259,091	21,962,327	42,221,418
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	2,876,541	66,565	2,943,106
Liabilities			
Internal balances	(1,666)	1,666	-
Accounts payable	67,817	38,127	105,944
Accrued salaries and benefits	45,227	4,395	49,622
Due to other governments	-	19,450	19,450
Deposits	493,352	-	493,352
Unearned revenue	343,840	-	343,840
Other liabilities	129,178	-	129,178
Noncurrent liabilities:			
Due within one year	112,442	1,589	114,031
Due in more than one year	243,630	-	243,630
Net pension liability	4,509,101	93,030	4,602,131
Other post-employment benefits	165,463	8,305	173,768
Total Liabilities	6,108,384	166,562	6,274,946
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	55,560	6,173	61,733
Net Position			
Net investment in capital assets	9,392,296	8,364,736	17,757,032
Restricted for:			
Sewer projects	530,393	-	530,393
Public works	152,970	-	152,970
Unrestricted	6,896,029	13,491,421	20,387,450
Total Net Position	\$ 16,971,688	\$ 21,856,157	\$ 38,827,845

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 771,356	\$ 196,324	\$ 80,222	\$ -	\$ (494,810)	\$ -	\$ (494,810)
Public safety	3,977,793	697,808	52,674	-	(3,227,311)	-	(3,227,311)
Public works	1,201,198	181,911	529,940	-	(489,347)	-	(489,347)
Culture recreation	363,997	38,764	-	-	(325,233)	-	(325,233)
Other	2,345,765	-	-	-	(2,345,765)	-	(2,345,765)
Total governmental activities	<u>8,660,109</u>	<u>1,114,807</u>	<u>662,836</u>	<u>-</u>	<u>(6,882,466)</u>	<u>-</u>	<u>(6,882,466)</u>
Business-type activities:							
Sewer	5,099,698	5,660,164	-	-	-	560,466	560,466
Garbage	1,192,183	1,163,714	82,880	-	-	54,411	54,411
Total business-type activities	<u>6,291,881</u>	<u>6,823,878</u>	<u>82,880</u>	<u>-</u>	<u>-</u>	<u>614,877</u>	<u>614,877</u>
Total Primary Government	<u>\$ 14,951,990</u>	<u>\$ 7,938,685</u>	<u>\$ 745,716</u>	<u>\$ -</u>	<u>(6,882,466)</u>	<u>614,877</u>	<u>(6,267,589)</u>
General revenues:							
Taxes					5,647,905	-	5,647,905
Intergovernmental revenue and contributions not restricted to a specific purpose					541,818	-	541,818
Investment earnings					41,626	70,285	111,911
Gain on sale of assets					69,730	-	69,730
Transfers					(95,250)	95,250	-
Total general revenues and transfers					<u>6,205,829</u>	<u>165,535</u>	<u>6,371,364</u>
Change in Net Position					<u>(676,637)</u>	<u>780,412</u>	<u>103,775</u>
Net Position:							
Beginning of year - restated					<u>17,648,325</u>	<u>21,075,745</u>	<u>38,724,070</u>
End of year					<u>\$ 16,971,688</u>	<u>\$ 21,856,157</u>	<u>\$ 38,827,845</u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2015

Assets	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,674,495	\$ 6,889,188	\$ 150,748	\$ 9,714,431
Accounts receivable	120,101	-	-	120,101
Taxes receivable	783,340	-	-	783,340
Due from other funds	145,593	-	18,734	164,327
Prepaid expenditures	238,821	10,102	-	248,923
Total Assets	\$ 3,962,350	\$ 6,899,290	\$ 169,482	\$ 11,031,122
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 28,305	\$ 23,000	\$ 16,512	\$ 67,817
Due to other funds	18,916	143,745	-	162,661
Accrued salaries and benefits	45,227	-	-	45,227
Deposits	310,900	182,452	-	493,352
Other liabilities	129,178	-	-	129,178
Total Liabilities	532,526	349,197	16,512	898,235
Deferred Inflows of Resources:				
Unavailable revenue - taxes	337,030	-	-	337,030
Total Deferred Inflows of Resources	337,030	-	-	337,030
Fund Balance:				
Nonspendable	238,821	10,102	-	248,923
Restricted for:				
Sewer projects	-	530,393	-	530,393
Public works	-	-	152,970	152,970
Assigned for:				
Capital projects	-	6,009,598	-	6,009,598
Unassigned	2,853,973	-	-	2,853,973
Total Fund Balance	3,092,794	6,550,093	152,970	9,795,857
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,962,350	\$ 6,899,290	\$ 169,482	\$ 11,031,122

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

Total Fund Balance - Governmental Funds		\$ 9,795,857
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.</p>		337,030
<p>Rental payments received in advance are reported as unearned and amortized over the life of the rental agreement, but are available to pay current period expenditures and, therefore, are not reported in the funds as unavailable revenue.</p>		(343,840)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$16,124,628 and the accumulated depreciation is \$6,732,332.</p>		9,392,296
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Net other post-employment benefits	\$ (165,463)	
Compensated absences	(356,072)	
Net pension liability, net of related deferred outflows, and inflows of resources	(1,688,120)	
		(2,209,655)
Total Net Position - Governmental Activities		\$ 16,971,688

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,155,653	\$ -	\$ 73,293	\$ 5,228,946
Licenses and permits	317,725	-	-	317,725
Fines and forfeits	139,636	-	-	139,636
Investment earnings	7,052	34,451	123	41,626
Intergovernmental revenues	551,074	-	529,940	1,081,014
Charges for services	427,236	155,944	-	583,180
Other	287,272	227,827	-	515,099
Total revenues	<u>6,885,648</u>	<u>418,222</u>	<u>603,356</u>	<u>7,907,226</u>
Expenditures:				
Current:				
General government	571,113	67,358	-	638,471
Public safety	3,447,225	18,146	-	3,465,371
Public works	277,519	57,262	559,127	893,908
Culture recreation	298,030	28,432	-	326,462
Other	2,345,670	95	-	2,345,765
Capital outlay	-	402,395	66,237	468,632
Total expenditures	<u>6,939,557</u>	<u>573,688</u>	<u>625,364</u>	<u>8,138,609</u>
Deficiency of Revenues Over Expenditures	<u>(53,909)</u>	<u>(155,466)</u>	<u>(22,008)</u>	<u>(231,383)</u>
Other Financing Sources (Uses):				
Transfers in	243,610	496,451	-	740,061
Transfers out	(496,451)	(243,610)	-	(740,061)
Sale of capital assets	30,200	9,330	-	39,530
Total other financing sources (uses)	<u>(222,641)</u>	<u>262,171</u>	<u>-</u>	<u>39,530</u>
Net Change in Fund Balance	<u>(276,550)</u>	<u>106,705</u>	<u>(22,008)</u>	<u>(191,853)</u>
Fund Balance:				
Beginning of year	<u>3,369,344</u>	<u>6,443,388</u>	<u>174,978</u>	<u>9,987,710</u>
End of year	<u>\$ 3,092,794</u>	<u>\$ 6,550,093</u>	<u>\$ 152,970</u>	<u>\$ 9,795,857</u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(191,853)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Depreciation expense	\$ (601,143)	
Capital outlays	<u>468,632</u>	(132,511)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		111,233
<p>Governmental funds report advance rental payments as revenues. However, in the Statement of Activities, the payments are amortized over the rental contract period and reported as general government charges for services.</p>		
		20,733
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:</p>		
Change in other post-employment benefits	(29,851)	
Change in compensated absences	(7,304)	
Transfer	(95,250)	
Change in net pension liability, net of related deferred outflows and inflows of resources	<u>(351,834)</u>	<u>(484,239)</u>
Total Change in Net Position - Governmental Activities	\$	<u><u>(676,637)</u></u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2015

<u>Assets</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 11,053,271	\$ 925,108	\$ 11,978,379
Accounts receivable	1,052,013	177,532	1,229,545
Due from other funds	660	-	660
Due from other governments	279,263	-	279,263
Prepaid expenses	110,035	369	110,404
Total current assets	12,495,242	1,103,009	13,598,251
Noncurrent assets:			
Capital assets not being depreciated	51,200	-	51,200
Capital assets, net of accumulated depreciation	8,313,536	-	8,313,536
Total noncurrent assets	8,364,736	-	8,364,736
Total Assets	20,859,978	1,103,009	21,962,987
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	66,565	-	66,565
Liabilities			
Current liabilities:			
Due to other funds	1,564	762	2,326
Due to other governments	19,450	-	19,450
Accounts payable	9,488	28,639	38,127
Accrued salaries and benefits	3,774	621	4,395
Accrued compensated absences	1,589	-	1,589
Total current liabilities	35,865	30,022	65,887
Noncurrent liabilities:			
Other post-employment benefits	8,305	-	8,305
Net pension liability	93,030	-	93,030
Total noncurrent liabilities	101,335	-	101,335
Total Liabilities	137,200	30,022	167,222
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	6,173	-	6,173
Net Position			
Net investment in capital assets	8,364,736	-	8,364,736
Unrestricted	12,418,434	1,072,987	13,491,421
Total Net Position	\$ 20,783,170	\$ 1,072,987	\$ 21,856,157

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 5,660,164	\$ 1,163,714	\$ 6,823,878
Total operating revenues	<u>5,660,164</u>	<u>1,163,714</u>	<u>6,823,878</u>
Operating Expenses:			
Personnel services	358,319	44,413	402,732
Lease expenses	1,515,347	-	1,515,347
Operation and administration	2,685,259	1,147,770	3,833,029
Total operating expenses	<u>4,558,925</u>	<u>1,192,183</u>	<u>5,751,108</u>
Operating income (loss) before depreciation	1,101,239	(28,469)	1,072,770
Depreciation	540,773	-	540,773
Operating Income (Loss)	<u>560,466</u>	<u>(28,469)</u>	<u>531,997</u>
Nonoperating Revenues:			
Investment earnings	69,461	824	70,285
Intergovernmental grants	-	82,880	82,880
Total nonoperating revenues	<u>69,461</u>	<u>83,704</u>	<u>153,165</u>
Net income before transfers	629,927	55,235	685,162
Transfers in	95,250	-	95,250
Change in Net Position	<u>725,177</u>	<u>55,235</u>	<u>780,412</u>
Net Position:			
Beginning of year - restated	<u>20,057,993</u>	<u>1,017,752</u>	<u>21,075,745</u>
End of year	<u>\$ 20,783,170</u>	<u>\$ 1,072,987</u>	<u>\$ 21,856,157</u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Sewer Fund	Garbage Fund	Total
Cash Flows From Operating Activities:			
Cash received from users	\$ 5,796,520	\$ 1,127,067	\$ 6,923,587
Cash payments to employees for service	(359,585)	(50,049)	(409,634)
Cash payments to suppliers for goods and services	(5,740,776)	(1,416,663)	(7,157,439)
Net cash used in operating activities	(303,841)	(339,645)	(643,486)
Cash Flows From Non-Capital Financing Activities:			
Intergovernmental grants	-	82,880	82,880
Net cash provided by non-capital financing activities	-	82,880	82,880
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	(153,092)	-	(153,092)
Net cash used in capital and related financing activities	(153,092)	-	(153,092)
Cash Flows From Investing Activities:			
Earnings on investments	69,461	824	70,285
Net cash provided by investing activities	69,461	824	70,285
Net Decrease in Cash and Cash Equivalents	(387,472)	(255,941)	(643,413)
Cash and Cash Equivalents:			
Beginning of year	11,440,743	1,181,049	12,621,792
End of year	\$ 11,053,271	\$ 925,108	\$ 11,978,379
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:			
Operating income (loss)	\$ 560,466	\$ (28,469)	\$ 531,997
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	540,773	-	540,773
Amortization of deferred outflows and inflows of resources	11,561	-	11,561
Transfers in	95,250	-	95,250
(Increase) decrease in:			
Accounts receivable	41,766	(36,647)	5,119
Due from other funds	(660)	-	(660)
Due from other governments	(279,263)	-	(279,263)
Prepaid expenses	(19,584)	(369)	(19,953)
Deferred outflows of resources - pensions	(79,062)	-	(79,062)
Increase (decrease) in:			
Accounts payable	(226,785)	(1,087)	(227,872)
Accrued salary and benefits	(10,272)	(5,636)	(15,908)
Accrued compensated absences	(532)	-	(532)
Due to other funds	(680,792)	(267,437)	(948,229)
Due to other governments	(335,072)	-	(335,072)
Other post-employment benefits	1,326	-	1,326
Net pension liability	69,930	-	69,930
Deferred inflows of resources - pensions	7,109	-	7,109
Total adjustments	(864,307)	(311,176)	(1,175,483)
Net cash used in operating activities	\$ (303,841)	\$ (339,645)	\$ (643,486)

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUNDS

DECEMBER 31, 2015

<u>Assets</u>	
Cash and cash equivalents	\$ 4,686
Investments	<u>10,542,491</u>
Total Assets	<u>10,547,177</u>
 <u>Net Position</u>	
Restricted for pension benefits	<u><u>\$ 10,547,177</u></u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2015

Additions:

Contributions:		
Employer		\$ 478,615
Employee		<u>148,012</u>
Total contributions		<u>626,627</u>
Investment earnings:		
Interest and dividends		14,947
Net depreciation of fair value of investments		<u>(307,865)</u>
Total investment earnings		(292,918)
Less: investment expenses		<u>(60,650)</u>
Net investment earnings		<u>(353,568)</u>
Total additions		<u>273,059</u>

Deductions:

Benefit payments		432,702
Administrative expense		<u>18,644</u>
Total deductions		<u>451,346</u>

Decrease in Plan Net Position (178,287)

Net Position:

Beginning of year		<u>10,725,464</u>
End of year		<u><u>\$ 10,547,177</u></u>

The accompanying notes are an integral part of these financial statements.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. ORGANIZATION

West Manchester Township (Township), Pennsylvania, is a municipality located in York County, Pennsylvania. It is a township of the second class based upon its population per square mile. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes.

Based on these criteria, the Township has one component unit. However, management has elected to exclude the component unit from these primary government financial statements. Therefore, these financial statements do not include the data of the component unit necessary for financial reporting in accordance with accounting principles generally accepted in the United States of America.

Shiloh Water Authority – The governing body of the Shiloh Water Authority (Authority) is appointed by the Board of Supervisors of the Township. Although it is legally separate from the Township, the Shiloh Water Authority has been determined to be a discretely presented component unit of the Township and its primary purpose is to provide water services to Township residents. During the year ended December 31, 2015, the Township paid the Authority \$21,505 for fire protection services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. The statements include all the funds of the primary government, except for the fiduciary funds.

Separate rows and columns are used to distinguish between the governmental and business-type activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

activities are usually reported in governmental funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The governmental and business-type activities are prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of governmental accounting standards.

All governmental funds of the Township are accounted for using a current financial resources measurement focus. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet, and the fund balances reflect spendable or appropriable resources. The operating statements of these funds reflect increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities (current and non-current), and deferred inflows of resources associated with the operation of the funds are included on its statement of net position. The proprietary operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Internal and Interfund Balances and Activities

In the process of aggregating data for the statement of net position, some amounts reported as interfund balances in the funds are eliminated or reclassified. Eliminations are made in the statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables, "due to (from) other funds," are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Interfund transfers represent the flow of assets from one fund to another where repayment is not expected. In the fund financial statements, these transactions are reported as "transfers in/out." Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as "Transfers."

Capital Assets

The Township reports capital assets at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. Capital assets include land, improvements and easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure (acquired on or after January 1, 2004), and all other tangible or intangible assets that are used in operations and that have useful lives extending beyond a single reporting period.

The Township's policy is to capitalize assets or groups of assets with costs in excess of \$10,000. Estimated depreciation expense is calculated using the straight-line method over the useful lives of capital assets ranging from three to 40 years. Maintenance and repairs are charged to expense when incurred. Major renewals and betterments are capitalized. When items of equipment are sold or retired, the cost and related depreciation are removed from the accounts and any gain or loss is included in income.

Program Revenues - Government-Wide Financial Statements

The statement of activities reports three categories of program revenues: (a) charges for services, (b) program specific operating grants and contributions, and (c) program specific capital grants and contributions. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. As a whole, they reduce the net cost of the function to be financed from the Township's general revenues.

Operating and Nonoperating Revenues of Proprietary Funds

The Township defines proprietary funds operating revenues based on how the individual transaction would be categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities would normally not be reported as operating revenues.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Applying Restricted or Unrestricted Resources

The Township first applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenses or expenditures. The Township uses the following funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. All financial resources, except those accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds - The special revenue funds account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects. The special revenue funds are the Liquid Fuels Fund and the Street Lighting Tax Fund.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources restricted or assigned to be used for the acquisition of major facilities which are not financed by Proprietary Funds.

Proprietary Funds

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) are financed through user charges. The enterprise funds are the Sewer Fund and Garbage Fund.

Fiduciary Funds

The fiduciary funds account for assets held by the Township in a trustee or agency capacity. Pension trust funds use the economic resources measurement focus in essentially the same manner as proprietary funds. The Police Pension Fund and the Non-Uniform Pension Fund are pension trust funds.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Modified Accrual Basis

The modified accrual basis of accounting is followed for all governmental funds of the Township. Under the modified accrual basis of accounting, expenditures (other than interest and principal payments on long-term debt which are recorded on their payment dates and compensated absences and other post-employment benefits which are recognized when due and payable) are recorded when the fund liability is incurred. Revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the Township's operations. Available means collectible within 60 days after fiscal year-end. The modified accrual basis of accounting is used as follows:

Taxes

Current Revenue - These are taxes levied as of a specific date with a legal, enforceable claim against the taxpayer and/or property. These taxes are recognizable as current revenue when received by the Township during the fiscal year and also estimated to be received by the Township within 60 days after the close of the fiscal year.

Deferred Inflows of Resources - Currently, levied taxes which are not estimated to be received by the Township within 60 days after the close of the current fiscal year are recorded as deferred inflows of resources.

Doubtful - An allowance for doubtful accounts is not required for property taxes due to a lien placed on delinquent properties. Upon sale, the lien would be satisfied and the Township would receive levied taxes.

Revenue from State Sources

State subsidies due to the Township as current fiscal year entitlements are recognized as revenue in the current fiscal year even though such funds may be received in a subsequent fiscal year.

Revenue from Federal Sources

Federal program funds applicable to expenditures for the same program in the current fiscal year but expected to be received in the next fiscal year are accrued as current revenue at the end of the current fiscal year along with the recognition of the federal funds receivable. Likewise, any excess of revenues at the fiscal year-end over the program expenditures are recorded as deferred inflows of resources or unearned revenue.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Grant Revenue

Grant revenue uses the legal and contractual requirements of the individual programs as guidance.

Accrual Basis

Under the accrual basis of accounting, revenues are recognized in the accounting period they are earned and become measurable; expenses are recognized in the period incurred. The accrual basis of accounting is used for the government-wide activities, proprietary funds, and pension trust funds. The pension trust funds' deductions for benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Budgets

In accordance with the laws of the Commonwealth of Pennsylvania (Commonwealth), the annual budget was presented to and enacted by the Township Supervisors in December 2014. All unused budget appropriations lapse at year-end.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

State statutes authorize the government to invest in the following types of investments:

1. United States Treasury Bonds.
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts insured by the Federal Deposit Insurance Corporation (FDIC) with collateral pledged by the depository for any amounts above the insured maximum.
4. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth or any of its

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

agencies or instrumentalities backed by the full faith and credit of the political subdivision.

5. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Township funds listed in 1 through 4 above.

Pension trust funds are not restricted to the above requirements and may invest in other instruments. Investments of the pension plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Accounts Receivable

Accounts receivable include fees charged for sewer and garbage and are recorded net of an allowance for uncollectible fees, which at December 31, 2015 was \$154,638 and \$64,901, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingencies at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Fund Equity and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, note, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Instead, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The assets are reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets.

Unrestricted Net Position – This category represents the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

In the fund financial statements, fund balances of governmental funds are classified in four separate categories. The four categories, and their general meanings, are as follows:

Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures.

Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

Assigned – This category represents intentions of the Township Manager to use funds for specific purposes. Through a resolution of the Township Board of Supervisors (Board), the Township Manager or his/her designee has been delegated the responsibility to assign funds.

Unassigned – This category represents all other funds not otherwise defined.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is applied first. Unassigned fund balance is applied last.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs, except as discussed in Notes 13 and 14. There were no significant reductions in insurance coverage in 2015. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Adopted Pronouncements

The Township has adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date."

As a result of this implementation, net position was restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sewer Fund</u>
Net position at January 1, 2015 - as originally stated	\$ 18,984,611	\$ 21,098,845	\$ 20,081,093
Record net pension liability at January 1, 2015	<u>(1,336,286)</u>	<u>(23,100)</u>	<u>(23,100)</u>
Net position at January 1, 2015 - restated	<u>\$ 17,648,325</u>	<u>\$ 21,075,745</u>	<u>\$ 20,057,993</u>

Pending Pronouncements

In February of 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of GASB Statement No. 72 are effective for the Township's December 31, 2016 financial statements.

In June of 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This Statement establishes requirements for those pensions and pension plans that are administered through a trust meeting specified criteria. The provisions of GASB Statement No. 73 are effective for the Township's December 31, 2016 financial statements.

In June of 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement addresses

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43. The provisions of GASB Statement No. 74 are effective for the Township's December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The provisions of GASB Statement No. 75 are effective for the Township's December 31, 2018 financial statements.

In June of 2015, the GASB issued Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This Statement identifies the hierarchy of generally accepted accounting principle (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of GASB Statement No. 76 are effective for the Township's December 31, 2016 financial statements.

In August of 2015, the GASB issued Statement No. 77, "*Tax Abatement Disclosures.*" This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact they have on the government's finances. The provisions of GASB Statement No. 77 are effective for the Township's December 31, 2016 financial statements.

In December of 2015, the GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants.*" This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of GASB Statement No. 79 are effective for the Township's December 31, 2016 financial statements.

In January of 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.*" This Statement amends the blending criteria to include a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of GASB Statement No. 80 are effective for the Township's December 31, 2017 financial statements.

In March of 2016, the GASB issued Statement No. 82, "*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.*" This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the Township's December 31, 2017 and 2018 financial statements.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The effects of these Statements have not yet been determined.

3. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2015, the Township's book balances were as follows:

	<u>Carrying Amount</u>
Cash and cash equivalents:	
Governmental activities	\$ 9,714,431
Business-type activities	11,978,379
Fiduciary activities	<u>4,686</u>
Total cash and cash equivalents	<u><u>\$ 21,697,496</u></u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township has a formal custodial credit risk policy that requires collateralization at 102% of market value at such time that the investment amount exceeds the \$250,000 limit of Federal Deposit Insurance Corporation (FDIC) insurance. As of December 31, 2015, the Township's book balance was \$21,697,496 and the bank balance was \$21,959,838. Of the bank balance, \$14,053,999 was covered by federal depository insurance and \$6,333,656 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining bank balance of \$1,572,183 is invested in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT).

PLGIT separately issues audited financial statements, which are available to the public. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth is the formal external regulatory oversight for the external investment pool. At December 31, 2015, PLGIT carried a AAA rating and had an average maturity of less than one year.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Investments

Fair values of the investments of the Township at December 31, 2015 were as follows:

Common Trust Fund - balanced	\$ 6,873,795
Common Trust Fund - fixed	3,423,956
Fixed income intermediate bonds	<u>244,740</u>
Total investments	<u>\$ 10,542,491</u>

Reconciliation to the statement of net assets:

Fiduciary funds	\$ 10,542,491
Total investments	<u>\$ 10,542,491</u>

Custodial credit risk – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Township does not have an investment policy for custodial credit risk. The pension plans' investments are held by the counterparty in the pension plans' name.

Concentration of credit risk – The Township places no limit on the amount the Township may invest in any one issuer. At December 31, 2015, there were no investments that represented more than five percent of the Township's total investments.

Credit risk – The Township's common trust fund and fixed income investments had the following level of exposure to credit risk as of December 31, 2015:

	<u>Rating</u>	<u>Fair Value</u>
Common Trust Fund - balanced	Unrated	\$ 6,873,795
Common Trust Fund - fixed	A	3,423,956
Fixed income intermediate bonds	AAA	21,380
Fixed income intermediate bonds	AA	42,781
Fixed income intermediate bonds	B	62,639
Fixed income intermediate bonds	BBB	117,940

Interest rate risk – The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Except for the pension trust fund, the maturity limitations for Township's

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

investment are two years for treasury bills, treasury notes and bonds, and certificates of deposit and one year for repurchase agreements.

The following is a list of the Township's fixed income investments and their related average maturities:

	Fair Value	Investment Maturities		
		2016	2017-2021	2022-2026
Fixed income intermediate bonds	\$ 244,740	\$ -	\$ 21,079	\$ 223,661

4. DUE FROM OTHER GOVERNMENTS

Pursuant to an inter-municipal agreement with the City of York (City) for the use of its wastewater treatment facility, the City is to bill the Township quarterly for flow, treatment, and debt services costs. Flow and treatment billings for the year ended December 31, 2015 were \$1.36 million. During the year ended December 31, 2015, the Township paid the City approximately \$1.36 million and \$193,000 for 2015 and 2014 flow and treatment costs, respectively. At December 31, 2015, approximately \$275,000 is due from the City for overpayment of flow and treatment costs and is recorded in the Sewer Fund as due from other governments.

5. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2015 is as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 145,593	\$ 18,916
Capital Projects Fund	-	143,745
Non-Major Funds	18,734	-
Enterprise Funds:		
Sewer Fund	660	1,564
Garbage Fund	-	762
Total	\$ 164,987	\$ 164,987

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Interfund balances are primarily temporary loans between the various funds to finance operations.

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 243,610	\$ 496,451
Capital Projects Fund	496,451	243,610
Enterprise Funds:		
Sewer Fund	95,250	-
Total	<u>835,311</u>	<u>740,061</u>

Transfers of \$95,250 were made from governmental activities to business-type activities for grant proceeds reported as revenue in governmental activities during the year ended December 31, 2014, but received in business-type activities during the year ended December 31, 2015.

Transfers are used to account for unrestricted receipts transferred to finance various programs and capital disbursements accounted for in other funds in accordance with budget authorizations.

6. PROPERTY TAXES

Based upon assessed valuations, the tax collector for the Township collects property taxes on behalf of the Township. The schedule for property taxes levied for 2015 is as follows:

February 15, 2015	-	tax levy date
Through April 14, 2015	-	2% discount period
Through June 15, 2015	-	face payment period
Beginning June 16, 2015	-	10% penalty period
January 15, 2016	-	lien filing date

The Township's tax rate for general purposes for 2015 was .214 mills.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increasee/ Transfers In	Decreases/ Transfers Out	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 385,954	\$ -	\$ (385,954)	\$ -
Land	1,332,960	-	-	1,332,960
Total capital assets, not being depreciated	1,718,914	-	(385,954)	1,332,960
Capital assets, being depreciated:				
Buildings and building improvements	6,159,337	-	-	6,159,337
Infrastructure	2,285,899	-	-	2,285,899
Traffic signals	1,389,945	-	-	1,389,945
Vehicles	3,525,510	683,384	(276,926)	3,931,968
Machinery and equipment	853,317	171,202	-	1,024,519
Total capital assets, being depreciated	14,214,008	854,586	(276,926)	14,791,668
Less accumulated depreciation for:				
Buildings and building improvements	(2,333,386)	(158,466)	-	(2,491,852)
Infrastructure	(548,569)	(114,295)	-	(662,864)
Traffic signals	(1,226,756)	(53,835)	-	(1,280,591)
Vehicles	(1,774,631)	(202,698)	276,926	(1,700,403)
Machinery and equipment	(524,773)	(71,849)	-	(596,622)
Total accumulated depreciation	(6,408,115)	(601,143)	276,926	(6,732,332)
Total capital assets, being depreciated, net	7,805,893	253,443	-	8,059,336
Governmental activities, capital assets, net	\$ 9,524,807	\$ 253,443	\$ (385,954)	\$ 9,392,296

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	Beginning Balance	Increases/ Transfers In	Decreases/ Transfers Out	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 143,036	\$ -	\$ (143,036)	\$ -
Land	51,200	-	-	51,200
Total capital assets, not being depreciated	194,236	-	(143,036)	51,200
Capital assets, being depreciated:				
Sewer lines	34,744,997	143,036	-	34,888,033
Vehicles	383,156	140,180	-	523,336
Equipment	233,632	12,912	-	246,544
Total capital assets, being depreciated	35,361,785	296,128	-	35,657,913
Less accumulated depreciation for:				
Sewer lines	(26,563,934)	(491,258)	-	(27,055,192)
Vehicles	(115,794)	(35,541)	-	(151,335)
Equipment	(123,876)	(13,974)	-	(137,850)
Total accumulated depreciation	(26,803,604)	(540,773)	-	(27,344,377)
Total capital assets, being depreciated, net	8,558,181	(244,645)	-	8,313,536
Business-type activities, capital assets, net	\$ 8,752,417	\$ (244,645)	\$ (143,036)	\$ 8,364,736

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 87,377
Public safety	216,382
Public works	273,619
Culture recreation	23,765
Total depreciation expense - governmental activities	\$ 601,143
Business-type activities:	
Sewer	\$ 540,773

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

8. LONG-TERM LIABILITIES

Compensated Absences

Non-uniform employees and police officers who leave the employment of the Township are entitled to be paid for unused vacation time. Unused vacation time at December 31, 2015 for non-uniform employees and police officers amounted to \$31,141 and \$326,520, respectively.

Long-term liability activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities: Compensated absences	\$ 348,768	\$ 312,530	\$ (305,226)	\$ 356,072	\$ 112,442
Governmental activities long-term liabilities	<u>\$ 348,768</u>	<u>\$ 312,530</u>	<u>\$ (305,226)</u>	<u>\$ 356,072</u>	<u>\$ 112,442</u>
Business-type activities: Compensated absences	\$ 2,121	\$ 9,674	\$ (10,206)	\$ 1,589	\$ 1,589
Business-type activities long-term liabilities	<u>\$ 2,121</u>	<u>\$ 9,674</u>	<u>\$ (10,206)</u>	<u>\$ 1,589</u>	<u>\$ 1,589</u>

9. PENSION PLANS

Plan Descriptions

The Township participates in two single-employer, defined benefit plans (Plans) established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act 205). The Plans are governed by the Township's Board, which has delegated the authority to manage certain Plan assets to Unified Trust Company, N.A. Plan provisions and contribution requirements are established and may be amended by the Township. The activity of the Plans is reported as the Pension Trust Fund in the accompanying financial statements. Separate plan financial statements are not available.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Plan Membership

At December 31, 2015, Plan memberships consisted of the following:

	Police	Non-Uniform
Active plan members	27	25
Inactive members or beneficiaries currently receiving benefits	9	6
Inactive members entitled to but not yet receiving benefits	2	5
DROP Participants	0	N/A
Total plan members	38	36

Benefits Provisions

The Township Plans benefit provisions were as follows:

	Police	Non-Uniform
Eligibility requirements	All full-time employees join upon employment	All non-uniformed employees join upon employment
Normal retirement	Attained age 55 and 25 years of service	Attained age 60
Early retirement	N/A	Attained age 55 with 10 years of vesting service
Vesting	After 12 years of service	After 5 years of service
Retirement benefit	50% of average monthly pay. Also a service increment of 1.5% of average monthly pay per years of service in excess of 25 years is payable to a maximum of \$100. Average monthly pay is based upon the last 36 months of compensation, including overtime.	2% of average monthly compensation multiplied by complete years and months of service up to a maximum of 25 years of service. Average monthly pay is based upon the highest consecutive 36 months of compensation of the final 60 months, and excludes overtime.
Disability benefits	If in the line of duty, the monthly disability payments shall be equal to 50% of the monthly salary at the date of disability, reduced by the amount of any Social Security disability payment.	N/A

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Contributions

Act 205 requires that annual contributions to the Plans be based upon each plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

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.

Active members of the Non-Uniform Plan are required to contribute 2% of income. Active members of the Police Pension Plan are required to contribute 5%. The Township may, on an annual basis, by resolution, reduce or eliminate required contributions. During the year, the Township made their required contributions of \$309,540 and \$169,075 to the Police and Non-Uniform Plans, respectively, based upon the MMO.

Deferred Retirement Option Plan

The deferred retirement option plan (DROP) provides an alternative method of payment of retirement benefits for a specified and limited period of time for qualified members of the Township's Police Department. Under the DROP, employees stop earning service credit toward a future benefit and the calculated retirement benefit, at the time the DROP period begins, is deposited into another investment vehicle that offers both substantial security and some level of guaranteed interest. At the same time, the Township retains its experienced officers for a period of up to 24 months.

An active member who has met the eligibility requirements for normal retirement in the Police Pension Plan may elect to participate in the DROP for a period of not more than 24 months. The member's monthly pension shall be calculated as of the member's date of participation in the DROP and shall be accumulated with investment earnings based on the segregated fund performance, but not less than 0% nor greater than 4.5% and distributed in a lump sum at retirement.

At December 31, 2015, there were zero employees participating in the DROP Plan. The value of the assets in the DROP at December 31, 2015 was \$0.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Changes in Net Pension Liability

The changes in the net pension liability of the Township for the year ended December 31, 2015 were as follows:

	<u>Police</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Increase (Decrease) Net Pension Liability</u>
Balances at December 31, 2014	\$ 9,133,083	\$ 8,004,693	\$ 1,128,390
Changes for the year:			
Service cost	229,472	-	229,472
Interest	739,253	-	739,253
Changes in assumptions	1,718,695	-	1,718,695
Differences between expected and actual experience	23,567	-	23,567
Contributions - employer	-	309,540	(309,540)
Contributions - employee	-	131,629	(131,629)
Net investment income (loss)	-	(264,718)	264,718
Benefit payments, including refunds	(332,065)	(332,065)	-
Administrative expense	-	(8,909)	8,909
Net changes	<u>2,378,922</u>	<u>(164,523)</u>	<u>2,543,445</u>
Balances at December 31, 2015	<u>\$ 11,512,005</u>	<u>\$ 7,840,170</u>	<u>\$ 3,671,835</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>68.1%</u>

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	<u>Non-Uniform</u>		
	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2014	\$ 2,951,767	\$ 2,720,771	\$ 230,996
Changes for the year:			
Service cost	129,761	-	129,761
Interest	242,916	-	242,916
Changes in assumptions	484,582	-	484,582
Differences between expected and actual experience	(71,086)	-	(71,086)
Contributions - employer	-	169,075	(169,075)
Contributions - employee	-	16,383	(16,383)
Net investment income (loss)	-	(88,850)	88,850
Benefit payments, including refunds	(100,637)	(100,637)	-
Administrative expense	-	(9,735)	9,735
Net changes	<u>685,536</u>	<u>(13,764)</u>	<u>699,300</u>
Balances at December 31, 2015	<u>\$ 3,637,303</u>	<u>\$ 2,707,007</u>	<u>\$ 930,296</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>74.4%</u>

The net pension liability of the Non-Uniform Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$837,266 and \$93,030, respectively, at December 31, 2015.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Actuarial Assumptions - The net pension liability was determined as part of an actuarial valuation as of January 1, 2015 and rolled forward to the reporting date of December 31, 2015. This report was based upon the following significant actuarial assumptions:

	Police	Non-Uniform
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment rate of return	6.50%	6.50%
Inflation rate	3.00%	3.00%
Salary increases	5.00%	5.00%
Mortality:		
Pre-retirement mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Post-retirement mortality	RP-2000 Mortality Table	RP-2000 Mortality Table

During the year ended December 31, 2015, the investment rate of return and discount rate were changed from 8.00% to 6.50% for the Police and Non-Uniform Plans.

Investment Policy - The Plans' investment policy is established and may be amended by the Board. The Plans' investment policy objective is to conserve and enhance the capital value of the funds through assets appreciation and income generation designed to maximize returns without undue exposure to risk. The Plans' investment policy does not consider cash a strategic asset, but rather a residual to the investment process used to meet short-term liquidity goals. The majority of the Plans' assets are invested in equity and equity-like securities and fixed income securities.

Long-term Expected Rate of Return - The long-term expected rate of return on the Plans' investments was determined using a risk premia building-block method with anchors including inflation, U.S. Intermediate Treasury funds, and U.S. Large Cap funds. Anchor points are reviewed and determined to be reasonable and a risk premium is assigned to each of the asset classes. Additional sources are reviewed to determine a consensus on various asset classes.

In order to meet its needs, the investment strategy of the pension plan is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The Plans' policies in regards to the allocation of invested assets is established and may be amended by a majority vote of the Township Supervisors, who are responsible for the management of plan assets.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the Plans as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation		Long-term Expected Rate of Return
	Police	Non-Uniform	
Equity	40-60%	40-60%	5.69%
Fixed Income	40-60%	40-60%	2.40% - 5.50%
	100%	100%	

Rate of Return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rates of return on plan investments, net of investment expense, were -3.30% and -3.27% for the Police and Non-Uniform Plans, respectively.

Discount Rate - The discount rates used to measure the total pension liabilities for the Plans was 6.50%, which is equal to the assumed rates of return. Crossover test for projecting asset depletion is unnecessary, as the annual required contributions are actuarially determined; the cost method for funding (entry age normal) is a traditional individual method, the amortization periods are closed and of reasonable length, and all benefits are valued.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Police Plan	\$ 5,218,449	\$ 3,671,835	\$ 2,378,213
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Non-Uniform Plan	\$ 1,355,690	\$ 930,296	\$ 568,516

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

For the year ended December 31, 2015, the Township recognized pension expense of \$830,449 in the governmental activities and \$9,538 in the business-type activities. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 21,005	\$ -
Changes in assumptions	1,910,619	42,082
Net difference between projected and actual earnings on pension plan investments	<u>944,917</u>	<u>24,483</u>
Total deferred outflows of resources	<u>\$ 2,876,541</u>	<u>\$ 66,565</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	<u>\$ 55,560</u>	<u>\$ 6,173</u>
Total deferred inflows of resources	<u>\$ 55,560</u>	<u>\$ 6,173</u>

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The effect of the differences in the Township's expected and actual experience and the changes in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2016	\$ 474,573	\$ 11,562	\$ 486,135
2017	474,573	11,562	486,135
2018	474,573	11,562	486,135
2019	474,573	11,562	486,135
2020	238,344	5,441	243,785
Thereafter	684,345	8,703	693,048
	<u>\$ 2,820,981</u>	<u>\$ 60,392</u>	<u>\$ 2,881,373</u>

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Pension Financial Statements

Financial statements for the individual pension plans are presented below:

Statement of Fiduciary Net Position December 31, 2015

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>
Assets:		
Cash and cash equivalents	\$ 4,063	\$ 623
Investments	7,836,107	2,706,384
Total Assets	<u>7,840,170</u>	<u>2,707,007</u>
Net position restricted for pension benefits	<u>\$ 7,840,170</u>	<u>\$ 2,707,007</u>

Statement of Changes in Fiduciary Net Position Year Ended December 31, 2015

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>
Additions:		
Contributions:		
Employer	\$ 309,540	\$ 169,075
Employee	131,629	16,383
Total contributions	<u>441,169</u>	<u>185,458</u>
Investment earnings:		
Interest and dividends	11,161	3,786
Net depreciaton in fair value of investments	(230,704)	(77,161)
Total investment earnings	<u>(219,543)</u>	<u>(73,375)</u>
Less: investment expense	<u>(45,175)</u>	<u>(15,475)</u>
Net investment earnings	<u>(264,718)</u>	<u>(88,850)</u>
Total additions	<u>176,451</u>	<u>96,608</u>
Deductions:		
Benefit payments	332,065	100,637
Administrative expense	8,909	9,735
Total deductions	<u>340,974</u>	<u>110,372</u>
Decrease in plan net position	<u>(164,523)</u>	<u>(13,764)</u>
Net position:		
Beginning of year	<u>8,004,693</u>	<u>2,720,771</u>
End of year	<u>\$ 7,840,170</u>	<u>\$ 2,707,007</u>

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

10. OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Descriptions

In addition to the pension benefits described in Note 9, the Township provides certain post-employment healthcare benefits to its retirees through one single-employer, defined benefit other post-retirement benefit (OPEB) plan. This OPEB plan does not issue a separate report.

Non-Uniform Employees

Eligibility: Any non-uniform employee who retires and has attained age 60 with at least 25 years of service.

Benefits: Medical, prescription drug, dental, and/or vision coverage are provided to the participant, along with a spouse and/or eligible dependents, as long as the retiree pays 100% of the premiums for the coverage elected. Retiree and dependent coverage may continue until the retiree's death.

Police

Eligibility: Any officer who reaches his or her superannuation date (attainment of age 55 with at least 25 years of service).

Benefits: Medical, prescription drug, dental, and/or vision coverage are provided for the participant, along with a spouse and/or eligible dependents.

For 2015 through 2017, the Township will pay a portion of the premium for coverage at \$225 per month if the retiree elects single coverage and \$300 per month if the retiree elects to cover a spouse and/or eligible dependents.

The retiree may continue coverage until he or she becomes eligible for Medicare. A retiree's spouse or eligible dependents will no longer receive benefit after 10 years of receiving benefits, upon reaching Medicare eligibility, or retiree's death, if any are earlier than above.

Funding Policy and Annual OPEB Costs

The Township's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2015, the Township contributed \$9,003 to the OPEB plan.

The Township opted to not fully fund the OPEB contribution and will continue to fund the annual OPEB cost on a pay-as-you-go basis.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The Township's annual OPEB costs (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of government accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Information as of the latest actuarial valuation follows:

Valuation date	1/1/2015
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Interest rate	4.0%
Medical inflation:	
2016	7.0%
2017	6.8%
2018	6.5%
2019	6.3%
2020	6.0%
2021	5.5%
2022	5.0%
2023 and thereafter	4.5%
Amortization period	30 year
Amortization method	Level dollar, open period
Actuarial value of assets	Not applicable
Inflation rate	2.8%
Salary increases	None

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Annual OPEB Cost and Net OPEB Obligation

The Township's estimated annual OPEB costs and net OPEB obligations to the Plan for the year ended December 31, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 41,295	\$ 1,427	\$ 42,722
Interest on net OPEB obligation	5,476	228	5,704
Adjustment to ARC	(7,917)	(329)	(8,246)
Annual OPEB cost	38,854	1,326	40,180
Contribution made	(9,003)	-	(9,003)
Change in net OPEB obligation	29,851	1,326	31,177
Net OPEB Obligation, beginning	135,612	6,979	142,591
Net OPEB Obligation, ending	\$ 165,463	\$ 8,305	\$ 173,768

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
12/31/2015	\$ 40,180	22%	\$ 173,768
12/31/2014	37,531	62%	142,591
12/31/2013	37,804	56%	128,194

Year Ending	Annual OPEB Required Contribution (ARC)	Actual OPEB Contribution	Percentage of ARC Contributed
12/31/2015	\$ 42,722	\$ 9,033	21.14%
12/31/2014	39,632	23,134	58.37%
12/31/2013	39,632	21,146	53.36%

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Funded Status and Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) - Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	of Covered Payroll ((b-a)/c)
1/1/2015	\$ -	\$ 429,422	\$ 429,422	0.00%	\$ 3,561,068	12.06%
1/1/2011	-	344,573	344,573	0.00%	2,959,907	11.64%
1/1/2008	-	332,005	332,005	0.00%	2,766,809	12.00%

Note: Valuation as of 1/1/2008 represents initial valuation for the Plan as required under governmental accounting standards.

11. COMMITMENTS

Lease Agreement

The Township has entered into a lease agreement with Dover Township for use of Dover Township's sewage treatment plant facility. The minimum annual payments as of December 31 are as follows:

2016	\$ 910,612
2017	912,068
2018	910,336
2019	938,834
2020	933,941
2021-2024	<u>3,580,315</u>
	<u>\$ 8,186,106</u>

This agreement also provides for the quarterly payment of the plant's operation and maintenance costs based on the Township's portion of total sewage flow.

Garbage/Recycling Collection

In October 2015, the Township entered into a three-year contract for weekly transportation and disposal of residential garbage and recycling. in the amount of \$2,597,206. The contract has an optional two-year extension.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

12. CONTINGENCIES

The Township is involved in various lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements.

13. PUBLIC ENTITY RISK POOL

The Township is exposed to a risk of loss relating to worker's compensation. In June 1995, the Township joined the Susquehanna Municipal Trust (Trust), a public entity risk pool. Members of the Trust share joint and several liability regarding worker's compensation claims. The Township pays annual premiums to the Trust based upon estimated annual payroll in various employment classifications. The Trust is responsible for paying the first \$250,000 on worker's compensation claims. The Trust purchases insurance for claims ranging from \$250,000 to \$500,000. In the event the Trust needs additional funding, the Trust may assess, on a proportionate basis, all members of the Trust additional premiums. The Township paid premiums of \$134,239 during the year ended December 31, 2015.

14. INSURANCE COOPERATIVE

The Township entered into an intergovernmental cooperation agreement with 25 other local municipalities for the purpose of selecting and contracting with a common insurance carrier to realize certain economies of scale in providing for the various types of insurance required to be maintained by the Township. The agreement has a perpetual duration and shall continue until terminated pursuant to terms and conditions as defined therein. The contract with the insurance carrier includes a \$25,000 maximum loss per occurrence per policy year. The Township pays premiums for reinsurance, as there is an overall plan loss limitation, which is recalculated annually. The Township is responsible for its share of cross recovery of all municipalities. During the years ended December 31, 2015 and 2014, the Township paid approximately \$3,000 and \$4,000, respectively, towards the cost of cross recovery.

The Township participates in the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). The PMHIC is a public entity risk pool established by certain units of local government in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families, and dependents.

The PMHIC receives, processes, and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. The department does not exercise any control over the activities of the PMHIC beyond its representation on the Board of Directors.

WEST MANCHESTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The following is a reconciliation of changes in estimated claims for health and welfare plan costs for the current fiscal year.

	<u>2015</u>	<u>2014</u>
Township funding	\$ 1,017,407	\$ 951,330
Claims paid	(1,172,967)	(1,306,970)
Specific/projected reimbursements	358,558	565,907
Anticipated cross recovery	<u>(2,697)</u>	<u>(3,966)</u>
Available for benefits	<u>\$ 200,301</u>	<u>\$ 206,301</u>

15. SUBSEQUENT EVENT

In June 2016, the Board approved the establishment of a defined contribution retirement plan for non-uniform employees. Non-uniform employees hired after August 1, 2016 will no longer be eligible to participate in the Township's current defined benefit retirement plan, but will instead be eligible to participate in a defined contribution plan.

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**Required Supplementary
Information**

WEST MANCHESTER TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,171,318	\$ 5,171,318	\$ 5,155,653	\$ (15,665)
Licenses and permits	289,650	289,650	317,725	28,075
Fines and forfeits	136,200	136,200	139,636	3,436
Investment earnings	7,500	7,500	7,052	(448)
Intergovernmental revenues	559,127	559,127	551,074	(8,053)
Charges for services	324,269	324,269	427,236	102,967
Other	181,388	181,388	287,272	105,884
Total revenues	6,669,452	6,669,452	6,885,648	216,196
Expenditures:				
General government	606,454	570,197	571,113	(916)
Public safety	3,663,609	3,435,667	3,447,225	(11,558)
Public works	279,742	279,643	277,519	2,124
Culture recreation	296,341	296,332	298,030	(1,698)
Other	2,113,399	2,377,706	2,345,670	32,036
Total expenditures	6,959,545	6,959,545	6,939,557	19,988
Excess (Deficiency) of Revenues Over Expenditures	(290,093)	(290,093)	(53,909)	236,184
Other Financing Sources (Uses):				
Transfers in	327,624	327,624	243,610	(84,014)
Transfers out	(37,531)	(37,531)	(496,451)	(458,920)
Sale of capital assets	-	-	30,200	30,200
Total other financing sources (uses)	290,093	290,093	(222,641)	(512,734)
Net Change in Fund Balance	\$ -	\$ -	(276,550)	\$ (276,550)
Fund Balance:				
Beginning of year			3,369,344	
End of year			\$ 3,092,794	

See accompanying notes to required supplementary information - budgetary comparison schedule.

WEST MANCHESTER TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

1. BUDGET MATTERS

The Board of Supervisors approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the General Fund. The budget for the General Fund for the year ended December 31, 2015 was formally adopted in December 2014 at a duly advertised public meeting.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriations</u>	<u>Expenditures</u>
General government	\$ 570,197	\$ 571,113
Public safety	3,435,667	3,447,225
Culture recreation	296,332	298,030

Funds sufficient to provide for the excess disbursements were made available from excess revenues and other functions within the fund.

WEST MANCHESTER TOWNSHIP
SCHEDULE OF CHANGES IN THE POLICE PLAN'S
NET PENSION LIABILITY AND RELATED RATIOS

	2015*	2014
Total Pension Liability:		
Service cost	\$ 229,472	\$ 228,851
Interest	739,253	700,786
Changes in assumptions	1,718,695	-
Differences between expected and actual experience	23,567	(325,169)
Benefit payments, including refunds	(332,065)	(231,212)
Net Changes in Total Pension Liability	2,378,922	373,256
Total Pension Liability - Beginning	9,133,083	8,759,827
Total Pension Liability - Ending (a)	\$ 11,512,005	\$ 9,133,083
Plan Fiduciary Net Position:		
Contributions - employer	\$ 309,540	\$ 229,180
Contributions - member	131,629	115,866
Net investment income (loss)	(264,718)	257,289
Benefit payments, including refunds	(332,065)	(231,212)
Administrative expense	(8,909)	(38,404)
Net Change in Plan Fiduciary Net Position	(164,523)	332,719
Plan Fiduciary Net Position - Beginning	8,004,693	7,671,974
Plan Fiduciary Net Position - Ending (b)	\$ 7,840,170	\$ 8,004,693
Net Pension Liability - Ending (a-b)	\$ 3,671,835	\$ 1,128,390
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.10%	87.65%
Covered Employee Payroll	\$ 2,624,711	\$ 2,368,350
Net Pension Liability as a Percentage of Covered Employee Payroll	139.89%	47.64%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension information

WEST MANCHESTER TOWNSHIP

SCHEDULE OF CHANGES IN THE NON-UNIFORM PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

	2015*	2014
Total Pension Liability:		
Service cost	\$ 129,761	\$ 124,541
Interest	242,916	236,551
Changes in assumptions	484,582	-
Differences between expected and actual experience	(71,086)	(100,124)
Benefit payments, including refunds	(100,637)	(266,085)
Net Changes in Total Pension Liability	685,536	(5,117)
Total Pension Liability - Beginning	2,951,767	2,956,884
Total Pension Liability - Ending (a)	\$ 3,637,303	\$ 2,951,767
Plan Fiduciary Net Position:		
Contributions - employer	\$ 169,075	\$ 143,218
Contributions - employee	16,383	31,290
Net investment income (loss)	(88,850)	91,848
Benefit payments, including refunds	(100,637)	(266,085)
Administrative expense	(9,735)	(11,285)
Net Change in Plan Fiduciary Net Position	(13,764)	(11,014)
Plan Fiduciary Net Position - Beginning	2,720,771	2,731,785
Plan Fiduciary Net Position - Ending (b)	\$ 2,707,007	\$ 2,720,771
Net Pension Liability - Ending (a-b)	\$ 930,296	\$ 230,996
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.42%	92.17%
Covered Employee Payroll	\$ 1,127,808	\$ 1,136,459
Net Pension Liability as a Percentage of Covered Employee Payroll	82.49%	20.33%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension information

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WEST MANCHESTER TOWNSHIP

SCHEDULES OF TOWNSHIP CONTRIBUTIONS AND INVESTMENT RETURNS

POLICE PENSION PLAN:

Schedule of Township Contributions	2015 *	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 313,177	\$ 229,180	\$ 221,758	\$ 196,777	\$ 194,696	\$ 187,445	\$ 179,437	\$ 173,532	\$ 169,283	\$ 157,978
Contributions in relation to the actuarially determined contributions	309,540	229,180	221,758	196,777	243,248	187,445	179,437	173,532	169,283	157,978
Contribution deficiency (excess)	\$ 3,637	\$ -	\$ -	\$ -	\$ (48,552)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,424,666	\$ 2,329,296	\$ 2,206,608	\$ 2,029,015	\$ 2,003,491					
Contributions as a percentage of covered employee payroll	12.77%	9.84%	10.05%	9.70%	12.14%					
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-3.30%	2.81%								

NON-UNIFORM PENSION PLAN:

Schedule of Township Contributions	2015 *	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 169,648	\$ 143,218	\$ 137,242	\$ 101,460	\$ 99,224	\$ 79,596	\$ 77,791	\$ 108,160	\$ 103,222	\$ 95,121
Contributions in relation to the actuarially determined contributions	169,075	143,218	137,242	101,460	153,628	79,596	77,791	108,160	103,222	95,121
Contribution deficiency (excess)	\$ 573	\$ -	\$ -	\$ -	\$ (54,404)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,146,812	\$ 1,149,333	\$ 1,089,434	\$ 1,088,386	\$ 1,076,836					
Contributions as a percentage of covered payroll	14.74%	12.46%	12.60%	9.32%	14.27%					
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-3.27%	2.82%								

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension information

WEST MANCHESTER TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates under Act 205 are as follows:

<u>Actuarial Assumptions</u>	<u>Police Pension</u>	<u>Non-Uniform Pension</u>
Valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Amortization period	9.2 years	7.6 years
Actuarial assets valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	6.5%	6.5%
Project salary increases	5.0% annual increase	5.0% annual increase
Post-retirement benefit increases	None	None

Significant Factors Affecting Schedules

During the year ended December 31, 2015, the investment rate of return and discount rate were changed from 8.00% to 6.50% for the Police and Non-Uniform Pension Plans.

Supplementary Information

WEST MANCHESTER TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	Liquid Fuels			Street Lighting Tax		
	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 71,200	\$ 73,293	\$ 2,093
Investment earnings	200	105	(95)	100	18	(82)
Intergovernmental revenues	513,381	529,940	16,559	-	-	-
Total revenues	<u>513,581</u>	<u>530,045</u>	<u>16,464</u>	<u>71,300</u>	<u>73,311</u>	<u>2,011</u>
Expenditures:						
Current:						
Public works	541,827	499,321	42,506	63,000	59,806	3,194
Capital outlay	-	66,237	(66,237)	-	-	-
Total expenditures	<u>541,827</u>	<u>565,558</u>	<u>(23,731)</u>	<u>63,000</u>	<u>59,806</u>	<u>3,194</u>
Net Change in Fund Balance	<u>\$ (28,246)</u>	<u>(35,513)</u>	<u>\$ (7,267)</u>	<u>\$ 8,300</u>	<u>13,505</u>	<u>\$ 5,205</u>
Fund Balance:						
Beginning of year		<u>142,707</u>			<u>32,271</u>	
End of year		<u>\$ 107,194</u>			<u>\$ 45,776</u>	

WEST MANCHESTER TOWNSHIP

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	Special Revenue Funds		
Assets	Liquid Fuels	Street Lighting Tax	Total
Cash and cash equivalents	\$ 118,757	\$ 31,991	\$ 150,748
Due from other funds	-	18,734	18,734
Total Assets	\$ 118,757	\$ 50,725	\$ 169,482
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 11,563	\$ 4,949	\$ 16,512
Total Liabilities	11,563	4,949	16,512
Fund Balance:			
Restricted for:			
Public works	107,194	45,776	152,970
Total Fund Balance	107,194	45,776	152,970
Total Liabilities and Fund Balance	\$ 118,757	\$ 50,725	\$ 169,482

WEST MANCHESTER TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds		Total
	Liquid Fuels	Street Lighting Tax	
Revenues:			
Taxes	\$ -	\$ 73,293	\$ 73,293
Investment earnings	105	18	123
Intergovernmental revenue	529,940	-	529,940
Total revenues	530,045	73,311	603,356
Expenditures:			
Current:			
Public works	499,321	59,806	559,127
Capital outlay	66,237	-	66,237
Total expenditures	565,558	59,806	625,364
Net Change in Fund Balance	(35,513)	13,505	(22,008)
Fund Balance:			
Beginning of year	142,707	32,271	174,978
End of year	<u>\$ 107,194</u>	<u>\$ 45,776</u>	<u>\$ 152,970</u>

WEST MANCHESTER TOWNSHIP
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUNDS

DECEMBER 31, 2015

	Police Pension Fund	Non-Uniform Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 4,063	\$ 623	\$ 4,686
Investments	7,836,107	2,706,384	10,542,491
Total Assets	7,840,170	2,707,007	10,547,177
Net Position			
Restricted for pension benefits	\$ 7,840,170	\$ 2,707,007	\$ 10,547,177

WEST MANCHESTER TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

	Police Pension Fund	Non-Uniform Pension Fund	Total
Additions:			
<hr/>			
Contributions:			
Employer	\$ 309,540	\$ 169,075	\$ 478,615
Employee	131,629	16,383	148,012
	441,169	185,458	626,627
Total contributions			
Investment earnings:			
Interest and dividends	11,161	3,786	14,947
Net depreciation of fair value of investments	(230,704)	(77,161)	(307,865)
	(219,543)	(73,375)	(292,918)
Total investment earnings			
Less: investment expense	(45,175)	(15,475)	(60,650)
	(264,718)	(88,850)	(353,568)
Net investment earnings			
Total additions	176,451	96,608	273,059
Deductions:			
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Benefit payments	332,065	100,637	432,702
Administrative expense	8,909	9,735	18,644
	340,974	110,372	451,346
Total deductions			
Decrease in Plan Net Position	(164,523)	(13,764)	(178,287)
Net Position:			
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Beginning of year	8,004,693	2,720,771	10,725,464
End of year	\$ 7,840,170	\$ 2,707,007	\$ 10,547,177