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**TREDYFFRIN TOWNSHIP**  
**SECTION 457 DEFERRED COMPENSATION PLAN**  
***CHESTER COUNTY, PENNSYLVANIA***

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN

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INDEPENDENT AUDITOR'S REPORT

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June 20, 2016

Board of Supervisors  
Tredyffrin Township  
Berwyn, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Tredyffrin Township Section 457 Deferred Compensation Plan, Berwyn, Pennsylvania, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Board of Supervisors  
Tredyffrin Township

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Tredyffrin Township Section 457 Deferred Compensation Plan, Berwyn, Pennsylvania, as of December 31, 2015 and 2014, and the respective changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Section 457 Deferred Compensation Plan and are not intended to present fairly the financial position and results of operations of Tredyffrin Township, Berwyn, Pennsylvania, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 on our consideration of the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 244,068	\$ 86,255
Investments at market value:		
Bond mutual funds	380,971	496,409
Stock mutual funds	4,483,405	4,498,839
Contributions receivable	18,441	15,580
Loans to participants	230,040	130,469
<b>TOTAL ASSETS</b>	5,356,925	5,227,552
 <b>LIABILITIES AND NET POSITION</b>		
Benefits payable	18,635	-
 <b>NET POSITION RESTRICTED FOR BENEFITS</b>	<b>\$ 5,338,290</b>	<b>\$ 5,227,552</b>

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

**TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<u>ADDITIONS</u>		
Contributions:		
Employee contributions	\$ 558,624	\$ 375,459
Total Contributions	558,624	375,459
Investment income:		
Net (depreciation) appreciation in fair value of investments	(198,294)	176,893
Realized gain on investments	66,128	64,709
Interest and dividends	78,185	141,339
Total Investment (Loss) Income	(53,981)	382,941
 TOTAL ADDITIONS	 504,643	 758,400
 <u>DEDUCTIONS</u>		
Benefits paid out	391,164	27,490
Administrative expenses	2,741	635
 TOTAL DEDUCTIONS	 393,905	 28,125
 CHANGES IN FIDUCIARY NET POSITION	 110,738	 730,275
 NET POSITION RESTRICTED FOR BENEFITS:		
BEGINNING OF YEAR	5,227,552	4,497,277
END OF YEAR	\$ 5,338,290	\$ 5,227,552

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

TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN

General

Tredyffrin Township participates in a single-employer defined contribution deferred compensation plan established under Internal Revenue Code Section 457. The Township offers the Tredyffrin Township Section 457 Deferred Compensation Plan ("the Plan") to all full-time employees. The Plan permits employees to voluntarily defer a percentage of their salary until future years. There is no service or age requirement. Employees may enter the Plan immediately once hired.

The Plan is governed by the Township Board of Supervisors, which may amend Plan provisions and is responsible for the management of the Plan assets.

Plan assets are held separately, can be used only for the exclusive benefit of participants and their beneficiaries, and are not accessible by the Township or its creditors.

The Plan Administrator is responsible for day-to-day administration and operation of the Plan. The Plan Administrator is a nongovernmental third party, KT Administrators.

Plan Membership

A review of the Plan documents at December 31, 2015 disclosed that pension plan membership consisted of the following:

Active employees	86
Retirees and beneficiaries currently receiving benefits	12
Terminated	11
Inactive employees	<u>2</u>
Total	<u>111</u>

Benefit Provisions

As of December 31, 2015 and 2014, pension plan benefit provisions are as follows:

Determination of contribution requirements:

- Employer None
- Plan members As elected by the participant
- Eligibility All full-time employees are eligible immediately upon hire

TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN (cont'd)

- |                                |   |
|--------------------------------|---|
| - Period vested                | No vesting period   |
| - Eligibility for distribution | After five years, age 70½, or if becoming permanently disabled or deceased while employed |
| - Benefit                      | Entire balance of account   |

Participant Loans

The Plan Administrator may, in its sole discretion, establish, amend, or terminate, from time to time, a nondiscriminatory policy which the trustee must observe in making plan loans, if any, to participants and to beneficiaries. If the Plan Administrator adopts a loan policy, the loan policy must be a written document and must include:

- The identity of the person or positions authorized to administer the participant loan program;
- The procedure for applying for a loan;
- The criteria for approving or denying a loan;
- The limitations, if any, on the types and amounts of loans available;
- The procedure for determining a reasonable rate of interest;
- The types of collateral which may secure the loan; and
- The events constituting default and the steps the Plan will take to preserve plan assets in the event of default.

The maximum loan amount is the lesser of \$50,000, or ½ of the participant's account balance. Loans less than \$1,000 will not be made, and a loan will not be made to a participant that has a prior loan outstanding from the Plan.

Participants will be charged a reasonable rate of interest for any loan received from the Plan. The administrator will determine a reasonable interest rate by reviewing the interest rates charged for similar types of loans by other lenders.

Repayments are to be made not less frequently than quarterly. Generally, the term of the loan cannot exceed five years. If the loan is to be used to purchase a principal residence, then the administrator may permit a longer repayment period.



TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis, whereby revenue is recognized when earned and expenditures are recognized when incurred.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions

A participant may elect to defer a percentage of compensation each year instead of receiving that amount in cash. Total deferrals in any taxable year may not exceed certain dollar limits which are set by law. For the years ended December 31, 2015 and 2014, the limit was \$18,000 and \$17,500, respectively.

Participant Accounts

Each participant's account is credited with the participant's elective and rollover contributions and investment earnings, and charged with withdrawals, distributions, and investment losses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Participant Investment Options

Participants must direct their deferral contributions to selected investments as made available and determined by the trustees. Participants may change their investment options at any time.

Cash and Cash Equivalents

For financial reporting purposes, cash and cash equivalents includes an investment in a money market fund.

Administrative Costs

Administrative costs, including the investment manager and custodial trustee, are charged to the Plan.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

TREDYFFRIN TOWNSHIP SECTION 457 DEFERRED COMPENSATION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2015 and 2014, the carrying amount of the Plan's deposits was \$244,068 and \$86,255, respectively, which are deposits in money market funds held by Vanguard. None of these deposits are subject to custodial credit risk.

***Investments***

The Plan is a participant-directed plan whereby the individual participant directs the choices for each individual deferred compensation plan. The amount of the participant's benefits depends in part on the participant's choice of investments. Gains as well as losses can occur. There are no guarantees of performance.

The Plan's investments at their fair value are shown below.

	<u>2015</u>	<u>2014</u>
Bond mutual funds	\$ 380,971	\$ 496,409
Stock mutual funds	<u>4,483,405</u>	<u>4,498,839</u>
Total	<u>\$ 4,864,376</u>	<u>\$ 4,995,248</u>

Investments in external investments pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 PLAN TERMINATION

Although the intent has not been expressed to do so, the participating employer has the right, under the Plan, to terminate the Plan at any time.

NOTE 5 SUBSEQUENT EVENTS

The Plan has evaluated all subsequent events through June 20, 2016, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

June 20, 2016

Board of Supervisors  
Tredyffrin Township  
Berwyn, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tredyffrin Township Section 457 Deferred Compensation Plan, Berwyn, Pennsylvania, which comprise the statement of net position as of December 31, 2015, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tredyffrin Township Section 457 Deferred Compensation Plan'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 Tredyffrin Township Section 457 Deferred Compensation Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Supervisors  
Tredyffrin Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tredyffrin Township Section 457 Deferred Compensation Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tredyffrin Township Section 457 Deferred Compensation Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP