

BOROUGH OF NARBERTH
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2014



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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YEAR ENDED DECEMBER 31, 2014

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FINANCIAL SECTION

Independent Auditors' Report

To the Members of Council
Borough of Narberth
Narberth, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Narberth as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough of Narberth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Borough of Narberth's 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Narberth as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Members of Council
Borough of Narberth
Narberth, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2014, the Borough of Narberth adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans--An Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on page 57, schedule of changes in the net police pension plan liability and related ratios on page 58, schedule of the police pension plan contributions on page 59, schedule of the Borough police pension plan investment returns on page 60, pension plan funding progress on page 61 and postemployment benefits other than pension funding progress on page 62 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 evidence sufficient 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 Borough of Narberth's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Maillie LLP

Oaks, Pennsylvania
September 9, 2015

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Within this section of the Borough of Narberth's annual financial report, the Borough management provides narrative discussion and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2014. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Borough's assets exceeded its liabilities by \$4,599,871 (total net position) for the fiscal year reported. This total includes both governmental and business-type (sewer and solid waste) activities. The Borough's assets exceeded its liabilities by \$4,553,414 as of December 31, 2013.
- Total net position is comprised of the following:
 - 1) Net investment in capital assets of \$4,601,213 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net position of \$(4,013).
- The Borough's General Fund balance at the end of 2013 was \$230,908 as compared to the General Fund balance at the end of 2013 of \$(10,557).
- The Borough's Proprietary Fund net position increased from \$506,538 at the end of 2013 to \$585,809 at the end of 2014. The increase in net position of \$79,271 was comparable to the 2013 increase in net position of \$68,660. Overall, 2014 Proprietary Funds revenues, charges to customers for sewer and garbage/recycling collection services, of approximately \$783,000 decreased in comparison to 2013 charges for services of \$792,000. The decrease in revenues is attributable to a decrease in water consumption. Water consumption is the base for sewer assessments. The operating revenues in 2014 were sufficient to finance total operating expenses. Total Proprietary Fund operating expenses totaled approximately \$669,000 during 2014 as compared to \$723,000 in 2013. This decrease in overall 2014 operating expenses is mostly attributable to a significant reduction in employee benefit costs to both active and retired staff.
- Long term debt principal totaled \$1,696,579 as of December 31, 2014. During 2014, the Borough incurred additional long-term debt of \$314,159 and paid principal of \$396,912.
- A tax-anticipation note of \$380,000 was borrowed and repaid during 2014.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis provides an introduction to the Borough's basic financial statements. The basic financial statements include:

1. Government-Wide Financial Statements
2. Governmental Fund Financial Statements
3. Enterprise Fund Financial Statements
4. Fiduciary Fund Financial Statements
5. Notes To The Financial Statements

Additional information is also provided to supplement the basic financial statements.

Government-Wide Financial Statements

The Borough's annual report contains two Government-Wide Financial Statements. They are the *Statement of Net Position* and the *Statement of Activities*. These statements provide both long-term and short-term information about the Borough's overall financial status. Financial reporting at this level is similar to that found in the private sector with its basis in full accrual accounting and the elimination or reclassification of internal activities.

The *Statement of Net Position* provides information on all of the Borough's assets and liabilities, with the difference reported as *Net Position*. Over time, increases or decreases in net position serve as a useful indicator of whether the Borough's financial position is improving or deteriorating. Evaluation of the overall economic health of the Borough would include other non-financial factors such as changes in the taxpayer base or the condition of the Borough's infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities* reports how the Borough's net position changed during the current fiscal year. All current year revenues and expenditures are included in this report regardless of when cash is received or paid. An important purpose of the Statement of Activities is to show the financial reliance of the Borough's various activities or services on revenues provided by the Borough's taxpayers.

Both Government-Wide Financial Statements are divided into two categories.

1. **Governmental Activities:** Most of the Borough's basic services are included here, such as general government, public safety, public services and recreation. These activities are principally supported by taxes and intergovernmental revenues such as grants.
2. **Business-Type Activities:** Services which are intended to recover all or most of their costs through user fees and charges. The Borough's sewer and solid waste operations are examples of business-type activities.

BOROUGH OF NARBERTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide more detailed information about the Borough's Funds, focusing on its most significant or "Major Funds" - not the Borough as a whole. A fund is an accountability unit used to maintain control over resources segregated by specific sources of funding or spending on particular programs.

- Some funds are required by state law or bond covenants.
- The Borough establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The Borough has three kinds of Funds:

Governmental Funds

Most of the Borough's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to fund the Borough's programs. Because this information does not encompass the additional long-term focus of the Government-Wide statements, additional information on a separate page of the Governmental Funds statements explains the relationship (or differences) between them.

Enterprise Funds

Services for which the Borough charges a fee are generally reported in Enterprise Funds. Enterprise Funds are reported in the same way as the Government-Wide statements. The Borough's Enterprise Funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

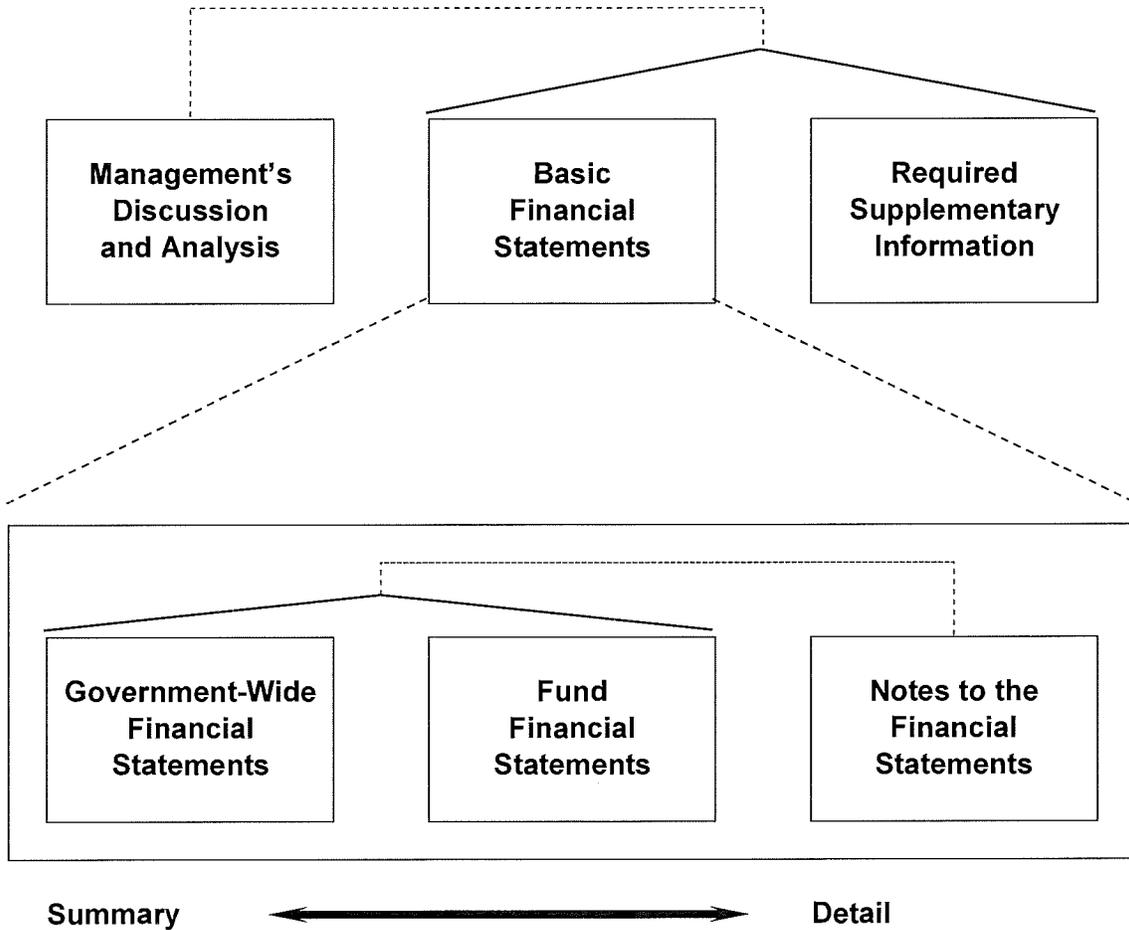
Fiduciary Funds

The Borough is the trustee, or fiduciary, for assets that belong to others, such as the pension plans. The Borough is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Borough excludes these activities from the Government-Wide financial statements because it cannot use these assets to finance its operations.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

ORGANIZATION OF BOROUGH OF NARBERTH'S ANNUAL FINANCIAL REPORT

Figure A-1
Organization of the County of Montgomery, Pennsylvania Annual Financial Report



BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net position can be used to explain the changing financial position of the Borough as a whole.

The Borough's net position at fiscal year-end 2014 was \$4,599,871. This is an increase of \$46,457 or 1.0% compared to 2013 net position of \$4,553,414. Net position for governmental activities decreased \$32,814, while net position for business-type activities (Sewer and Solid Waste) increased \$79,271.

The decrease in net position for governmental activities of \$46,457 was mostly attributable to the increased cost of related maintenance due to the severe winter.

During 2014, net position for business-type activities (Sewer and Solid Waste) increased by \$79,271 as compared to an increase in net position of \$68,660 during 2013. During 2014, total business-type revenues approximated \$783,000, and expenses amounted to approximately \$669,000. In comparison to 2013, 2014 operating revenues decreased by \$9,000, and expenses decreased by \$54,000. In 2014 there was also a transfer out for \$35,000. Overall during 2014, the business-type activities experienced an increase in net position of \$79,000. This increase in net position was attributable to the success of the Borough's recycling programs, which continue to reduce tipping fees by removing items from the trash side of the waste stream to the less costly recycling side of the waste stream. This combined with increased preventative maintenance has reduced sewer line repairs.

Condensed Statement of Net Position
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Borough		Total Percentage Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 1,485	\$ 1,158	\$ 435	\$ 298	\$ 1,920	\$ 1,456	31.9%
Capital assets, net	6,071	6,292	227	236	6,298	6,528	-3.5%
TOTAL ASSETS	7,556	7,450	662	534	8,218	7,984	2.9%
Long-term debt	1,697	1,779	-	-	1,697	1,779	-4.6%
Net OPEB obligation	1,649	1,432	-	-	1,649	1,432	15.2%
Other liabilities	196	192	76	27	272	219	24.2%
TOTAL LIABILITIES	3,542	3,403	76	27	3,618	3,430	5.5%
NET POSITION							
Net investment in capital assets	4,375	4,513	227	236	4,602	4,749	-3.1%
Restricted	2	4	-	-	2	4	100.0%
Unrestricted	(363)	(470)	359	271	(4)	(199)	-98.0%
TOTAL NET POSITION	\$ 4,014	\$ 4,047	\$ 586	\$ 507	\$ 4,600	\$ 4,554	1.0%

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (continued)

Summary of Changes in Net Position
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Borough	
	2014	2013	2014	2013	2014	2013
REVENUE						
Program Revenues						
Charges for services	\$ 358	\$ 265	\$ 783	\$ 792	\$ 1,141	\$ 1,057
Operating grants and contributions	190	231	-	-	190	231
Capital grants and contributions	951	103	-	-	951	103
General Revenues						
Real estate taxes	2,658	2,637	-	-	2,658	2,637
Real estate transfer taxes	131	163	-	-	131	163
Business privilege taxes	165	190	-	-	165	190
Cable TV franchise taxes (fees)	95	89	-	-	95	89
Interest and investment income	551	555	-	-	551	555
Transfers	35	-	(35)	-	-	-
TOTAL REVENUES	<u>5,134</u>	<u>4,233</u>	<u>748</u>	<u>792</u>	<u>5,882</u>	<u>5,025</u>
TRANSFERS	-	-	-	-	-	-
EXPENSES						
General government	1,062	1,064	-	-	1,062	1,064
Public safety	1,181	1,231	-	-	1,181	1,231
Health and welfare	8	8	-	-	8	8
Public works	1,750	630	-	-	1,750	630
Employee benefits and insurance	739	927	-	-	739	927
Culture and recreation	365	280	-	-	365	280
Interest on long-term debt	62	111	-	-	62	111
Sewer and solid waste	-	-	669	723	669	723
TOTAL EXPENSES	<u>5,167</u>	<u>4,251</u>	<u>669</u>	<u>723</u>	<u>5,836</u>	<u>4,974</u>
CHANGE IN NET POSITION	<u>\$ (33)</u>	<u>\$ (18)</u>	<u>\$ 79</u>	<u>\$ 69</u>	<u>\$ 46</u>	<u>\$ 51</u>
ENDING NET POSITION	<u>\$ 4,014</u>	<u>\$ 4,047</u>	<u>\$ 586</u>	<u>\$ 507</u>	<u>\$ 4,600</u>	<u>\$ 4,554</u>

As indicated in this Summary of Changes in Net Position, the Borough is heavily dependent upon Real Estate Tax revenues. Real Estate Tax revenues comprised 52% and 62% of governmental revenues in fiscal years 2014 and 2013, respectively.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Balance Sheet - Governmental Funds

The Borough's total governmental fund balances, resulting from modified accrual basis of accounting transactions, increased from \$866,114 to \$1,173,128 between fiscal years 2013 and 2014.

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and short-term investments	\$ 1,321,736	\$ 966,110
Taxes and other receivables	143,477	112,207
Prepaid expenses	111,430	26,974
Due from other funds	<u>155,994</u>	<u>216,250</u>
TOTAL ASSETS	<u>\$ 1,732,637</u>	<u>\$ 1,321,541</u>
LIABILITIES		
Accounts payable	\$ 152,354	\$ 103,795
Accrued expenses	44,135	87,846
Due to other funds	247,863	163,231
Unearned revenues	<u>87,694</u>	<u>87,694</u>
TOTAL LIABILITIES	<u>532,046</u>	<u>442,566</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	<u>27,463</u>	<u>12,861</u>
FUND BALANCES		
Non-spendable	111,430	26,974
Restricted	2,671	4,359
Committed	25,371	25,371
Assigned	939,549	872,312
Unassigned	<u>94,107</u>	<u>(62,902)</u>
TOTAL FUND BALANCES	<u>1,173,128</u>	<u>866,114</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,732,637</u>	<u>\$ 1,321,541</u>

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Change in Fund Balances

For the years ended December 31, 2014 and 2013, the Borough's total Government Funds' fund balances changed as follows:

	<u>2014</u>	<u>2013</u>
REVENUES		
Real estate taxes	\$ 2,643,648	\$ 2,648,612
Other local taxes	296,091	352,330
Fees and fines	57,509	71,977
Licenses and permits	109,687	99,149
Intergovernmental	1,145,210	332,764
Charges for services	212,957	128,912
Interest and rents	551,214	554,991
Miscellaneous	68,771	50,257
OTHER FINANCING SOURCES		
Debt proceeds	314,159	339,823
Transfers	35,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>5,434,246</u>	<u>4,578,815</u>
EXPENDITURES		
General government	933,484	1,067,304
Public safety	977,342	1,044,529
Public works	1,687,505	719,440
Culture and recreation	322,826	235,908
Health and welfare	8,100	8,100
Employee benefits and insurance	739,048	927,036
Debt service	458,927	622,658
TOTAL EXPENDITURES	<u>5,127,232</u>	<u>4,624,975</u>
CHANGE IN FUND BALANCES	307,014	(46,160)
FUND BALANCES, BEGINNING	<u>866,114</u>	<u>912,274</u>
FUND BALANCES, ENDING	<u>\$ 1,173,128</u>	<u>\$ 866,114</u>

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Capital Assets - Net of Depreciation

Capital assets, net of accumulated depreciation, detailed between governmental and business-type activities, totaled \$6,297,792 as of December 31, 2014, as compared to \$6,527,544 as of December 31, 2013.

During 2014, capital additions totaled \$110,277 (including both governmental and business-type activities) and depreciation expense amounted to \$340,029.

The schedule on page 14 details capital assets, net of depreciation.

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

Governmental Funds are reported in the Fund Statements with a short term focus on the inflow and outflow of financial resources. This information is valuable in assessing resources available for upcoming financial requirements. Governmental Funds reported ending fund balances of \$1,173,128. Total fund balances of \$1,173,128 are classified in accordance with GASB 54 as follows: non-spendable (prepaid assets) fund balance of \$111,430, restricted (Highway Aid Fund) fund balance of \$2,671, committed for (appropriated fund balance) of \$25,371, assigned for (capital additions) of \$939,549 and unassigned General Fund balance of \$94,107.

The General Fund is the Borough's primary operating fund. The fund balance of the General Fund as of December 31, 2014, was \$230,908 which increased by \$241,465 from the 2013 ending fund balance of \$(10,557). The major 2014 revenue source of the General Fund is real estate taxes which approximated \$2,643,648 of total General Fund revenues of \$5,003,610, the most significant General Fund expenditure categories are public safety, public works, employee benefits and insurance and general government. These significant expenditure categories amounted to \$977,342, \$1,593,491, \$739,048 and \$933,344, respectively, during 2014 of total General Fund expenditures of \$5,033,078.

The Capital Projects Funds are reserve funds for the purchase and construction of capital assets. The ending fund balance at fiscal year-end for the Capital Projects Funds was \$939,549. This is comparable to the ending fund balance for 2013 of \$872,312. There were no capital outlays from the Capital Projects Fund during 2014. Annual appropriations are made to the Capital Projects Fund from the General Fund based on a capital replacement schedule.

Proprietary Funds

The Borough's Enterprise Funds (the Sewer Fund and Solid Waste Fund) were discussed previously under business-type activities.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

- General Fund actual revenues (budgetary basis) of \$5,003,610 exceeded budget of \$3,542,571 by \$1,461,039.
- General Fund actual expenditures (budgetary basis) of \$5,033,078 exceeded budget of \$3,273,942 by \$1,759,136.
- Borough Council, at year-end, passes a budget variance resolution, including both revenues and expenditures, which permits the transfer of appropriations between budgetary categories. Borough Council utilizes the standard resolution suggested by the Pennsylvania State Association of Boroughs to end a budget year.

CAPITAL ASSETS NET OF DEPRECIATION

	Primary Government - Governmental Activities			
	December 31,		Dollar Change	Total % Change
	2014	2013		
Land and improvements	\$ 1,864,623	\$ 2,002,458	\$ (137,835)	-6.9%
Buildings and improvements	2,406,109	2,493,055	(86,946)	-3.5%
Playground/fieldhouse	227,093	243,444	(16,351)	-6.7%
Autos and trucks	705,233	662,821	42,412	6.4%
Construction in progress	674,358	674,358	-	0.0%
Equipment	193,777	215,730	(21,953)	-10.2%
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 6,071,193	\$ 6,291,866	\$ (220,673)	-3.5%
	Primary Government - Business-Type Activities			
	December 31,		Dollar Change	Total % Change
	2014	2013		
Infrastructure, storm sewer system	\$ 72,427	\$ 74,381	\$ (1,954)	-2.6%
Equipment	154,172	161,297	(7,125)	-4.4%
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 226,599	\$ 235,678	\$ (9,079)	-3.9%

Note 1: The Downtown Revitalization Project (approximately \$2.0 million at December 31, 2014), is included in land and land improvements in governmental activities.

Note 2: The Borough as permitted by accounting standards, has elected not to retroactively recognize infrastructure (sewer lines) assets but will recognize any current and future infrastructure and other capital assets, if applicable.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

LONG-TERM DEBT

Long-term debt consists entirely of debt incurred for capital purchases/construction.

	Governmental Activities		Total %
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Debt	\$ <u>1,696,579</u>	\$ <u>1,779,332</u>	<u>-4.7%</u>

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS AND RATES

The Borough entered into its new contract with the Police Department and the workmen of the labor force in 2011 which established wages and benefits. The police contract expired in December 2014. The labor force contract expires December 2015.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Borough's finances, comply with finance-related laws and regulations and demonstrate the Borough's commitment to accountability. If you have any questions about this report or need additional information, please contact the Borough office at 100 Conway Avenue, Narberth, PA 19072.

BOROUGH OF NARBERTH
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 1,321,736	\$ 130,763	\$ 1,452,499
Accounts receivable	32,000	27,151	59,151
Taxes receivable	55,783	-	55,783
Internal balances	(91,869)	91,869	-
Intergovernmental receivable	55,694	-	55,694
Prepaid expenses	111,430	-	111,430
Unamortized charges	-	184,966	184,966
Capital assets			
Depreciable assets, net	5,386,835	226,599	5,613,434
Nondepreciable assets	684,358	-	684,358
TOTAL ASSETS	<u>7,555,967</u>	<u>661,348</u>	<u>8,217,315</u>
LIABILITIES			
Accounts payable and accrued expenses	196,489	75,539	272,028
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	315,291	-	315,291
Portion due or payable after one year			
Bonds and notes payable	1,381,288	-	1,381,288
Other postemployment benefits	1,648,837	-	1,648,837
TOTAL LIABILITIES	<u>3,541,905</u>	<u>75,539</u>	<u>3,617,444</u>
NET POSITION			
Net investment in capital assets	4,374,614	226,599	4,601,213
Restricted	2,671	-	2,671
Unrestricted	(363,223)	359,210	(4,013)
TOTAL NET POSITION	<u>\$ 4,014,062</u>	<u>\$ 585,809</u>	<u>\$ 4,599,871</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,061,748	\$ 64,788	\$ -	\$ -
Public safety	1,181,278	285,844	42,679	-
Health and welfare	8,100	-	-	-
Public works	1,750,340	1,490	81,345	950,756
Employee benefits and insurance	739,048	6,013	65,836	-
Culture and recreation	364,974	-	-	-
Interest on long-term debt	62,015	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	5,167,503	358,135	189,860	950,756
BUSINESS-TYPE ACTIVITIES				
Sewer	207,223	234,683	-	-
Solid waste	461,722	548,509	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	668,945	783,192	-	-
TOTAL BOROUGH ACTIVITIES	\$ 5,836,448	\$ 1,141,327	\$ 189,860	\$ 950,756

GENERAL REVENUES

Taxes

Real estate taxes

Real estate transfer taxes

Business privilege taxes

Franchise taxes (fees)

Unrestricted investment earnings and rents

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (996,960)	\$ -	\$ (996,960)
(852,755)	-	(852,755)
(8,100)	-	(8,100)
(716,749)	-	(716,749)
(667,199)	-	(667,199)
(364,974)	-	(364,974)
(62,015)	-	(62,015)
<u>(3,668,752)</u>	<u>-</u>	<u>(3,668,752)</u>
-	27,460	27,460
<u>-</u>	<u>86,787</u>	<u>86,787</u>
-	114,247	114,247
<u>(3,668,752)</u>	<u>114,247</u>	<u>(3,554,505)</u>
2,658,250	-	2,658,250
131,441	-	131,441
164,650	-	164,650
95,383	-	95,383
551,214	24	551,238
35,000	(35,000)	-
<u>3,635,938</u>	<u>(34,976)</u>	<u>3,600,962</u>
(32,814)	79,271	46,457
<u>4,046,876</u>	<u>506,538</u>	<u>4,553,414</u>
<u>\$ 4,014,062</u>	<u>\$ 585,809</u>	<u>\$ 4,599,871</u>

BOROUGH OF NARBERTH
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General Fund</u>	<u>Fire Equipment Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 535,510	\$ 609,715	\$ 176,511	\$ 1,321,736
Taxes and assessments receivable	55,783	-	-	55,783
Accounts receivable	32,000	-	-	32,000
Interfund loans receivable	-	155,994	-	155,994
Due from other governments	55,694	-	-	55,694
Prepaid expenses	<u>111,430</u>	<u>-</u>	<u>-</u>	<u>111,430</u>
TOTAL ASSETS	<u>\$ 790,417</u>	<u>\$ 765,709</u>	<u>\$ 176,511</u>	<u>\$ 1,732,637</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 152,354	\$ -	\$ -	\$ 152,354
Accrued expenses	44,135	-	-	44,135
Interfund loans payable	247,863	-	-	247,863
Unearned revenues	<u>87,694</u>	<u>-</u>	<u>-</u>	<u>87,694</u>
TOTAL LIABILITIES	<u>532,046</u>	<u>-</u>	<u>-</u>	<u>532,046</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	<u>27,463</u>	<u>-</u>	<u>-</u>	<u>27,463</u>
FUND BALANCES				
Nonspendable, prepaid expenses	111,430	-	-	111,430
Restricted for Highway Aid Fund	-	-	2,671	2,671
Committed to appropriated fund balance	25,371	-	-	25,371
Assigned to capital additions	-	765,709	173,840	939,549
Unassigned	<u>94,107</u>	<u>-</u>	<u>-</u>	<u>94,107</u>
TOTAL FUND BALANCES	<u>230,908</u>	<u>765,709</u>	<u>176,511</u>	<u>1,173,128</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 790,417</u>	<u>\$ 765,709</u>	<u>\$ 176,511</u>	<u>\$ 1,732,637</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 1,173,128
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,000
Construction in progress	674,358
Land improvements	3,480,075
Buildings and improvements	4,024,331
Vehicles	1,733,600
Equipment	367,638
Playground and fieldhouse	559,029
Accumulated depreciation	(4,777,838)
<p>Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	115,157
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Bonds payable in future years	(1,696,579)
Other postemployment benefits	<u>(1,648,837)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,014,062</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Fire Equipment Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Real estate taxes	\$ 2,643,648	\$ -	\$ -	\$ 2,643,648
Other local taxes	296,091	-	-	296,091
Fees and fines	57,509	-	-	57,509
Licenses and permits	109,687	-	-	109,687
Intergovernmental	1,063,865	-	81,345	1,145,210
Charges for services	212,957	-	-	212,957
Interest and rents	551,082	104	28	551,214
Miscellaneous revenues	68,771	-	-	68,771
TOTAL REVENUES	5,003,610	104	81,373	5,085,087
EXPENDITURES				
General government	933,344	-	140	933,484
Public safety	977,342	-	-	977,342
Health and welfare	8,100	-	-	8,100
Public works	1,593,491	-	94,014	1,687,505
Employee benefits and insurance	739,048	-	-	739,048
Culture and recreation	322,826	-	-	322,826
Debt service	458,927	-	-	458,927
TOTAL EXPENDITURES	5,033,078	-	94,154	5,127,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,468)	104	(12,781)	(42,145)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	314,159	-	-	314,159
Interfund transfers in	71,390	39,500	75,116	186,006
Interfund transfers out	(114,616)	-	(36,390)	(151,006)
TOTAL OTHER FINANCING SOURCES (USES)	270,933	39,500	38,726	349,159
NET CHANGE IN FUND BALANCES	241,465	39,604	25,945	307,014
FUND BALANCES AT BEGINNING OF YEAR	(10,557)	726,105	150,566	866,114
FUND BALANCES AT END OF YEAR	\$ 230,908	\$ 765,709	\$ 176,511	\$ 1,173,128

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL \$ 307,014

Capital outlays are reported in Governmental Funds 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 (\$110,277) are exceeded by depreciation (\$330,950) in the current period. (220,673)

Because some revenues will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unearned revenues and unavailable revenues, real estate taxes, increased by this amount this year. 14,602

Repayment of bond and note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 396,912

Proceeds from the bond and note issues are a revenue in the Governmental Funds, but this amount increases the long-term liabilities in the statement of net position. (314,159)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:
Other postemployment benefits (216,510)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (32,814)

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 100,620	\$ 30,143	\$ 130,763
Assessments receivable	7,758	19,393	27,151
Interfund loans receivable	115,496	46,367	161,863
Unamortized expense, net of accumulated amortization of \$300,541	<u>184,966</u>	<u>-</u>	<u>184,966</u>
TOTAL CURRENT ASSETS	<u>408,840</u>	<u>95,903</u>	<u>504,743</u>
CAPITAL ASSETS			
Storm sewer system	80,984	-	80,984
Equipment and furniture	-	202,387	202,387
Accumulated depreciation	<u>(8,557)</u>	<u>(48,215)</u>	<u>(56,772)</u>
TOTAL CAPITAL ASSETS	<u>72,427</u>	<u>154,172</u>	<u>226,599</u>
TOTAL ASSETS	<u>481,267</u>	<u>250,075</u>	<u>731,342</u>
LIABILITIES			
Accounts payable and other liabilities	46,175	29,364	75,539
Interfund loans payable	-	69,994	69,994
TOTAL LIABILITIES	<u>46,175</u>	<u>99,358</u>	<u>145,533</u>
NET POSITION			
Net investment in capital assets	72,427	154,172	226,599
Unrestricted	<u>362,665</u>	<u>(3,455)</u>	<u>359,210</u>
TOTAL NET POSITION	<u>\$ 435,092</u>	<u>\$ 150,717</u>	<u>\$ 585,809</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 234,683	\$ 548,509	\$ 783,192
OPERATING EXPENSES			
Labor and administrative costs	7,416	8,620	16,036
Tipping fees	-	125,274	125,274
Contracted services	-	293,641	293,641
Sewer rentals	165,522	-	165,522
Other maintenance	17,838	27,062	44,900
Depreciation	1,954	7,125	9,079
Amortization	14,493	-	14,493
TOTAL OPERATING EXPENSES	<u>207,223</u>	<u>461,722</u>	<u>668,945</u>
OPERATING INCOME	27,460	86,787	114,247
NONOPERATING REVENUES			
Interest and investment revenue	18	6	24
INCOME BEFORE TRANSFERS	27,478	86,793	114,271
TRANSFERS OUT	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>
CHANGE IN NET POSITION	27,478	51,793	79,271
NET POSITION AT BEGINNING OF YEAR	<u>407,614</u>	<u>98,924</u>	<u>506,538</u>
NET POSITION AT END OF YEAR	<u>\$ 435,092</u>	<u>\$ 150,717</u>	<u>\$ 585,809</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Sewer Fund	Solid Waste Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 232,836	\$ 541,856	\$ 774,692
Payments to employees	(7,416)	(427,535)	(434,951)
Payments to suppliers and vendors	(164,159)	2,302	(161,857)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>61,261</u>	<u>116,623</u>	<u>177,884</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Collections and proceeds of interfund loans	<u>(38,265)</u>	<u>(96,623)</u>	<u>(134,888)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>18</u>	<u>6</u>	<u>24</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,014	(14,994)	8,020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>77,606</u>	<u>45,137</u>	<u>122,743</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 100,620</u>	<u>\$ 30,143</u>	<u>\$ 130,763</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 27,460	\$ 86,787	\$ 114,247
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,954	7,125	9,079
Amortization	14,493	-	14,493
Increase in assessments receivable	(1,847)	(6,653)	(8,500)
Increase in accounts payable and other liabilities	<u>19,201</u>	<u>29,364</u>	<u>48,565</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 61,261</u>	<u>\$ 116,623</u>	<u>\$ 177,884</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Police Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 1,426,762
Investments, at fair value	
Corporate bonds	23,220
Mutual funds	162,071
Other investments	807,226
TOTAL INVESTMENTS	<u>992,517</u>
Receivable	<u>2,000</u>
TOTAL ASSETS	<u>2,421,279</u>
NET POSITION	
Held in trust for benefits and other purposes	\$ <u>2,421,279</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Police Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 104,847
Employee	26,312
TOTAL CONTRIBUTIONS	<u>131,159</u>
Investment earnings	
Net appreciation in fair value of investments	47,133
Interest and dividends	64,675
TOTAL INVESTMENT EARNINGS	<u>111,808</u>
TOTAL ADDITIONS	<u>242,967</u>
DEDUCTIONS	
Benefits	242,123
Administrative	21,645
TOTAL DEDUCTIONS	<u>263,768</u>
CHANGE IN NET POSITION	(20,801)
NET POSITION AT BEGINNING OF YEAR	<u>2,442,080</u>
NET POSITION AT END OF YEAR	<u>\$ 2,421,279</u>

See accompanying notes to the basic financial statements.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Narberth (the "Borough"), located in Montgomery County, Pennsylvania, is classified as a "Borough" under the laws of the Commonwealth of Pennsylvania. The major services provided by the Borough include public safety, roads, parks and recreation and general administration. The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying basic financial statements.

Reporting Entity

Financial accountability is defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Excluded from the reporting entity are the Narberth Library, Narberth Fire Company and the Narberth Industrial Development Authority. These organizations have separately elected and/or appointed governing bodies. These entities provide services to residents, generally within the geographic boundaries of the Borough, but are excluded from the reporting entity of the Borough because the Borough does not have controlling influence over daily operations, cannot establish their budgets, or appoint management staff or officers. Transactions with these entities are reported in Note K - Related-Party Transactions. The Borough funds these entities with appropriated revenues (dedicated real estate tax millage).

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities, such as Pension and Agency Funds.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under Proprietary Funds below. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Therefore, Governmental Funds financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements of Governmental Funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Borough and for each governmental program. Expenses are those that are specifically associated with a service or program and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Borough.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from Special Revenue Funds and the restrictions on their net position use.

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental and Enterprise Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major Governmental Funds are each presented in a single column on the Governmental Funds financial statements. Fiduciary Funds financial statements are presented by fund type.

The Borough reports the following major Governmental Funds:

- The *General Fund* is the general operating fund of the Borough. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.
- The *Fire Equipment Fund* is a Capital Project Fund to account for financial resources to be used for the acquisition of a fire truck.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough reports the following Proprietary Funds:

- The *Sewer Fund* accounts for the financial resources to provide sewer services to Borough residents.
- The *Solid Waste Fund* accounts for the financial resources to provide waste management services to Borough residents.

The Borough reports the following Other Fund types:

- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.
- *Trust Funds* are used to account for assets held by the Borough in a trustee capacity or as agent. A trust fund is used when the period of custody is lengthy and the governmental unit invests or otherwise manages the resources during that period. The Borough maintains a Pension Trust Fund for the Police Pension plan. Pension Trust Funds use the economic resources measurement focus in essentially the same manner as Proprietary Funds.

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Borough include the General Fund and the Fire Equipment Fund. All other Governmental Funds are grouped together and presented in a separate column as Total Nonmajor Funds. They include the Downtown Project Fund, Municipal Building Renovations Fund, Computer Fund, Other Capital Projects Fund and the Highway Aid Fund.

Revenue Recognition - In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds - Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds. The Borough's only Proprietary Funds are Enterprise Funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are user fees. Operating expenses for the Borough's Enterprise Funds include sewer disposal, salaries, recycling, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Funds. The Pension Funds account for the activities of the Police Pension Fund. Pension Funds are accounted for in essentially the same manner as Proprietary Funds since the measurement of the economic resources is critical.

Budgets and Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

The Borough Manager submits to the Borough Council a proposed operating budget for the fiscal year commencing the following:

1. Through November, the operating budget is prepared, including proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments after two weeks notice is given in some newspaper(s) having a general circulation within the Borough.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance.
4. The budget ordinance becomes effective January 1, and provides spending authority for the operating of the Borough governments.
5. Transfers and appropriations between functions require approval of the Borough Council.
6. At year-end, as permitted by Borough Code, a budget variance resolution is passed which may transfer unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues may be appropriated to cover exhausted funds.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds, which are budgeted together as the General Fund budget. This budgeting method results in a non-GAAP presentation. Budgetary control is maintained at the fund and department level. As permitted by the Borough Code, Borough Council passed a budget variance resolution which authorized the transfer of unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. The result is that there are no budgetary violations.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information (non-GAAP basis) presented as required supplementary information includes all budget ordinances as approved by the Borough Council for the year ended December 31, 2014.

Cash and Cash Equivalents

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits and Investments

As stated in the Commonwealth of Pennsylvania Borough Code P.L. 1656, No. 581, Section 1316, the Borough may invest operating funds in the following instruments:

- Short-term obligations of the U.S. government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits.
- Obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, or of the Commonwealth of Pennsylvania or any of the agencies.
- Certificates of deposit purchased from institutions that meet requirements set forth under Pennsylvania law (Act 72 of 1971).
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for Borough funds (mutual funds).

The Borough may also invest with trusts and other entities set up to specifically invest funds for Pennsylvania municipalities and legally restricted to allowable investment instruments under Pennsylvania law.

Investments

The investments of the Police Pension Fund are managed by the plan's trustees. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk policy generally permits investing in cash, debt obligations of the U.S. Treasury, agencies of the federal government, investment grade corporate securities, mutual funds of various risk levels and equities. Interest rate risk is the risk that interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Borough policy provides that to the extent possible, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Borough policy provides that investment collateral is held by the third party custodian, with whom the Borough has a custodial agreement, in the Borough's name. The plan addresses custodial credit risk with a policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income as authorized, collects principal of sold, matured, or called items; and provides a periodic accounting to the Borough and the plan's trustees.

The following details the policies followed by the Police Pension Plan trustees:

The Borough's investment policy's primary objective for the management of the Borough's funds is the protection of investment principal in the overall portfolio through the use of diversification and third-party collateralization while maintaining sufficient liquidity to meet all cash flow requirements. The secondary objective is to maximize investment return consistent with risk limitations.

The investment allocation of the Police Pension Plan is structured as a balanced fund whose assets are allocated in predetermined percentages of fixed income and equity investments and other asset classes and cash equivalents. The suggested targeted asset allocation is 60% equities, 30% fixed income and 10% other asset classes and cash equivalent instruments to ensure adequate liquidity.

Asset allocation is subject to periodic rebalancing as determined by the plan trustees. The allocation of assets is discretionary but the objective is to assure overall diversification of investments to protect the investment principal, achieve a reasonable long-term rate of return and provide sufficient income and liquidity to pay monthly retirement benefits. The plan's trustees utilize an independent outside investment company to provide additional expertise in the selection, monitoring and evaluating of individual securities and investment managers. Final approval remains with the plan's trustees.

The investment process with regard to equities is designed to construct a portfolio of equities and mutual funds which provides diversification of the portfolio, with attention to cost efficiency by limiting portfolio turnover in pursuit of this goal. The process incorporates risk control measures to ensure that risk exposure is minimal. These measures include asset allocation within the equity component and the quarterly review of industry and individual equity holdings.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets used in governmental and business-type activities, including infrastructure, are stated at cost net of accumulated depreciation. The Borough defines capital assets as those which have an individual acquisition cost or donated value of at least \$2,500 and an estimated useful life of at least one year. Repairs and maintenance are recorded as expenses; renewals and betterments, including infrastructure, are capitalized. Depreciation is calculated over the estimated useful lives of the individual assets using straight-line methods. Land is determined to have an inexhaustible life and is not subject to depreciation.

Estimated useful lives are as follows:

	<u>Years</u>
Land improvements	20-50
Buildings and improvements	20-50
Equipment	5-20
Automobiles and trucks	3-30
Playground and fieldhouse	5-50
Infrastructure, storm sewer system	20-50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts depending on tenure with the Borough. Vacation benefits earned for the current year must be used by December 31. Vacation benefits cannot be carried forward. All full-time permanent employees are also entitled to sick leave benefits. Sick leave benefits must be used in the current year and cannot be carried forward.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Charge - Capital Contribution

The Borough reported unamortized charges of \$184,966 for business-type activities on the statement of net position. Unamortized charges consist of the unamortized balance of an approximate \$500,000 capital contribution to the City of Philadelphia's sewage treatment facility capital improvement program. The Borough is amortizing the balance to expense over a period of 34.5 years. The amortization period represented the remaining time to the expiration of the sewer rental agreement with the City of Philadelphia at the time of the capital contribution.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities.

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

The Borough has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- ***Committed Fund Balance*** - Amounts that can be used only for specific purposes determined by a formal action of Borough Council. Borough Council is the highest decision-making authority of the Borough. Commitments may be established, modified, or rescinded only through resolutions approved by Borough Council.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Borough Council has by resolution authorized the Borough Manager to assign fund balances by their intended use.
- **Unassigned Fund Balance** - Residual net resources.

When expenditures are incurred for purposes for which both restricted and unrestricted balances are available, it is the Borough's current written policy to use restricted fund balance first, followed by unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, it is currently the Borough's written policy to use committed first, then assigned and then finally unassigned.

Program Revenues

Amounts reported as program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segments and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund and the Solid Waste Fund are charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide financial statements and Proprietary and Fiduciary Funds financial statements. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets and increased by any unspent proceeds related to that debt.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net positions are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net positions are considered unrestricted. The Borough applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available

Real Estate Tax, Sewer and Solid Waste Assessments

Real estate taxes and sewer and solid waste assessments attach as an enforceable lien on property as of January 1, are levied on approximately February 1, and are payable under the following terms: 2% discount first 60 days, face amount next 60 days and a 10% penalty after 120 days. The elected Borough tax collector, in accordance with state law governing boroughs, collects and remits real estate tax and sewer and solid waste receipts to the Borough. A lien is attached on property in January of the following year for unpaid real estate taxes and assessments.

Use of Estimates

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. As of December 31, 2014, \$594,782 of the total bank balance of \$2,926,280 was insured by the Federal Depository Insurance Corporation. Of the remaining bank balance of \$2,331,498, \$1,263,783 was exposed to credit risk because it was uninsured and collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name, and \$1,067,715 was invested in state investment pools, which is uninsured and uncollateralized.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2014, the Borough (Police Pension Plan) had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
PENSION ACTIVITIES		
Corporate bonds	\$ 23,220	\$ 23,220
Mutual funds	162,071	162,071
Other investments	<u>807,226</u>	<u>807,226</u>
	<u>\$ 992,517</u>	<u>\$ 992,517</u>

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Borough's investment policy includes a balancing provision to address this type of risk.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of government funds as described in Note A. The Borough's investment policy does not further limit its investment choices. The Borough's investment in the external investment pools was rated AAAM by Standard & Poor's.

Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments that exceeded 5% of the total investments reported in the Governmental, Proprietary, or Fiduciary Funds that would be considered a concentration of credit risk.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE C - RECEIVABLES

Receivables as of year-end in the aggregate are as follows:

	Governmental Activities	Business-Type Activities			Totals
		Sewer Fund	Solid Waste Fund	Totals	
Taxes	\$ 55,783	\$ -	\$ -	\$ -	\$ 55,783
Accounts	32,000	7,758	19,393	27,151	59,151
	<u>\$ 87,783</u>	<u>\$ 7,758</u>	<u>\$ 19,393</u>	<u>\$ 27,151</u>	<u>\$ 114,934</u>

Borough management has determined that all receivables are fully collectible. The governmental activities receivables consist of real estate taxes collected by the due date of December 31, and remitted to the Borough by the tax collector within days of year-end (in January). Accounts receivable of the governmental activities also include net rental income due from the Narberth School building property manager as of December 31, 2014, and remitted to the Borough by the tax collector in January. These receivables also include lien accounts. Due to the lien process, Borough management has determined that all receivables are fully collectible.

Governmental Funds report unearned revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period, such as property taxes, grants and rental income not collected within 60 days after year-end. Unearned revenue for the Borough as December 31, 2014, consisted solely of items deemed unavailable and is summarized as follows:

Real property taxes	\$ 27,463
Grants	55,694
Rental income	<u>32,000</u>
	<u>\$ 115,157</u>

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	General Fund	\$ 46,367
Sewer Fund	General Fund	115,496
Fire Equipment Fund	General Fund	86,000
Fire Equipment Fund	Solid Waste Fund	<u>69,994</u>
		<u>\$ 317,857</u>

Interfund loans are for internal financing of special projects or capital purchases. Certain interfund loans are not anticipated to be repaid until certain general obligation notes are paid in full over the next several years. There is no interest charged on interfund loans.

Interfund transfers at December 31, 2014, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 114,616	\$ 71,390
Downtown Project Fund	1,090	-
Municipal Building Renovations Fund	31,500	54,000
Computer Fund	2,100	-
Fire Equipment Fund	-	39,500
Highway Aid Fund	-	10,976
Other Capital Projects Fund	1,700	10,140
Solid Waste Fund	<u>35,000</u>	<u>-</u>
	<u>\$ 186,006</u>	<u>\$ 186,006</u>

These transfers are for internal financing of special projects or transfers for future capital acquisitions.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	674,358	-	-	674,358
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	684,358	-	-	684,358
Capital assets being depreciated				
Land improvements	3,480,075	-	-	3,480,075
Buildings and improvements	4,024,331	-	-	4,024,331
Vehicles	1,623,323	110,277	-	1,733,600
Equipment	367,638	-	-	367,638
Playground and fieldhouse	559,029	-	-	559,029
TOTAL CAPITAL ASSETS BEING DEPRECIATED	10,054,396	110,277	-	10,164,673
Accumulated depreciation				
Land improvements	(1,487,617)	(137,835)	-	(1,625,452)
Buildings and improvements	(1,531,276)	(86,946)	-	(1,618,222)
Vehicles	(960,502)	(67,865)	-	(1,028,367)
Equipment	(151,908)	(21,953)	-	(173,861)
Playground and fieldhouse	(315,585)	(16,351)	-	(331,936)
TOTAL ACCUMULATED DEPRECIATION	(4,446,888)	(330,950)	-	(4,777,838)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	5,607,508	(220,673)	-	5,386,835
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 6,291,866	\$ (220,673)	\$ -	\$ 6,071,193
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Infrastructure, storm sewer system	\$ 80,984	\$ -	\$ -	\$ 80,984
Equipment	202,387	-	-	202,387
TOTAL CAPITAL ASSETS BEING DEPRECIATED	283,371	-	-	283,371
Accumulated depreciation				
Infrastructure, storm sewer system	(6,603)	(1,954)	-	(8,557)
Equipment	(41,090)	(7,125)	-	(48,215)
TOTAL ACCUMULATED DEPRECIATION	(47,693)	(9,079)	-	(56,772)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 235,678	\$ (9,079)	\$ -	\$ 226,599

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES			
General government		\$	86,879
Public safety			
Police			13,076
Fire			44,339
Public works			12,384
Community development			132,124
Culture and recreation			
Library			25,796
Playground and fieldhouse			16,352
			<u> </u>
	TOTAL GOVERNMENTAL ACTIVITIES	\$	<u>330,950</u>
BUSINESS-TYPE ACTIVITIES			
Solid Waste Fund		\$	7,125
Sewer Fund			1,954
			<u> </u>
	TOTAL BUSINESS-TYPE ACTIVITIES	\$	<u>9,079</u>

NOTE F - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2014, is as follows:

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Notes					
Series of 2001	\$ 1,044,225	\$ -	\$ (164,034)	\$ 880,191	\$ 59,170
Series of 2006	343,347	-	(109,810)	233,537	114,379
Series of 2010	93,883	-	(46,239)	47,644	47,644
Series of 2011	19,939	-	(6,351)	13,588	6,642
Series of 2013	35,596	-	(12,971)	22,625	12,285
Series of 2013	242,342	-	(57,507)	184,835	57,968
Series of 2014	-	42,818	-	42,818	7,964
Series of 2014	-	28,604	-	28,604	9,239
Series of 2014	-	242,737	-	242,737	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,779,332	\$ 314,159	\$ (396,912)	\$ 1,696,579	\$ 315,291

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - LONG-TERM DEBT (Continued)

Included in long-term debt at December 31, 2014, is the following:

2001 General Obligation Note, payable in semiannual installments of \$80,300, including interest through December 2021, interest at 5.02% per annum	\$ 880,191
2006 General Obligation Note, payable in semiannual installments of \$61,329, including interest at 4% through December 1, 2016	233,537
2010 General Obligation Note, payable in monthly installments of \$4,008, including interest through November 2015, interest at 2.61% per annum	47,644
2011 General Obligation Note, payable in monthly installments of \$593, including interest through December 2016, with interest at 4.49% per annum	13,588
2013 General Obligation Note, payable in monthly installments of \$16,714, including interest at variable rates through December 2017	184,835
2013 General Obligation Note, payable in monthly installments of \$1,165.31, including interest through September 2016, with interest at 4.76% per annum	22,625
2014 General Obligation Note, payable in monthly installments of \$780.28, including interest through December 2019, with interest at 3.570% per annum	42,818
2014 General Obligation Note, payable in monthly installments of \$833.35, including interest through December 2017, with interest at 3.120% per annum	28,604
2014 General Obligation Note, payments of interest only through September 2016 at a rate of 2.25%. From October 2016 through September 2019, payable in monthly installments of \$5,962.05 with interest at 2.25%. From October 2019 through September 2024, payable in monthly installments of \$5,962.05 with interest at 65% of Prime, capped at 5.25%	<u>242,737</u>
	<u>\$ 1,696,579</u>

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - LONG-TERM DEBT (Continued)

Aggregate maturities of long-term debt for the following years are:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 315,291	\$ 47,485
2016	343,644	56,717
2017	239,343	42,227
2018	172,117	32,595
2019	178,921	25,792
2020 to 2024	<u>447,263</u>	<u>38,739</u>
	<u>\$ 1,696,579</u>	<u>\$ 243,555</u>

The Borough borrowed and repaid a short-term tax anticipation note in the amount of \$380,000 during 2014.

NOTE G - POLICE PENSION PLAN

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Borough's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all full-time police officers. The plan is part of the Borough's financial reporting entity and is included in the Borough's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the Police Pension Plan is vested in the Police Pension Fund Trustees, which consists of three members - all of which are appointed by the Board of Commissioners. The Police Pension Fund Trustees are responsible for advising, reviewing, monitoring, and making recommendations to the Borough Council as to the administrative, operation and investment of the Police Pension Plan.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - POLICE PENSION PLAN (Continued)

Plan Membership - At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>5</u>
	<u><u>14</u></u>

Benefits Provided - Pension plan benefit provisions are as follows:

- **Retirement Benefit** - All full-time members of the Police Force join the plan upon employment. Employees who retire at or after age 53 with 25 years of continuous service are eligible for normal retirement. Participants are entitled to monthly pension payments equal to 50% of average monthly compensation for the 36 months immediately preceding the retirement date.
- **Vested Benefit** - A member shall have the option to vest his benefit if he terminates employment after 12 years of total service. His benefit will be equal to his normal retirement benefit multiplied by a percentage of his actual years of service over years of service the member would have rendered if he had continued working until his normal retirement date. This benefit is payable at his normal retirement date.
- **Cost of Living** - All officers retiring on or after January 1, 2011, shall receive an annual cost of living increase to his pension provided, however, that such cost-of-living increase shall not exceed the percentage increase in the Philadelphia Area Consumer Price Index from the year in which the police officer last worked; provided that in no case should the total police pension benefit exceed 75% of the salary for computing retirement benefits; and provided further, that the total cost-of-living increase shall not exceed 30%.
- **Survivor Benefit** - For any police officer eligible for retirement that dies prior to actual retirement, his spouse or child shall receive 50% of the pension he would have received had he retired at the time of his death. The survivor's benefit ceases at the spouse's remarriage and the child's attainment of age 18 (or 23 if attending college).
- **Disability Retirement Benefit** - In the event that a police officer shall suffer a permanent service-connected disability, they shall receive a monthly pension for life equal to 100% of their base salary as of the date such disability is incurred, less any amounts awarded for workers' compensation and social security.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - POLICE PENSION PLAN (Continued)

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions of 5% of their annual covered payroll to the Plan.

In 2014, the MMO obligation for the Police Pension Plan was \$104,847 for the year 2014. Contributions of \$104,847 were made by the Borough.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council. It is policy to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60%
Fixed-income	30%
Other assets and cash equivalents	<u>10%</u>
	<u><u>100%</u></u>

The Trustees retain the discretion to occasionally and temporarily deviate from the target allocation if they deem market risks unusually high or low.

Concentrations - More than 5% of the Borough's investments are in mutual funds and other investments. These investments are 16% and 81%, respectively, of the Pension Plan's total investments.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - POLICE PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2014, were as follows:

Total pension liability	\$ 4,319,372
Plan fiduciary net position	<u>(2,421,279)</u>
NET PENSION LIABILITY	<u>\$ 1,898,093</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>56.06%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.5%
Investment rate of return	7.0%

Mortality rates were based on the RP-2000 Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 (see the pension plan's investment policy) have not been calculated. An overall estimate of arithmetic real rate of return for all the asset classes combined was calculated as 7%.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - POLICE PENSION PLAN (Continued)

Discount Rate - The Discount rate is based on the long-term expected rate of return on pension plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7%, as well as what the net pension would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension liability	\$ <u>2,359,711</u>	\$ <u>1,898,093</u>	\$ <u>1,507,469</u>

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 77.9% funded. The actuarial accrued liability for benefits was \$3.6 million and the actuarial value of assets was \$2.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.8 million. The covered payroll (annual payroll of active employees covered in the plan) was \$409,000, and the ratio of the UAAL to the covered payroll was 192.8%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation for the plan follows:

Valuation date	January 1, 2013
Actuarial cost method.....	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period.....	12 years
Asset valuation method	Adjusted market value
Actuarial assumptions	
Investment rate of return	7.5%
Projected salary increases	5.5%
Inflation rate	3.0%

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE H - NON-UNIFORMED PENSION PLAN

Plan Description and Provisions

The Borough of Narberth participates in a pension plan administered by the Pennsylvania Municipal Retirement System (PMRS) subject to the provisions of Ordinance No. 894 adopted pursuant to Act 15 of 1974. The full-time non-uniformed Borough employees are eligible to participate. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities. Investments and plan administrative functions and costs are pooled for all Pennsylvania governmental entities participating in the PMRS. The PMRS administers the assets, the payment of benefits and the general record-keeping and support services for the plan. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy of the CAFR can be obtained by contacting the PMRS accounting office. The Borough is separately responsible for funding pension benefits for its own employee/retiree group.

Plan Membership

The following information as of December 31, 2014, was obtained from the PMRS and disclosed that pension plan membership consisted of the following:

Active employees	8
Retirees and beneficiaries currently receiving benefits	<u>7</u>
	<u>15</u>

Benefit Provisions

The pension plan benefit provisions are as follows:

- ***Eligibility Requirements*** - A member is eligible for normal retirement upon attainment of age 60. A member becomes 100% vested in the benefit accrued upon completion of 12 years of service. A member is eligible for early retirement after 20 years of service.
- ***Retirement Benefit*** - Benefits equal .01667 times years of credited service times the final average salary (FAS). The FAS is based upon the highest three consecutive years annualized salary. There is no social security offset.
- ***Survivor Benefit*** - If an employee is eligible to retire or if retired at time of death, spouse receives 50% of member's benefits.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE H - NON-UNIFORMED PENSION PLAN (Continued)

- **Disability Benefit** - Service-related disability benefits of 50% of final salary for inability to perform gainful employment. Benefit offset by workers' compensation benefits. Non-service related disability benefits of 30% of final salary for inability to perform gainful employment. Ten years of service required for eligibility.
- **Postretirement Adjustments** - PMRS law provides for municipality to optionally award postretirement adjustments based on system's investment performance.

Method Used to Value Investments

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS' separately issued CAFR. The plan assets are not assets of the Borough of Narberth.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Employees are required to contribute 5% of their annual covered payroll. Annually, interest is credited to members' contributions at a minimum rate of 6.0%. The Borough is required to contribute an actuarially determined amount in accordance with Act 205. The Act requires minimum funding standards, including normal costs, administrative expense requirements and an amortization of the unfunded actuarial accrued liability. General municipal pension system state aid may be used to satisfy funding requirements.

Three-Year Trend Information

Three-year trend information is as follows:

<u>Fiscal Year</u> Ending December 31,	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percentage</u> <u>Contribution</u>
2012	\$ 32,199	100%
2013	22,432	100%
2014	24,547	100%

Employer contributions include state aid.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE H - NON-UNIFORMED PENSION PLAN (Continued)

For 2014, the Borough’s annual pension cost of \$24,547 was equal to its required and actual contributions. The Borough contributes 100% of its annual required contribution resulting in no pension obligation.

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	13.76 years
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	5.5%
Inflation	3.0%
Projected salary increases	Age-related scale for merit/seniority
Cost-of-living adjustments	None

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 102.5% funded. The actuarial accrued liability for benefits was \$2.55 million and the actuarial value of assets was \$2.61 million, resulting in an unfunded actuarial accrued liability (UAAL) of negative \$64,000. The covered payroll (annual payroll of active employees covered in the plan) was \$566,000, and the ratio of the UAAL to the covered payroll was negative 11.3%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Borough of Narberth administers two single-employer defined benefit healthcare plans (one plan covers police officers and the other plan covers the remainder of eligible Borough employees). These plans provide healthcare and life insurance for eligible retirees through the Borough’s group health and life insurance plans. Eligibility for these post-retirement benefits are governed by the police contract and the labor force agreement with the Borough, as applicable.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The Borough's administrative staff piggyback the labor force agreement. To be eligible, police retirees must have reached age 53 with 25 years of service, and labor force and administrative staff retirees must have reached age 60 with 20 years of service and have been hired prior to January 1, 1992. The healthcare and health benefits are provided at no cost to the retiree. The plan for police retirees allows for spousal coverage at a cost to the retiree of 50% of the premium difference between single coverage and husband/wife coverage. Medicare eligible retirees and dependents are required to enroll in Medicare Parts B and D. Upon eligibility for Medicare, retirees receive coverage through a Medicare Supplement Plan. Effective January 1, 2013, the post-Medicare plan changed as Medicare supplement plans were established. This change reduced the actuarial accrued liability (AAL) by approximately \$1.8 million. In addition, the contracts provide that each eligible retiree will receive a fully paid-up life insurance policy of \$10,000.

Funding Policy

The Borough currently follows a pay-as-you-go policy for retiree healthcare and death benefits. These anticipated retiree premiums are included in each annual budget in the "Insurance and Benefits" category and "Hospitalization - Blue Cross/Blue Shield" line item. During 2013, police officers were required to contribute 3% of the premium for their selected coverage type through a payroll deduction. The labor force agreement, also followed by administrative staff, during 2013 required an employee contribution of 3% of the premium for their selected coverage type through a payroll deduction.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other postemployment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Borough's net OPEB obligation to the plan are as follows:

	<u>Police</u>	<u>Non-Uniform</u>
ARC for the year ended December 31, 2014	\$ 252,115	\$ 94,464
Interest on the net OPEB obligation from prior year	51,910	19,706
Interest on ARC	12,605	4,723
Actuarial adjustment	<u>(67,378)</u>	<u>(28,876)</u>
ANNUAL OPEB COST	249,252	90,017
Net OPEB contributions during the year	<u>(74,127)</u>	<u>(48,632)</u>
INCREASE IN NET OPEB OBLIGATION	175,125	41,385
Net OPEB obligation at beginning of year	<u>1,038,202</u>	<u>394,125</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 1,213,327</u>	<u>\$ 435,510</u>
Percentage of annual OPEB cost contributed	29.74%	54.03%

Three-Year Trend

Police Pension Plan

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 305,000	24.6%	\$ 886,000
2013	237,501	35.9%	1,038,202
2014	249,252	29.7%	1,213,327

Non-Uniformed Pension Plan

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 118,000	19.5%	\$ 355,000
2013	87,141	55.1%	394,125
2014	90,017	54.0%	435,510

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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.

In the January 1, 2012 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 5% annual investment rate of return and an annual healthcare cost trend of 10% initially for medical and prescription drug benefits, reduced by decrements to an ultimate rate of 5% after five years (9%, 8%, 7%, 6%, 5%). The annual healthcare cost trend rate for dental benefits is constant at 5%. The initial unfunded actuarial liability is being amortized as a level dollar amount using an open period amortization of 30 years.

Demographic assumptions include the following:

- 100% of currently enrolled active employees are assumed to participate in the retiree medical plan upon retirement.
- 50% of police officers are assumed to retire at the later of age 53 and 25 years of service, 50% are assumed to retire at later of age 60 or 25 years of service.
- 100% of labor and administrative staff are assumed to retire at the later of age 62 or 20 years of service.
- No turnover was assumed.

The Borough of Narberth does not issue stand-alone financial reports for the OPEB plans.

NOTE J - DEFERRED EXPENSE - CAPITAL CONTRIBUTION

The Borough recorded the 1993 capital contribution of approximately \$500,000 to the City of Philadelphia's sewage treatment facility Capital Improvement Program, through its agreement with Lower Merion Township, in the Sewer Fund (an Enterprise Fund) as a deferred expense. The balance of the deferred expense as of December 31, 2014, totals \$184,966 and is reported as an asset on the statement of net position, Proprietary Fund Types. The Borough is amortizing the balance to expense over a period of 34.5 years. The amortization period represented the then remaining time to the expiration of the agreement between Lower Merion Township and the Borough of Narberth (2027). Amortization expense was to \$14,493 in 2014.

BOROUGH OF NARBERTH
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE K - RELATED-PARTY TRANSACTIONS

During 2014, the Borough contributed \$174,300 to the Narberth Library for operations and capital additions. The Borough paid \$82,520 to the Narberth Fire Company for operating expenses in 2014. These organizations were determined to be excluded from the financial statements of the Borough as described in Note A. Expenditures related to the Narberth Library are included in culture and recreation, and expenditures related to the Narberth Fire Company are included in public safety in the statement of revenue, expenditures and change in fund balance, all Governmental Fund types.

NOTE L - OTHER INFORMATION

Risk Management

The Borough is exposed to various risks of loss related to torts; destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The Borough purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded this coverage for the past three fiscal years.

Contingent Liabilities and Commitments

Grants and Cost - Reimbursable Contracts

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by the Borough under some of these grants and contracts are subject to audit. To date, the Borough has not been notified of any significant unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

Repurchase Option Agreement

In 2001, the Borough obtained a deed for a property from Daniel K. Cook. Under the Repurchase Option Agreement dated June 29, 2001 the Borough of Narberth has granted an Optionee (Daniel K. Cook and/or his successors in title) the right to give notice to exercise the option to repurchase between April 30, 2022 and May 30, 2022. Between June 1, 2021 and December 31, 2021 the Borough must give written acknowledgement to the Optionee of the Repurchase Option. The Repurchase date is May 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF NARBERTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Real estate taxes	\$ 2,675,271	\$ 2,675,271	\$ 2,643,648	\$ (31,623)
Other local taxes	285,000	285,000	296,091	11,091
Fees and fines	63,000	63,000	57,509	(5,491)
Licenses and permits	91,200	91,200	109,687	18,487
Intergovernmental	81,500	81,500	1,063,865	982,365
Charges for services	125,400	125,400	212,957	87,557
Interest and rents	203,200	203,200	551,082	347,882
Miscellaneous revenues	18,000	18,000	68,771	50,771
TOTAL REVENUES	3,542,571	3,542,571	5,003,610	1,461,039
EXPENDITURES				
Capital outlay	-	-	-	-
General government	585,120	585,120	933,344	(348,224)
Public safety	866,200	866,200	977,342	(111,142)
Health and welfare	8,100	8,100	8,100	-
Public works	331,600	331,600	1,593,491	(1,261,891)
Employee benefits and insurance	781,000	781,000	739,048	41,952
Culture and recreation	272,200	272,200	322,826	(50,626)
Debt service	429,722	429,722	458,927	(29,205)
TOTAL EXPENDITURES	3,273,942	3,273,942	5,033,078	(1,759,136)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	268,629	268,629	(29,468)	(298,097)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	-	-	314,159	314,159
Sale of capital assets	5,000	5,000	-	(5,000)
Interfund transfers in	35,000	35,000	71,390	36,390
Interfund transfers out	(95,000)	(95,000)	(114,616)	(19,616)
TOTAL OTHER FINANCING SOURCES (USES)	(55,000)	(55,000)	270,933	325,933
NET CHANGE IN FUND BALANCE	213,629	213,629	241,465	27,836
FUND BALANCE AT BEGINNING OF YEAR	(10,557)	(10,557)	(10,557)	-
FUND BALANCE AT END OF YEAR	\$ 203,072	\$ 203,072	230,908	\$ 27,836

BOROUGH OF NARBERTH**SCHEDULE OF CHANGES IN THE NET POLICE PENSION****PLAN LIABILITY AND RELATED RATIOS****YEAR ENDED DECEMBER 31, 2014**

TOTAL PENSION LIABILITY	
Service cost	\$ 108,954
Interest	283,368
Benefit payments	<u>(242,123)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	150,199
Total pension liability, beginning	<u>4,169,173</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,319,372</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 104,847
Member	26,312
Net investment income	111,808
Benefit payments, including refunds of member contributions	(242,123)
Administrative expense	<u>(21,645)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(20,801)
Plan fiduciary net position, beginning	<u>2,442,080</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,421,279</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 1,898,093</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>56.06%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 431,319</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>440.07%</u>

BOROUGH OF NARBERTH
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2014

ACTUARIALLY DETERMINED CONTRIBUTION	\$ 104,847
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>104,847</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 431,319</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>24.31%</u>

NOTES TO SCHEDULE

Valuation date January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Adjusted market value
Inflation	3%
Salary increases	5.5% annual increase
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	RP 2000 Table

BOROUGH OF NARBERTH
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2014

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

7.75%

BOROUGH OF NARBERTH
PENSION PLAN FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014

NON-UNIFORMED PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Payroll (c)/(e)
2009	\$ 2,176,893	\$ 2,174,211	\$ (2,682)	100.1%	\$ 531,329	-0.5%
2011	2,378,768	2,378,496	(272)	100.0%	573,890	0.0%
2013	2,613,804	2,549,745	(64,059)	102.5%	566,375	-11.3%

Analysis of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 30,547	100%
2010	33,640	100%
2011	31,165	100%
2012	32,199	100%
2013	22,432	100%
2014	24,547	100%

BOROUGH OF NARBERTH
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

Police Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Liability AAL - Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2012	\$ <u>-</u>	\$ <u>3,757,565</u>	\$ <u>3,757,565</u>	<u>0%</u>	\$ <u>378,479</u>	<u>992.81%</u>

Non-Uniformed Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Liability AAL - Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2012	\$ <u>-</u>	\$ <u>1,495,215</u>	\$ <u>1,495,215</u>	<u>0%</u>	\$ <u>356,008</u>	<u>419.99%</u>

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF NARBERTH
COMBINING BALANCE SHEET
TOTAL NONMAJOR FUNDS
DECEMBER 31, 2014

	Capital Projects Funds					Special Revenue Fund Highway Aid Fund	Total Nonmajor Funds
	Downtown Project Fund	Municipal Building Renovations Fund	Computer Fund	Other Capital Projects Fund	Total Capital Projects Funds		
ASSETS							
Cash and cash equivalents	\$ 31,410	\$ 59,524	\$ 13,911	\$ 68,995	\$ 173,840	\$ 2,671	\$ 176,511
FUND BALANCES							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,671	\$ 2,671
Assigned to capital additions	31,410	59,524	13,911	68,995	173,840	-	173,840
TOTAL FUND BALANCES	\$ 31,410	\$ 59,524	\$ 13,911	\$ 68,995	\$ 173,840	\$ 2,671	\$ 176,511

BOROUGH OF NARBERTH
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TOTAL NONMAJOR FUNDS
YEAR ENDED DECEMBER 31, 2014

	Capital Projects Funds							Special Revenue Fund Highway Aid Fund	Total Nonmajor Funds
	Downtown Project Fund	Municipal Building Renovations Fund	Computer Fund	Other Capital Projects Fund	Total Capital Projects Funds	Special Revenue Fund Highway Aid Fund	Total Nonmajor Funds		
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,345	\$ 81,345	
Interest and rents	11	1	3	8	23	5		28	
TOTAL REVENUES	11	1	3	8	23		81,350	81,373	
EXPENDITURES									
General government	-	-	-	140	140	-	-	140	
Public works	-	-	-	-	-	-	94,014	94,014	
TOTAL EXPENDITURES	-	-	-	140	140	-	94,014	94,154	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11	1	3	(132)	(117)		(12,664)	(12,781)	
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	54,000	-	10,140	64,140	10,976	10,976	75,116	
Operating transfer out	(1,090)	(31,500)	(2,100)	(1,700)	(36,390)	-	-	(36,390)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,090)	22,500	(2,100)	8,440	27,750		10,976	38,726	
NET CHANGE IN FUND BALANCES	(1,079)	22,501	(2,097)	8,308	27,633		(1,688)	25,945	
FUND BALANCES AT BEGINNING OF YEAR	32,489	37,023	16,008	60,687	146,207		4,359	150,566	
FUND BALANCES AT END OF YEAR	\$ 31,410	\$ 59,524	\$ 13,911	\$ 68,995	\$ 173,840	\$ 2,671	\$ 176,511	\$ 176,511	