

Township of Shaler

Financial Statements and Required Supplementary and Supplementary Information

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

MaherDuessel
Certified Public Accountants

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TOWNSHIP OF SHALER

YEAR ENDED DECEMBER 31, 2015

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TOWNSHIP OF SHALER

YEAR ENDED DECEMBER 31, 2015

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Independent Auditor's Report

Board of Commissioners
Township of Shaler, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Shaler (Township), Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements 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.

Opinions

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

Change in Accounting Principle

As described in Note 1 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 financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post-employment benefit plan information on pages i through xiii, page 50, and pages 51 through 56, respectively, 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 response 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.

Other 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 combining and individual nonmajor governmental fund and pension trust fund financial statements and the Agency Funds statement of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor governmental fund and pension trust fund financial statements and the Agency Funds statement of changes in assets and liabilities 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
July 13, 2016

**TOWNSHIP OF SHALER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2015**

As management of the Township of Shaler (Township), we offer our residents, elected officials, employees, and other interested parties, this narrative overview and analysis of the financial activities of the Township for the fiscal year, which ended December 31, 2015. The goal of this Management's Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Township's financial activity, (3) identify changes in financial position, (4) identify any material deviations from the approved budget, and (5) identify individual fund issues or concerns.

The Township's management encourages all readers to consider the information presented here in conjunction with the accompanying notes that follow, in order to obtain a thorough understanding of the Township's financial condition as of December 31, 2015.

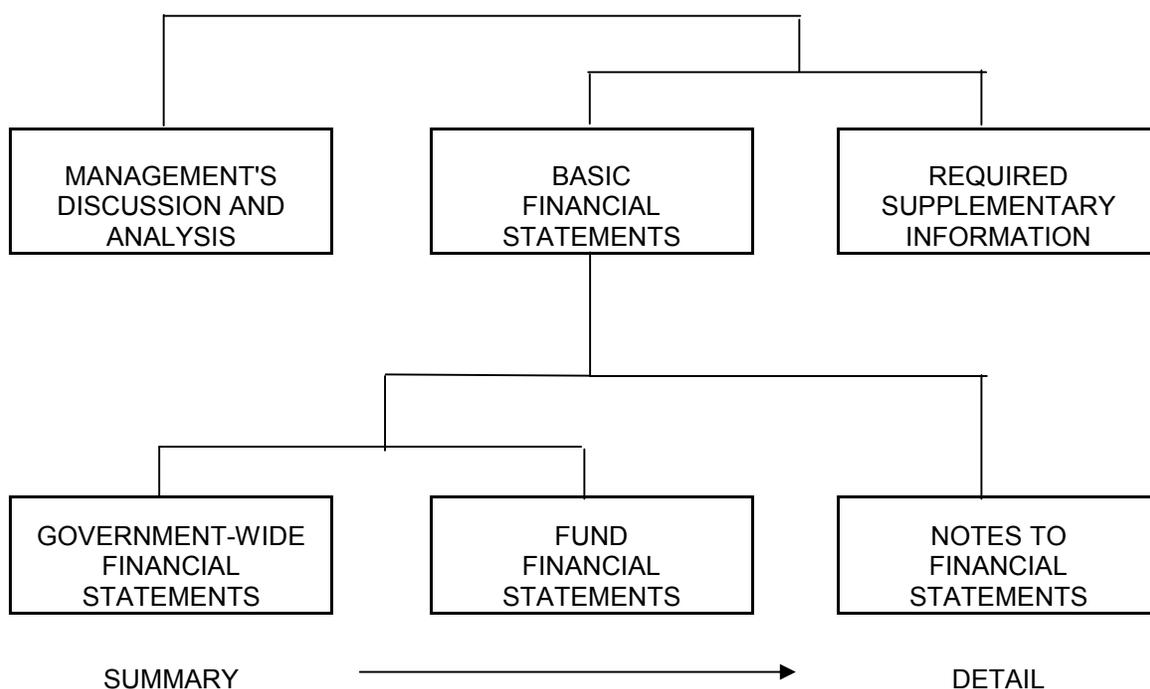
FINANCIAL HIGHLIGHTS:

- The primary government's total assets and deferred outflows of resources for pension of the Township exceeded its liabilities and deferred inflows of resources for pension by \$21,760,364 (net position). Of this amount, \$8,411,764 (unrestricted net position) may be used to meet the Township's ongoing obligations to creditors in which to provide services to Township residents. Net position has increased \$1,910,385 from the December 31, 2014 financial statements.
- The Township's real estate property tax rate for 2015 was 2.49 mills. This amount remains unchanged since 2013 when it was reduced from 3.05 mills.
- At December 31, 2015, the Township had \$769,541 of long-term debt outstanding. This represents a decrease of \$347,462 from the previous fiscal year. The debt is a pass through to the Hampton Shaler Water Authority as a result of the merger on January 1, 2012. The Township of Shaler is not responsible for any long-term debt.
- The total fund balance of the General Fund on December 31, 2015 was \$3,535,206. The unassigned portion of the fund balance was \$3,365,859. This amount is available for spending at the Township's discretion.
- During 2015, the Township implemented GASB Statements No. 68 and 71. These statements further revises existing guidance for the financial reports of the Township's defined benefit pension plans, and establishes new financial reporting requirements for governments that provide employees with pension benefits. As a result of this implementation, the government-wide net position for governmental activities as of January 1, 2015 was restated with an increase of \$2,608,252 to record the Township's net pension asset.

OVERVIEW OF FINANCIAL STATEMENTS:

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

The basic financial statements present two different views of the Township through the use of government-wide financial statements and fund financial statements. In addition to these required elements, a section with combined statements provides details about the other government funds that are presented in a single column in the basic financial statement. The following diagram illustrates how the required parts of this annual report are arranged and relate to one another.



(1) Government-Wide Financial Statements – The government-wide financial statements are designed to provide all interested parties with a broad overview of the Township, in a manner similar to a private-sector business.

- The Statement of Net Position – This report presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The Statement of Activities – This report presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs giving rise to the changes, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and economic development. The business-type activity of the Township includes sanitary sewer.

The government-wide financial statements include not only the Township itself, but the Shaler North Hills Library and Shaler Area Emergency Medical Services, Inc., as well. The Township provides for approximately 50% of the funding for Shaler North Hills Library and owns the Shaler Emergency Medical Services, Inc. building. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 and 2 of this report.

(2) Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other governmental agencies, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

The fund financial statements can be found on pages 3 through 11 of this report.

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Township maintains three governmental funds: the General Fund, Capital Projects, and Liquid Fuels Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and Capital Projects Fund, both of which are considered major funds. Data from the other governmental fund is combined into a single, aggregated presentation. Individual fund data for this other governmental fund is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to determine compliance with actual revenues/expenditures to budgeted amounts.

The basic government fund financial statements can be found on pages 3 through 6 of this report.

- Proprietary Funds – The Township maintains one proprietary fund, the sanitary sewer fund. Enterprise funds are used to report the same functions presented as business-type

activities in the government-wide financial statements. The Township uses enterprise funds to account for its sanitary sewer operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer operations, which is considered to be a major fund of the Township. The basic proprietary fund financial statements can be found on pages 7 through 9 of this report.

- Fiduciary Funds – The Township is the trustee, or fiduciary, for three single employer defined benefit pension plans covering substantially all full-time employees: (1) the Police Plan, (2) the Union Plan, and (3) the Non-Union Plan. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to finance the operations for the Township. The accounting used for fiduciary funds is much like that used for proprietary funds. In addition, the Township has agency funds for the collection and disbursement of taxes.

The basic fiduciary funds financial statements can be found on pages 10 and 11 of this report.

(3) Notes to Financial Statements – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 12 through 49 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits to its employees.

The required supplementary information can be found on pages 50 through 56 of this report.

The combining statements, referred to earlier in connection with other governmental funds and internal service funds, are presented immediately preceding the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, entity-wide assets exceed liabilities by \$21,760,364 as of December 31, 2015.

TOWNSHIP OF SHALER
CONDENSED STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,076,114	\$ 1,069,297	\$ 7,145,411
Accounts receivable	2,193,394	1,252,892	3,446,286
Other	10,082,553	5,148,422	15,230,975
Total Assets	18,352,061	7,470,611	25,822,672
Deferred Outflows of Resources	2,160,298	-	2,160,298
Liabilities:			
Accounts payable	191,852	463,405	655,257
Accrued payroll/benefits	110,996	3,590	114,586
Other liabilities	506,139	50,581	556,720
Long-term obligations	4,213,642	47,373	4,261,015
Total Liabilities	5,022,629	564,949	5,587,578
Deferred Inflows of Resources	635,028	-	635,028
Net Position:			
Net investment in capital assets	8,153,714	5,136,126	13,289,840
Restricted	1,860,954	-	1,860,954
Unrestricted net position*	4,840,034	1,769,536	6,609,570
Total Net Position*	\$ 14,854,702	\$ 6,905,662	\$ 21,760,364

*As noted in the Financial Highlights section, net position was restated for 2014 due to the cumulative effect of implementation of GASB Statement No. 68. Please see Note 6 for more detailed information.

The balance of unrestricted net position as of December 31, 2015 was \$6,609,570 and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position, both for the government as a whole, as well for its separate governmental and business-type activities.

Governmental Activities – Governmental activities increased the Township's net position by \$1,418,431. The primary reason for this was due to continuing increased revenues for the Township's property and earned income taxes. The implementation of Act 32 for regional collection of earned income tax has resulted in increased revenues for the Township for the past four years.

Business-Type Activities – Business-type activities increased the Township’s net position by \$491,954. This is due to reduced spending in sanitary sewer maintenance and repairs.

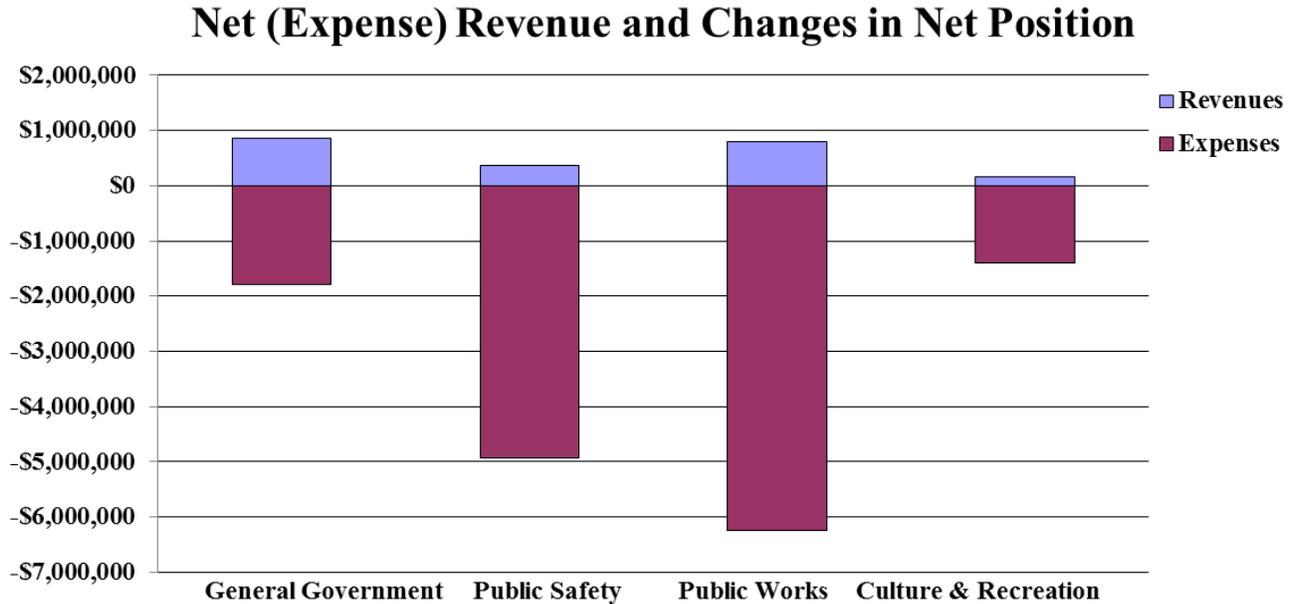
**TOWNSHIP OF SHALER
CONDENSED CHANGE IN NET POSITION
NET (EXPENSES) REVENUES
YEAR ENDED DECEMBER 31, 2015**

Details of these increases for the governmental activities are as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Net (expenses) revenues:</u>			
Primary government:			
General government	\$ (942,341)	\$ -	\$ (942,341)
Public safety	(4,565,123)	-	(4,565,123)
Public works	(5,443,364)	-	(5,443,364)
Culture and recreation	(1,249,467)	-	(1,249,467)
Interest	(2,949)	-	(2,949)
Total primary government	<u>(12,203,244)</u>	<u>-</u>	<u>(12,203,244)</u>
Business-type activities:			
Sewer operations	-	713,464	713,464
Total business-type activities	<u>-</u>	<u>713,464</u>	<u>713,464</u>
Total net (expenses) revenues	<u>(12,203,244)</u>	<u>713,464</u>	<u>(11,489,780)</u>
<u>General revenues:</u>			
Taxes:			
Real estate	4,293,734	-	4,293,734
Earned income	4,005,133	-	4,005,133
Real estate transfer	390,795	-	390,795
Local service	192,100	-	192,100
Mechanical device	28,200	-	28,200
Sales tax	497,085	-	497,085
Investment income, rents, and royalties	268,450	223	268,673
Intergovernmental	339,508	-	339,508
Refunds from prior year expenses	659,929	-	659,929
Miscellaneous	113,735	3,021	116,756
Transfers	224,754	(224,754)	-
Total general revenues	<u>11,013,423</u>	<u>(221,510)</u>	<u>10,791,913</u>
Change in Net Position	(1,189,821)	491,954	(697,867)
Net Position - beginning of year, as restated	<u>16,044,523</u>	<u>6,413,708</u>	<u>22,458,231</u>
Net Position - end of year	<u>\$ 14,854,702</u>	<u>\$ 6,905,662</u>	<u>\$ 21,760,364</u>

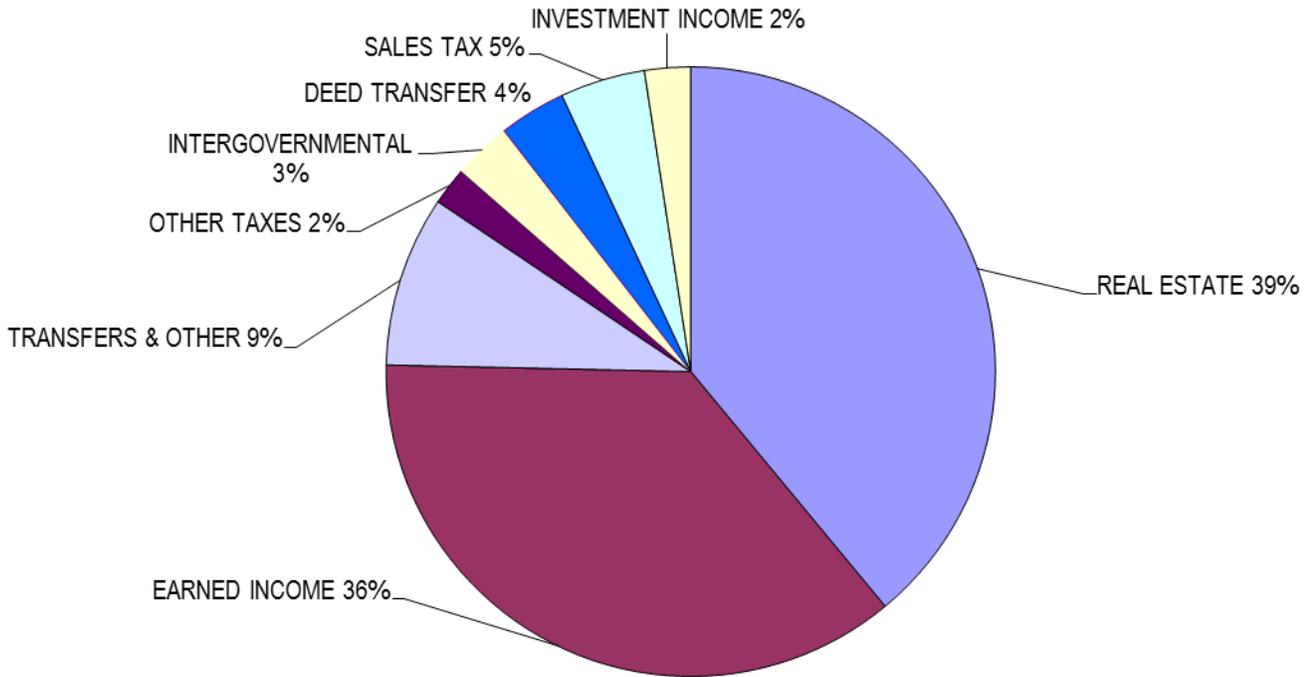
**TOWNSHIP OF SHALER
NET (EXPENSE) REVENUE
AND CHANGE IN NET POSITION
AS OF DECEMBER 31, 2015**

The following chart reflects the net expense, by budget category for the calendar year 2015. Offsetting revenues include all charges for services by department and operating grants. This includes such revenues as Liquid Fuels Tax, Foreign Fire Insurance Payments, and all state and local grants.



Total general revenues and transfers for the year 2015 were \$11,013,423 for governmental activities. The following chart details these expenditures by percentage of this total amount. Consistent with past history, property tax and earned income tax are equally important to support the activities of the General Fund. This equalization is common in municipalities with the demographics of the Township with a high percentage of elderly population and primarily residential tax base. Supporting documentation is available in the following financial reports.

**TOWNSHIP OF SHALER
REVENUES BY CATEGORY
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
REVENUES BY CATEGORY**



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The focus of the Township’s governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Township’s financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township’s governmental funds reported a combined ending fund balance for capital projects of \$2,676,526, a decrease of \$509,429 from the prior year.

The General Fund is the chief operating fund of the Township. Total unassigned governmental fund balance as of December 31, 2015 is \$3,365,859. This is a decrease of \$888,527 from the previous year. This decrease was a result of a reduction in revenues from 2014 to 2015. The Township had unexpected revenues from insurance claims in 2014 as well as higher revenues from a repayment of an advancement of funds from Etna Borough for participation in a joint paving program in 2014 as compared to 2015.

TOWNSHIP OF SHALER
CONDENSED STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015

Proprietary Funds – The Township’s proprietary funds provide the same type of information found in the government-wide financial statements. They are reported separately as they are business-type funds and revenues and expenditures must be recorded separately to demonstrate the profits and losses of the business.

The following charts provide the detail of the information contained on page 7 of this report regarding the business-type activities of the Township.

	Sanitary Sewer
Assets	
Cash and cash equivalents	\$ 1,069,297
Accounts receivable	1,252,892
Prepaid expenses	12,296
Non-current assets	5,136,126
Total Assets	\$ 7,470,611
Liabilities and Net Position	
Liabilities:	
Current liabilities	\$ 517,576
Long-term liabilities	47,373
Total Liabilities	564,949
Net Position:	
Net investment in capital assets	5,136,126
Unrestricted	1,769,536
Total Net Position	6,905,662
Total Liabilities and Net Position	\$ 7,470,611

TOWNSHIP OF SHALER
CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

Below is the detail of revenues and expenditures of the business-type activities for the year 2015:

	Sanitary Sewer
Operating revenues	\$ 5,463,446
Operating expenses	4,746,961
Operating Income (Loss)	716,485
Non-operating revenues (expenses)	223
Net Income (Loss) Before Transfers	716,708
Transfers in	-
Transfers out	(224,754)
Change in Net Position	491,954
Net Position - beginning of year	6,413,708
Net Position - end of year	\$ 6,905,662

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and the final actual revenues were \$499,871 more than anticipated. The largest increases were in earned income taxes, charges for services, and miscellaneous.

The difference between original budget and final actual expenditures totaled \$534,797 more than budget. On the expenditure side, the public safety category was \$560,165 less than the budgeted allowance. This is due to reduced personnel costs for wages and benefits and continued efforts to control overtime as well as controlling expenditures. Conversely, the public works category was \$1,272,680 more than the budgeted allowance. This is due to the 2015 snow removal season going beyond budgeted expectations and resulted in increased expenditures for both the purchase of bulk rock salt and overtime wages paid to public works employees. Additionally, the Township approved additional road paving for 2015 in the amount of \$609,527. This amount includes advance funds paid on behalf of Etna Borough for the joint road paving program. Etna reimbursed the Township for their portion of the contract award.

The Township's management utilizes the budget process and budget document as an accurate projection of expected revenues and expenditures. As is often the case, the Township's management encounters issues and problems throughout the year that have not been accounted for in the budget document; however, expenditures must be approved to correct the problem.

Conversely, the Township also received unanticipated revenues throughout the year. These revenues are deposited into the General Fund and applied to the unanticipated projects that occur throughout the year.

CAPITAL ASSETS

Capital Assets – The Township’s investment in capital assets as of December 31, 2015 for its governmental activities totals \$8,153,714 and business-type activities amounts to \$5,136,126. These numbers are net of accumulated depreciation. This investment in capital assets includes land, building and system, improvements, machinery and equipment, park facilities, storm, road, bridges, public works infrastructure, and sanitary sewer infrastructure. A complete breakdown of the Township’s capital assets can be found on pages 30 and 31 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the Township has an outstanding total debt of \$769,541. The entire amount is attributed to governmental activities. There is a corresponding receivable from Hampton Shaler Water Authority (HSWA) on the statement of net position as HSWA assumed the responsibility of making these debt payments.

Detail of the debt proceeds and projects are outlined on pages 33 and 34 of this report.

A breakdown of the Township’s debt follows:

**TOWNSHIP OF SHALER
LONG-TERM DEBT
GENERAL OBLIGATION AND OTHER DEBT**

	December 31, 2015
Governmental activities:	
General obligation bonds:	
Series B of 1992	\$ 769,541

ECONOMIC FACTORS AND PROJECTED 2015 BUDGET AND RATES

The Township is a suburban community located in the North Hills of Pittsburgh. It is surrounded by Hampton, Reserve, Ross, O’Hara, and Indiana Townships and Millvale, Etna, and Sharpsburg Boroughs. Primarily a bedroom community, there is very little commercial and industrial development. The commercial and retail development is concentrated along the three main corridors, Route 8, Mt. Royal Boulevard, and Babcock/Evergreen Avenues. The following is a brief description of the housing values, population, and economics which have a direct impact on the Township.

PROPERTY TAXES

The average 2015 Allegheny County assessment of a residential home in the Township is \$126,261. This value is well below the average housing value in the North Hills. The Township lacks a heavily concentrated commercial corridor such as McKnight Road in Ross and

McCandless Townships. The Township is primarily a residential community with small to moderate housing stock and very affordable housing for first time home buyers and “downsizing” seniors. Current housing plans consist of homes built in the 1940-50’s with two to three bedrooms and single car garages or on-street parking. Many of these homes have been selling quite quickly if they are priced within market range as “affordable housing.” This is a very promising sign to Township management. Minimal new housing plans have been developed over the past 20 years; however, vacant, buildable land is difficult to acquire and most new developments consist of only 25-35 new homes. Most building permits issued throughout the Township are for single lot developments, renovations or small additions.

MERCANTILE TAX

Due to the lack of a robust commercial corridor, the Township did not implement a mercantile tax. The ability to impose this tax has “sun set” and the potential for this tax is no longer available. Neighboring communities realize additional revenues of approximately \$3/\$3.5 million for General Fund use purposes including public safety expenses.

EARNED INCOME TAX

The senior citizen population of the Township is 20%. This high percentage greatly affects the earned income tax revenues of the Township. Although the 2015 actual revenues exceeded budget projections by over \$110,000, Township management attributes this to the implementation of the state-wide collection system. As the older population is selling their homes, younger families are moving into the Township; however, the senior citizen population in Shaler Township is well above surrounding communities.

LOCAL SERVICES TAX

The Township implemented the increase of the Local Service Tax from \$10 to \$52 in 2009. 2015 revenues from this line item totaled \$184,178. The Township assumed collection of this tax and identified many new taxpayers and increased collections for this tax. Collection costs are minimal for this revenue, as in-house staffing is utilized.

ECONOMIC EFFECTS FACING THE TOWNSHIP

Although economically sound, the Township of Shaler continues to face the same challenges facing many communities. The current economic conditions impact the number of vacant homes in the Township as well as the number of earned income tax payers. The development of the new Giant Eagle shopping complex has been an asset to the community and is the only area of development along the Route 8 corridor. There have been a limited number of housing developments in the Township and most of the buildable land has been utilized.

TOWNSHIP REVENUES/EXPENDITURES

The two primary sources of revenue for the Township are property and earned income tax. Both of these revenue sources have remained relatively flat for a ten-year period. The Township is required, with the passage of state law, to merge the earned income tax collection with the northern area of Allegheny County; this will have significant impact on cash flow for a major funding source.

The public safety budget for the police department for 2015 totals \$5,063,274. The police department consumes 40.2% of the total General Fund budget. The 2015 allocation to the public works department totals \$4,445,650, which represents 35.3% of the total budget. All other municipal departments including administration, parks, and recreation have a total budget allocation of \$3,087,339 for the remaining 24.5% of the total budget.

ECONOMIC OUTLOOK

Once again for 2016, the Board of Commissioners and Township management are concerned about the ever increasing personnel costs for all employees. The Township has one of the highest monthly premium rates for employee healthcare in the MBS consortium. The movement of a self-insured trust has helped limit the increase in annual health care costs. The monthly family rate of \$1,809 has remained unchanged since 2014 and continues to be one of the highest expenses in the Township of Shaler's annual budget. Township leadership has undertaken many aggressive cost cutting measures with regards to employee and retiree benefits. The 2013 Police contract was negotiated that all new hires do not receive retiree health care and the management plan was significantly reduced in an effort to control spiraling costs. In 2015, the Township negotiated an increase health care contribution from the unionize public works department. Employees contribute an estimated \$52,550 towards the cost of health care. Township leadership is to be commended for this aggressive action and progressive thinking for the future.

Any emergency that presents itself throughout the year must be addressed without regard to the cost of addressing the emergency. This includes potential flooding in low laying areas, snow storms that require extraordinary personnel, and supply costs. The Township is in the business of providing public services and all of these issues must be addressed immediately to ensure the safety of all residents. Each of these events has an impact on the municipal budget and the governing Board of Commissioners and management must find funding for these events, regardless of costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the financial affairs of the Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance and Administration, Shaler Township, 300 Wetzel Road, Glenshaw, PA 15116 or Jkording@shaler.org.

TOWNSHIP OF SHALER

STATEMENT OF NET POSITION

DECEMBER 31, 2015

Assets	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Shaler North Hills Library	Shaler EMS
Cash and cash equivalents	\$ 6,076,114	\$ 1,069,297	\$ 7,145,411	\$ 618,262	\$ 56,971
Accounts receivable:					
Taxes, net of allowance of \$746,381	962,133	-	962,133	-	-
Sewer, net of allowance of \$225,771	-	1,252,892	1,252,892	-	-
Hampton Shaler Water Authority	805,603	-	805,603	-	-
Other	425,658	-	425,658	-	138,294
Prepaid expenses	126,645	12,296	138,941	-	12,612
Net pension asset	1,802,194	-	1,802,194	-	-
Capital assets not being depreciated	2,050,468	-	2,050,468	-	-
Capital assets, net of accumulated depreciation	4,529,355	3,587,237	8,116,592	432,525	747,331
Infrastructure assets, net of accumulated depreciation	1,573,891	1,548,889	3,122,780	-	-
Total Assets	18,352,061	7,470,611	25,822,672	1,050,787	955,208
Deferred Outflows of Resources					
Deferred outflows of resources for pension	2,160,298	-	2,160,298	-	-
Liabilities					
Accounts payable	191,852	463,405	655,257	4,999	3,395
Accrued payroll and related benefits	110,996	3,590	114,586	-	32,958
Escrow deposits	-	50,581	50,581	-	-
Other liabilities	55,077	-	55,077	-	-
Unearned revenue	-	-	-	-	65,992
Accrued interest payable	36,062	-	36,062	-	-
Long-term debt, current portion	415,000	-	415,000	-	-
Compensated absences	459,987	2,001	461,988	-	-
Net pension liability	226,300	-	226,300	-	-
Net other post-employment benefits obligation	3,172,814	45,372	3,218,186	-	-
Long-term debt, long-term portion	354,541	-	354,541	-	-
Total Liabilities	5,022,629	564,949	5,587,578	4,999	102,345
Deferred Inflows of Resources					
Deferred inflows of resources for pension	635,028	-	635,028	-	-
Net Position					
Net investment in capital assets	8,153,714	5,136,126	13,289,840	432,525	747,331
Restricted for:					
State Liquid Fuels	58,760	-	58,760	-	-
Pension	1,802,194	-	1,802,194	-	-
Unrestricted	4,840,034	1,769,536	6,609,570	613,263	105,532
Total Net Position	\$ 14,854,702	\$ 6,905,662	\$ 21,760,364	\$ 1,045,788	\$ 852,863

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	Shaler North Hills Library	Shaler EMS
Primary Government:									
Governmental activities:									
General government	\$ 1,794,669	\$ 808,095	\$ 44,233	\$ -	\$ (942,341)	\$ -	\$ (942,341)	\$ -	\$ -
Public safety	4,936,569	202,427	169,019	-	(4,565,123)	-	(4,565,123)	-	-
Public works	6,243,245	108,924	690,957	-	(5,443,364)	-	(5,443,364)	-	-
Culture and recreation	1,401,287	151,820	-	-	(1,249,467)	-	(1,249,467)	-	-
Interest	2,949	-	-	-	(2,949)	-	(2,949)	-	-
Total governmental activities	14,378,719	1,271,266	904,209	-	(12,203,244)	-	(12,203,244)	-	-
Business-type activities:									
Sewer	4,746,961	5,460,425	-	-	-	713,464	713,464	-	-
Total business-type activities	4,746,961	5,460,425	-	-	-	713,464	713,464	-	-
Total primary government	\$ 19,125,680	\$ 6,731,691	\$ 904,209	\$ -	(12,203,244)	713,464	(11,489,780)	-	-
Component Units:									
Shaler North Hills Library	\$ 1,102,384	\$ 43,453	\$ 1,044,858	\$ -				(14,073)	
Shaler EMS	\$ 1,161,899	\$ 701,038	\$ 383,186	\$ 37,840					(39,835)
General revenues:									
Taxes:									
Real estate					4,293,734	-	4,293,734	-	-
Earned income					4,005,133	-	4,005,133	-	-
Real estate transfer					390,795	-	390,795	-	-
Local service					192,100	-	192,100	-	-
Mechanical device					28,200	-	28,200	-	-
Sales					497,085	-	497,085	-	-
Investment income, rents, and royalties					268,450	223	268,673	55	-
Intergovernmental					339,508	-	339,508	-	-
Refunds from prior year expenses					659,929	-	659,929	-	-
Miscellaneous					113,735	3,021	116,756	16,618	54,620
Transfers					224,754	(224,754)	-	-	-
Total general revenues and transfers					11,013,423	(221,510)	10,791,913	16,673	54,620
Change in Net Position					(1,189,821)	491,954	(697,867)	2,600	14,785
Net Position - beginning of year, as restated					16,044,523	6,413,708	22,458,231	1,043,188	838,078
Net Position - end of year					\$ 14,854,702	\$ 6,905,662	\$ 21,760,364	\$ 1,045,788	\$ 852,863

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

Assets	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,354,795	\$ 2,662,559	\$ 58,760	\$ 6,076,114
Accounts receivable:				
Taxes, net of allowance of \$746,381	962,133	-	-	962,133
Other	411,691	13,967	-	425,658
Prepaid expenditures	126,645	-	-	126,645
Total Assets	\$ 4,855,264	\$ 2,676,526	\$ 58,760	\$ 7,590,550
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 191,852	\$ -	\$ -	\$ 191,852
Accrued payroll and related benefits	110,996	-	-	110,996
Other liabilities	55,077	-	-	55,077
Total Liabilities	357,925	-	-	357,925
Deferred Inflows of Resources:				
Unavailable revenue - taxes	962,133	-	-	962,133
Fund Balance:				
Nonspendable:				
Prepays	126,645	-	-	126,645
Restricted:				
Liquid Fuels	-	-	58,760	58,760
Committed:				
Loans	42,702	1,467	-	44,169
Assigned:				
Capital improvements	-	2,675,059	-	2,675,059
Unassigned	3,365,859	-	-	3,365,859
Total Fund Balance	3,535,206	2,676,526	58,760	6,270,492
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,855,264	\$ 2,676,526	\$ 58,760	\$ 7,590,550

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

Total Fund Balance - Governmental Funds \$ 6,270,492

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, are not reported in the funds. 8,153,714

Certain taxes are not available to pay for current-period expenditures and, therefore, are shown as unavailable in the funds. 962,133

Deferred outflows/inflows of resources for pension are recorded and amortized in the statement of net position. Additionally, deferred outflows/inflows of resources for pension are not recorded on the governmental fund financial statements. 1,525,270

Long-term assets are not due and receivable in the current period and, therefore, are not reported in the funds. Long-term assets at year-end consisted of the net pension asset reflected on the statement of net position. 1,802,194

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In addition, the balance due from Hampton Shaler Water Authority for future debt payments is not recorded on government funds as such amounts are not due in the current period. Long-term liabilities, net of amounts receivable from Hampton Shaler Water Authority, at year-end consist of:

Bonds payable	\$ (769,541)	
Accrued interest on bonds	(36,062)	
Accounts receivable from Hampton Shaler Water Authority	805,603	
Compensated absences	(459,987)	
Net pension liability	(226,300)	
Net other post-employment benefits obligation	(3,172,814)	(3,859,101)

Total Net Position - Governmental Activities \$ 14,854,702

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Real estate	\$ 4,290,915	\$ -	\$ -	\$ 4,290,915
Earned income	4,088,848	-	-	4,088,848
Real estate transfer	390,795	-	-	390,795
Local service	184,178	-	-	184,178
Mechanical device	28,200	-	-	28,200
Sales	497,085	-	-	497,085
Total taxes	9,480,021	-	-	9,480,021
Licenses, permits, and fees	679,222	-	-	679,222
Fines, forfeitures, and penalties	48,780	-	-	48,780
Investment income, rents, and royalties	160,469	107,890	91	268,450
Intergovernmental	552,760	-	690,957	1,243,717
Charges for services	543,264	-	-	543,264
Miscellaneous	113,735	-	-	113,735
Total revenues	11,578,251	107,890	691,048	12,377,189
Expenditures:				
Current:				
General government	1,178,187	-	-	1,178,187
Public safety	4,503,109	-	-	4,503,109
Public works	5,718,330	-	706,213	6,424,543
Culture and recreation	888,058	-	-	888,058
Miscellaneous	405,427	-	-	405,427
Contribution to component unit	435,000	194,090	-	629,090
Debt service	2,949	415,000	-	417,949
Capital outlay	-	643,630	-	643,630
Total expenditures	13,131,060	1,252,720	706,213	15,089,993
Excess (Deficiency) of Revenues over Expenditures	(1,552,809)	(1,144,830)	(15,165)	(2,712,804)
Other Financing Sources (Uses):				
Refunds of prior years expenditures	439,528	635,401	-	1,074,929
Transfers in	289,971	-	-	289,971
Transfers out	(65,217)	-	-	(65,217)
Total other financing sources (uses)	664,282	635,401	-	1,299,683
Net Change in Fund Balance	(888,527)	(509,429)	(15,165)	(1,413,121)
Fund Balance:				
Beginning of year	4,423,733	3,185,955	73,925	7,683,613
End of year	\$ 3,535,206	\$ 2,676,526	\$ 58,760	\$ 6,270,492

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balance - Governmental Funds \$ (1,413,121)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded capital disposals and depreciation in the current period.

Capital outlays	1,500,042	
Capital disposals	(15,186)	
Depreciation expense	<u>(722,156)</u>	<u>762,700</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (72,974)

Changes in the net pension asset and liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. (166,922)

Amounts to fund compensated absences and post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (299,504)

Change in Net Position of Governmental Activities \$ (1,189,821)

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2015

	Business-Type Activities Enterprise Fund	
	Sanitary Sewer	
Assets		
Current assets:		
Cash and cash equivalents	\$	1,069,297
Accounts receivable, net of allowance of \$225,771		1,252,892
Prepaid expenses		12,296
Total current assets		2,334,485
Non-current assets:		
Capital assets, net of accumulated depreciation		3,587,237
Infrastructure assets, net of accumulated depreciation		1,548,889
Total non-current assets		5,136,126
Total Assets		7,470,611
Liabilities		
Current liabilities:		
Accounts payable		463,405
Accrued payroll liabilities		3,590
Escrow deposits		50,581
Total current liabilities		517,576
Long-term liabilities:		
Compensated absences		2,001
Net other post-employment benefits obligation		45,372
Total long-term liabilities		47,373
Total Liabilities		564,949
Net Position		
Net investment in capital assets		5,136,126
Unrestricted		1,769,536
Total Net Position	\$	6,905,662

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Fund
	Sanitary Sewer
Operating Revenues:	
Charges for services	\$ 5,460,425
Miscellaneous	3,021
Total operating revenues	5,463,446
Operating Expenses:	
Personnel expenses	268,440
Treatment charges	4,012,196
Other operating expenses	218,920
Depreciation expense	247,405
Total operating expenses	4,746,961
Operating Income (Loss)	716,485
Non-Operating Revenues (Expenses):	
Investment income	223
Net income (loss) before transfers	716,708
Transfers out	(224,754)
Change in Net Position	491,954
Net Position:	
Beginning of year	6,413,708
End of year	\$ 6,905,662

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Fund
	Sanitary Sewer
Cash Flows From Operating Activities:	
Receipts from customers and users	\$ 5,459,478
Payments to employees	(264,495)
Payments for treatment charges	(4,012,196)
Other payments	(193,560)
Net cash provided by (used in) operating activities	989,227
Cash Flows From Non-Capital Financing Activities:	
Transfer (to) from other funds	(224,754)
Cash Flows From Capital and Related Financing Activities:	
Purchases of capital assets	(620,744)
Cash Flows From Investing Activities:	
Investment income	223
Net Increase (Decrease) in Cash and Cash Equivalents	143,952
Cash and Cash Equivalents:	
Beginning of year	925,345
End of year	\$ 1,069,297
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 716,485
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	247,405
Loss on disposal of capital assets	16,229
Change in:	
Accounts receivable	(947)
Net other post-employment benefits obligation	3,945
Escrow deposits	6,110
Total adjustments	272,742
Net cash provided by (used in) operating activities	\$ 989,227

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2015

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 541,767	\$ 11,184
Investments (at fair value):		
U.S. government obligations	4,187,943	-
Corporate debt	7,339,310	-
Equities	15,902,792	-
Other bonds	65,390	-
Mutual funds	3,993,341	-
Total Assets	<u>32,030,543</u>	<u>\$ 11,184</u>
Liabilities	<u>-</u>	<u>\$ 11,184</u>
Net Position Restricted for Pension Benefits	<u>\$ 32,030,543</u>	

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	Pension Trust Funds
Additions:	
<hr/>	
Contributions:	
Employer (including state aid)	\$ 367,006
Employee	299,374
	<hr/>
Total contributions	666,380
	<hr/>
Investment income (loss):	
Net increase (decrease) in fair value of investments	(1,039,107)
Interest and dividends	788,992
	<hr/>
Total investment income (loss)	(250,115)
	<hr/>
Total additions	416,265
	<hr/>
Deductions:	
<hr/>	
Benefits	1,430,936
Administrative expense	188,231
	<hr/>
Total deductions	1,619,167
	<hr/>
Increase (Decrease) in Plan Net Position	(1,202,902)
	<hr/>
Net Position Restricted for Pension Benefits:	
<hr/>	
Beginning of year	33,233,445
	<hr/>
End of year	\$ 32,030,543
	<hr/> <hr/>

See accompanying notes to financial statements.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Shaler (Township) operates under the First Class Township Code (Code). In accordance with the Code, the Township is governed by an elected Board of seven Commissioners (Board) and a manager/secretary who is appointed by the Board. The Township covers approximately 10.74 square miles and has a population of approximately 30,000. The Township provides services to its residents in many areas, including various general government services, public safety, highway maintenance, sanitation, and culture and recreation.

In evaluating the Township as a primary government, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the Township reviews the applicability of the following criteria:

The Township is financially accountable for:

1. Organizations that make up the legal entity.
2. Legally separate organizations if the Board appoints a voting majority of the organizations' governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.
 - a. Impose its Will - If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden - Exists if the Township (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the Township. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the Township.

Described below is a brief description of the component units meeting the above criteria, which are included within the financial reporting entity as discrete presentations. The discretely presented component units are reported in a separate column in the

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

government-wide financial statements to emphasize that they are legally separate from the government:

Shaler North Hills Library

The Shaler North Hills Library (Library) is a nonprofit educational institution organized under Internal Revenue Service Code Section 501(c)(3) and is considered exempt from taxes under this section. The Library is primarily funded through contributions by the Township, Allegheny County Library Association, and various Commonwealth of Pennsylvania operating grants. The Board appoints the Board of Directors of the Library.

The financial statements have been presented on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

The Library donated the facilities to the Township in 1985.

The Library issues separate financial statements, which are available at the Library, 1822 Mt. Royal Boulevard, Glenshaw, PA 15116.

Shaler Area Emergency Medical Services, Inc.

Shaler Area Emergency Medical Services, Inc. (Shaler EMS) was organized and incorporated in 1993 as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is considered exempt from taxes under this section. Shaler EMS was formed for the purpose of providing emergency medical services to residents of the Township and other surrounding communities. Shaler EMS has entered into mutual aid agreements with neighboring organizations in order to provide its service area with continuous emergency ambulance care. In addition, Shaler EMS provides non-emergency medical transport services on a fee-for-service basis.

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Shaler EMS issues separate financial statements, which are available at the Shaler EMS, 339 Wetzell Road Glenshaw, PA 15116.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes, earned income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

compensated absences, pension and net other post-employment benefit obligations, and claims and judgments, are recorded only when payment is due.

The proprietary and pension funds are reported using the economic resources measurement of focus and the accrual basis of accounting. The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 accounted for by providing a separate set of self-balancing accounts that measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for and reported in another fund.

The *Capital Projects Fund*, accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (excluding those financed by proprietary funds).

The Township reports the following major proprietary fund:

The *Sanitary Sewer Fund* records transactions related to providing sewer services to Township residents. This Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the Township reports the following other fund information:

The *Non-Major Governmental Funds* is comprised of one Special Revenue Fund which is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Township uses the following Special Revenue Fund: Liquid Fuels.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The *Pension Trust Funds*, accounts for assets held by the Township in a trustee capacity for the future payment of retirement benefits to employees. The Township has three separate Pension Trust Funds: Police, Union, and Non-Union Pension Funds.

The *Agency Funds*, Local Service Tax and Earned Income Tax, are used to account for taxes collected on behalf of the Township and the Shaler Area School District. The role is purely custodial; all assets reported in these funds are offset by a liability to the party on whose behalf they are held.

D. Interfund Activity in the Government-wide Statements

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's governmental activities, business-type activities, and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Revenue Classification of Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's Sanitary Sewer Funds are charges to customers for sales and services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Budgets and Budgetary Accounting

An annual appropriated budget was adopted in 2015 for the General Fund.

The Township uses the following procedures in establishing the budgetary data reflected in the financial statements.

- The proposed budget is published or made available for public inspection at least 20 days prior to the date set for the adoption of the budget.
- Final action shall not be taken on the proposed budget until after at least ten days public notice.
- The Board legally adopts the budget prior to December 31 each year.

TOWNSHIP OF SHALER

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Appropriations may be transferred between accounts within functions without approval of the Board. The Board has the authority to enact supplemental and emergency appropriations. No such appropriations were enacted in 2015. The legal level of control is at the departmental level.

For the year ended December 31, 2015, expenditures exceeded appropriations in the Public Works department, miscellaneous expenditures, and debt service. These overages were funded by greater than anticipated revenues and by available fund balance.

There are differences between the budget amounts on the cash basis of accounting and the actual amounts on the modified accrual basis of accounting reported in accordance with generally accepted accounting principles. The differences are due to taxes receivable, accounts receivable, prepaids, accounts payable, accrued payroll, and unearned revenue not being recognized on the cash basis of accounting and are not considered to be material.

G. Cash and Cash Equivalents

The Township considers all cash and cash equivalents in demand deposits and investments with maturities of three months or less at the time of purchase to be cash and cash equivalents.

H. Investments

Investments are reported at fair value. Funds are invested as described in Note 2.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. Sewer Receivables

Sewage user fees recorded by the proprietary fund are based upon water usage and are billed on a bi-monthly basis by Hampton Shaler Water Authority on behalf of the Township. These fees are recognized when earned. Benefit assessments and tap-in fees, which are a one-time charge billed to customers who are connecting to the existing wastewater systems, are recognized as revenue when billed to customers.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

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or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of three years. Computer equipment and software purchases with an individual cost of \$750 and an estimated useful life in excess of three years are also defined as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Infrastructure	7-50
Vehicles	3-15
Machinery, equipment, and fixtures	3-20

L. Compensated Absences

A liability as of December 31, 2015 for compensated absences is determined by the vacation and sick day payments that would be made if employees were to leave or retire from the Township. Compensated absences accrue when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees earn vacation, based upon their anniversary date for use during the current calendar year. The number of days earned each month varies depending upon length of service and union contracts.

Employees earn sick days based upon their contract and upon retirement employees are paid for the accumulated days up to and in accordance with their respective contracts.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as

TOWNSHIP OF SHALER

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liabilities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances are reported as other financing uses.

In both the government-wide and governmental fund financial statements, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period costs.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category in conjunction with pension accounting requirements. The net difference between projected and actual earnings on pension plan investments is recorded as deferred outflows of resources related to pensions on the government-wide financial statements. This amount is determined based on an actuarial valuations performed for the plan. Note 6 presents additional information about the pension plan.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has the following items that qualify for reporting in this category:

Unavailable revenue is reported only on the balance sheet and represents property and other taxes which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available.

In conjunction with pension accounting requirements, the difference between expected and actual experience is recorded as a deferred inflow of resources related to pensions on the government-wide financial statements. This amount is determined based on the actuarial valuation performed for the pension plan.

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O. Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraints placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes 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. This category includes funds that are legally restricted for liquid fuels related expenditures and funds that are restricted related to the net pension asset.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a majority vote of the Board and must be made prior to the end of the year. Removal of this commitment requires a majority vote of the Board. The Township has committed funds relating to loans receivable from various non-profit and government agencies.
- Assigned – This category represents intentions of the Board to use the funds for specific purposes. The Board has delegated the authority to assign amounts to be used for specific purposes to the Finance Officer, with approval from the Finance Committee for formal motion. This category includes amounts set aside for capital improvements.
- Unassigned – This category includes the residual classification for the Township's General Fund and includes all spendable amounts not contained in other classifications.

The Township's policy is to use funds in the order of the most restrictive to the least restrictive.

P. Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or

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improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – This component of net position consists of restricted assets reduced by liabilities, and deferred inflows of resources related to those assets. Generally, a liability relates to 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 reported.
- Unrestricted – This component of net position is 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.

Q. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Risk

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees; and natural disasters. Except for workmen's compensation (see Note 10), these risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past five years.

S. Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) statements were adopted for the Township's 2015 financial statements.

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*." These statements establish new financial reporting requirements for most governments that provide their employees with pension benefits (see Note 6). As a

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result of this implementation, the government-wide net position for governmental activities as of January 1, 2015 was restated with an increase of \$2,608,252 to record the Township's net pension asset.

GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations.*" This Statement provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The Township has no mergers, acquisitions, or operations that have been transferred or sold to report.

T. Pending Pronouncements

GASB Statement No. 72, "*Fair Value Measurement and Application,*" effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, "*Accounting for 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,*" effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). This Statement establishes requirements for pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,*" effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ended December 31, 2017). This Statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43.

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,*" effective for fiscal years beginning after June 15, 2017 (the Township's financial statements for the year ending December 31, 2018). 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.

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GASB Statement No. 76, *“Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,”* effective for fiscal years beginning after June 15, 2015 (the Township’s financial statements for the year ending December 31, 2016). This Statement identifies the hierarchy of generally accepted accounting principles (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. This Statement supersedes Statement No. 55.

GASB Statement No. 77, *“Tax Abatement Disclosures,”* effective for fiscal years beginning after December 15, 2015 (the Township’s financial statements for the year ending December 31, 2016). 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 that they have on a government’s finances.

GASB Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,”* effective for fiscal years beginning after December 31, 2015 (the Township’s financial statements for the year ending December 31, 2016). This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *“Accounting and Financial Reporting for Pensions.”* The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants,”* effective for fiscal years beginning after June 15, 2015 (the Township’s financial statements for the year ending December 31, 2016). This Statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,”* effective for fiscal years beginning after June 15, 2016 (the Township’s financial statements for the year ending December 31, 2017). The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreement,”* effective for fiscal years beginning after December 31, 2016 (the Township’s financial statements for the year ending December 31, 2017). The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing

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recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,*" effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans,*" No. 68, "*Accounting and Financial Reporting for Pensions,*" and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*"

The effect of implementation of these statements has not yet been determined.

U. Shaler Area Emergency Services, Inc.

The following significant accounting policies relate only to Shaler EMS:

Unearned Subscription Revenue

Shaler EMS operates a subscription program that provides subscribers with services at a reduced rate. The subscriptions are for a twelve-month period, which runs from April 1st through March 31st, and entitle subscribers to a no-charge-back emergency medical service and discounts on non-emergency medical transports. Unearned subscription revenue represents amounts that are attributable to periods subsequent to December 31, 2015.

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers for services rendered.

Third-Party Contractual Adjustments

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Patient service revenue is adjusted as required in subsequent periods based on final settlements.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is recorded as a reduction of revenue to report receivables at their net realizable value. Estimates for uncollectible accounts are reported

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in the period for which the services are provided. Write-offs of uncollectible accounts receivable are approved by the Board of Directors based on accounts receivable aging reports.

Contributed Services

Although Shaler EMS pays some of their technicians for their services, Shaler EMS continues to have emergency medical technicians and paramedics who provide services to Shaler EMS at no charge. It is estimated that if Shaler EMS paid these individuals as employees, the total cost for the year ended December 31, 2015 would have been approximately \$24,000. Additionally, certain administrative services are contributed, which do not meet the requirements for recognition in the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. CASH, DEPOSITS, AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits and certificates of deposit or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township or Library.

Deposits

The following is a description of the Township's deposit and investment risks:

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2015, \$250,000 of the Township's \$4,582,329 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$4,442,410 as of December 31, 2015.

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Investments

The Township's cash equivalent investments in PLGIT, INVEST, and the Pension interest-bearing cash fund which is included in cash and cash equivalents on the respective balance sheet and statement of fiduciary net position, cannot be classified by risk category because the investment is not evidenced by securities that exist in physical or book entry form. Investments in pools managed by others or in mutual funds, which are not evidenced by specific securities, cannot be categorized. The underlying securities in these pools are held by either the counterparty or its custodial agent in a nominee name for the pool. These investments are not evidenced by specific securities relating to the Township's shares or units in the pool.

As of December 31, 2015, the entire fair value of the investments in PLGIT and INVEST of \$2,798,760 and \$17,513, respectively, is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet. These deposits have carrying amounts of \$2,685,488 and \$17,513, respectively, as of December 31, 2015.

The following is a description of the Township's investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2015, investments in PLGIT and INVEST have received an AAAM rating from Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Township does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. The Township has no investments of greater than 5% with one issuer.

Interest Rate Risk – The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates to instruments whose maturities do not exceed one year. All investments in PLGIT and INVEST have an average maturity of less than one year.

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Pension Trust Funds

The Pension Trust Funds' investments are held separately from those of other Township Funds. The Township's Pension Committees determine the investment managers for the Pension Trust Funds and meet periodically with the trustees to discuss the general categories of investments to be made. Currently, the types of investments agreed upon include U.S. Government Obligations and equity investments. Investments were consistent with those authorized.

As of December 31, 2015, the Township had the following cash, cash equivalents, and investments in its Pension Trust Funds:

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2015			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government obligations	\$ 4,187,943	\$ 3	\$ 1,186,200	\$ 1,801,569	\$ 1,200,171
Corporate debt	7,339,310	-	4,572,038	1,421,251	1,346,021
Other bonds	65,390	-	65,390	-	-
Total debt securities	<u>11,592,643</u>	<u>\$ 3</u>	<u>\$ 5,823,628</u>	<u>\$ 3,222,820</u>	<u>\$ 2,546,192</u>
Cash and cash equivalents	541,767				
Equities	15,902,792				
Mutual funds	<u>3,993,341</u>				
Total other investments	<u>20,437,900</u>				
Total Pension Trust Funds cash, cash equivalents, and investments reported on statement of fiduciary net position	<u><u>\$ 32,030,543</u></u>				

The following is a description of the Pension Trust Funds' deposit and investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2015, the Pension Trust Funds' investments in debt securities have received the following ratings from Moody's:

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Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Pension Trust Fund Debt Securities

Moody's Rating	Percentage of Total Pension Trust Fund Debt Securities
AAA	25.2%
AA1	3.4%
AA2	0.5%
AA3	1.3%
A1	5.6%
A2	5.9%
A3	4.9%
BAA1	3.7%
BAA2	1.0%
Not rated	48.5%
	100.0%

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. The Township’s investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2015, the Township’s entire pension cash, cash equivalents, and investment balance of \$32,030,543 (bank and book balance) was exposed to custodial credit risk. All of the Township’s Pension Trust Fund investments were uninsured and held by the counterparty, but not in the Township’s name. The counterparty is a member of the Securities Investor Protection Corporation (SIPC), which provides insurance coverage up to \$500,000 of the net equity balance, including up to \$250,000 in cash, in the event the counterparty fails, owing the Township cash and securities that are missing from their accounts. This coverage does not extend to losses incurred due to fraud, misrepresentation, or investment decisions.

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 individual investments that constituted more than 5% of plan net assets available for benefits that were required to be reported. In addition, the plans did not have any investment transactions with related parties during the year.

Interest Rate Risk – The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Agency Funds

The Township maintains bank accounts for the two agency funds. As of December 31, 2015, the bank balance of \$46,959 was insured by the Federal Deposit Insurance Corporation. These deposits have a carrying value of \$11,184 as of December 31, 2015.

Shaler North Hills Library

The deposit and investment policy of the Library adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or invested with registered investment companies. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Library.

Deposits and Investments

The following is a description of the Library's deposit and investment risk:

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a formal deposit policy for custodial credit risk. As of December 31, 2015, \$259,095 of the Library's bank balance of \$404,144 was insured by the FDIC. The remaining bank balance was exposed to custodial credit risk. These deposits have carrying amounts of \$439,137 as of December 31, 2015. The Library also maintains deposits totaling \$90,259 in money market accounts held with registered investment companies, which are included in cash and cash equivalents on the financial statements and would be exposed to custodial credit risk.

The Library also invests in PLGIT, which as noted above, cannot be classified by risk category because the investment is not evidenced by securities that exist in physical or book entry form. As of December 31, 2015, the fair value of the investment in PLGIT of \$88,866 is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet. As of December 31, 2015, investments in PLGIT have received an AAAM rating from Standard & Poor's.

Shaler Area Emergency Services, Inc.

Cash and cash equivalents include all short-term highly liquid investments with maturities from the date of purchase of three months or less.

Cash and cash equivalents are deposited in a financial institution that is insured by the FDIC. At December 31, 2015, the bank balance of Shaler EMS's deposits was \$64,236, which was insured by the FDIC. These deposits have carrying amounts of \$56,971 as of December 31, 2015.

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NOTES TO FINANCIAL STATEMENTS

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3. CAPITAL ASSETS

A summary of changes in capital assets during 2015 is as follows:

	Balance at January 1, 2015	Additions	Deletions	Reclass	Balance at December 31, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,050,468	\$ -	\$ -	\$ -	\$ 2,050,468
Capital assets, being depreciated:					
Land improvements	375,446	285,643	-	-	661,089
Infrastructure	15,686,272	293,971	(41,229)	-	15,939,014
Buildings and improvements	4,857,062	85,396	(29,435)	-	4,913,023
Furniture and equipment	3,107,091	293,365	(253,870)	-	3,146,586
Sewer systems and improvements	537,386	11,551	-	-	548,937
Vehicles	1,902,492	530,116	(151,662)	-	2,280,946
Total capital assets, being depreciated	<u>26,465,749</u>	<u>1,500,042</u>	<u>(476,196)</u>	<u>-</u>	<u>27,489,595</u>
Less accumulated depreciation for:					
Land and improvements	(318,582)	(13,704)	-	-	(332,286)
Infrastructure	(14,252,077)	(154,275)	41,229	-	(14,365,123)
Buildings and improvements	(3,173,611)	(109,950)	29,435	-	(3,254,126)
Furniture and equipment	(2,100,376)	(233,509)	253,870	-	(2,080,015)
Sewer systems and improvements	(86,443)	(21,380)	-	-	(107,823)
Vehicles	(1,194,114)	(189,338)	136,476	-	(1,246,976)
Total accumulated depreciation	<u>(21,125,203)</u>	<u>(722,156)</u>	<u>461,010</u>	<u>-</u>	<u>(21,386,349)</u>
Total capital assets, being depreciated, net	<u>5,340,546</u>	<u>777,886</u>	<u>(15,186)</u>	<u>-</u>	<u>6,103,246</u>
Total capital assets, net	<u>\$ 7,391,014</u>	<u>\$ 777,886</u>	<u>\$ (15,186)</u>	<u>\$ -</u>	<u>\$ 8,153,714</u>

TOWNSHIP OF SHALER

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	Balance at January 1, 2015	Additions	Deletions	Balance at December 31, 2015
Business-type activities:				
Infrastructure	\$ 1,207,332	\$ 525,072	\$ (16,229)	\$ 1,716,175
Buildings and improvements	1,672	-	-	1,672
Furniture and equipment	86,065	81,999	-	168,064
Sewer systems and improvements	10,049,533	13,673	-	10,063,206
Vehicles	410,586	-	-	410,586
	<u>11,755,188</u>	<u>620,744</u>	<u>(16,229)</u>	<u>12,359,703</u>
Less accumulated depreciation for:				
Infrastructure	(141,177)	(26,109)	-	(167,286)
Buildings and improvements	(878)	(167)	-	(1,045)
Furniture and equipment	(59,740)	(10,152)	-	(69,892)
Sewer systems and improvements	(6,644,557)	(179,200)	-	(6,823,757)
Vehicles	(129,820)	(31,777)	-	(161,597)
	<u>(6,976,172)</u>	<u>(247,405)</u>	<u>-</u>	<u>(7,223,577)</u>
Business-type activities capital assets, net	<u>\$ 4,779,016</u>	<u>\$ 373,339</u>	<u>\$ (16,229)</u>	<u>\$ 5,136,126</u>

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

Governmental activities:	
General government	\$ 102,552
Public safety	150,105
Public works	385,443
Economic development	1,056
Parks and recreation	83,000
Total depreciation expense - governmental activities	<u>\$ 722,156</u>
Business-type activities:	
Public works	<u>\$ 247,405</u>
Total depreciation expense - business-type activities	<u>\$ 247,405</u>

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Shaler North Hills Library

A summary of changes in capital assets during 2015 is as follows:

	Balance at January 1, 2015	Increase	Decrease	Balance at December 31, 2015
Books	\$ 966,907	\$ 80,688	\$ (106,609)	\$ 940,986
Audio visual equipment	95,847	16,000	(13,380)	98,467
Leasehold improvements	109,438	-	-	109,438
	1,172,192	96,688	(119,989)	1,148,891
Accumulated depreciation	(722,078)	(114,277)	119,989	(716,366)
Net capital assets	<u>\$ 450,114</u>	<u>\$ (17,589)</u>	<u>\$ -</u>	<u>\$ 432,525</u>

Shaler Area Emergency Services, Inc.

A summary of changes in capital assets during 2015 is as follows:

	Balance at January 1, 2015	Additions	Deletions	Balance at December 31, 2015
Building	\$ 806,339	\$ -	\$ -	\$ 806,339
Ambulance and transport equipment	404,011	-	(3,732)	400,279
Medical equipment	177,817	38,500	(5,073)	211,244
Office equipment	60,542	3,000	(27,873)	35,669
Total capital assets	1,448,709	41,500	(36,678)	1,453,531
Accumulated depreciation	(643,645)	(99,233)	36,678	(706,200)
Total capital assets, net	<u>\$ 805,064</u>	<u>\$ (57,733)</u>	<u>\$ -</u>	<u>\$ 747,331</u>

Depreciation expense was \$99,233 for the year ended December 31, 2015.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

4. INTERFUND TRANSFERS

Interfund transfers at December 31, 2015 are summarized below:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 289,971	\$ 65,217
Major Enterprise Fund:		
Sanitary Sewer Fund	-	224,754
Total	\$ 289,971	\$ 289,971

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The transfers made between the funds represent ongoing activity for the disbursements made from the General Fund.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	Balance at January 1, 2015	Issuance/ (Payments)	Accretion on Capital Appreciation Bonds	Balance at December 31, 2015
Governmental activities:				
General obligation bonds:				
Series B of 1992	\$ 1,117,003	\$ (415,000)	\$ 67,538	\$ 769,541
Compensated absences	462,009	(2,022)	-	459,987
	1,579,012	(417,022)	67,538	1,229,528
Business - type activities:				
Compensated absences	2,001	-	-	2,001
	\$ 1,581,013	\$ (417,022)	\$ 67,538	\$ 1,231,529

General Obligation Bonds, Series B of 1992, was issued to finance various capital projects. Series B Bonds are capital appreciation bonds with effective interest rates ranging from 5.6% to 6.9%. These bonds mature February and August in each year through 2017. The balance

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

reported above includes interest accreted through December 31, 2015. Due to the transfer of water operations by the Township in 2012, Hampton Shaler Water Authority (HSWA) has agreed to assume responsibility for paying the Township for all debt service payments required by the bond issuance until such is paid in full in accordance with the provisions of the Operating Agreement signed between the Township of Hampton and the Township. As such, an accounts receivable from HSWA was established by the Township equal to the outstanding obligation plus accrued interest as of December 31, 2015.

Annual debt service requirements are as follows:

	<u>Governmental Activities</u>
	<u>Principal</u>
2016	\$ 415,000
2017	415,000
	<u>830,000</u>
Less unaccreted interest	<u>(60,459)</u>
	<u>\$ 769,541</u>

6. PENSION PLANS

Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

Plan Descriptions

The Township has three single-employer defined benefit pension plans: the Police Plan, the Union Plan, and the Non-Union Plan (Plans). The Plans cover substantially all full-time employees. The Plans are governed by the Board of Commissioners of the Township which may amend plan provisions, and which is responsible for the management of plan assets. The Board of Commissioners has delegated the authority to manage certain plan assets to PNC Bank. The activity of the Plans is reported as the Pension Trust Fund in the accompanying financial statements. Separate plan financial statements are not available.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

	<u>Police</u>	<u>Union</u>	<u>Non-Union</u>
Inactive plan members or beneficiaries currently receiving benefits	23	32	20
Inactive plan members entitled to but not yet receiving benefits	0	2	5
Active plan members	26	24	16
Total plan members	<u>49</u>	<u>58</u>	<u>41</u>

Benefits Provided – Police Plan

Retirement Benefit – A participant is eligible for the normal retirement benefit at age 55 and completion of 25 years of service. Pension benefits become 100% vested after the completion of 12 years of service. The monthly pension benefit is equal to 50% of gross pay (excluding uniform allowance) averaged over the last 36 months of employment, plus a service increment of \$100 for service in excess of 26 years or more. For participants hired after January 1, 2001, pay excludes lump-sum sick leave buybacks.

Death Benefit – In the event of death before eligibility retirement, contributions plus interest are refunded. In the event of death after retirement eligibility, a monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive on the day of the participant's death is payable to the participant's spouse for life. If there is no spouse or the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until age 18, or age 22 if attending college.

Disability Benefit – A police officer that sustains total and permanent disability while in service is eligible for a monthly benefit equal to 75% of the participant's final monthly average salary at disablement.

Post-Retirement Adjustments – Effective on each anniversary of retirement, a retiree will receive an increase in the monthly benefit equal to the percentage increase in the Consumer Price Index. The total of all increases may not exceed 30% of the original benefit, nor may total benefit exceed 75% of the average monthly salary used to calculate the original benefit.

Vesting Benefit – The accrued benefit at date of termination is payable monthly starting at normal retirement date.

Benefits Provided – Union Plan

Retirement Benefit – A participant is eligible for the normal retirement benefit at age 65 and completion of 10 years of service. A participant is eligible for early retirement at age 55 and completion of 10 years of service. Pension benefits become 100% vested after completion of

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

10 years of service. The monthly pension benefit is equal to the applicable benefit multiplier multiplied by 1/12 of average annual compensation (highest 36-month average compensation prior to termination), multiplied by years of service, up to a maximum of 40 years. The benefit multiplier is 1.5% for participants who have less than 25 years of service, 1.8% for participants with 25 to 30 years of service, and 2.0% for participants with more than 30 years of service (80% cap). For participants electing early retirement, the participant will receive a monthly benefit equal to the accrued benefit reduced for each month benefit commencement precedes the normal retirement date.

Death Benefit – In the event of death after retirement, the normal form of payment is a life annuity. A joint and 50% survivor benefit, which is the actuarial equivalent of the normal form, may instead be elected at retirement.

Disability Benefit – For both service and non-service related disability, following age 40, the completion of 10 years of service, and qualification for Social Security disability benefits, a monthly pension based on average annual compensation and years of service (40 maximum) at the time of disablement will be payable.

Vesting Benefit – If eligible, participant will receive the accrued benefit (retirement benefit based on service at termination) payable at normal retirement, provided the participant has not withdrawn his or her accumulated employee contributions.

Benefits Provided – Non-Union Plan

Retirement Benefit – A participant is eligible for the normal retirement benefit at age 65 and completion of 10 years of service. A participant is eligible for early retirement at age 55 and completion of 10 years of service. Pension benefits become 100% vested after completion of 10 years of service. For participants hired prior to January 1, 2005, pension benefits become 100% vested after completion of eight years of service. The monthly pension benefit is equal to 1/12 of average annual compensation multiplied by years of service (up to 40 years) and the applicable benefit multiplier based upon the following schedule: a) less than 25 years of service, 1.5%, b) 25 to 30 years of service, 1.8%, and c) more than 30 years of service, 2.0%. For participants electing early retirement, the accrued benefit at date of actual retirement is reduced according to a table if the participant has completed less than 25 years of service (or under age 60 if hired after December 31, 2007). No reduction applies if the participant has completed at least 25 years of service (and reached age 60 if hired after December 31, 2007).

Death Benefit – In the event of death pre-retirement, a monthly benefit is payable to the participant's spouse for life starting at what would have been the participant's earliest retirement date (or immediately if death occurs after early retirement). The survivor benefit shall be equal to 50% of the participant's accrued benefit at the date of death, reduced for early commencement if applicable. In the event of death post-retirement, the normal form of

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

payment is a life annuity. An actuarial equivalent joint and 50% survivor annuity is available at the election of the participant.

Disability Benefit – For both service and non-service related disability, following age 40, the completion of 10 years of service, and qualification for social security disability benefits, the accrued benefit at date of disablement reduced by worker’s compensation, Social Security disability benefits, or any other disability benefit will be payable.

Vesting Benefit – The accrued benefit at termination is payable beginning at normal retirement age. Benefit is paid in lieu of a refund of contributions.

Contributions and Funding Policy

The Plans are funded by the Township on an annual basis pursuant to the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The Act requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan’s most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated participant contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the Township. During the year, the Township made their required contribution of \$205,720, \$17,404, and \$143,882 to the Police, Union, and Non-Union Plans, respectively, based upon the MMO.

Police officers are required to contribute 8% of covered payroll to the Police Plan, which is governed by the Plan’s governing ordinances and collective bargaining. Union employees are required to contribute 5% of covered payroll to the Plan, which is governed by the Plan’s governing ordinances and collective bargaining. Non-union employees are required to contribute 5% of covered payroll to the Plan, which is governed by the Plan’s governing ordinances.

Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Township’s net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2015. There were no plan changes between the January 1, 2015 valuation date and the December 31, 2015 liability measurement date. Standard actuarial techniques were used to roll forward the total pension liability from the valuation date to the measurement date.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The components of the net pension liability (asset) of the Plans at December 31, 2015 were as follows:

	Police	Union	Non-Union
Total pension liability	\$ 18,802,931	\$ 4,246,725	\$ 7,404,993
Plan fiduciary net position	(19,638,133)	(5,213,717)	(7,178,693)
Net pension liability (asset)	\$ (835,202)	\$ (966,992)	\$ 226,300
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.44%	122.77%	96.94%

Changes in the Net Pension Liability (Asset) – The changes in the net pension liability (asset) of the Township for the year ended December 31, 2015 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2014	\$ 29,966,425	\$ (33,233,445)	\$ (3,267,020)
Changes for the year:			
Service cost	-	-	-
Interest	539,166	-	539,166
Differences between expected and actual experience	2,176,008	-	2,176,008
Contributions - employer	(783,417)	367,006	(1,150,423)
Contributions - employee	-	299,374	(299,374)
Net investment income (loss)	-	(250,115)	250,115
Benefit payments, including refunds	(1,443,533)	(1,430,936)	(12,597)
Administrative expense	-	(188,231)	188,231
Net changes	488,224	(1,202,902)	1,691,126
Balances at December 31, 2015	\$ 30,454,649	\$ (32,030,543)	\$ (1,575,894)
Reconciliation to Statement of Net Position:			
Net pension asset			\$ (1,802,194)
Net pension liability			226,300
			\$ (1,575,894)
Plan fiduciary net position as a percentage of the total pension liability (asset)			-105.17%

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Actuarial Assumptions – The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2015 and rolled forward to December 31, 2015 using the following actuarial assumptions, applied to all periods in the measurement:

	Police	Union	Non-Union
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases	5.0%	5.0%	5.0%
Underlying inflation rate	3.0%	3.0%	3.0%
Cost-of-living adjustments	n/a	n/a	n/a

Police/Union: RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward five years for disabled lives; rates are projected to improve with 75% of scale AA. Non-Union: RP-2000 Combined Healthy Mortality Table, with rates set forward 5 years for disabled lives; rates are projected to improve with 75% of scale AA.

Changes in Actuarial Assumptions – No significant changes were made to the actuarial assumptions used in the 1/1/15 valuation since the previous actuarial valuation on 1/1/13.

Investment Policy – The Plan’s policies in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans’ target asset allocation as of December 31, 2015:

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	Police	Union	Non-Union	Police	Union	Non-Union
Equity	60.0%	60.0%	60.0%	6.3%	6.3%	6.3%
Fixed income	40.0%	40.0%	40.0%	2.0%	2.0%	2.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>			

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 rate of return on the Police, Union, and Non-Union Plan investments, net of investment expense, was -0.75%, -0.68%, and -0.88%, respectively.

Concentrations – At December 31, 2015, there were no individual investments that are required to be disclosed that constituted more than 5% of any of the Police, Union, and Non-Union Pension Plan net position available for benefits.

Discount Rate – The discount rate used to measure the total pension liability for the Plans was 7.5%. 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 employer contributions will be made equal to the MMO. Based on these assumptions, the pension plans' 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 presents the net pension liability (asset) 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:

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Police Plan	\$ 1,258,174	\$ (835,202)	\$ (2,596,451)
Union Plan	\$ 479,271	\$ (966,992)	\$ (1,361,645)
Non-Union Plan	\$ 961,935	\$ 226,300	\$ (421,864)

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 approximately \$545,594. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	Union	Non-Union
<u>Deferred Outflows of Resources:</u>			
Differences between projected and actual earnings on pension plan investments	\$ 1,319,210	\$ 349,762	\$ 491,326
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 433,813	\$ 169,835	\$ 31,380

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,	
2016	\$ 391,686
2017	391,686
2018	391,686
2019	396,164
2020	(45,952)
Thereafter	-

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Combining Statement of Plan Net Position

<u>Assets</u>	<u>Police</u>	<u>Union</u>	<u>Non-Union</u>	<u>Total</u>
Cash and cash equivalents	\$ 327,402	\$ 95,816	\$ 118,549	\$ 541,767
Due from other funds	6,318	32	-	6,350
Investments (at fair value):				
U.S. government obligations	2,567,378	666,458	954,107	4,187,943
Corporate debt	4,446,030	1,242,851	1,650,429	7,339,310
Equities	9,809,407	2,567,320	3,526,065	15,902,792
Other bonds	40,240	10,060	15,090	65,390
Mutual funds	2,441,358	631,180	920,803	3,993,341
Total Assets	<u>19,638,133</u>	<u>5,213,717</u>	<u>7,185,043</u>	<u>32,036,893</u>
<u>Liabilities</u>				
Due to other funds	-	-	6,350	6,350
Net Position Restricted for Pension Benefits	<u>\$ 19,638,133</u>	<u>\$ 5,213,717</u>	<u>\$ 7,178,693</u>	<u>\$ 32,030,543</u>

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Combining Statement of Changes in Fiduciary Net Position

<u>Additions:</u>	<u>Police</u>	<u>Union</u>	<u>Non-Union</u>	<u>Total</u>
Contributions:				
Employer (including state aid)	\$ 205,720	\$ 17,404	\$ 143,882	\$ 367,006
Employee	185,822	53,243	60,309	299,374
Total contributions	391,542	70,647	204,191	666,380
Investment income:				
Net increase (decrease) in fair value of investments	(628,433)	(165,731)	(244,943)	(1,039,107)
Interest and dividends	479,087	129,494	180,411	788,992
Total investment income (loss)	(149,346)	(36,237)	(64,532)	(250,115)
Total additions	242,196	34,410	139,659	416,265
<u>Deductions:</u>				
Benefits	823,480	242,057	365,399	1,430,936
Administrative expense	96,612	43,332	48,287	188,231
Total deductions	920,092	285,389	413,686	1,619,167
Interfund transfers	13,607	4,944	(18,551)	-
Increase (Decrease) in Plan Net Position	(664,289)	(246,035)	(292,578)	(1,202,902)
<u>Net Position Restricted for Pension Benefits:</u>				
Beginning of year	20,302,422	5,459,752	7,471,271	33,233,445
End of year	\$ 19,638,133	\$ 5,213,717	\$ 7,178,693	\$ 32,030,543

Shaler North Hills Library

Full-time Library employees are covered by the Township's Non-Union Pension Plan (Plan), which is a defined benefit plan. The members of the Plan are required to contribute 5% of basic annual earnings. Employer contributions are paid by the Township. The Plan is reflected as a Pension Trust Fund in the Township's basic financial statements.

Shaler Area Emergency Services, Inc.

Shaler EMS maintains a contributory 403(b) annuity plan that covers all full-time employees and the majority of part-time employees. Pension expense was \$20,240 for the year ended December 31, 2015. In addition, Shaler EMS has adopted a Section 125 Plan for the benefit of all eligible employees. Under this plan, employees may voluntarily reduce their gross pay and have the reduction contributed towards health insurance plan premiums.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

7. OTHER POST-RETIREMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 6, the Township provides post-retirement health care benefits to certain retired employees, in accordance with the various union contracts and Township policy. The Township funds all Township contributions on a pay-as-you-go basis.

Benefits. Post-retirement benefits for Union employees who retire after the age of 62 and completion of 20 years of service (10 years of service for employees hired before January 1, 2000) consist of the full cost of single coverage at the date of retirement for medical coverage until the age of 65, with the retiree paying any increase in the single coverage rate after the date of retirement.

For Police employees, the Township provides medical, dental, and vision coverage for employees and their spouses from the date of retirement until Medicare eligibility. If a police employee does not have Medicare coverage, then Medicare coverage will be provided by the Township to the date of the employee's death. Police spouses will receive the same coverage. Effective January 1, 2013, no other post-retirement benefits will be provided to new police employees.

For Management employees employed by the Township as of July 1, 2013, the Township will create a Health Reimbursement Arrangement (HRA). Within the HRA, a fund will be established in the retirees name with a designated amount of funds which can be used to reimburse retirees for the purchase of monthly medical insurance premiums, including health care, eye and dental benefits up to \$800 per month. To qualify for such post-retirement benefits, management employees must have at least 25 years of service and be at least 55 years of age. The individual retiree HRA deposit amount is based upon the number of years of service employed by the Township, but shall not exceed \$25,000.

In addition, each retired policeman is eligible for a post retirement life insurance benefit totaling \$4,000, while Management and Union personnel are entitled to a post-retirement life insurance benefit totaling \$3,000.

Funding Policy. The Township's contribution is based on projected pay-as-you-go financing requirements. For the year ended 2015, total cash disbursements for health care, dental, and vision for current retirees or their widow/widowers were \$149,018. Employees are not required to make contributions for basic life insurance. Active police employees are required to contribute to medical, dental, and vision insurance costs at a rate of 15% of all premium increases from the 2005 premium costs, with a cap of no more than 10% over the previous year. Active management employees are required to contribute 5% to medical insurance costs. Active union employees are required to contribute one half of 1% of their regular hourly wage towards medical, dental, or vision insurances.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Annual OPEB Cost. The Township's annual OPEB cost (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 GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

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

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans including any implicit rate subsidy, and changes in the Township's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

Annual required contribution	\$	484,286
Interest on net OPEB obligation		131,073
Adjustment to annual required contribution		<u>(160,870)</u>
Annual OPEB cost		454,489
Contributions made		<u>(149,018)</u>
Increase (decrease) in net OPEB obligation		305,471
Net OPEB obligation (asset) beginning of year		<u>2,912,715</u>
Net OPEB obligation (asset) end of year	\$	<u><u>3,218,186</u></u>

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Actuarial valuation date	1/1/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	N/A - the plans are unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Percentage electing husband/wife coverage	85% of eligible Police retirees
Investment rate of return	4.5%
Health care inflation rates	<i>Medical/ Rx Dental/Vision/Medicare</i>
2015 and later	5.0% 3.0%

For the Actuarial Valuation report dated January 1, 2014, the actuarial value of assets is zero; the actuarial accrued liability is \$5,350,231 for a funded ratio of zero. The Township does not plan to fund the actuarial accrued liability.

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2015	\$ 454,489	33%	\$ 3,218,186
December 31, 2014	441,334	34%	2,912,715
December 31, 2013	483,798	27%	2,268,769

Funded Status

The Township's funded status and related information of the latest actuarial valuation date, January 1, 2014, is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Asset	(b) Actuarial Accrued Liability	Excess of Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	Excess as a Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ -	\$ 5,350,231	\$ 5,350,231	0.0%	\$ 4,424,743	120.9%

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability.

8. REAL ESTATE TAXES

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on July 1. The 2015 assessed value of taxable real property totaled \$1,724,946,100. These taxes are billed on July 1 and collected by the elected Township Treasurer. Taxes paid through August 31 are given a 2% discount. Amounts paid after October 31 are assessed a 10% penalty. Taxpayers may elect to pay the face amount of the tax in equal quarterly installments. Any uncollected balances as of the end of the third year following the billing are sent to an outside collection agency to be lienied.

Under the Code, the Township is permitted to levy real estate taxes up to 30 mills for general purposes. Additional taxes may be levied for certain specified purposes. Township real estate taxes were levied at 2.49 mills on assessed valuation for general purposes for 2015.

9. COMMITMENTS AND CONTINGENCIES

In 1997, the United States Environmental Protection Agency (USEPA) ordered 83 communities tributary to the Allegheny County Sanitary Authority (ALCOSAN) whose sanitary sewers had been identified as being subject to possible wet weather overflows to implement a comprehensive flow monitoring program. The Township is one of the communities directed by USEPA to perform flow monitoring. On November 4, 2003, the Township was notified by the Environmental Protection Agency to execute the Allegheny County Health Department's (ACHD), proposed Administrative Consent Order (ACO). The Township is compelled to comply with the ACO of the ACHD as a result of its location within ALCOSAN. The Township continues to monitor and collect data related to sewer line flows. The Township has undergone construction within the past year in order to meet compliance. Further, commencing in 2012 and over a twenty-year period, plans are in place to upgrade sections of sanitary sewer lines in compliance with the EPA's long term improvement requirements. The Township is currently in discussions to minimize the construction cost through a regionalization with various other government units. The Township currently expects any major construction would occur from 2022 through 2026. The Township's costs of such improvements are unknown, but the costs of the total project for the Township could be as high as \$20,000,000. The Township will use current funds available and will issue debt as necessary to complete the project. No amount has been recorded as a provision in the accompanying financial statements.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

In addition, various other claims and lawsuits are pending against the Township. In most cases, the Township is insured and losses will not exceed insurance limits. In the opinion of the Township management and solicitor, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying general purpose financial statements.

10. WORKMEN'S COMPENSATION AND HEALTH INSURANCE

For its workmen's compensation insurance coverage, the Township participates in the Municipal Risk Management Workmen's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 200 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2015 were \$284,675. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workmen's Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments, but has no claim on any assets of the Trust.

The Township participates as a member in Municipal Employers Insurance Trust (d/b/a Municipal Benefit Services (MBS)), a public entity risk pool. MBS provides certain benefits including but not limited to, the following coverages: health benefits, short-term accident and sickness disability benefits, long-term accident and sickness disability benefits, dental benefits, vision care, prescription drugs, and life insurance for those eligible employers. All participants of MBS may be subject to supplemental premiums based on the overall experience of the participating members. Reserves generated by MBS for self-insured health premiums paid by members exceeding claims and expenses are held by MBS for the benefit of all participating members. During 2015, a portion of the excess reserves was deposited in eligible clients' Rate Mitigation Accounts (RMA) as determined by MBS's actuary. RMA funds are held by MBS and are available to the Township reduce future costs associated with participating coverage. RMA fund are forfeited if the member terminates participation in the MBS medical insurance program.

TOWNSHIP OF SHALER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

11. PITTSBURGH FOUNDATION

During 1991, the Library established the Shaler North Hills Library Trust Fund (Trust) pursuant to an agreement with the Pittsburgh Foundation (Foundation), a nonprofit community trust. The Trust agreement is an irrevocable transfer of all rights, title, and interest in the funds deposited. Disbursements of the Trust are determined by the Foundation Board, upon recommendation of the Library Board. Accordingly, the Trust activity and balance are not included in the financial statement. During 2015, a contribution of \$13,658 was made from the Foundation to the Library General Fund and the Trust realized a \$5,969 investment loss in the Trust. The market value of the Trust was \$328,833 at December 31, 2015.

12. SHALER EMS FUNDING

Shaler EMS has sustained an increase in net position during 2015 of \$14,785, which includes 2015 support of \$133,840 provided by the Township. Shaler EMS is aware of the Township's support and has negotiated with the Township to continue to assist in financial support. Historically, the Township annually designated funds for Shaler EMS to be used for future capital purchases. In the current year and going forward, the Township annually designates funds for Shaler EMS to be used at their discretion for operations. In the current year, the Township provided to Shaler EMS a grant of \$96,000 and forgave the remaining \$37,840 of the payable balance due to the Township from previous years. As such, there is no balance due to the Township at December 31, 2015.

**Required Supplementary
Information**

TOWNSHIP OF SHALER

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
<u>Taxes:</u>				
Real estate	\$ 4,287,500	\$ 4,287,500	\$ 4,290,915	\$ 3,415
Earned income	3,975,000	3,975,000	4,088,848	113,848
Real estate transfer	295,000	295,000	390,795	95,795
Local service	185,850	185,850	184,178	(1,672)
Mechanical device	30,000	30,000	28,200	(1,800)
Sales	445,000	445,000	497,085	52,085
Total taxes	9,218,350	9,218,350	9,480,021	261,671
Licenses, permits, and fees	645,400	645,400	679,222	33,822
Fines, forfeitures, and penalties	68,650	68,650	48,780	(19,870)
Investment income, rents, and royalties	156,625	156,625	160,469	3,844
Intergovernmental	559,950	559,950	552,760	(7,190)
Charges for services	423,305	423,305	543,264	119,959
Miscellaneous	6,100	6,100	113,735	107,635
Total revenues	11,078,380	11,078,380	11,578,251	499,871
Expenditures:				
<u>Current:</u>				
General government	1,293,922	1,293,922	1,178,187	115,735
Public safety	5,063,274	5,063,274	4,503,109	560,165
Public works	4,445,650	4,445,650	5,718,330	(1,272,680)
Culture and recreation	1,016,514	1,016,514	888,058	128,456
Miscellaneous	341,903	341,903	405,427	(63,524)
Contribution to component unit	435,000	435,000	435,000	-
Debt service	-	-	2,949	(2,949)
Total expenditures	12,596,263	12,596,263	13,131,060	(534,797)
Excess (Deficiency) of Revenues over Expenditures	(1,517,883)	(1,517,883)	(1,552,809)	(34,926)
Other Financing Sources (Uses):				
Refunds of prior years expenditures	248,062	248,062	439,528	191,466
Transfers in	199,750	199,750	289,971	90,221
Transfers out	-	-	(65,217)	(65,217)
Total other financing sources (uses)	447,812	447,812	664,282	216,470
Net Change in Fund Balance	\$ (1,070,071)	\$ (1,070,071)	(888,527)	\$ 181,544
Fund Balance:				
Beginning of year			4,423,733	
End of year			\$ 3,535,206	

TOWNSHIP OF SHALER

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

POLICE PLAN

YEAR ENDED DECEMBER 31, 2015
LAST TEN YEARS*

	2015	2014
Total Pension Liability:		
Service cost	\$ 332,014	\$ 330,297
Interest	1,341,078	1,317,175
Changes of benefit terms	-	-
Differences between expected and actual experience	(537,102)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(823,480)	(764,337)
Net Changes in Total Pension Liability	312,510	883,135
Total Pension Liability - Beginning	18,490,421	17,607,286
Total Pension Liability - Ending (a)	\$ 18,802,931	\$ 18,490,421
Plan Fiduciary Net Position:		
Contributions - employer	\$ 205,720	\$ 196,866
Contributions - employee	185,822	181,062
Net investment income	(149,346)	1,144,633
Benefit payments, including refunds of member contributions	(823,480)	(764,337)
Administrative expense	(96,612)	(98,829)
Other	13,607	7,781
Net Change in Plan Fiduciary Net Position	(664,289)	667,176
Plan Fiduciary Net Position - Beginning	20,302,422	19,635,246
Plan Fiduciary Net Position - Ending (b)	\$ 19,638,133	\$ 20,302,422
Net Pension Liability (Asset) - Ending (a-b)	\$ (835,202)	\$ (1,812,001)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.44%	109.80%
Covered Employee Payroll	\$ 2,382,789	\$ 2,368,197
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-35.05%	-76.51%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - pension plan.

TOWNSHIP OF SHALER

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

UNION PLAN

YEAR ENDED DECEMBER 31, 2015
LAST TEN YEARS*

	2015	2014
Total Pension Liability:		
Service cost	\$ 87,166	\$ 85,922
Interest	292,730	310,000
Changes of benefit terms	-	-
Differences between expected and actual experience	(205,970)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(242,057)	(252,398)
Net Changes in Total Pension Liability	(68,131)	143,524
Total Pension Liability - Beginning	4,314,856	4,171,332
Total Pension Liability - Ending (a)	\$ 4,246,725	\$ 4,314,856
Plan Fiduciary Net Position:		
Contributions - employer	\$ 17,404	\$ 21,760
Contributions - employee	53,243	55,889
Net investment income	(36,237)	312,791
Benefit payments, including refunds of member contributions	(242,057)	(252,398)
Administrative expense	(43,332)	(39,997)
Other	4,944	(30,053)
Net Change in Plan Fiduciary Net Position	(246,035)	67,992
Plan Fiduciary Net Position - Beginning	5,459,752	5,391,760
Plan Fiduciary Net Position - Ending (b)	\$ 5,213,717	\$ 5,459,752
Net Pension Liability (Asset) - Ending (a-b)	\$ (966,992)	\$ (1,144,896)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	122.77%	126.53%
Covered Employee Payroll	\$ 1,392,445	\$ 1,232,906
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-69.45%	-92.86%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - pension plan.

TOWNSHIP OF SHALER

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

NON-UNION PLAN

YEAR ENDED DECEMBER 31, 2015
LAST TEN YEARS*

	2015	2014
Total Pension Liability:		
Service cost	\$ 119,986	\$ 123,730
Interest	529,604	512,852
Changes of benefit terms	-	-
Differences between expected and actual experience	(40,346)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(365,399)	(372,731)
Net Changes in Total Pension Liability	243,845	263,851
Total Pension Liability - Beginning	7,161,148	6,897,297
Total Pension Liability - Ending (a)	\$ 7,404,993	\$ 7,161,148
Plan Fiduciary Net Position:		
Contributions - employer	\$ 143,882	\$ 140,445
Contributions - employee	60,309	49,414
Net investment income	(64,532)	391,158
Benefit payments, including refunds of member contributions	(365,399)	(372,731)
Administrative expense	(48,287)	(47,682)
Other	(18,551)	22,272
Net Change in Plan Fiduciary Net Position	(292,578)	182,876
Plan Fiduciary Net Position - Beginning	7,471,271	7,288,395
Plan Fiduciary Net Position - Ending (b)	\$ 7,178,693	\$ 7,471,271
Net Pension Liability (Asset) - Ending (a-b)	\$ 226,300	\$ (310,123)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.94%	104.33%
Covered Employee Payroll	\$ 1,067,328	\$ 1,120,453
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	21.20%	-27.68%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - pension plan.

TOWNSHIP OF SHALER

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION -
PENSION PLAN

SCHEDULES OF TOWNSHIP CONTRIBUTIONS
AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31, 2015
LAST TEN YEARS*

POLICE PLAN:

<u>Schedule of Township Contributions</u>	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,162	\$ 147,012	\$ 247,623	\$ 196,866	\$ 205,720
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	282,318	171,653	248,407	196,866	205,720
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (120,156)	\$ (24,641)	\$ (784)	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,238,800	\$ 2,238,800	\$ 2,368,197	\$ 2,382,789
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.67%	11.10%	8.31%	8.63%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.92%	-0.75%

UNION PLAN:

<u>Schedule of Township Contributions</u>	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 15,949	\$ 10,303	\$ 6,569	\$ -	\$ 21,760	\$ 17,404
Contributions in relation to the actuarially determined contribution	-	-	-	-	137,256	101,713	131,124	784	21,760	17,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (121,307)	\$ (91,410)	\$ (124,555)	\$ (784)	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ 2,178,582	\$ 2,178,582	\$ 2,133,318	\$ 2,133,318	\$ 1,114,087	\$ 1,114,087	\$ 1,232,906	\$ 1,392,445
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	6.43%	4.77%	11.77%	0.07%	1.76%	1.25%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.94%	-0.68%

NON-UNION PLAN:

<u>Schedule of Township Contributions</u>	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ -	\$ 7,054	\$ 61,922	\$ 51,301	\$ 83,006	\$ 84,379	\$ 82,596	\$ 130,653	\$ 140,445	\$ 143,882
Contributions in relation to the actuarially determined contribution	-	7,054	66,857	66,380	84,110	156,382	101,323	131,436	140,445	143,882
Contribution deficiency (excess)	\$ -	\$ -	\$ (4,935)	\$ (15,079)	\$ (1,104)	\$ (72,003)	\$ (18,727)	\$ (783)	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ 1,382,483	\$ 1,382,483	\$ 1,302,876	\$ 1,302,876	\$ 1,101,663	\$ 1,101,663	\$ 1,120,453	\$ 1,067,328
Contributions as a percentage of covered employee payroll	0.00%	0.00%	4.84%	4.80%	6.46%	12.00%	9.20%	11.93%	12.53%	13.48%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.46%	-0.88%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - pension plan.

TOWNSHIP OF SHALER

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2015

Actuarial Methods and Assumptions

The information presented in the “Required Supplementary Information – Pension Plan” was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

	<u>Police</u>	<u>Union</u>	<u>Non-Union</u>
Actuarial valuation date	1/1/2013	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Closed
Amortization period	17 years	17 years	13 years
Asset valuation method	4-Year Smoothing	4-Year Smoothing	4-Year Smoothing
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	5.00%	5.00%	5.00%
Underlying inflation rate	3.00%	3.00%	3.00%

Benefit Changes

No benefit terms were modified.

Change in Actuarial Assumptions

No significant changes were made to the actuarial assumptions used in the 1/1/15 valuation since the previous actuarial valuation on 1/1/13.

TOWNSHIP OF SHALER

OTHER POST-EMPLOYMENT BENEFIT PLANS

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Asset</u>	<u>(b) Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)</u>
01/01/14	\$ -	\$ 5,350,231	\$ 5,350,231	0.0%	\$ 4,424,743	120.9%
01/01/11	-	5,324,466	5,324,466	0.0%	4,039,279	131.8%
01/01/08	-	5,931,892	5,931,892	0.0%	5,690,736	104.2%

Note: Valuation as of 01/01/08 represents the initial valuation for the plan as required under GASB Statement No. 45 (implemented in 2008).

Supplementary Information

TOWNSHIP OF SHALER

BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>Special Revenue Fund</u> <u>Liquid Fuels</u> <u>Fund</u>
Assets	
<hr/>	
Cash and cash equivalents	\$ 58,760
Total Assets	\$ 58,760
<hr/>	
Liabilities and Fund Balance	
<hr/>	
Fund Balance:	
Restricted	\$ 58,760
Total Fund Balance	58,760
Total Liabilities and Fund Balance	\$ 58,760

TOWNSHIP OF SHALER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue Fund</u> <u>Liquid Fuels</u> <u>Fund</u>
Revenues:	
<hr/> Investment income, rents, and royalties	\$ 91
Intergovernmental	690,957
Total revenues	<hr/> 691,048 <hr/>
Expenditures:	
<hr/> Current:	
Public works	<hr/> 706,213
Net Change in Fund Balance	(15,165)
Fund Balance:	
<hr/> Beginning of year	<hr/> 73,925
End of year	<hr/> <hr/> \$ 58,760 <hr/> <hr/>

TOWNSHIP OF SHALER

COMBINING STATEMENT OF PLAN NET POSITION

PENSION TRUST FUNDS

DECEMBER 31, 2015

Assets	Police	Union	Non-Union	Total
Cash and cash equivalents	\$ 327,402	\$ 95,816	\$ 118,549	\$ 541,767
Due from other funds	6,318	32	-	6,350
Investments (at fair value):				
U.S. government obligations	2,567,378	666,458	954,107	4,187,943
Corporate debt	4,446,030	1,242,851	1,650,429	7,339,310
Equities	9,809,407	2,567,320	3,526,065	15,902,792
Other bonds	40,240	10,060	15,090	65,390
Mutual funds	2,441,358	631,180	920,803	3,993,341
Total Assets	19,638,133	5,213,717	7,185,043	32,036,893
Liabilities				
Due to other funds	-	-	6,350	6,350
Net Position Restricted for Pension Benefits	\$ 19,638,133	\$ 5,213,717	\$ 7,178,693	\$ 32,030,543

TOWNSHIP OF SHALER

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

Additions:	Police	Union	Non-Union	Total
<hr/>				
Contributions:				
Employer (including state aid)	\$ 205,720	\$ 17,404	\$ 143,882	\$ 367,006
Employee	185,822	53,243	60,309	299,374
Total contributions	<u>391,542</u>	<u>70,647</u>	<u>204,191</u>	<u>666,380</u>
Investment income (loss):				
Net increase (decrease) in fair value of investments	(628,433)	(165,731)	(244,943)	(1,039,107)
Interest and dividends	479,087	129,494	180,411	788,992
Total investment income (loss)	<u>(149,346)</u>	<u>(36,237)</u>	<u>(64,532)</u>	<u>(250,115)</u>
Total additions	<u>242,196</u>	<u>34,410</u>	<u>139,659</u>	<u>416,265</u>
<hr/>				
Deductions:				
Benefits	823,480	242,057	365,399	1,430,936
Administrative expense	96,612	43,332	48,287	188,231
Total deductions	<u>920,092</u>	<u>285,389</u>	<u>413,686</u>	<u>1,619,167</u>
Interfund transfers	<u>13,607</u>	<u>4,944</u>	<u>(18,551)</u>	<u>-</u>
Increase (Decrease) in Plan Net Position	(664,289)	(246,035)	(292,578)	(1,202,902)
<hr/>				
Net Position Restricted for Pension Benefits:				
Beginning of year	<u>20,302,422</u>	<u>5,459,752</u>	<u>7,471,271</u>	<u>33,233,445</u>
End of year	<u>\$ 19,638,133</u>	<u>\$ 5,213,717</u>	<u>\$ 7,178,693</u>	<u>\$ 32,030,543</u>

TOWNSHIP OF SHALER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2015

	Balance at January 1, 2015	Additions	Deletions	Balance at December 31, 2015
Earned Income Tax Account				
Assets				
Cash and cash equivalents	\$ 9,953	\$ 371,208	\$ (369,977)	\$ 11,184
Liabilities				
Due to other funds	\$ -	\$ 202,063	\$ (202,063)	\$ -
Due to other governments	-	165,314	(165,314)	-
Other	9,953	3,831	(2,600)	11,184
	\$ 9,953	\$ 371,208	\$ (369,977)	\$ 11,184
Local Service Tax Account				
Assets				
Cash and cash equivalents	\$ -	\$ 204,231	\$ (204,231)	\$ -
Liabilities				
Due to other funds	\$ -	\$ 183,204	(183,204)	\$ -
Due to other governments	-	18,513	(18,513)	-
Other	-	2,514	(2,514)	-
	\$ -	\$ 204,231	\$ (204,231)	\$ -