

WASHINGTON TOWNSHIP

FINANCIAL REPORT

DECEMBER 31, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
------------------------------	-------

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4

Fund Financial Statements:

Balance Sheet - Governmental Funds - Modified Cash Basis	5 - 6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	8 - 9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis to the Statement of Activities - Modified Cash Basis	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Governmental Funds - Modified Cash Basis	11 - 12
Statement of Fiduciary Net Position - Modified Cash Basis	13
Statement of Changes in Fiduciary Net Position - Modified Cash Basis	14
Notes to Financial Statements	15 - 37

CONTENTS (Continued)

OTHER INFORMATION

Schedule of Changes in the Pension Plan's Net Pension Liability and Related Ratios - Police Pension Plan	38
Schedule of Employer Contributions - Police Pension Plan	39
Schedule of Investment Returns - Police Pension Plan	40
Notes to Other Information - Police Pension Plan	41

SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Non-Major Governmental Funds - Modified Cash Basis	42 - 43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds - Modified Cash Basis	44 - 45

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Washington Township
Waynesboro, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Township, Pennsylvania (the Township), which comprise the governmental activities, each major fund, aggregate remaining fund information, and the budgetary comparison, 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 Washington 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township, Pennsylvania, as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the major governmental funds for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

The financial statements referred to above include only the primary government of Washington Township, Pennsylvania, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally-separate, component unit, which accounting principles generally accepted in the United States of America, as applied to the Township's modified cash basis of accounting, require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Washington Township, Pennsylvania, as of December 31, 2015, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with the basis of accounting described in Note 1.

As disclosed in Note 1 to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* as of January 1, 2015. The Township expanded its note disclosures and other information related to its pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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 combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The pension schedules and related notes, listed in the table of contents as other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Chambersburg, Pennsylvania
June 15, 2016

WASHINGTON TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,277,700
Investments	12,822
Capital assets	
Land, historical artifacts, and construction-in-progress	6,055,632
Other capital assets, net of depreciation	9,555,220
Total assets	<u>16,901,374</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on pension liability	<u>298,457</u>
Total assets and deferred outflows of resources	<u>\$ 17,199,831</u>
LIABILITIES	
Payroll tax withholdings	\$ 5,868
Due to others	185,370
Long-term liabilities:	
Due within 1 year	112,500
Due in more than 1 year	2,293,639
Total liabilities	<u>2,597,377</u>
NET POSITION	
Net investment in capital assets	14,505,134
Restricted for	
Capital improvements	316,346
Specified purposes	299,774
Unrestricted	(518,800)
Total net position	<u>14,602,454</u>
Total liabilities and net position	<u>\$ 17,199,831</u>

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 1,942,471	\$ 185,876	\$ 198,932	\$ -	\$ (1,557,663)
Public safety	1,563,341	144,653	127,607	-	(1,291,081)
Public works	2,065,647	873,484	446,528	75,724	(669,911)
Culture and recreation	167,000	13,011	14,727	122,962	(16,300)
Community development	16,681	-	-	17,404	723
Interest on long-term debt	43,120	-	-	-	(43,120)
Total governmental activities	\$ 5,798,260	\$ 1,217,024	\$ 787,794	\$ 216,090	(3,577,352)
General Revenues					
Property taxes					866,153
Local-enabling act taxes					1,910,865
Investment income					6,884
Miscellaneous income					23,709
Proceeds on disposal of capital assets					7,468
Refund of prior-year expenditures					93,475
Total general revenues					2,908,554
Change in net position					(668,798)
Net Position:					
January 1, 2015, as previously stated					16,285,865
Prior period adjustment (see Note 8)					(1,014,613)
January 1, 2015, as restated					15,271,252
December 31, 2015					\$ 14,602,454

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

December 31, 2015

	General Fund	Capital Projects Fund	Highway Aid Fund
ASSETS			
Cash and cash equivalents	\$ 489,032	\$ 308,534	\$ 92,434
Investments	-	12,822	-
Total assets	\$ 489,032	\$ 321,356	\$ 92,434
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll tax withholdings	\$ 5,868	\$ -	\$ -
Due to others	-	5,010	-
Total liabilities	5,868	5,010	-
Fund Balances			
Restricted for			
Capital improvements	-	316,346	-
Specified purposes	-	-	92,434
Unassigned	483,164	-	-
Total fund balances	483,164	316,346	92,434
Total liabilities and fund balances	\$ 489,032	\$ 321,356	\$ 92,434

See Notes to Financial Statements.

Developer's Escrow Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 198,683	\$ 189,017	\$ 1,277,700
-	-	12,822
<u>\$ 198,683</u>	<u>\$ 189,017</u>	<u>\$ 1,290,522</u>
\$ -	\$ -	\$ 5,868
180,360	-	185,370
<u>180,360</u>	<u>-</u>	<u>191,238</u>
-	-	316,346
18,323	189,017	299,774
-	-	483,164
<u>18,323</u>	<u>189,017</u>	<u>1,099,284</u>
<u>\$ 198,683</u>	<u>\$ 189,017</u>	<u>\$ 1,290,522</u>

WASHINGTON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2015**

Total fund balances - governmental funds	\$ 1,099,284
-------------------------------------------------	---------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in the governmental funds. The cost of capital assets is \$22,843,403, and the related accumulated depreciation is \$7,232,551. 15,610,852

Deferred inflows and outflows of resources related to pensions are applicable to future periods and; therefore, are not reported within the funds. This is the value of deferred outflows related to pensions. 298,457

Long-term liabilities are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bond payable	(1,105,718)
Net pension liability	(1,300,421)
	<hr/>

Total net position - governmental activities	\$ 14,602,454
-----------------------------------------------------	----------------------

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Year Ended December 31, 2015

	General Fund	Capital Projects Fund	Highway Aid Fund
Revenues			
Taxes	\$ 2,777,018	\$ -	\$ -
Licenses and permits	127,765	-	-
Fines	90,691	2,151	-
Investment income	2,691	1,525	1,136
Rents	18,217	-	-
Intergovernmental revenue	315,359	83,820	446,528
Charges for services	916,335	-	-
Assessments	-	-	-
Contributions	16,144	7,962	-
Miscellaneous income	7,785	-	15,924
Total revenues	4,272,005	95,458	463,588
Expenditures			
General government	453,851	-	-
Public safety	1,475,457	-	-
Public works - sanitation	701,490	65,628	-
Public works - highways and streets	232,812	11,271	623,009
Culture and recreation	113,403	2,281	-
Community development	8,188	8,493	-
Employer paid benefits and withholdings	1,407,356	-	-
Insurance	107,120	-	-
Debt service	-	155,620	-
Total expenditures	4,499,677	243,293	623,009
Excess (deficiency) of revenues over expenditures	(227,672)	(147,835)	(159,421)
Other Financing Sources (Uses)			
Refund of prior-year expenditures	93,475	-	-
Operating transfers in	15,779	12,500	94,800
Operating transfers out	(107,300)	(15,779)	-
Proceeds from sales of assets	8,877	-	-
Total other financing sources (uses)	10,831	(3,279)	94,800
Net changes in fund balances	(216,841)	(151,114)	(64,621)
Fund Balance - January 1, 2015	700,005	467,460	157,055
Fund Balance - December 31, 2015	\$ 483,164	\$ 316,346	\$ 92,434

See Notes to Financial Statements.

Developer's Escrow Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,777,018
-	-	127,765
-	30	92,872
700	831	6,883
-	-	18,217
-	115,000	960,707
-	10	916,345
-	33,214	33,214
-	4,227	28,333
-	-	23,709
700	153,312	4,985,063
-	-	453,851
-	-	1,475,457
-	65,257	832,375
-	-	867,092
-	250,232	365,916
-	-	16,681
-	-	1,407,356
-	-	107,120
-	-	155,620
-	315,489	5,681,468
700	(162,177)	(696,405)
-	-	93,475
-	-	123,079
-	-	(123,079)
-	-	8,877
-	-	102,352
700	(162,177)	(594,053)
17,623	351,194	1,693,337
\$ 18,323	\$ 189,017	\$ 1,099,284

WASHINGTON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH
BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

Year Ended December 31, 2015

Net changes in fund balances - governmental funds	\$ (594,053)
----------------------------------------------------------	--------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	550,844	
Less depreciation expense	<u>(792,784)</u>	(241,940)

This is the value of capital assets donated to the Township.	3,344
--------------------------------------------------------------	-------

This is the value of internal equipment rentals included in capital assets.	40,111
-----------------------------------------------------------------------------	--------

This is the difference between the proceeds on sales of assets, less accumulated depreciation allowed on the disposed assets.	(1,409)
-------------------------------------------------------------------------------------------------------------------------------	---------

The changes in net pension liability, deferred outflows related to pensions and deferred inflows related to pensions do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds but are expenses reported in the Statement of Activities.	12,649
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on General Obligation Bond	<u>112,500</u>
-------------------------------------------	----------------

Total change in net position - governmental activities	<u><u>\$ (668,798)</u></u>
---------------------------------------------------------------	----------------------------

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended December 31, 2015**

	General Fund			Capital Projects Fund		
	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget	Original and Final	Actual	Final Budget
Revenues						
Taxes	\$ 2,590,200	\$ 2,777,018	\$ 186,818	\$ -	\$ -	\$ -
Licenses and permits	118,300	127,765	9,465	-	-	-
Fines	90,100	90,691	591	-	2,151	2,151
Investment income	2,000	2,691	691	1,856	1,525	(331)
Rents	64,000	18,217	(45,783)	-	-	-
Intergovernmental revenue	330,450	315,359	(15,091)	318,402	83,820	(234,582)
Charges for services	963,700	916,335	(47,365)	-	-	-
Contributions	-	16,144	16,144	1,000	7,962	6,962
Miscellaneous income	5,100	7,785	2,685	-	-	-
Total revenues	4,163,850	4,272,005	108,155	321,258	95,458	(225,800)
Expenditures						
General government	455,150	453,851	1,299	129,732	-	129,732
Public safety	1,554,900	1,475,457	79,443	119,978	-	119,978
Health and human services	500	-	500	-	-	-
Public works - sanitation	727,400	701,490	25,910	176,061	65,628	110,433
Public works - highway and streets	214,400	232,812	(18,412)	74,935	11,271	63,664
Culture and recreation	115,750	113,403	2,347	276,276	2,281	273,995
Community development	15,000	8,188	6,812	137,556	8,493	129,063
Employer-paid benefits and withholdings	1,544,090	1,407,356	136,734	4,787	-	4,787
Insurance	101,000	107,120	(6,120)	-	-	-
Debt service	-	-	-	-	155,620	(155,620)
Total expenditures	4,728,190	4,499,677	228,513	919,325	243,293	676,032
Excess (deficiency) of revenues over expenditures	(564,340)	(227,672)	336,668	(598,067)	(147,835)	450,232
Other Financing Sources (Uses)						
Refund of prior-year expenditures	30,000	93,475	63,475	-	-	-
Operating transfers in	14,000	15,779	1,779	25,000	12,500	(12,500)
Operating transfers out	(91,000)	(107,300)	(16,300)	-	(15,779)	(15,779)
Proceeds from sales of assets	4,000	8,877	4,877	-	-	-
Total other financing sources (uses)	(43,000)	10,831	53,831	25,000	(3,279)	(28,279)
Net changes in fund balances	\$ (607,340)	(216,841)	\$ 390,499	\$ (573,067)	(151,114)	\$ 421,953
Fund Balances - January 1, 2015		700,005			467,460	
Fund Balances - December 31, 2015		<u>\$ 483,164</u>			<u>\$ 316,346</u>	

See Notes to Financial Statements.

Highway Aid Fund			Developer's Escrow Fund		
Budgeted Amounts		Variance with	Budgeted Amounts		Variance with
Original and Final	Actual	Final Budget	Original and Final	Actual	Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
900	1,136	236	500	700	200
-	-	-	-	-	-
436,100	446,528	10,428	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	15,924	15,924	9,200	-	(9,200)
<u>437,000</u>	<u>463,588</u>	<u>26,588</u>	<u>9,700</u>	<u>700</u>	<u>(9,000)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
683,000	623,009	59,991	-	-	-
-	-	-	-	-	-
-	-	-	207,650	-	207,650
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>683,000</u>	<u>623,009</u>	<u>59,991</u>	<u>207,650</u>	<u>-</u>	<u>207,650</u>
(246,000)	(159,421)	86,579	(197,950)	700	198,650
-	-	-	-	-	-
91,000	94,800	3,800	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>91,000</u>	<u>94,800</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (155,000)</u>	<u>(64,621)</u>	<u>\$ 90,379</u>	<u>\$ (197,950)</u>	<u>700</u>	<u>\$ 198,650</u>
	<u>157,055</u>			<u>17,623</u>	
	<u>\$ 92,434</u>			<u>\$ 18,323</u>	

WASHINGTON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS

December 31, 2015

	Pensions	
	Police	Non-Uniformed
ASSETS		
Cash and cash equivalents	\$ 902	\$ 1,161
Investments	3,862,409	1,009,924
Total assets	\$ 3,863,311	\$ 1,011,085
 NET POSITION		
Reserved for:		
Police pension trust fund	\$ 3,863,311	\$ -
Non-Uniformed pension trust fund	-	1,011,085
Total net position	\$ 3,863,311	\$ 1,011,085

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
 Year Ended December 31, 2015

	Pensions	
	Police	Non-Uniformed
Additions		
Contributions		
Employer	\$ 70,717	\$ 58,570
State aid	172,517	-
Total additions	243,234	58,570
Deductions		
Benefits and claims	62,777	133,106
Investment loss	89,087	11,783
Administrative expenses	22,552	6,063
Total deductions	174,416	150,952
Change in net position	68,818	(92,382)
Net Position:		
January 1, 2015	3,794,493	1,103,467
December 31, 2015	<u>\$ 3,863,311</u>	<u>\$ 1,011,085</u>

See Notes to Financial Statements.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Washington Township (Township) operates under a Board-Manager form of government and provides the following services as authorized by the Township Code: Public Safety, Public Works, Health and Human Services, Culture and Recreation, Community Development, and General Government Administrative Services.

The financial statements present the primary government of Washington Township and do not include Washington Township Municipal Authority, which represented the only identifiable component unit.

The financial statements of the Township have been prepared in conformity with the modified cash basis of accounting as applied to governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the authoritative, standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally-separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial-benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued):

Based on the application of the above criteria, the Washington Township Municipal Authority (Authority) is considered to be a component unit of the Township, and should be, but is not, included in the Township's financial statements. Washington Township Municipal Authority was formed by Washington Township for the primary purpose of operating the Township's sewage and water systems. Washington Township Supervisors appoint the members of Washington Township Municipal Authority for five-year terms and set their salaries in accordance with Pennsylvania Law. The Township guarantees the principal and interest payments of the Authority's debt. A separate audit has been prepared for the Authority and a complete set of financial statements can be obtained at the Township office. The Authority operates on a fiscal year ending October 31.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township reports no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenues.

Fund Financial Statements:

Separate fund financial statements are provided in the report for all of the governmental and fiduciary funds of the Township, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The government-wide Statement of Net Position and Statement of Activities are prepared using the “economic-resources” measurement focus, as applied to the modified cash basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared, and therefore, governmental-fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and statements for governmental funds.

Governmental-fund financial statements are reported using the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Revenue is recognized when received. Expenditures generally are recorded when paid.

The Township’s policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions and differs from accounting principles generally accepted in the United States of America in the following significant respects: certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund-financial statements for the governmental funds would be prepared using the modified accrual basis of accounting, while the fund-financial statements for the fiduciary funds would be prepared using the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Highway Aid Fund - The Highway Aid Fund accounts for funds distributed by the state from the collection of the liquid fuels tax. These funds may only be expended on road and street work as authorized by the Department of Transportation.

Developer’s Escrow Fund - The Developer’s Escrow Fund is used to account for escrow deposits held by the Township for private development projects.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Additionally, the Township reports the following non-major governmental funds:

Traffic Light Escrow Fund - The Traffic Light Escrow Fund accounts for funds that are to be used for construction of a traffic light at the ECHO development intersection.

Drug Enforcement Fund - The Drug Enforcement Fund provides for the accountability of funds related to the on-going struggle against drugs in the community.

Train Fund - The Train Fund accounts for funds related to general expenses and maintenance of recreational facilities.

Happel's Meadow Fund - The Happel's Meadow Fund accounts for resources related to the preservation of the Happel's Meadow Wetlands.

Storm Water Fund - The Storm Water Fund accounts for funds that are used to establish storm-water basins in newly developed sections of the Township.

Commonwealth Grant One Fund, Commonwealth Grant Two Fund and Commonwealth Grant Three Fund - The Commonwealth Grant Funds account for revenues and expenditures of various grants received from the Commonwealth of Pennsylvania for general government, public works and community and recreational projects.

Impact Fee Fund - The Impact Fee Fund accounts for assessments collected from businesses that are to benefit from the Washington Township By-pass.

Washington Township Boulevard Fund - The Washington Township Boulevard Fund accounts for resources which are to be used for the development and construction of Washington Township Boulevard.

Recreation Fee Fund - The Recreation Fee Fund provides for the development of parks and recreation through fees charged on new lots being developed.

Battle of Monterey Pass Fund - The Battle of Monterey Pass Fund accounts for the collections of contributions received, for the projects related to the Battle of Monterey Pass land.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fiduciary fund reporting focuses on net position and changes in net position and is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the Township's programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township has no investment trust funds, private-purpose trust funds, or agency funds, but reports the following pension trust funds:

Police Pension - The Police Pension Fund accounts for activities of the Township's single-employer, defined-benefit pension plan, which covers all of the Township's full-time police employees, and accumulates resources for pension-benefit payments to qualified employees.

Non-Uniformed Employees' Pension - The Non-Uniformed Employees' Pension Fund accounts for activities of the Township's single-employer, defined-contribution pension plan, which covers the Township's full-time, non-uniformed employees, and accumulates resources for pension-benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting: The Board of Supervisors adopts annual budgets for the funds of the Township, on the cash basis. All annual appropriations lapse at the end of each year and must be re-appropriated. There were no budget revisions during the year.

Cash and Cash Equivalents: The Township considers all highly-liquid investments, including restricted assets, with maturities of three (3) months or less when purchased to be cash equivalents.

Investments: Investments are recorded at fair value. Unrealized appreciation and depreciation due to changes in the fair values of such investments are recognized annually. The Township complies with Statement No. 31 of the Governmental Accounting Standards Board, requiring local governments to report all investments at fair value.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fixed Assets: Governmental-fund capital assets are reported in the governmental-activities column of the government-wide statement of net position but are not reported in the fund financial statements. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market values on the date of donation. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation of property, plant and equipment is computed using the straight-line method.

Infrastructure Assets: As permitted by the provisions of GASB Statement No. 34, the Township has not capitalized and depreciated general infrastructure assets used in its governmental activities and acquired prior to January 1, 2004.

Deferred Outflows of Resources - Pensions: The Township recognizes the difference between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and the contributions to the plan subsequent to the measurement date of December 31, 2014, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Pensions: The Township recognizes the difference between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments, as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premiums and discounts.

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

Compensated Absences: Township employees are granted vacation, personal, compensated absences and sick leave in varying amounts. In the event of termination, uniformed employees, covered by the police collective-bargaining agreement, are reimbursed in full for all accumulated vacation time, personal time, and accumulated compensated absences. Additionally in the event of full retirement or disability/death in the line of duty 25% of accumulated sick time is reimbursed. Personal time may only be accumulated to a maximum of 104 hours. Non-uniformed employees are not permitted to carryover personal time into the next fiscal year and forfeit all accumulated sick time at termination. Only salaried employees are permitted to carryover vacation time and are reimbursed for accumulated vacation time upon termination. As of December 31, 2015, the Township's total liability for compensated absences was \$90,158.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fund Balance:

The Township's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of Supervisors, the Township's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through Board Policy, the Board has delegated the authority to express intent to the Township Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Interfund Transactions: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Pension Plans: The Township has established a single-employer, defined-benefit Police Pension Plan and a single-employer, defined-contribution Non-Uniformed Employees' Pension Plan for the benefit of substantially all full-time employees.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Principle: In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for the Township's 2015 financial statements.

Subsequent Events: In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosures through June 15, 2016, the date the financial statements were available to be issued.

Note 2. Legal Compliance - Budgets

The Township utilizes the following procedures to establish the budgetary data reflected in the financial statements:

1. During October, the Township staff prepares a preliminary budget for all funds. The operating budgets include proposed expenditures and revenue.
2. During November, the Board of Supervisors approves the preliminary budget and makes it available to the public. A notice that the preliminary budgets are available for inspection is published in the local newspaper and posted in the Township office and on the Township's website, for a minimum of 20 days.
3. At the regular meeting in December, the Township allows for public comments, after which the budget is legally adopted through passage of a resolution.
4. All budget revisions require the approval of Board of Supervisors.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

Under statutes, the Township is permitted to invest funds, consistent with sound business practices, in the following types of investments:

- U.S. Treasury Bills;
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities;
- Deposits in savings accounts or time deposits or share accounts of institutions insured by either:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF)to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository;
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions;
- Shares of investment companies whose investments are restricted to the above categories;
- Pension trust funds may invest in any investment authorized by the Pennsylvania Common Law and other Pennsylvania statutes.

The deposit and investment policies of the Township adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or Township policies.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the Township's investments may not be returned to it. A summary of the Township's deposits, which include certificates of deposit at December 31, 2015, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC Insured	\$ 250,000	\$ 250,000	BB&T
Uninsured and collateralized by assets maintained in conformity with Act 72	1,042,586	1,135,238	
	<u>\$ 1,292,586</u>	<u>\$ 1,385,238</u>	

Act 72 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgors of the assets.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Investments

The plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

As of December 31, 2015, the plans held the following investments:

Asset Class	Police Pension Plan Fair Value	Non-Uniformed Pension Plan Fair Value
Core Fixed Income	\$ 928,385	\$ 135,398
Domestic Equity	1,801,916	697,278
Foreign Equity	672,278	122,324
Opportunistic Income/Other	425,300	-
Cash & Equivalents	34,530	54,924
	<u>\$ 3,862,409</u>	<u>\$ 1,009,924</u>

The Plans did not hold any individual securities as of December 31, 2015 and was holding only broadly diversified funds as defined under the Investment Act of 1940.

Interest Rate Risk: The Plans may utilize a diverse mix of fixed-income asset classes in order to try and reduce the fluctuations associated with changes in interest rates.

Credit Risk: Diversified Investment Act 1940 Funds are commingled pools, rather than individual's securities. As a result, these accounts are not rated.

Custodial Credit Risk: Plan assets were not exposed to custodial credit risk.

Foreign Currency Risk: Plan assets held were not exposed to foreign currency risk.

Derivatives: Diversified Investment Act 1940 Funds held may use derivatives as part of their investment strategy. These accounts are commingled pools, rather than individual securities.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 4. Property Taxes

Property taxes are levied on March 1. Taxes are collected at discounts until April 30, at face amounts from May 1 through June 30, and include penalties thereafter. The taxes are billed by Franklin County and are collected by a local, elected tax collector. After December 31, the bills are considered delinquent and are turned over to the Franklin County Tax Claim Bureau for collection. The Township's real estate tax rate for 2015 was 6.4 mills (\$6.40 per \$1,000 assessed valuation). The assessed value upon which the 2015 levy was based was \$138,574,390. Current tax collections for the year ended December 31, 2015, were 96.20% of the tax levy.

Note 5. Interfund Receivables, Payables and Transfers

There were no individual fund receivable and payable balances at December 31, 2015.

Operating transfer activity between funds at December 31, 2015, is as follows:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 15,779	\$ 107,300
Capital Projects Fund	12,500	15,779
Highway Aid Fund	94,800	-
	<u>\$ 123,079</u>	<u>\$ 123,079</u>

Transfers and payments within the Township are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisition, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Property, Plant and Equipment

Governmental fund capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the governmental column in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated, historical cost if purchased or constructed. Donated capital assets are recorded at their estimated, fair-market values at the dates of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets is included as part of the capitalized values of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30-75
Public Domain Infrastructure	20
Vehicles and Equipment	5-30
Land Improvements	20-40

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Property, Plant and Equipment (Continued)

Capital asset activity for the year ended December 31, 2015, and a summary of capital asset balances as of December 31, 2015, is as follows:

Governmental Activities	Balances			Balances
	January 1, 2015	Increases	Decreases	December 31, 2015
Capital assets not being depreciated				
Land	\$ 2,479,058	\$ 222,165	\$ -	\$ 2,701,223
Historical artifacts	25,000	-	-	25,000
Construction-in-progress	3,189,315	140,094	-	3,329,409
Total capital assets not being depreciated	<u>5,693,373</u>	<u>362,259</u>	<u>-</u>	<u>6,055,632</u>
Capital assets being depreciated				
Land improvements	555,990	-	-	555,990
Buildings and improvements	2,437,987	-	-	2,437,987
Machinery and equipment	3,518,213	155,778	(20,968)	3,653,023
Infrastructure	10,064,509	76,262	-	10,140,771
Total capital assets being depreciated	<u>16,576,699</u>	<u>232,040</u>	<u>(20,968)</u>	<u>16,787,771</u>
Less accumulated depreciation for:				
Land improvements	(190,247)	(26,379)	-	(216,626)
Buildings and improvements	(1,362,673)	(48,536)	-	(1,411,209)
Machinery and equipment	(2,269,338)	(225,658)	19,559	(2,475,437)
Infrastructure	(2,637,068)	(492,211)	-	(3,129,279)
Total accumulated depreciation	<u>(6,459,326)</u>	<u>(792,784)</u>	<u>19,559</u>	<u>(7,232,551)</u>
Total capital assets being depreciated, net	<u>10,117,373</u>	<u>(560,744)</u>	<u>(1,409)</u>	<u>9,555,220</u>
Governmental Activities, Capital Assets, Net	<u>\$ 15,810,746</u>	<u>\$ (198,485)</u>	<u>\$ (1,409)</u>	<u>\$ 15,610,852</u>

Depreciation expense was charged to the functions/programs of the Township as follows:

	Amount
Governmental Activities:	
General government	\$ 16,678
Public safety	91,087
Public works	644,389
Culture and recreation	40,630
Total depreciation expense - governmental activities	<u>\$ 792,784</u>

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

A summary of the Township's long-term obligations as of December 31, 2015, and transactions during the year then ended follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
General Obligation Bond	\$ 1,218,218	\$ -	\$ (112,500)	\$ 1,105,718
Net Pension Liability	1,222,842	77,579		1,300,421
	<u>\$ 2,441,060</u>	<u>\$ 77,579</u>	<u>\$ (112,500)</u>	<u>\$ 2,406,139</u>

BB&T, General Obligation Bond, Series 2011 - On February 24, 2011, the Township obtained financing through Susquehanna Bank, in the principal amount of \$2,250,000, maturing on December 1, 2030, bearing interest at a fixed rate of 3.50% per annum through November 30, 2025. Thereafter, interest will be payable at a variable rate, and adjusted annually on December 1st. The proceeds were approved for the purpose of refunding the Pennsylvania Infrastructure Bank Loan and to assist in funding the completion of Washington Township Boulevard. A total of \$1,668,220 was drawn on the loan during 2011, which was used to refund the Pennsylvania Infrastructure Bank Loan. The additional funds of \$581,780 can be drawn down in the future, in order to help fund the completion of Washington Township Boulevard. Due to the partial drawdown of funds at issuance of the bond, the current debt will be repaid by December 2025. Interest paid on the bond during the year ended December 31, 2015, was \$43,120.

The minimum, debt service requirements through maturity, for the General Obligation Bond, Series 2011 are as follow:

Year	Principal to Maturity	Interest to Maturity	Debt Service Payments
2016	\$ 112,500	\$ 38,700	\$ 151,200
2017	112,500	34,763	147,263
2018	112,500	30,825	143,325
2019	112,500	26,888	139,388
2020	112,500	22,950	135,450
2021 - 2025	543,218	55,689	598,907
	<u>\$ 1,105,718</u>	<u>\$ 209,815</u>	<u>\$ 1,315,533</u>

All debt outstanding at December 31, 2015, is general obligation debt supported by the full faith and credit of the Township. Although the Township has not specifically pledged specific revenues for the payment of debt service, it is expected that the Township will utilize impact fee revenues, from the impact fee fund, as its principal source of funds to pay debt service on this loan, followed by funds held in the capital reserve fund and general fund.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan

The Washington Township (Franklin County) Police Pension Plan is a single-employer, defined-benefit pension plan which covers all of the Township's full-time, police employees upon date of hire. The Plan is controlled by the provisions of Ordinance No. 177, effective January 1, 2004 amended and restated plan, as well as Ordinance No. 218. The plan is governed by Washington Township Board of Supervisors, which may amend plan provisions, and which is responsible for the management of plan assets. The Township has delegated the authority to manage certain plan assets to the Plan's investment consultant, Ferrara Kampstra. Unless otherwise indicated, the plan information in this note is provided as of the latest actuarial valuation, January 1, 2015. Actuarial valuations are performed every two years.

Plan Membership

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

	Police Pension Plan
Active members	7
Terminated participants with deferred benefits	2
Participants receiving benefits	4
DROP participants	3
	<u>16</u>

The following is a summary of benefit provisions:

Eligibility Requirements:

Normal: After the later of 25 years of service or the attainment of age 50.

Early: N/A

Vesting: 100% vested in accrued benefits after the completion of 12 years of service and has filed written notice of intention to vest within 90 days of termination of employment.

Retirement Benefit Formula:

Sum of (a) and (b) below:

(a) 50% of the final 36 month average salary at retirement

(b) 2% of (a) above times years of service greater than 25 years, with a maximum annual amount of \$1,200.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

The following is a summary of benefit provisions (Continued):

Early Retirement Benefit:	N/A
DROP Benefit:	Irrevocable election to terminate employment within 60 months of entering the DROP period (after attaining Normal Retirement Age). A benefit is calculated and frozen at entry into DROP. The monthly benefit is placed into a hypothetical DROP account and earns 3% interest per year.
Death Benefit:	
Pre-Retirement	Deferred, 50% widow's benefit payable to the spouse if 12 or more years of service. A benefit may be payable to dependent children. Refund of member contributions plus interest if less than 12 years of service.
Post-Retirement Death	50%-widows benefit payable to spouse. A benefit may be payable to dependent children.
Disability Benefit:	
Service Related:	An immediate benefit of 50% of the final, 36-month average compensation at time of disability. The disability benefit will be no less than 50% of the member's salary at time of disability and requires a social security offset.
Non-Service Related:	None
Post-Retirement Adjustment	Retirees receive a cost-of-living adjustment on the anniversary of their retirement equal to the change in the Consumer Price Index, subject to certain limits as specified in Act 600.
Other Benefits	Vested Benefit Formula - The benefit calculated in the Retirement Benefit Formula, times a fraction, the numerator of which is the Years of Service at termination and the denominator is the total number of years the participant would have had a normal retirement. The benefit is payable at normal retirement.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

Contributions: Act 205 requires annual contributions to the plan based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are not required to contribute to the plan. The plan 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. In accordance with Act 205, the value required to be contributed to the police pension plan was \$209,646. The Township's actual contributions were \$243,234 during 2015, due to a required payment for previous years of \$33,588. \$172,517 of the contribution was from state aid funds.

Investment and administrative expenses, including actuarial and consultant services, are paid from plan assets, including investment earnings and/or contributions.

Basis of Accounting: The plan's policies are to prepare the financial statements on the modified cash basis of accounting. Plan member contributions are recognized in the period in which the contributions are received. Employer contributions to the plan are recognized when received. Benefits and refunds are recognized when paid in accordance with the terms of the plan.

Valuation of Investments: Investments are reported at fair value.

Investment Policy: The plan's policy in regards to the allocation of invested assets is established and may be amended by the Pension Board. The investment objective of the Plan is to meet or exceed the actuarial assumed rate of 7% per annum on a net of fee basis over the long-term, while minimizing the risk of loss of principal through diversification amongst various non-correlated asset classes including domestic and foreign equity securities, domestic and foreign fixed-income securities, as well as several other asset classes as may be deemed prudent.

The plan's investment policy establishes a target asset allocation for investing plan assets in order to achieve the plan's long-term investment objective as follows:

Asset Class	Target Allocation
Core Fixed Income	20.00%
Domestic Equity	40.00%
Foreign Equity	20.00%
Opportunistic Income/Other	15.00%
Cash & Equivalents	5.00%

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

Concentration:

There are no assets legally reserved for purposes other than the payment of plan-member benefits. At December 31, 2015, the plan held the following investment, the fair value of which exceeded five percent or more of net position available for benefits:

	Fair Value 12/31/2015	Percentage of Net Position Available for Benefits
Franklin Mutual Global Discovery Z	\$ 436,365	11.30%
Prudential Short-Term Corporate Bond Z	\$ 367,837	9.52%
Templeton Global Total Return Adv	\$ 312,170	8.08%
Vanguard Equity-Income Adm	\$ 311,119	8.05%
Oakmark International I	\$ 303,931	7.87%
Franklin Square Global Credit Opportunities Fund	\$ 247,656	6.41%
T. Rowe Price Global Technology	\$ 235,586	6.10%
Vanguard Consumer Staples ETF	\$ 225,356	5.83%
City National Rochdale Emerging Markets N	\$ 220,871	5.72%
Prudential Jennison Health Sciences Z	\$ 212,330	5.50%

Rate of Return: For the year ended December 31, 2014, the annual money-weighted rate of return on the Police Pension Plan investments, net of investment expenses, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the actual cash in-flows and out-flows to the plan during the period

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

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

At December 31, 2015, the Township reported a net pension liability of \$1,300,421 for the Police Pension Plan. The net pension liability reported at December 31, 2015, was measured as of December 31, 2014.

Changes in the total pension liability, plan fiduciary net position, and net pension liability during the year were as follows:

Changes in Net Pension Liability	Police Pension Plan		
	Total Pension	Increase (Decrease) Plan Fiduciary Net Net Pension	
Balances at December 31, 2013	\$ 4,704,537	\$ 3,481,695	\$ 1,222,842
Service cost	127,810	-	127,810
Interest cost	318,040	-	318,040
Contributions - employer	-	208,229	(208,229)
Net investment income	-	166,526	(166,526)
Benefit payments, including refunds	(25,032)	(25,032)	-
Administrative expense	-	(6,484)	6,484
Net changes	420,818	343,239	77,579
Balances at December 31, 2014	<u>\$ 5,125,355</u>	<u>\$ 3,824,934</u>	<u>\$ 1,300,421</u>

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2015, the Township recognized pension expense of \$230,585 for the Police Pension Plan. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ 55,223	\$ -
Contributions subsequent to the measurement date	243,234	-
	<u>\$ 298,457</u>	<u>\$ -</u>

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

Year Ending December 31:	Amount
2016	\$ 13,806
2017	13,806
2018	13,806
2019	13,805
	<u>\$ 55,223</u>

Actuarial Assumptions: An actuarial valuation of the total pension liability is performed biennially, on the pension plan. The total pension liability was determined for the plan, as part of the actuarial valuation at January 1, 2015, with a December 31, 2014 measurement date. Actuarial assumptions are located in the required supplementary information section of this report.

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using long-term historical averages for each asset class and adjusting the figures based on assumptions for future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.75%). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized as follows:

Asset Class	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Core Fixed Income	4.72%	1.97%
Domestic Equity	7.80%	5.05%
Foreign Equity	8.80%	6.05%
Opportunistic Income/Other	7.49%	4.74%
Cash & Equivalents	1.02%	-1.73%

Discount Rate: The discount rate used to measure the total pension liability for the plan was 6.60%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following sensitivity analysis presents the net pension liability for the Police Pension Plan, calculated using the discount rate of 6.60%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.60%) or one percentage point higher (7.60%) than the current rate:

	1% Decrease 5.60%	Current Rate 6.60%	1% Increase 7.60%
Net pension liability	\$ 2,038,381	\$ 1,300,421	\$ 695,092

Prior Period Adjustment - GASB No. 68 Implementation

Implementation of GASB No. 68 required the Township to recognize net pension liability, deferred outflows of resources and deferred inflows of resources for the Police Pension Plan as of December 31, 2014. This resulted in a decrease in net position of \$1,014,613 as of January 1, 2015.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Contribution Plan

The Washington Township (Franklin County) Non-Uniformed Employees' Pension Plan is a single-employer, defined contribution pension plan controlled by the provisions of Ordinance No. 212, as amended and restated, effective January 1, 2007, enacted December 17, 2007 pursuant to Act 69. The plan is governed by the Board of Township Supervisors which is responsible for the management of plan assets. The Board of Township Supervisors has delegated to the plan participants the authority to manage their own accounts held with MG Trust/Expert Plan. The checking account held with BB&T is managed by the Board of Township Supervisors. This plan covers all full-time, non-uniformed municipal employees after six months of employment. Members begin vesting after 5 years and are fully vested after 10 years of credited service. An employee who reaches normal retirement date (attain age 65 or complete 35 years of service) or early retirement date (attain 62 years of age and 10 years of service), will be eligible to receive retirement benefits on the date of retirement with a present value equal to the accumulated municipal contributions and any member deductions, regular interest and all excess investment funds credited to the member's account. The plan also provides death, disability, and early-retirement benefits.

Plan provisions and contribution requirements are established and may be amended by the Board of Supervisors. The Township contributes 8.50% of each member's compensation to the Plan. Members may not contribute to the Plan. The Plan's financial statements are prepared on the accrual basis of accounting and are available at the Township's office. During the year ended December 31, 2015, municipal contributions of \$58,570 were made to the Plan.

WASHINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Contingencies

The Township participates in a number of grant programs for which it will be contingently liable for any disallowed expenditures. At December 31, 2015, the Township was not aware of any such disallowances.

Note 11. Related Party Transactions

During the year ended December 31, 2015, Washington Township Municipal Authority paid the Township \$74,416 for contracted services and equipment rentals. The Township paid to the Authority, \$215,000 for the purchase of land, and \$5,267 for water and sewer services.

Note 12. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 13. Significant Commitments

The Township has not entered into any significant commitments as of December 31, 2015.

Note 14. Subsequent Events

On May 2, 2016, the Township approved to proceed with the bid received from New Enterprise for the paving of Washington Township Boulevard, for a total cost of \$646,350.

On May 16, 2016, the Township approved to proceed with debt refinancing, through F&M Trust, for \$2,400,000, at an interest rate of 2.38%, for 15 years.

OTHER INFORMATION

WASHINGTON TOWNSHIP

**SCHEDULE OF CHANGES IN THE PENSION PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - POLICE PENSION PLAN**

Year Ended December 31,

	2014
Total Pension Liability	
Service cost	\$ 127,810
Interest	318,040
Benefit payments, including refunds of member contributions	(25,032)
Net change in total pension liability	<u>420,818</u>
Total pension liability - beginning	<u>4,704,537</u>
Total pension liability - ending	<u><u>\$ 5,125,355</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 208,229
Net investment income	166,526
Benefit payments, including refunds of member contributions	(25,032)
Administrative expenses	(6,484)
Net change in plan fiduciary net position	<u>343,239</u>
Plan net position - beginning	<u>3,481,695</u>
Plan net position - ending	<u><u>\$ 3,824,934</u></u>
Plan net pension liability	<u><u>\$ 1,300,421</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>74.63%</u></u>
Covered Employee Payroll	<u><u>\$ 479,748</u></u>
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	<u><u>271.06%</u></u>

WASHINGTON TOWNSHIP

SCHEDULE OF EMPLOYER CONTRIBUTIONS

POLICE PENSION PLAN

Year Ended December 31,

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 209,646	\$ 206,152	\$ 204,267	\$ 195,765	\$ 227,673	\$ 162,710	\$ 159,784	\$ 130,586	\$ 94,025	\$ 80,076
Contributions in relation to the actuarially determined contribution	209,646	206,152	204,267	195,765	228,464	162,710	159,784	137,388	94,025	80,076
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (791)	\$ -	\$ -	\$ (6,802)	\$ -	\$ -
Covered-employee payroll	\$ 479,748	\$ 854,688	\$ 881,268	\$ 870,511	\$ 822,011	\$ 825,678	\$ 891,207	\$ 861,020	\$ 724,146	\$ 649,791
Contributions as a percentage of covered-employee payroll	43.70%	24.12%	23.18%	22.49%	27.79%	19.71%	17.93%	15.96%	12.98%	12.32%

WASHINGTON TOWNSHIP

SCHEDULE OF INVESTMENT RETURNS

POLICE PENSION PLAN

Year Ended December 31,

2014

Annual money-weighted rate of return, net of investment expense

5.14%

WASHINGTON TOWNSHIP

NOTES TO OTHER INFORMATION

POLICE PENSION PLAN

Year Ended December 31, 2015

Valuation Date	1/1/2015
Cost Method	Entry age normal.
Asset Valuation Method	In determining the preliminary actuarial value of assets, the preceding year's market value of assets is increased by contributions and expected interest at the valuation rate and reduced by benefit payments and expenses. This preliminary value of assets is then compared to the market value of trust assets and 20% of the difference is recognized in year 1, 40% in year 2, 60% in year 2 and 80% in year 4 to produce the final actuarial value of assets. If the resulting actuarial value of assets is outside a corridor of 80% to 120% of the market value, an adjustment is made to maintain the actuarial value of assets at the appropriate corridor limit.
Interest rate	7.00% per annum.
Salary increase	2.50% per annum for 2013 through 2015 and 4.00% thereafter.
Expenses	Most recent year's expense.
Inflation	2.75% per annum.
Demographic Assumptions	
Retirement age	50% are assumed to enter DROP at the later of age 50 and 25 years of service and 50% are assumed to retire at the later of age 52 and 25 years of service or January 1, 2016.
Turnover	None assumed.
Mortality	
Pre-retirement	None assumed.
Post-retirement	RP-2000 Healthy Annuitant with full generational projections for future improvement by scale BB2D and with blue-collar adjustments.
Post-disablement	RP-2000 Disability Table.
Disability	None assumed.
Marital characteristics	80% assumed married, female spouse assumed to be three years younger than male participant.
Other	Buy-back of 18 days of unused sick time assumed to be included in Final Average Salary.
Financial and Census Data	Assets and census were provided by Washington Township as of January 1, 2015 and are assumed to be correct.

SUPPLEMENTARY INFORMATION

WASHINGTON TOWNSHIP

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS**

December 31, 2015

	Traffic Light Escrow	Drug Enforcement	Train Fund	Happel's Meadow	Storm Water
ASSETS					
Cash and cash equivalents	\$ 114,994	\$ 8,597	\$ 931	\$ 4,037	\$ 22,259
Total assets	\$ 114,994	\$ 8,597	\$ 931	\$ 4,037	\$ 22,259
FUND BALANCES					
Restricted for specified purposes	\$ 114,994	\$ 8,597	\$ 931	\$ 4,037	\$ 22,259
Total fund balances	\$ 114,994	\$ 8,597	\$ 931	\$ 4,037	\$ 22,259

Special Revenue										Total
Commonwealth Grant One	Commonwealth Grant Two	Commonwealth Grant Three	Impact Fee	Washington Township Boulevard	Recreation Fee	Battle of Monterey				Non-Major Governmental Funds
\$ 5	\$ 4	\$ 36	\$ 30,228	\$ 66	\$ 6,352	\$ 1,508				\$ 189,017
\$ 5	\$ 4	\$ 36	\$ 30,228	\$ 66	\$ 6,352	\$ 1,508				\$ 189,017
\$ 5	\$ 4	\$ 36	\$ 30,228	\$ 66	\$ 6,352	\$ 1,508				\$ 189,017
\$ 5	\$ 4	\$ 36	\$ 30,228	\$ 66	\$ 6,352	\$ 1,508				\$ 189,017

WASHINGTON TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended December 31, 2015**

	Traffic Light Escrow	Drug Enforcement	Train Fund	Happel's Meadow	Storm Water
Revenues					
Fines	\$ -	\$ 30	\$ -	\$ -	\$ -
Investment income	418	9	1	5	78
Assessments	-	-	-	-	-
Contributions	-	-	2,106	1,121	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	10	-	-
Total revenues	418	39	2,117	1,126	78
Expenditures					
Public works	5,139	-	-	-	-
Culture and recreation	-	-	1,367	-	-
Total expenditures	5,139	-	1,367	-	-
Net changes in fund balances	(4,721)	39	750	1,126	78
Fund Balances:					
January 1, 2015	119,715	8,558	181	2,911	22,181
December 31, 2015	\$ 114,994	\$ 8,597	\$ 931	\$ 4,037	\$ 22,259

Special Revenue							Total
Commonwealth	Commonwealth	Commonwealth	Impact	Washington	Recreation	Battle of	Non-Major
Grant One	Grant Two	Grant Three	Fee	Township	Fee	Monterey	Governmental
				Boulevard			Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30
49	-	-	51	-	50	170	831
-	-	-	21,714	-	11,500	-	33,214
-	-	-	-	-	-	1,000	4,227
-	-	-	-	-	-	115,000	115,000
-	-	-	-	-	-	-	10
49	-	-	21,765	-	11,550	116,170	153,312
60,118	-	-	-	-	-	-	65,257
-	-	-	-	-	32,852	216,013	250,232
60,118	-	-	-	-	32,852	216,013	315,489
(60,069)	-	-	21,765	-	(21,302)	(99,843)	(162,177)
60,074	4	36	8,463	66	27,654	101,351	351,194
\$ 5	\$ 4	\$ 36	\$ 30,228	\$ 66	\$ 6,352	\$ 1,508	\$ 189,017