

Council Members
Town of McCandless

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of McCandless (Town) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we noted a certain other operational matter not considered to be a significant deficiency that is presented for your consideration:

Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," effective for fiscal years beginning after June 15, 2016 (the Town's financial statements for the year ending December 31, 2017). This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

GASB has also issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," effective for fiscal years beginning after June 15, 2017 (the Town'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.

In order to prepare for these changes, we recommend that a designated individual from the Town review these statements to obtain an understanding of the impact these changes will have on its financial statements.

* * * * *

This communication is intended solely for the information and use of the Council Members, management, and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mahe Duessel

Pittsburgh, Pennsylvania
June 3, 2016

Town of McCandless

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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TOWN OF McCANDLESS

YEAR ENDED DECEMBER 31, 2015

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Independent Auditor's Report

Council Members
Town of McCandless

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of McCandless (Town), Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town'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, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Transportation District Fund, and Capital Projects Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Town 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 Town 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, pension information, and OPEB information on pages i through ix, 40 through 43, and 45 through 46, 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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
June 3, 2016

Management's Discussion and Analysis

This section of the Town of McCandless' (Town) annual audited financial report presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended December 31, 2015. Please consider this discussion and analysis in conjunction with the preceding Independent Auditor's Report and the financial statements and notes which follow in order to obtain a thorough understanding of the Town's financial condition at December 31, 2015.

Financial Highlights

- The Town implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71 for the 2015 fiscal year. Pension liabilities are now shown on the Statement of Net Position (page 1). For comparison purposes, the Net Position as of December 31, 2014 has been restated.
- The Town's assets exceeded its liabilities by \$52,080,209 (net position) at December 31, 2015, an increase of \$1,232,853 from the restated net position on December 31, 2014.
- Restricted net assets totaled \$1,938,148 as of December 31, 2015, a decrease of \$82,998 from December 31, 2014. This balance includes cash, certificates of deposit, and assessments receivable to be collected through 2031. These net assets must be used for construction projects in the Transportation District or for general Town capital improvements. The Transportation District encompasses the McCandless Crossing development and the immediate surrounding area.
- Unrestricted net assets totaled \$10,794,650 as of December 31, 2015, a decrease of \$585,177 from December 31, 2014.
- The Town amended its Fund Balance and Reserve Policy by Resolution No. 21 of 2015. This amended policy reflects Town Council's overall funding goals to (1) Maintain a minimum bond rating of AA, (2) Minimize interest expenses by funding capital projects using reserves to augment annual revenue rather than debt whenever possible, and (3) Maintain a consistently low tax rate that does not fluctuate from year to year. In addition, a minimum Unassigned Fund Balance level was set at two (2) months of the average monthly General Fund operating revenues or operating expenditures for the most recent three fiscal years, whichever is greater.
- The government-wide fund balance was \$9,067,529 as of December 31, 2015, a decrease of \$204,171 from December 31, 2014. Of this 2015 fund balance, \$25,527 was for prepaid assets and fuel inventory and was therefore classified as Nonspendable. The Transportation District fund balance of \$459,987 was for capital construction projects funded through special assessments, and was therefore classified as Restricted. Town Council, through formal action, set aside \$5,951,896 for future capital costs, and this portion of the fund balance was therefore classified as Committed. The specific makeup of the Committed Fund Balance was as follows: \$4,555,852 in the Capital Improvements Fund to help fund the Town's Five-Year Capital Improvement Plan (CIP); \$777,423 in the Assessment Fund to provide financing for the creation of potential new sewer, water, or sidewalk districts; and \$618,621 in the General Fund for future capital loans to the Town's volunteer fire companies.

- The fund balance in the General Fund was \$3,274,267, of which \$2,630,119 was classified as Unassigned, at December 31, 2015. The Unassigned fund balance was 18.1% of General Fund revenues for 2015. The total fund balance in the General Fund decreased \$4,517,981 from December 31, 2014 to December 31, 2015. Revenues plus other financing sources exceeded expenditures plus other financing uses (other than operating transfers to other funds) by \$2,723,842. The Town transferred \$7,241,823 from the General Fund to the Capital Improvements Fund. Of this transfer, \$2,685,971 was used to help fund 2015 capital improvement projects. The remainder was transferred to help fund the Town's Five-Year CIP. Additional details can be found on page 5.
- As of December 31, 2015, the Town's Police Defined Benefit Pension Plan was 89.32% funded.
- On December 31, 2015, the Town had no outstanding debt.
- The Town's real estate tax rate was 1.296 mills (\$129.60 per \$100,000 in assessed value) in 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The first two statements (pages 1 - 2) are government-wide financial statements. They provide a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net position* includes all of the Town's assets and liabilities except fiduciary funds. The difference between the assets and liabilities, reported as net assets, can be viewed as one way to measure the Town's financial health. Over time, increases or decreases in net assets may serve as an indicator of whether the Town's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, 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).

The governmental activities of the Town include general government, public safety, public works, and culture and recreation. These functions are all supported principally by taxes and intergovernmental revenues. The Town has no business-type activities or legally separate entities (component units) included in these statements.

Fund Financial Statements. The fund financial statements provide detailed information about the Town's significant funds, not the Town as a whole. 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. Some funds are required by State law. The basic fund financial statements can be found on pages 3 - 11.

The Town has two types of funds:

1. *Governmental funds.* All of the Town's basic services are included in the governmental funds. 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. This information can be useful in evaluating the Town's financial requirements. The relationship between governmental activities (Statement of Net Position and Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements (see pages 4 and 6).
2. *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The Town is trustee for two defined benefit pension plans, one for police and one for non-uniformed employees who were hired before April 1, 1985. In addition, the Town has an agency fund for the collection and disbursement of taxes. The basic fiduciary fund statements can be found on pages 10 and 11.

Notes to the Financial Statements. The notes 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 the financial statements can be found on pages 12 - 39.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 40 - 46 of this report.

Additional Supplementary Information. The Town also provides combining and individual fund financial statements to help present a more detailed picture of where the Town generates and utilizes its financial resources. These statements can be found on pages 47 - 55 of this report.

Government-Wide Financial Analysis

A summary of the Town's net position at December 31, 2015 versus December 31, 2014 is presented below. A more detailed presentation appears on page 1 of the financial statements.

Summary of Statement of Net Position
December 31, 2015 and December 31, 2014

	December 31, 2015 Governmental Activities	December 31, 2014 Governmental Activities
Current and other assets	\$ 15,022,490	\$ 15,199,061
Capital assets	39,347,411	<u>37,446,383</u>
Deferred pension outflows	<u>1,787,322</u>	
Total assets & outflows	<u>56,157,223</u>	<u>52,645,444</u>
Current and other liabilities	797,992	790,451
Non-current liabilities	2,905,419	1,007,637
Deferred pension inflows	<u>373,603</u>	<u>0</u>
Total liabilities & inflows	<u>4,077,014</u>	<u>1,798,088</u>
Net assets:		
Invested in capital assets, net of related debt	39,347,411	37,446,383
Restricted	1,938,148	2,021,146
Unrestricted	<u>10,794,650</u>	<u>11,379,827</u>
Total net position	\$ <u>52,080,209</u>	\$ <u>50,847,356</u>

75.6% of the Town's total net position is classified as capital assets. Included is \$30,885,365 for infrastructure assets.

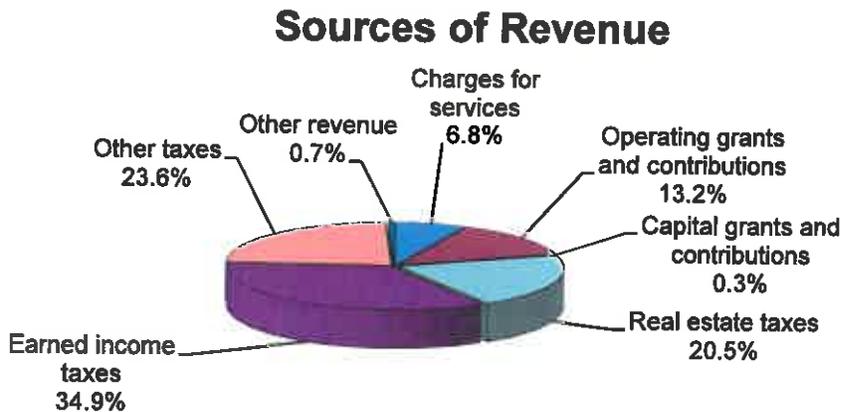
The unrestricted net position of \$10,794,650 includes \$6,021,655 in taxes, loans, and assessments receivable that will not be collected until the following year and therefore are not available to pay current year expenditures.

The Town's total net position increased \$1,232,853 in 2015. The following table summarizes this change and offers a comparison to 2014. Additional information can be found on page 2 of the financial statements.

Statement of Change in Net Position
Year Ended December 31, 2015 and 2014

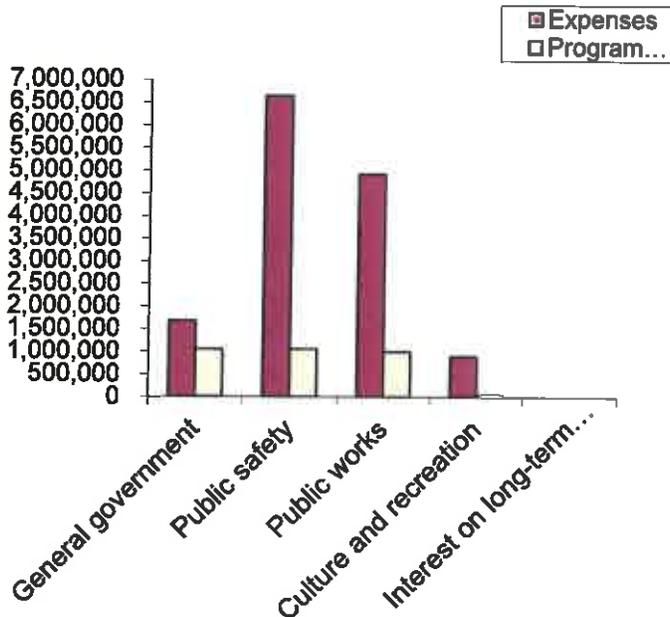
	2015 Governmental Activities	2014 Governmental Activities
Revenues		
Program Revenues:		
Charges for services	\$ 1,047,980	\$ 998,750
Operating grants and contributions	2,036,858	1,999,146
Capital grants and contributions	47,095	0
General Revenues:		
Real estate taxes	3,157,663	3,129,533
Earned income taxes	5,360,479	5,481,373
Other taxes	3,625,485	3,067,165
Other revenues	<u>104,406</u>	<u>103,427</u>
Total revenues	<u>15,379,966</u>	<u>14,779,394</u>
Expenses		
General government	1,673,065	1,871,606
Public safety	6,662,479	6,171,034
Public works	4,923,425	4,735,413
Culture and recreation	<u>888,144</u>	<u>794,678</u>
Total expenses	<u>14,147,113</u>	<u>13,572,731</u>
Change in net position	1,232,853	1,206,663
Net position - January 1 restated	50,847,356	49,640,693
Net position - December 31	\$ <u>52,080,209</u>	\$ <u>50,847,356</u>

Total government-wide revenues were \$15,379,966 in 2015. The largest source of revenue was earned income taxes, which represented 34.9% of the total. Other major sources were real estate taxes at 20.5%, other taxes at 23.6%, and operating grants and contributions at 13.2%. The following chart depicts government-wide revenues by source for 2015. Additional information can be found on page 2 of the financial statements.



Another feature of the government-wide financial statements is the comparison of program expenses to the revenues that are generated specifically to pay for those expenses. The following chart shows the relationship by program area. Additional information can be found on page 2 of the financial statements.

Expenses and Program Revenues



Financial Analysis of the Town’s Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town actually utilizes five separate governmental funds to achieve this objective.

As of December 31, 2015, the Town’s governmental funds had a combined fund balance of \$9,067,529. The specific makeup of this fund balance, by governmental fund type, is as follows:

Fund Balance by Fund Type as of December 31, 2015 and 2014

Fund Type	2015 Dollar Value	2015 Percent of Total	2014 Dollar Value	2014 Percent of Total
Capital Improvements	\$ 4,555,852	50.2%	\$ 242,669	2.6%
General	3,274,267	36.1	7,792,248	84.1
Street and Water Assessment	777,423	8.6	772,163	8.3
Transportation District	459,987	5.1	464,620	5.0
State Highway Aid	<u>0</u>	0.0	<u>0</u>	0.0
Total Fund Balance	\$ <u>9,067,529</u>	<u>100.0%</u>	\$ <u>9,271,700</u>	<u>100.0%</u>

The Capital Improvements fund balance is Committed by Town Resolution to help fund the Town's Five-Year Capital Improvement Plan (CIP). The Town's Five-Year CIP, as adopted in conjunction with the Town's 2016 Operating Budget, shows projected capital project and improvement costs for the period 2016 – 2020 to total \$18,306,500.

The General Fund is the chief operating fund of the Town. At December 31, 2015, \$2,630,119 was Unassigned, and therefore available to meet the Town's current and future needs. This fund balance is 18.1% of General Fund operating revenues. In addition, the Town had \$618,621 in Committed funds. These funds were committed by Town Ordinance to be utilized as a revolving loan fund to help the Town's volunteer fire departments purchase new pieces of apparatus. The Town loans up to 50% of the cost of the item, and the fire department then pays back the fund over a ten-year period with no interest.

The Street and Water Assessment fund balance is Committed by Town Ordinance to front the cost for improvements to private roads or the extension of water lines or sidewalks as requested by property owners or required by the Town. Property owners that benefit from the project are then assessed a pro-rata fee, which is placed back into the fund.

The Transportation District fund balance is Committed by Town Ordinance to the infrastructure improvements to be made along Duncan Avenue and Cumberland Road to the east and west of McKnight Road. Any excess funds can then be used for general Town infrastructure improvements.

The State Highway Aid fund balance is Restricted by the Commonwealth of Pennsylvania to road maintenance and snow and ice control, including paving, storm water management, and road salt.

The fund balance in the General Fund decreased \$4,517,981 in 2015. A decrease of \$5,664,430 was budgeted. Factors that contributed to this decrease in 2015 included the following:

- Overall Town operations (net of transfers to other funds) contributed \$2,723,842 to the fund balance. Detailed information can be found on pages 47 – 48.
- The Town transferred \$2,685,971 from the General Fund to the Capital Improvements Fund to help finance 2015 capital projects and improvements.
- The Town transferred \$4,555,852 from the General Fund to the Capital Improvements Fund to help finance the Town's Five-Year Capital Improvement Plan for the period 2016-2020.

General Fund Budgetary Highlights

The increase in expenditures from the original budget to the final amended budget, as passed by Town Council, totaled \$4,211,630, and can be briefly summarized as follows:

- \$13,000 increase in General Government expenditures under Financial Administration.
- \$79,600 increase in Public Safety expenditures: \$32,100 under Police Protection. \$40,000 under Planning and Zoning, and \$7,500 under School Crossing Guards.
- \$73,400 increase in Public Works expenditures under Snow and Ice Control.
- \$12,500 increase in Refunds: \$5,000 under Business Privilege Tax Refunds and \$7,500 under Property Tax Refunds.
- \$4,005,230 increase in Transfers to the Capital Improvements Fund.
- \$27,900 increase in the Capital Improvements Fund under Museum.

More detailed information on each of these reappropriations can be found on pages 47 - 48 of the financial statements.

Total revenues and other financing sources in 2015 were \$388,290 over the amended budget, and total expenditures and other financing uses were \$758,159 under the amended budget.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets at December 31, 2015 amounted to \$39,347,411, net of accumulated depreciation. Capital assets consist primarily of land, buildings and improvements, machinery and equipment, and infrastructure. The Town's investment in capital assets can be summarized as follows:

Summary of Capital Assets
(net of depreciation)

	Balance at December 31, 2015	Balance at December 31, 2014
Capital assets:		
Land	\$ 3,907,401	\$ 3,907,401
Construction in progress	1,256,838	331,968
Infrastructure	49,464,491	46,742,144
Buildings and improvements	3,089,926	3,089,926
Furniture and equipment	1,133,671	1,133,671
Machinery and equipment	740,490	820,438
Vehicles	<u>3,264,071</u>	<u>2,838,708</u>
Total capital assets	<u>62,856,888</u>	<u>58,864,256</u>
Less accumulated depreciation for:		
Infrastructure	18,579,126	16,765,865
Buildings and improvements	1,593,394	1,538,135
Furniture and equipment	854,505	786,709
Machinery and equipment	693,477	762,331
Vehicles	<u>1,788,975</u>	<u>1,564,833</u>
Total accumulated depreciation	<u>23,509,477</u>	<u>21,417,873</u>
Net capital assets	\$ <u>39,347,411</u>	\$ <u>37,446,383</u>

More detailed information can be found on page 24 of the financial statements.

Major capital asset events during 2015 included the following:

- The annual repaving and rebuilding of Town roads cost \$2,021,928.
- The continuing program to replace all metal storm sewer pipe with plastic and concrete pipe and the use of cured, in-place plastic lining of metal pipe resulted in a cost of \$632,338.
- Engineering, legal fees and the purchase of rights-of-way in conjunction with the Route 19/Pine Creek Road intersection project totaled \$654,711.

- Upgrades to Town Hall security and DPW lighting, and replacement of an HVAC unit totaled \$68,078
- Work on the Town museum, to be completed in 2016, totaled \$270,162.

Debt Administration. At December 31, 2015, the Town had no outstanding debt.

Economic Factors Affecting Budget and Rates for 2016

To the extent possible and practical, the Town of McCandless utilizes zero-based budgeting when projecting future revenues and program expenditures. There are certain assumptions that must be made, even when using this approach. In preparing the 2016 budget, the Town assumed the following:

- The Town property tax rate would remain at 1.296 mills.
- Taxable earnings for residents and businesses of the Town would increase slightly in 2016.
- There would be no other tax increases or new sources of revenue in 2016.

The Town set its tax rates and fees for services for 2016 with the ultimate goal of maintaining a fund balance level of approximately 17% of operating costs into the future. Included in this goal is the expectation the Town will continue to fund capital expenditures from the proceeds of the continuing general operations. The 2016 budget passed by Town Council called for the Town's General Fund fund balance to decrease by \$410,400 from the 2015 projected fund balance level of \$3,476,752 (projected as of November 2015, when the 2016 budget was prepared), to an anticipated 2016 year-end balance of \$3,066,352.

Requests for Information

This financial report is designed to provide a general overview of the Town of McCandless' finances. If you have questions concerning any of the information provided in this report or would like additional information, please contact:

Assistant Town Manager
Town of McCandless
9955 Grubbs Road
Wexford, PA 15090

TOWN OF McCANDLESS

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities
Assets and Deferred Outflow of Resources	
Cash and cash equivalents	\$ 6,433,308
Investments	2,542,000
Prepaid assets	25,527
Receivables:	
Taxes	2,933,269
Assessments	1,478,161
Loans	706,715
Other	903,510
Capital assets not being depreciated	5,164,239
Capital assets, net of accumulated depreciation	3,297,807
Infrastructure assets, net of accumulated depreciation	30,885,365
Total Assets	54,369,901
Deferred Outflows of Resources:	
Related to pensions	1,787,322
Liabilities	
Accounts payable	347,266
Accrued payroll liabilities	250,184
Escrow deposits	196,394
Unearned revenue	4,148
Net OPEB liability	1,150,175
Net pension liability	1,755,244
Total Liabilities	3,703,411
Deferred Inflows of Resources:	
Related to pensions	373,603
Net Position	
Net investment in capital assets	39,347,411
Restricted	1,938,148
Unrestricted	10,794,650
Total Net Position	\$ 52,080,209

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			Capital Grants and Contributions	
Governmental activities:				
General government	\$ 1,673,065	\$ 548,521	\$ -	\$ (627,742)
Public safety	6,662,479	376,498	677,114	(5,608,867)
Public works	4,923,425	80,836	862,942	(3,932,552)
Culture and recreation	888,144	42,125	-	(846,019)
Total governmental activities	<u>\$ 14,147,113</u>	<u>\$ 1,047,980</u>	<u>\$ 2,036,858</u>	<u>(11,015,180)</u>
General revenues:				
Taxes:				
Real estate				3,157,663
Earned income				5,360,479
Real estate transfer				1,463,472
Local service tax				661,966
Business privilege				1,493,297
Mechanical devices				6,750
Interest and rental income				39,442
Gain on sale of fixed assets				6,664
Refunds of prior year revenues (expenditures), net				58,300
Total general revenues				<u>12,248,033</u>
Change in Net Position				1,232,853
Net Position:				
Beginning of year - as restated				50,847,356
End of year				<u>\$ 52,080,209</u>

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Assets	General Fund	Transportation District Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,240,011	\$ 110,792	\$ 405,147	\$ 677,363	\$ 6,433,313
Investments:					
Certificates of deposit	2,092,000	350,000	-	100,000	2,542,000
Prepaid assets	25,527	-	-	-	25,527
Receivables:					
Taxes	2,933,270	-	-	-	2,933,270
Assessments	-	1,478,161	-	-	1,478,161
Loans	706,715	-	-	-	706,715
Other	863,924	695	-	38,885	903,504
Due from other funds	-	-	4,257,137	-	4,257,137
Total Assets	\$ 11,861,447	\$ 1,939,648	\$ 4,662,284	\$ 816,248	\$ 19,279,627
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 239,334	\$ 1,500	\$ 106,432	\$ -	\$ 347,266
Accrued payroll liabilities	250,184	-	-	-	250,184
Escrow deposits	196,394	-	-	-	196,394
Unearned revenue	4,148	-	-	-	4,148
Due to other funds	4,257,137	-	-	-	4,257,137
Total Liabilities	4,947,197	1,500	106,432	-	5,055,129
Deferred Inflows of Resources:					
Unavailable revenue:					
Taxes	2,933,268	-	-	-	2,933,268
Loans receivable	706,715	-	-	-	706,715
Assessments	-	1,478,161	-	38,825	1,516,986
Total Deferred Inflows of Resources	3,639,983	1,478,161	-	38,825	5,156,969
Fund Balance:					
Nonspendable:					
Prepaid	25,527	-	-	-	25,527
Restricted:					
Capital construction	-	459,987	-	-	459,987
Committed:					
Capital construction	-	-	-	-	-
Fire apparatus	618,621	-	-	-	618,621
Capital projects	-	-	4,555,852	-	4,555,852
Other	-	-	-	777,423	777,423
Unassigned	2,630,119	-	-	-	2,630,119
Total Fund Balance	3,274,267	459,987	4,555,852	777,423	9,067,529
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 11,861,447	\$ 1,939,648	\$ 4,662,284	\$ 816,248	\$ 19,279,627

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2015

Total Fund Balance - Governmental Funds **\$ 9,067,529**

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 as assets in governmental funds. The cost of the assets is \$62,856,888 and the accumulated depreciation is \$23,509,477. 39,347,411

Certain taxes are not available to pay for current period expenditures and, therefore, are unavailable in the funds. 2,933,268

Loans receivable and assessments receivable will be collected in future years and are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 2,223,701

The actuarially accrued net pension liability, and deferred inflows and outflows of resources for pensions are not recorded on the fund financial statements. (341,525)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Long-term liabilities at year-end consist of unfunded post-retirement employee benefits. (1,150,175)

Total Net Position - Governmental Activities **\$ 52,080,209**

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	General Fund	Transportation District Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 11,986,718	\$ -	\$ -	\$ -	\$ 11,986,718
Licenses, fines, and interest	520,588	1,322	103	1,111	523,124
Rents and royalties	18,133	-	-	-	18,133
Intergovernmental	1,296,585	-	-	718,387	2,014,972
Charges for services	652,930	-	-	-	652,930
Assessments	364	124,664	-	4,237	129,265
Contributions and donations	21,886	-	-	-	21,886
Total revenues	14,497,204	125,986	103	723,735	15,347,028
Expenditures:					
Current:					
General government	1,565,048	-	68,079	-	1,633,127
Public safety	6,067,047	-	-	-	6,067,047
Public works	2,289,415	5,954	3,308,977	-	5,604,346
Culture and recreation	577,349	-	270,162	-	847,511
Capital outlays	1,476,191	-	-	-	1,476,191
Total expenditures	11,975,050	5,954	3,647,218	-	15,628,222
Excess (Deficiency) of Revenues Over Expenditures	2,522,154	120,032	(3,647,115)	723,735	(281,194)
Other Financing Sources (Uses):					
Operating transfers in	124,665	-	7,960,298	-	8,084,963
Sales of fixed assets	18,723	-	-	-	18,723
Refunds of prior year revenues	(113,298)	-	-	-	(113,298)
Refunds of prior year expenditures	171,598	-	-	-	171,598
Operating transfers out	(7,241,823)	(124,665)	-	(718,475)	(8,084,963)
Total other financing sources (uses)	(7,040,135)	(124,665)	7,960,298	(718,475)	77,023
Net Change in Fund Balance	(4,517,981)	(4,633)	4,313,183	5,260	(204,171)
Fund Balance:					
Beginning of year	7,792,248	464,620	242,669	772,163	9,271,700
End of year	\$ 3,274,267	\$ 459,987	\$ 4,555,852	\$ 777,423	\$ 9,067,529

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

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

YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balance - Governmental Funds **\$ (204,171)**

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital outlays	\$ 4,198,538	
	Less: Depreciation expense	<u>(2,285,451)</u>	1,913,087

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The net effect of the gain on sale and loss on the disposal of the assets is shown here. (12,059)

Some taxes will not be collected for several months after the Town's year-end, and they are not considered "available" revenues in the governmental funds. 150,159

In the statement of activities, other post-employment benefits are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used. (142,538)

Loans receivable in the statement of activities differ from the amount reported in the governmental funds because the loan is recognized as a revenue in the funds when it is due. The remaining receivable balance is considered to be a deferred inflow of resources in the governmental fund statements. This is the amount recognized in the government-wide financial statements for loans due from the Town of McCandless volunteer fire companies less the amount recognized in the governmental fund statements during the current year. (100,015)

Assessment amounts for the Transportation District Fund and the Street and Water Fund in the statement of activities differ from the amount reported in the governmental funds because the assessment is recognized as a revenue in the funds when it is due. The remaining receivable balance is considered to be a deferred inflow of resources in the governmental fund statements. This is the amount recognized in the government-wide financial statements for Phase III assessments and street, water, and sewer assessments less the amount recognized in the governmental fund statements during the current year. (82,170)

In the statement of activities, the actuarially determined pension expense is accrued. In the governmental funds, however, pension expenditures are measured by the amount of financial resources used. This amount represents the difference between the amount accrued versus the amount used. (289,440)

Change in Net Position of Governmental Activities **\$ 1,232,853**

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

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

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Taxes	\$ 11,794,000	\$ 11,794,000	\$ 11,986,718	\$ 192,718
Licenses, fines, and interest	521,600	521,600	520,588	(1,012)
Rents and royalties	4,100	4,100	18,133	14,033
Intergovernmental	1,213,000	1,213,000	1,296,585	83,585
Charges and fees	566,600	566,600	652,930	86,330
Assessments	400	400	364	(36)
Contributions and donations	33,200	33,200	21,886	(11,314)
Total revenues	14,132,900	14,132,900	14,497,204	364,304
Expenditures:				
Current:				
General government	1,592,000	1,592,000	1,565,048	26,952
Public safety	6,375,700	6,455,300	6,266,847	188,453
Public works	3,576,800	3,650,200	3,295,647	354,553
Culture and recreation	1,050,100	1,050,100	847,508	202,592
Total expenditures	12,594,600	12,747,600	11,975,050	772,550
Excess (Deficiency) of Revenues Over Expenditures	1,538,300	1,385,300	2,522,154	1,136,854
Other Financing Sources (Uses):				
Operating transfers in	114,000	114,000	124,665	10,665
Sales of fixed assets	41,000	41,000	18,723	(22,277)
Refunds of prior year revenues	(98,000)	(110,500)	(113,298)	(2,798)
Refunds of prior year expenditures	136,000	136,000	171,598	35,598
Operating transfers out	(3,225,000)	(7,230,230)	(7,241,823)	(11,593)
Total other financing sources (uses)	(3,032,000)	(7,049,730)	(7,040,135)	9,595
Net Change in Fund Balance	\$ (1,493,700)	\$ (5,664,430)	\$ (4,517,981)	\$ 1,146,449

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

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

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Interest earnings	\$ 2,000	\$ 2,000	\$ 1,322	\$ (678)
Assessments	114,000	114,000	124,664	10,664
Total revenues	116,000	116,000	125,986	9,986
Expenditures	116,000	116,000	5,954	110,046
Excess (Deficiency) of Revenues Over Expenditures	-	-	120,032	120,032
Other Financing Sources (Uses):				
Operating transfers out	(114,000)	(114,000)	(124,665)	(10,665)
Net Change in Fund Balance	\$ (114,000)	\$ (114,000)	\$ (4,633)	\$ 109,367

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

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

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Interest and rent	\$ 900	\$ 900	\$ 103	\$ (797)
Donations of materials and services	135,000	135,000	-	(135,000)
Total revenues	135,900	135,900	103	(135,797)
Expenditures:				
General government	854,800	854,800	68,079	786,721
Public works	2,991,300	3,019,200	3,308,977	(289,777)
Culture and recreation	212,400	212,400	270,162	(57,762)
Total expenditures	4,058,500	4,086,400	3,647,218	439,182
Excess (Deficiency) of Revenues Over Expenditures	(3,922,600)	(3,950,500)	(3,647,115)	438,385
Other Financing Sources (Uses):				
Operating transfers in	3,880,300	3,880,300	7,960,298	4,079,998
Net Change in Fund Balance	\$ (42,300)	\$ (70,200)	\$ 4,313,183	\$ 4,518,383

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2015

<u>Assets</u>	<u>Pension Trust</u>	<u>Agency Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 360,901	\$ 716,724	\$ 1,077,625
Investments:			
U.S. Treasury and agency obligations	2,630,291	-	2,630,291
Domestic common stock	4,767,151	-	4,767,151
Foreign common stock	537,169	-	537,169
Mutual funds	4,679,066	-	4,679,066
Corporate issues	696,434	-	696,434
Interest receivable	15,492	-	15,492
Total Assets	\$ 13,686,504	\$ 716,724	\$ 14,403,228
Liabilities and Net Position			
Liabilities:			
Due to other governments/organizations	\$ -	\$ 716,724	\$ 716,724
Net Position Restricted for Pension Benefits	13,686,504	-	13,686,504
Total Liabilities and Net Position	\$ 13,686,504	\$ 716,724	\$ 14,403,228

The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

Additions:	
<hr/>	
Contributions:	
Commonwealth	\$ 357,411
Employer	94,724
Employee	115,284
	<hr/>
Total contributions	567,419
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Investment income:	
Interest and dividends	202,876
Net depreciation in fair value of investments	(653,846)
	<hr/>
Net investment loss	(450,970)
	<hr/>
Total additions	116,449
	<hr/>
Deductions:	
<hr/>	
Benefits	552,161
Administrative expense	106,889
	<hr/>
Total deductions	659,050
	<hr/>
Change in Plan Net Position	(542,601)
<hr/>	
Net Position:	
Beginning of year	14,229,105
	<hr/>
End of year	\$ 13,686,504
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The notes to financial statements are an integral part of this statement.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of McCandless, Pennsylvania (Town), a home rule charter (charter) Town since January 1, 1975, is located in Allegheny County, Pennsylvania, approximately ten miles north of the City of Pittsburgh. The Town, governed by an elected Council, provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, planning and zoning, tax collection, and general administrative services.

In evaluating the Town as a primary government, management has addressed all potential component units. Component units are to be included within the financial reporting entity of the Town based upon the significance of their operational or financial relationships with the Town. No potential component units meet the criteria for inclusion in the Town reporting entity.

The Town is involved in a joint venture, as described in Note 12.

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 Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a particular 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 funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *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 a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, earned income, franchise, and business privilege taxes 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Basic Financial Statement – Fund Financial Statements

The accounts of the Town 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 comprise its assets, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate.

Governmental Funds:

The Town presents the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Transportation District Fund - The Transportation District Fund is used to account for financial resources to be used for the acquisition or construction of new roadways within a defined geographic area in the Town.

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

Additionally, the Town reports the following fund types as Other Governmental Funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of certain revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund of the Town is the State Highway Aid Fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund of the Town is the Street and Water Assessment Fund.

Fiduciary Funds:

Pension Trust Funds - Police and Non-Uniformed Employees' Pension Funds are used to account for assets held by the Town in a trustee capacity.

Agency Funds - The Town's Agency Funds include various accounts maintained in the Tax Office.

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

Investments

Investments are reported at fair value.

Inventories

Inventories used in governmental fund types, principally supplies, are accounted for as expenditures when purchased. Amounts on hand at year-end are not significant.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Fund Balance

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

- **Nonspendable** – This category represents funds that are not in spendable form and includes inventory.
- **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.
- **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 formal action by the Board and must be made prior to the end of the year. A commitment can only be modified or removed by the same formal action.
- **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 Town Manager or his/her designee. There was no assigned fund balance at December 31, 2015.
- **Unassigned** – This category includes the residual classification for the Town's General Fund and includes all spendable amounts not contained in other classifications.

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

Net Position

The government-wide 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 and is reduced by the outstanding balances of any 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 improvement of those assets or related debt are also included in this component of net position. If there are

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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. There are no outstanding borrowings for capital purchases at December 31, 2015.

- Restricted – This component of net position consists of constraints placed on net position use through external restrictions. Such amounts relate to the Transportation District discussed in Note 11.
- Unrestricted – The component of net position consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Interfund Receivables, Payables, and Transfers

Interfund accounts receivable are considered to be available, expendable resources, and are reported as assets in the "due from other funds" account. Interfund accounts payable are considered to be committed expendable resources and are reported as liabilities in the "due to other funds" accounts. Interfund transactions occur for various reasons and are eliminated from the government-wide financial statements.

Transactions between funds that 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 balances at December 31, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 4,257,137
Capital Projects Fund	4,257,137	-
	<u>\$ 4,257,137</u>	<u>\$ 4,257,137</u>

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 124,665	\$ 7,241,823
Transportation District Fund	-	124,665
Capital Projects Fund	7,960,298	-
State Highway Aid Fund	-	718,475
	<u>\$ 8,084,963</u>	<u>\$ 8,084,963</u>

The transfer from the Transportation District Fund to the General Fund was to transfer the annual assessments to reimburse the General Fund for the debt service paid in prior years.

The transfer to the Capital Projects Fund from the State Highway Aid Fund was used for capital improvements, specifically, the Town's paving and storm sewer programs and preliminary work on the Town's museum.

During 2015, the Town adopted a new Fund Balance and Reserves Policy that set the General Fund's unassigned fund balance level at two months' of operating revenue or expenditures. The remainder is to be moved to the Capital Projects Fund to fund capital improvements. The Capital Projects Fund's interfund receivable due from the General Fund and a portion of the transfer in from the General Fund is due to this new policy.

Compensated Absences

Town employees are granted vacation, personal days, and sick leave in varying amounts based on service and employment agreements.

The Town's vacation policy provides that employees are to take vacation within the year it is earned, with no carry forward provisions except for non-collective bargaining unit employees. The Town's personal day policy provides that employees are to take personal days within the year they are earned, with no carry forward provisions except for collective bargaining employees.

Accumulated sick leave is capped at 130 days for administrative employees and 30 days for police officers, and there is no compensation for unused sick leave. Public Works union employees earn paid days off (PDOs) in lieu of vacation and sick leave, and can accumulate up to 10 PDOs at the end of each year. Any unused PDOs in excess of the desired year-end accumulation can be transferred to a 457 retirement account. At separation from employment, 50% of the value of the accumulated PDOs can be transferred to a 457 retirement account.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

A liability for compensated absences is determined by the appropriate vacation, personal, and sick day payments that would be available to employees if they would leave or retire from the Town. This liability would be recorded in the General Fund and statement of net position as a current liability as deemed necessary.

Deferred Outflows / Inflows of Resources

Deferred outflows of resources represent a consumption of fund balance that applies to a future period(s) and so it will not be recognized as an outflow of resources (expense) until then. The Town has only one type of item (related to pensions), that qualifies for reporting in this category, as further discussed in Note 5.

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. The first item is unavailable revenue from taxes, notes receivable, and assessments, which arises under a modified accrual basis of accounting. Accordingly, this unavailable revenue is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is related to pension and is further discussed in Note 5.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, machinery, equipment, and vehicles, are recorded at cost. In accordance with applicable governmental accounting standards, infrastructure has been capitalized. To the extent the Town's capitalization threshold of \$5,000 is met, capital outlays are recorded and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Machinery and equipment	7 - 15 years
Infrastructure	10 - 60 years
Vehicles	5 years

Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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.

Budgets and Budgetary Accounting

Annual appropriated budgets are adopted, on a modified accrual basis of accounting, for all funds except for Pension Trust and Agency. Budgetary control for the Pension Trust Funds is maintained by the provisions of the funds as implemented by their respective governing boards.

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements as prescribed in the Town's charter.

- a. On or before the 15th day of October of each year, the Town Manager shall submit to Council Members (Council) a budget for the ensuing fiscal year and an accompanying message.
- b. Council shall adopt the budget by ordinance prior to the commencement of each year.
- c. An ordinance shall be published in a newspaper of general circulation in the Town at least once, but not more than ninety days or less than two days prior to its final enactment. A public hearing shall be held not more than sixty days or less than six days prior to the enactment of any ordinance. Each ordinance shall be published, in a newspaper of general circulation in the Town, at least once as soon as is practicable after its final enactment. The effective date of any ordinance shall be ten days after the notice of the enactment thereof is published in a newspaper of general circulation in the Town.

The Town Manager is responsible for budget control. The Town Manager shall notify Council promptly whenever present and anticipated obligations under any budget item indicate an overrun that is both greater than \$5,000 and greater than 10% of the amount budgeted. Council may take immediate action to reduce the anticipated expenditure so as to be consistent with the budget item or to amend the budget. Based on this budget control, an ordinance was adopted during the year to increase General Fund appropriations by \$4,183,730 and Capital Projects Fund appropriations by \$27,900. The amended budget is reflected in the financial statements.

Any excess appropriations lapse at the end of the fiscal year. The budget, for all budgeted funds, is adopted by department. However, management may authorize

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

expenditures in excess of appropriations within a fund without making formal budget transfers as long as expenditures do not exceed available resources. Therefore, the measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is employed as an extension of formal budgetary integration in all budgeted funds. Encumbered appropriations are reappropriated in the ensuing year's budget.

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Town'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*." As a result of this implementation, the government-wide net position as of January 1, 2015 was restated with a decrease of approximately \$52,000. The net pension liability and its components are described more fully in Note 5.

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Town's financial statements.

GASB Statement No. 72, "*Fair Value Measurement and Application*," effective for fiscal years beginning after June 15, 2015 (the Town'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 and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*," effective for fiscal years beginning after June 15, 2015 (the Town'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 financial statements for fiscal years beginning after June 15, 2016 (the Town's financial statements for the year ending December 31, 2017). This statement establishes requirements for those pensions and

TOWN OF McCANDLESS

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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 Town's financial statements for the year ending 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 Town'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.

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 Town'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 Town'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. 79, "*Certain External Investment Pools and Pool Participants*," effective for fiscal years beginning after June 15, 2015 (the Town's financial statements for the year ending December 31, 2016). This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*," effective for fiscal years beginning after December 15, 2016 (the Town's financial statements for the year

TOWN OF McCANDLESS

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ending December 31, 2017). The objective of this statement is to improve accounting and financial reporting for irrevocable spilt-interest agreements by providing 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 Town's financial statements for the year ending December 31, 2017). This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Pennsylvania statutes limit investment of governmental funds into certain authorized investment types including: U.S. Treasury Bills, short-term U.S. Government or Agency obligations, deposits in savings accounts, time deposits or share accounts, obligations of the United States or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, and shares of any investment company which invests only in the above or certificates of deposit. Fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. Throughout the year ended December 31, 2015, the Town invested its funds in only one or more of the above-authorized investments.

The deposit and investment policy of the Town adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Town. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures,*" requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Town's deposit and investment risks:

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of December 31, 2015, \$6,283,837 of the Town's bank balance of \$9,075,837 was exposed to custodial

TOWN OF McCANDLESS

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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. As of December 31, 2015, the carrying amounts of the Town's deposits were \$8,959,554.

In addition to the deposits noted above, included in cash and cash equivalents is the following short-term investment:

Pennsylvania Local Government Investment Trust (PLGIT) of \$15,754.

Pension Trust Funds

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy does not limit investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates; however, all of the Town's investments have maturities of less than two years with the exception of the U.S. Treasury and agency obligations. Of the approximately \$3 million held in U.S. Treasury and agency obligations, approximately 75% will mature within the next ten years.

Credit Risk – Credit risk is risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy limits its investment choices based on credit ratings by nationally recognized statistical rating organizations. The following lists the ratings of the Town's investments at December 31, 2015:

Investment Type	Amount	Rating as of Year-End					
		A	A-	AA+	BBB	BBB+	Unrated
Corporate issues	\$ 696,434	\$ 106,052	\$ 163,557	\$ -	\$ 50,595	\$ 376,230	\$ -
US Government issues	2,991,192	-	-	888,100	-	-	2,103,092
Equities	5,304,320	-	-	-	-	-	6,270,093
Mutual funds	4,679,066	-	-	-	-	-	4,720,051
Total	\$ 13,671,012	\$ 106,052	\$ 163,557	\$ 888,100	\$ 50,595	\$ 376,230	\$ 13,093,236

Agency Funds

The Town maintains bank accounts for real estate tax and earned income tax collections. The balance of these accounts is reflected in the statement of fiduciary net position. The carrying amount of deposits for these funds was \$716,724 and the bank balance was \$742,458. The balance of \$742,458 was covered by federal depository insurance or collateralized in accordance with Act 72 of the Pennsylvania State Legislature.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

3. PROPERTY TAXES

The Town's property tax is levied based on assessed values provided by the Allegheny County, Pennsylvania (County) assessment office at January 1. The 2015 levy was based upon an assessed valuation of approximately \$2.5 billion, which is the estimated market value. For 2015, Town real estate taxes were levied at 1.296 mills (.001296%) on every dollar of taxable assessed valuation.

Taxes are billed July 1 and are due on or before November 1. The Town's Tax Office collects the real estate tax. Taxpayers making payments on or before September 3 are given a 2% discount. Payments made after November 1 are assessed a 10% penalty. The Town's Tax Office also collects the delinquent real estate taxes. Current tax collections for the year ended December 31, 2015 were 98.1% of the tax levy.

TOWN OF McCANDLESS

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YEAR ENDED DECEMBER 31, 2015

4. CAPITAL ASSETS

A summary of general capital asset transactions during 2015 is as follows:

	January 1, 2015	Additions/ Transfers	Disposals/ Transfers	December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 3,907,401	\$ -	\$ -	\$ 3,907,401
Construction in process	331,968	924,870	-	1,256,838
Total capital assets, not being depreciated	4,239,369	924,870	-	5,164,239
Capital assets, being depreciated:				
Buildings and improvements	3,089,926	-	-	3,089,926
Furniture and equipment	1,133,671	-	-	1,133,671
Machinery and equipment	820,438	6,374	(86,322)	740,490
Vehicles	2,838,708	544,947	(119,584)	3,264,071
Infrastructure	46,742,144	2,722,347	-	49,464,491
Total capital assets, being depreciated	54,624,887	3,273,668	(205,906)	57,692,649
Less accumulated depreciation for:				
Buildings and improvements	1,538,135	55,259	-	1,593,394
Furniture and equipment	786,709	67,796	-	854,505
Machinery and equipment	762,331	17,468	(86,322)	693,477
Vehicles	1,564,833	331,667	(107,525)	1,788,975
Infrastructure	16,765,865	1,813,261	-	18,579,126
Total accumulated depreciation	21,417,873	2,285,451	(193,847)	23,509,477
Total capital assets, being depreciated, net	33,207,014	988,217	(12,059)	34,183,172
Total capital assets, net	\$ 37,446,383	\$ 1,913,087	\$ (12,059)	\$ 39,347,411

Depreciation expense for general capital assets and infrastructure was allocated to the various functions as follows:

General government	\$ 34,753
Public safety	168,639
Public works	2,063,889
Culture and recreation	18,170
	\$ 2,285,451

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

5. PENSION PLANS

Summary of Significant Accounting Policies

Financial information of the Town's Plans (Plans) is presented on the accrual basis of accounting. Employer contributions to each Plan are recognized when due as required by Act 205 of the Commonwealth (Act). Benefits and refunds are recognized when due and payable in accordance with the terms of the individual Plan.

Investments of the Plans are reported at fair value.

Plan Descriptions

The Town administers two single-employer defined benefit pension plans for the police and non-uniformed employees. These Plans cover all full-time police and non-uniformed employees hired before May 1, 1985. The Plans provide retirement benefits to Plan members. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by the Act. The Plans do not issue separate reports.

The Council of the Town governs both Plans and is responsible for the administration. Council has delegated the authority to manage certain Plan assets to US Bank. Annuities have been purchased for any individual who retired prior to January 1, 1991 to pay off future benefit obligations. These assets are no longer part of the Plans.

Non-uniformed employees of the Town hired after May 1, 1985 are not eligible for participation in the Non-Uniformed Employees' Plan. All such employees participate in the defined contribution plan described later in the notes.

As of December 31, 2015, participants in the Plans were as follows:

	<u>Police</u>	<u>Non-Uniformed Employees</u>
Date of most recent valuation report	1/1/2015	1/1/2015
Participants:		
Active employees	27	0
Retirees and beneficiaries currently receiving benefits	24	2
Terminated employees entitled to benefits but not yet receiving them	1	0

TOWN OF McCANDLESS

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Benefits Provided – Non-uniformed Employees Plan

Participants in the Non-uniformed Employees Plan are 100% vested after 10 years of service. The Non-uniformed Employees Plan provides the following benefits:

Retirement Benefit - For normal retirement, a participant is entitled to begin receiving retirement benefits at the earlier of the age 65 or the completion of 30 years of credited service. The scheduled monthly retirement benefit is equal to 25% of average compensation during the highest consecutive 36 months of the final 72 months preceding termination up to \$550, plus 50% of average compensation in excess of \$550 multiplied by total contributory service (not to exceed 15) and divided by 15. For early retirement, a participant is eligible at the age of 55. The scheduled monthly retirement benefit is the accrued benefit at the date of retirement, actuarially reduced for each month by which benefit commencement precedes normal retirement date.

Disability Benefit – A participant is eligible for disability benefits if there is a total and permanent disablement after the completion of 10 years of service. The accrued benefit at date of disablement is payable after a six-month waiting period until age 65 and life thereafter.

Death Benefit - If a participant's death occurs, the participant's surviving spouse receives a monthly benefit equal to the actuarially reduced joint and 50% survivor annuity is available after age 55 and the completion of 10 years of service. If no surviving spouse, contributions plus interest less benefits already paid, will be paid to the participant's estate, or to spouse's estate.

Benefits Provided – Police Plan

Participants in the Plan are 100% vested after the completion of ten years of service if hired prior to October 1, 1998. Participants are 100% vested after the completion of 12 years of service if hired after September 30, 1998. The Police Plan provides the following benefits:

Retirement Benefit - For normal retirement, a participant is entitled to begin receiving retirement benefits at the age 50 and the completion of 25 years of service. For participants hired prior to October 1, 1998, the scheduled monthly benefit is equal to 50% of final monthly average salary (average base pay over the highest 36 months of employment). For participants hired after September 30, 1998, the scheduled monthly benefit is equal to 50% of final monthly average salary (average base pay over the last 36 months of employment). For early retirement, a participant is eligible after 20 years of service. The scheduled monthly benefit is the accrued benefit at the date of retirement, actuarially reduced.

TOWN OF McCANDLESS

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Disability Benefit - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits for the same injury. If a participant becomes totally and permanently disabled as a result of non-service related accident or sickness, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is equal to 50% of final monthly average salary and is payable at age 65 (available only to participants hired before October 1, 1998).

Death Benefit - If a participant's death occurs before vesting and retirement eligibility, the participant's estate receives a refund of contributions made by the participant. If a participant's death occurs before retirement eligibility and after vesting, the participant's spouse receives 50% of the participant's accrued benefit at the date of death, payable for life, commencing at the date that would have been the participant's normal retirement date. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse, a monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive on the date of death. In the event of the spouse's death, the participant's dependent children will share the benefit until age 18 (age 23 if attending college).

Deferred Retirement Option Program - In 2007, the Police Plan was amended to offer eligible participants the opportunity to participate in a Deferred Retirement Option Program (DROP). The DROP Plan provides an alternative method of payment for retirement benefits for a specified and limited period of time for members of the Police department. Under this Plan, employees stop earning service credit toward a future benefit and the calculated retirement benefit at the time the DROP Plan period begins, is deposited into another investment vehicle that offers both substantial security and some level of guaranteed interest.

To be eligible to participate in the DROP program, the employee must be a full-time Town police officer covered by the Plan who is eligible for normal retirement. A member hired before October 1, 1998 is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. A member hired on or after October 1, 1998, is eligible for normal retirement after attainment of age 53 and completion of 26 years of vesting service. The benefit is deposited into a separate account and credited with interest (the actual market value yield on the aggregate pension fund for a given calendar year, 2% less; however, no less than 1% nor greater than 4.5%) during DROP participation (maximum of three years). Within thirty days of employment separation, any DROP Plan participant will receive the monies in their DROP account in a single lump-sum payment. The total DROP assets as of December 31, 2015 totaled \$171,004.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

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Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth of Pennsylvania allocation must be funded by the Township (and could include employee contributions).

The Town contributed the funds necessary to meet the MMO obligation for the Police Plan in the amount of \$432,973, which includes \$357,411 of state pension aid. The Town contributed the funds necessary to meet the MMO obligation for the Non-uniformed Employees Plan in the amount of \$19,162, which is entirely state pension aid.

Under the terms of the Plans, Non-uniformed and Police employees are required to contribute 5% of covered payroll. This contribution is governed by the Plan's governing ordinances and collective bargaining. Contributions to the Plan are currently waived for Non-uniformed Employees. Employee contributions to the Police Plan for 2015 were \$115,284.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Net Pension Liability

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

	<u>Police</u>	<u>Non-Uniformed Employees</u>
Total pension liability	\$ 15,182,718	\$ 259,030
Plan fiduciary net position	<u>(13,560,587)</u>	<u>(125,917)</u>
Net pension liability (asset)	<u>\$ 1,622,131</u>	<u>\$ 133,113</u>
Plan fiduciary net positions as a percentage of total pension liability	<u>89.32%</u>	<u>48.61%</u>

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The changes in the net pension liability of the Non-uniformed Employees Plan for the year ended December 31, 2015 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 269,535	\$ 151,838	\$ 117,697
Changes for the year:			
Interest	18,154	-	18,154
Changes of assumptions	7,662	-	7,662
Contributions - employer	-	19,162	(19,162)
Net investment income	-	(3,483)	3,483
Benefit payments, including refunds	(36,321)	(36,321)	-
Administrative expense	-	(5,279)	5,279
Net changes	(10,505)	(25,921)	15,416
Balances at December 31, 2015	\$ 259,030	\$ 125,917	\$ 133,113
Plan fiduciary net position as a percentage of the total pension liability			48.61%

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

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 14,011,655	\$ 14,077,267	\$ (65,612)
Changes for the year:			
Service cost	357,562	-	357,562
Interest	1,044,050	-	1,044,050
Differences between expected and actual	(446,859)	-	(446,859)
Changes of assumptions	731,339	-	731,339
Contributions - employer	-	432,972	(432,972)
Contributions - employee	-	114,474	(114,474)
Net investment income	-	(447,584)	447,584
Benefit payments, including refunds	(515,029)	(515,029)	-
Administrative expense	-	(101,513)	101,513
Net changes	1,171,063	(516,680)	1,687,743
Balances at December 31, 2015	\$ 15,182,718	\$ 13,560,587	\$ 1,622,131
Plan fiduciary net position as a percentage of the total pension liability			89.32%

TOWN OF McCANDLESS

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YEAR ENDED DECEMBER 31, 2015

Actuarial assumptions – The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

	Police	Non-Uniformed Employees
Actuarial valuation date	1/1/2015	1/1/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.00%
Projected salary increases	4.25%	5.00%
Underlying inflation rate	3.00%	3.00%
Mortality	RP-2000 Combined Health Mortality Table	1994 Uninsured Pensioner Mortality Table

Changes in Actuarial Assumptions

Non-uniformed Employees Plan: Effective with the January 1, 2015 valuation, the investment rate of return was reduced from 7.5% to 7.0%.

Police Plan: Effective with the January 1, 2015 valuation, the investment rate of return was reduced from 7.5% to 7.25%. Additionally, the mortality assumption was updated to eliminate blue collar adjustment and increase the improvement to 100% of scale AA.

Investment Policy

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which 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.

TOWN OF McCANDLESS

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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:

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	Police	Non-Uniformed	Police	Non-Uniformed
Equity	0-70%	0-70%	6.3%	6.3%
Fixed Income	0-100%	0-100%	2.0%	2.0%
Cash and Cash Equivalents	0-100%	0-100%	0.0%	0.0%

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 Plan and Non-uniformed Employees Plan investments, net of investment expense, was -3.22% and -2.61%, respectively.

Concentrations – The Plans place no limit on the amount that may be invested in any one issuer. At December 31, 2015, the Plans had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

Discount Rate – The discount rate used to measure the total pension liability for the Police Plan and Non-uniformed Employees Plan was 7.25% and 7.0%, respectively. 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 the employer contributions will be made equal to the MMO. Based on those assumptions, the 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 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:

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

<u>Police Plan</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability	\$ 3,297,929	\$ 1,622,131	\$ 204,580
<u>Non-uniformed Employees Plan</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 148,121	\$ 133,113	\$ 119,580

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

For the year ended December 31, 2015, the Town recognized pension expense of approximately \$742,000. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	Non-Uniformed Employees
<u>Deferred Outflows of Resources:</u>		
Changes in assumption	\$ 611,447	\$ -
Net difference between projected and actual earnings on pension plan investments	1,165,644	10,231
Total deferred outflows of resources	\$ 1,777,091	\$ 10,231
	Police	Non-Uniformed Employees
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 373,603	\$ -

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

TOWN OF McCANDLESS

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<u>Year ending December 31,</u>	<u>Police</u>	<u>Non-Uniformed Employees</u>
2016	\$ 338,047	\$ 2,558
2017	338,047	2,558
2018	338,047	2,558
2019	338,047	2,557
2020	46,636	
Thereafter	4,664	

6. DEFINED CONTRIBUTION PLAN

The Town also provides pension benefits for its non-uniformed employees hired after May 1, 1985 through a defined contribution pension plan (plan). This plan is a money purchase plan maintained in accordance with Internal Revenue Code Section 414(H). Benefits to retired employees depend on amounts contributed plus investment earnings. Employee contributions to the plan as specified in the plan document are 5% of base compensation for all Administration employees and 6% for all Public Works employees. The Town contribution, which is a match of the employee contribution, vests 50% with the participants after five years and 10% each year thereafter up to 100%.

Employee and required employer contributions during 2015 were \$129,155 each. The employer contribution was funded from the General Fund.

7. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 5 and 6, the Town provides post-retirement health care insurance benefits in accordance with the police bargaining agreement. The Town funds all Town contributions on a pay-as-you-go method. Such benefits are primarily funded through annual appropriations from the Town's General Fund. The Town provides the following to substantially all full-time police employees:

- Healthcare - any officer who retires after January 1, 1984 shall continue his/her medical insurance coverage for himself/herself, spouse, and family through the Town. The Town shall contribute towards the cost of this coverage an amount equal to the amount charged for such insurance on the date of retirement as long as the cost is not greater than family coverage. This coverage lasts until Medicare or private insurance is available or other employment is obtained. Any officer who retires after January 1, 2000 will not be included on the Town's

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

plan, but will receive the same healthcare benefit as a reimbursement for health coverage.

The cost to the Town for the post-employment benefits described above for the year ended December 31, 2015 was approximately \$18,000. The total number of currently eligible retirees was two. The Town records related expenditures in the General Fund as incurred.

The Town also offers to pay life insurance premiums for all retirees along with death benefits of \$5,000 for non-supervisory, non-union employees and one-half (1/2) of current life insurance coverage at retirement for supervisory employees.

Benefit provisions for the plan are established and amended through negotiations between the Town and the respective union.

Funding Policy. The Town's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the Town contributed approximately \$18,000 to the plan. Employees contribute to health care costs at a flat rate based on wages and family size.

Annual OPEB Cost. The Town'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, mortality, 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 will show multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The most recent actuarial report is as of January 1, 2013, and the Town formally established and began funding on the pay-as-you-go method.

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

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

Annual required contribution	\$	176,358
Interest on net OPEB obligation		43,430
Adjustment to annual required contribution		<u>(59,250)</u>
Annual OPEB cost		160,538
Contributions made		<u>18,000</u>
Increase (decrease) in net OPEB obligation		142,538
Net OPEB obligation (asset) beginning of year		<u>1,007,637</u>
Net OPEB obligation (asset) end of year	\$	<u><u>1,150,175</u></u>
Actuarial valuation date		1/1/2013
Actuarial cost method		Entry Age
Amortization method		Level dollar
Asset valuation method		N/A - the plan is unfunded
Remaining amortization period		30 years
Actuarial Assumptions:		
Health care inflation rate		2% in 2013 and 5% per year thereafter

For the Actuarial Valuation report dated January 1, 2013, the actuarial value of assets is zero; the actuarial accrued liability is \$1,521,394 for a funded ratio of zero.

Additional historical trend information to the extent available is presented as required supplementary information.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2013	\$ 164,652	19%	\$ 865,869
December 31, 2014	162,468	16%	1,007,637
December 31, 2015	160,538	14%	1,150,175

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

8. DEFERRED COMPENSATION PLAN

The Town provides all full-time employees an option to participate in a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457 (Section 457). The Plan permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to the employee until termination, retirement, or death. At December 31, 2015, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Deferred compensation assets at December 31, 2015 totaled approximately \$3.3 million. Under the provisions of GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,"* the Plan is not required to be included in the Town's financial statements.

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the Town. The ultimate outcome of these claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from these potential settlements has been made in these financial statements. In the opinion of management and legal counsel, the effect on the financial statements of the potential losses on any claim and/or lawsuit should not be material.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

For its dental insurance coverage, the Town is a member of Delta Dental Insurance Group (Delta). The Town pays a monthly premium to Delta and subsequently, on a quarterly basis, receives a credit/refund or is assessed additional premiums plus administrative fees based on the actual experience of Town employees.

For its workers' compensation insurance coverage, the Town participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 208 cities, municipalities, boroughs, towns, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. The Trust purchases excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. 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 other assets of the Trust.

11. TRANSPORTATION DISTRICT

Traffic engineering studies were performed by the Town to determine a capital project improvement program. The boundaries of these project improvements were set to establish the Transportation District on McKnight Road (District). Any property (commercial or residential) in the proximity or adjacent to the transportation development District boundaries are imposed an assessment since they are to benefit from the improvement project.

Phases I and II of District projects ended with the connection of Duncan Avenue at McKnight Road in 2004. During 2012, Phase III ended with completion of Duncan Avenue's western extension. Under the Town's Transportation District Ordinance and general obligation bond issues, any funds remaining in the Transportation District Fund after all projects are complete may be applied to capital projects undertaken by the Town for general purposes. Current annual assessments under Phases II and III (\$118,250) are billed semi-annually over a 20-year period. The 20-year assessment begins when a property receives access and benefits of District projects. Total assessments yet to be billed and collected are approximately \$1.48 million as of December 31, 2015.

Bonds were issued in 1992 to fund the capital project, subsequently refunded with General Obligation Bonds Series 1996, which have been refunded with General Obligation Notes Series 2004. The assessments noted above are to cover the costs of the debt service, with any shortfalls being covered by the General Fund. The Transportation District Fund hopes to be able to repay the General Fund for any funds transferred.

TOWN OF McCANDLESS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

12. JOINT VENTURE

Northland Public Library

Northland Public Library (Library) is a public library that is considered to be a municipal authority by the Commonwealth of Pennsylvania.

The governing body of the Library is its Board of Trustees, which is comprised of seven members appointed by the elected officials of its five supporting municipalities (one of which is the Town). Since no individual municipality has control, the Library is not considered a component unit of any one-member community.

The Library meets the criteria for a joint venture as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to joint control, in which participants retain an on-going financial responsibility.

The Town, per contractual agreement, is responsible on a per capita basis for financing expenses of the Library, and to that end, is obligated to pay a share of the budgeted expenses of operation annually. Such payments amounted to \$603,449 for the year ended December 31, 2015.

The Town has no equity interest in the Library. The Library issues separate financial statements, which are available at the Northland Public Library, 300 Cumberland Road, Pittsburgh, PA 15237.

**Required Supplementary
Information – Pension Plan
Disclosures**

TOWN OF McCANDLESS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

NON-UNIFORMED EMPLOYEES PLAN

YEAR ENDED DECEMBER 31, 2015

(Dollar Amounts in Thousands)

	2015	2014
Total Pension Liability:		
Interest	\$ 18,154	\$ 19,032
Changes of assumptions	7,662	-
Benefit payments, including refunds of member contributions	(36,321)	(36,321)
Net Changes in Total Pension Liability	(10,505)	(17,289)
Total Pension Liability - Beginning	269,535	286,824
Total Pension Liability - Ending (a)	\$ 259,030	\$ 269,535
Plan Fiduciary Net Position:		
Contributions - employer	\$ 19,162	\$ 19,162
Net investment income	(3,483)	6,133
Benefit payments, including refunds of member contributions	(36,321)	(36,321)
Administrative expense	(5,279)	(1,040)
Net Change in Plan Fiduciary Net Position	(25,921)	(12,066)
Plan Fiduciary Net Position - Beginning	151,838	163,904
Plan Fiduciary Net Position - Ending (b)	\$ 125,917	\$ 151,838
Net Pension Liability - Ending (a-b)	\$ 133,113	\$ 117,697
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.61%	56.33%
Covered Employee Payroll	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%	0.00%

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

TOWN OF McCANDLESS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION PENSION PLAN

SCHEDULE OF CHANGES IN TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

POLICE PLAN

YEAR ENDED DECEMBER 31, 2015

(Dollar Amounts in Thousands)

	2015	2014
Total Pension Liability:		
Service cost	\$ 357,562	\$ 360,093
Interest	1,044,050	998,403
Differences between expected and actual experience	(446,859)	-
Changes of assumptions	731,339	-
Benefit payments, including refunds of member contributions	(515,029)	(586,941)
Net Changes in Total Pension Liability	1,171,063	771,555
Total Pension Liability - Beginning	14,011,655	13,240,100
Total Pension Liability - Ending (a)	\$ 15,182,718	\$ 14,011,655
Plan Fiduciary Net Position:		
Contributions - state aid	\$ 357,410	\$ 357,854
Contributions - employer	75,562	83,447
Contributions - member	114,474	111,327
Net investment income	(447,584)	806,982
Benefit payments, including refunds of member contributions	(515,029)	(586,941)
Administrative expense	(101,513)	(98,970)
Net Change in Plan Fiduciary Net Position	(516,680)	673,699
Plan Fiduciary Net Position - Beginning	14,077,267	13,403,568
Plan Fiduciary Net Position - Ending (b)	\$ 13,560,587	\$ 14,077,267
Net Pension Liability - Ending (a-b)	\$ 1,622,131	\$ (65,612)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.32%	100.47%
Covered Employee Payroll	\$ 2,829,195	\$ 2,566,037
Net Pension Liability as a Percentage of Covered Employee Payroll	57.34%	-2.56%

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

TOWN OF McCANDLESS

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF TOWN'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31, 2015

NON-UNIFORMED EMPLOYEES PLAN:

	2015	2014
Schedule of Town's Contributions		
Actuarially determined contribution	\$ 19,162	\$ 19,162
Contributions in relation to the actuarially determined contribution	19,162	19,162
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%
Investment Returns		
Annual money-weighted rate of return, net of investment expense	-2.61%	4.17%

POLICE PLAN:

Schedule of Town's Contributions		
Actuarially determined contribution	\$ 432,973	\$ 441,301
Contributions in relation to the actuarially determined contribution	432,973	441,301
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 2,829,195	\$ 2,566,037
Contributions as a percentage of covered employee payroll	15.30%	17.20%
Investment Returns		
Annual money-weighted rate of return, net of investment expense	3.22%	6.12%

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

TOWN OF McCANDLESS

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2015

Actuarial Methods and Assumptions Used in Determining the Contribution Rate

	Non-uniformed Employees Plan	Police Plan
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal*
Amortization method	Level Dollar Open	Level Dollar Closed
Asset valuation method	Fair Value	4-Year Smoothing
Amortization period	10 years	10 years
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	5.00%	4.25%
Underlying inflation rate	3.00%	3.00%
Mortality Table	1994 Uninsured Pensioner Mortality Table	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment

* The retirement age for participants hired after October 1, 1998 is assumed to be 53 with 26 years of service.

TOWN OF McCANDLESS

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2015

Change in Benefits

In 2015, no benefit terms were modified for the Non-uniformed Employees and Police Plans.

Change to Assumptions

Non-uniformed Employees Plan

Effective January 1, 2015, the investment rate of return was reduced from 7.5% to 7%.

Police Plan

Effective January 1, 2015, the investment rate of return was reduced from 7.5% to 7.25%. The mortality assumption was updated to eliminate blue collar adjustment and increase the improvement to 100% of scale AA. Salary increases were flattened to match CBA.

**Required Supplementary
Information – OPEB Disclosures**

TOWN OF McCANDLESS

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) SCHEDULE OF FUNDING PROGRESS

YEAR ENDED DECEMBER 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ -	\$ 1,521,394	\$ 1,521,394	0.0%	N/A	N/A
January 1, 2010	-	1,662,238	1,662,238	0.0%	N/A	N/A
January 1, 2007	-	1,243,184	1,243,184	0.0%	N/A	N/A

Note: Actuarial valuation as of 01/01/07 represents the initial valuation for the plan as required under GASB Statement No. 45. Actuarial valuation reports are only performed on a triennial basis for other post-employment benefit plans.

See accompanying note to schedule of required supplementary information - OPEB.

TOWN OF McCANDLESS

NOTE TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION – OPEB

YEAR ENDED DECEMBER 31, 2015

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the OPEB plan as of the latest actuarial valuation is as follows:

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age
Amortization method	Level dollar
Asset valuation method	N/A - the plan is unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Health care inflation rate	2% in 2013 and 5% per year thereafter

Supplementary Information

TOWN OF McCANDLESS
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

<u>Revenues:</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Taxes:</u>				
Real estate	\$ 3,170,000	\$ 3,170,000	\$ 3,147,455	\$ (22,545)
Act 511	8,574,000	8,574,000	8,805,222	231,222
Penalties, interest and lien filing costs	50,000	50,000	34,041	(15,959)
Total taxes	11,794,000	11,794,000	11,986,718	192,718
Licenses, fines, and interest	521,600	521,600	520,588	(1,012)
Rents and royalties	4,100	4,100	18,133	14,033
Intergovernmental	1,213,000	1,213,000	1,296,585	83,585
Charges and fees	566,600	566,600	652,930	86,330
Assessments	400	400	364	(36)
Contributions and donations	33,200	33,200	21,886	(11,314)
Total revenues	14,132,900	14,132,900	14,497,204	364,304
<u>Other financing sources:</u>				
Sale of assets	41,000	41,000	18,723	(22,277)
Transfers in	114,000	114,000	124,665	10,665
Refunds of prior year expenditures	136,000	136,000	171,598	35,598
Total other financing sources	291,000	291,000	314,986	23,986
Total revenues and other financing sources	14,423,900	14,423,900	14,812,190	388,290
<u>Expenditures:</u>				
<u>General government:</u>				
Town council	50,100	50,100	54,747	(4,647)
Town administration	465,000	465,000	440,195	24,805
Financial administration	501,600	501,600	501,480	120
Tax collection	287,600	287,600	286,862	738
Citizen information	90,600	90,600	86,484	4,116
Buildings and plant	197,100	197,100	195,280	1,820
Total general government	1,592,000	1,592,000	1,565,048	26,952
<u>Public safety:</u>				
Police protection	4,826,700	4,858,800	4,737,091	121,709
Fire protection and prevention	991,700	991,700	986,157	5,543
Ambulance	82,100	82,100	59,410	22,690
Code enforcement	187,000	187,000	157,603	29,397
Planning and zoning	232,100	272,100	253,900	18,200
School crossing guards	56,100	63,600	72,686	(9,086)
Total public safety	6,375,700	6,455,300	6,266,847	188,453

(Continued)

TOWN OF McCANDLESS

GENERAL FUND STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (Continued)

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
Public works:				
Recycling	131,800	131,800	144,139	(12,339)
Public works administration	1,264,500	1,264,500	1,092,767	171,733
Street cleaning	269,100	269,100	255,472	13,628
Snow and ice control	736,400	809,800	806,729	3,071
Traffic control devices	300,100	300,100	211,000	89,100
Street lighting	400	400	364	36
Storm sewers and drains	59,900	59,900	37,657	22,243
Repair of vehicles and machinery	509,600	509,600	466,296	43,304
Maintenance repair of roads and bridges	120,000	120,000	143,226	(23,226)
Storm water management and flood control	185,000	185,000	137,997	47,003
Total public works	<u>3,576,800</u>	<u>3,650,200</u>	<u>3,295,647</u>	<u>354,553</u>
Culture and recreation:				
Culture	10,900	10,900	7,501	3,399
Participant recreation	32,100	32,100	30,951	1,149
Parks	334,800	334,800	142,394	192,406
Library	603,400	603,400	603,449	(49)
Community celebration	68,900	68,900	63,213	5,687
Total culture and recreation	<u>1,050,100</u>	<u>1,050,100</u>	<u>847,508</u>	<u>202,592</u>
Other financing uses:				
Transfers out	3,225,000	7,230,230	7,241,823	(11,593)
Refunds of prior year revenues	98,000	110,500	113,298	(2,798)
Total other financing uses	<u>3,323,000</u>	<u>7,340,730</u>	<u>7,355,121</u>	<u>(14,391)</u>
Total expenditures and other financing uses	<u>15,917,600</u>	<u>20,088,330</u>	<u>19,330,171</u>	<u>758,159</u>
Net Change in Fund Balance	<u>\$ (1,493,700)</u>	<u>\$ (5,664,430)</u>	<u>\$ (4,517,981)</u>	<u>\$ 1,146,449</u>

(Concluded)

TOWN OF McCANDLESS

OTHER GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2015

	Special Revenue Fund		Capital Projects Fund		Total Other Governmental Funds
	State Highway Aid Fund	Street and Water Assessment Fund	Street and Water Assessment Fund	Street and Water Assessment Fund	
Cash and cash equivalents	\$ -	\$ 677,363	\$ 677,363	\$ 677,363	
Investments	-	100,000	100,000	100,000	
Receivables (net, where applicable, of allowance for uncollectibles):					
Accounts receivable	-	-	-	-	
Other	-	38,885	38,885	38,885	
Total Assets	\$ -	\$ 816,248	\$ 816,248	\$ 816,248	
Deferred Inflows of Resources and Fund Balance					
Deferred Inflows of Resources:					
Unavailable revenue:					
Assessments	\$ -	\$ 38,825	\$ 38,825	\$ 38,825	
Fund Balance:					
Committed:					
Capital projects	-	777,423	777,423	777,423	
Total Deferred Inflows of Resources and Fund Balance	\$ -	\$ 816,248	\$ 816,248	\$ 816,248	

TOWN OF McCANDLESS

OTHER GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2015

Revenues:				
Interest and rent				
Intergovernmental Assessments				
Total revenues				
Expenditures:				
Current:				
Public works				
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources (Uses):				
Operating transfers out				
Net Change in Fund Balance				
Fund Balance:				
Beginning of year				
End of year				

Special Revenue Fund	Capital Projects Fund	Total Other Governmental Funds
State Highway Aid Fund	Street and Water Assessment Fund	
\$ 88	\$ 1,023	\$ 1,111
718,387	-	718,387
-	4,237	4,237
<u>718,475</u>	<u>5,260</u>	<u>723,735</u>
-	-	-
<u>718,475</u>	<u>5,260</u>	<u>723,735</u>
(718,475)	-	(718,475)
-	5,260	5,260
-	772,163	772,163
<u>\$ -</u>	<u>\$ 777,423</u>	<u>\$ 777,423</u>

TOWN OF McCANDLESS

STATE HIGHWAY AID FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
<u>Interest and rent</u>	\$ -	\$ -	\$ 88	\$ 88
<u>Intergovernmental</u>	655,300	655,300	718,387	63,087
Total revenues	655,300	655,300	718,475	63,175
Excess (Deficiency) of Revenues Over Expenditures	655,300	655,300	718,475	63,175
Other Financing Sources (Uses):				
<u>Operating transfers out</u>	(655,300)	(655,300)	(718,475)	(63,175)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF McCANDLESS

STREET AND WATER ASSESSMENT FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
<u>Interest and rent</u>	\$ 1,500	\$ 1,500	\$ 1,023	\$ (477)
<u>Assessments</u>	65,000	65,000	4,237	(60,763)
 Total revenues	<u>66,500</u>	<u>66,500</u>	<u>5,260</u>	<u>(61,240)</u>
 Expenditures:				
<u>Capital improvements</u>	391,000	391,000	-	391,000
 Total expenditures	<u>391,000</u>	<u>391,000</u>	<u>-</u>	<u>391,000</u>
 Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (324,500)</u>	<u>\$ (324,500)</u>	<u>\$ 5,260</u>	<u>\$ 329,760</u>

TOWN OF McCANDLESS

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

YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Interest earnings	\$ 900	\$ 900	\$ 103	\$ (797)
Donations of materials and services	135,000	135,000	-	(135,000)
Total revenues	135,900	135,900	103	(135,797)
Expenditures:				
Services and charges	854,800	854,800	1,181,740	(326,940)
Capital improvements	2,991,300	3,019,200	2,195,316	823,884
Culture and recreation	212,400	212,400	270,162	(57,762)
Total expenditures	4,058,500	4,086,400	3,647,218	439,182
Excess (Deficiency) of Revenues Over Expenditures	(3,922,600)	(3,950,500)	(3,647,115)	303,385
Other Financing Sources (Uses):				
Operating transfers in	3,880,300	3,880,300	7,960,298	4,079,998
Net Change in Fund Balance	\$ (42,300)	\$ (70,200)	\$ 4,313,183	\$ 4,383,383

TOWN OF McCANDLESS

TRUST AND AGENCY FUNDS COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Pension Trust Funds				
	Police	Non- Uniformed Employees	Combined Pension Trust Funds	Agency Funds	Total
Assets					
Cash and cash equivalents	\$ 337,805	\$ 23,096	\$ 360,901	\$ 716,724	\$ 1,077,625
Investments:					
U.S. Treasury and agency obligations	2,630,291	-	2,630,291	-	2,630,291
Domestic common stock	4,767,151	-	4,767,151	-	4,767,151
Foreign common stock	537,169	-	537,169	-	537,169
Mutual funds	4,576,245	102,821	4,679,066	-	4,679,066
Corporate issues	696,434	-	696,434	-	696,434
Interest receivable	15,492	-	15,492	-	15,492
Total Assets	\$ 13,560,587	\$ 125,917	\$ 13,686,504	\$ 716,724	\$ 14,403,228
Liabilities and Net Position					
Liabilities:					
Due to other governments/organizations	\$ -	\$ -	\$ -	\$ 716,724	\$ 716,724
Net Position Restricted for Pension Benefits	13,560,587	125,917	13,686,504	-	13,686,504
Total Liabilities and Net Position	\$ 13,560,587	\$ 125,917	\$ 13,686,504	\$ 716,724	\$ 14,403,228

TOWN OF McCANDLESS

PENSION TRUST FUNDS COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

YEAR ENDED DECEMBER 31, 2015

	Defined Benefit		
	Police	Non-Uniformed Employees	Totals
Additions:			
<u>Contributions:</u>			
Commonwealth	\$ 357,411	\$ -	\$ 357,411
Employer	75,562	19,162	94,724
Employee	115,284	-	115,284
	548,257	19,162	567,419
<u>Investment income:</u>			
Interest and dividends	201,255	1,621	202,876
Net depreciation in fair value of investments	(648,742)	(5,104)	(653,846)
	(447,487)	(3,483)	(450,970)
Net investment loss			
	100,770	15,679	116,449
<u>Deductions:</u>			
Benefits	515,840	36,321	552,161
Administrative expense	101,610	5,279	106,889
	617,450	41,600	659,050
Total deductions			
	(516,680)	(25,921)	(542,601)
Increase (Decrease) in Plan Net Position			
<u>Net Position Restricted for Pensions:</u>			
Beginning of year	14,077,267	151,838	14,229,105
End of year	\$ 13,560,587	\$ 125,917	\$ 13,686,504

Communication to Those Charged with Governance

Council Members Town of McCandless

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of McCandless (Town), Pennsylvania, as of and for the year ended December 31, 2015. In addition, we have also audited the Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statements of Capital Expenditures and Employee Compensation (Schedules) included in the Annual Audit and Financial Report of the Town, for the year ended December 31, 2015, as described in the instructions provided by the Pennsylvania Department of Community and Economic Development (DCED). Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our conversation with the Finance Chairperson about planning matters on March 31, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 13, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements and Schedules prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and the accounting practices and procedures prescribed or permitted by the DCED, which is a regulatory basis of accounting. Our audit of the financial statements and Schedules does not relieve you or management of your responsibilities.

In addition, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements and Schedules are free of material misstatement. As part of our audit, we considered the internal control of the Town. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. The Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result of this implementation, the government-wide net position as of January 1, 2015 was restated with a decrease of approximately \$52,000. The net position liability and its components are described more fully in Note 5. The application of existing policies was not changed during 2015. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and expertise about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements and Schedules.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our audit did not result in the identification of any adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements and Schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements and Schedules or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as described in the table of contents, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

This information is intended solely for the information and use of Council Members and management of the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maher Duessel

Pittsburgh, Pennsylvania
June 3, 2016