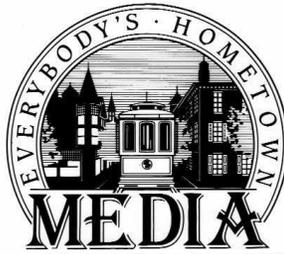


**BOROUGH of MEDIA
ANNUAL AUDITED
FINANCIAL STATEMENTS
31st DECEMBER 2014**

Borough of Media

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND INFORMATION:

The Borough of Media is located in the central section of Delaware County in the Philadelphia Metropolitan Area. Covering an area of 0.75 square mile, Media is situated approximately 12 miles west of downtown Philadelphia and is bounded by the Township of Upper Providence on the west, northwest and southwest and by the Township of Nether Providence on the east, northeast and southeast.

An interlocking system of highways serves the residents of the Borough with US 1 (Baltimore Pike) and US 1 Bypass (east-west) and State Routes 252, 320, 352, 420 and 452 (north-south) serving the area. The Mid-County Expressway, also known as Interstate 476 and the "Blue Route", opened on December 19, 1991 and connects Interstate 95 near the City of Chester on the south with the Northeast Extension of the Pennsylvania Turnpike on the north, traveling just to the east of Media. Two interchanges of the Blue Route serve the residents of Media Borough: the Swarthmore/Media Interchange (via US 1) and the Springfield/Lima Interchange (via US 1 Bypass).

FACTS AND FIGURES

Population:	Approximately 6,000
Location:	Third and Jackson Streets, Media, PA 19063 610-566-5210 Fax: 610-566-0335 Incorporated as a borough March 10, 1850 from Nether and Upper Providence Townships. Named for its central location in the county.
Area:	.75 square mile
Composition:	68% residential, 30% commercial, 2% industrial
Shopping areas:	State Street and Baltimore Avenue areas
Parks and Recreation:	John K. Barrall Park, tennis courts, baseball diamond
School District:	Rose Tree Media School District, 610-627-6000 School Closing Number - 542
Distance to Center City Philadelphia:	20 miles or 30 minutes
Public Transportation:	Available by train, bus, and trolley
Government Representation:	<ul style="list-style-type: none"> • 9th Senatorial District, Domenic F. Pileggi, (R) 610-565-9100 • 168th Legislative District, Tom Killion (R) 610-325-1541 • 7th Congressional District, Patrick Meehan (R) 610-690-7323

**2015 TAXES
TAXPAYER BILLS OF RIGHTS**

Borough:	3.0 mills
School:	22.94 (2014-2015)
County:	5.604 mills
RE Transfer:	.5%
Earned Income:	1% (Collected by Keystone Collections Group)
Business Privilege:	1.5 mills (Collected by e-Collect Plus LLC)
Mercantile:	.75 mill whsl. .75 mill retail (Collected by e-collect Plus LLC)
General Budget:	\$8,039,900
Police Allocation:	\$3,491,850

SERVICES:

The mission of the Borough of Media is to promote responsive municipal government services to its citizens in an efficient and cost effective manner. All services provided shall benefit the health, safety and welfare of the community.

Media Borough contains a wide array of departments and offices, including Administration, Code Enforcement, Fire, Health, Police, Public Works and Recreation Departments.

Code Enforcement - The mission of the Code Enforcement Department is to enhance the overall public safety and welfare of everyone who lives, works, and visits the Borough of Media by enforcement of all Borough Codes. The department investigates any and all property maintenance, fire safety and life safety complaints as well as reviews and issues any and all building, mechanical, electrical, plumbing, dumpster, and sign permits.

Inspections on all commercial and residential properties are performed annually and use and occupancy inspections are performed at the change of ownership and occupancy. The Code Enforcement Department also acts as the support for the Planning Commission, ICC Appeals Board and Zoning Hearing Board.

Fire Department - An all-volunteer organization, the Media Fire, Hook & Ladder Company No. 1 provides fire protection services to the Borough of Media and emergency ambulance service to Media, Upper Providence Township, Rose Valley Borough and portions of Nether Providence Township and Swarthmore Borough. The company responds to approximately 275 fire calls and 1,200 ambulance requests annually. In addition to offering emergency assistance, the company offers community services such as: lecture and demonstration programs on fire prevention, safety and escape planning for those living in multi-family dwellings and in single-family homes; courtesy inspections of houses, apartments and condominiums; training in cardiopulmonary resuscitation skills for groups or individuals in high-risk situations; smoke detector installation and battery checking for Borough residents; and consultation on home escape planning, smoke detector location, fire extinguisher selection and placement, and other elements of personal fire safety planning.

Board of Health - The Board of Health has the power and duty to enforce the laws of the Commonwealth, the regulations of the State Department of Health, and all ordinances of the Borough enacted to prevent the introduction and spread of infectious or contagious disease; to abate and remove all nuisances which the board shall deem prejudicial to the public health; to mark infected houses or places; to recommend rules for the construction and maintenance of house-drains, wash-pipes, soil-pipes, and cesspools; and to recommend all such other rules and regulations as shall be deemed necessary for the preservation of the public health which have been approved by Borough Council.

Police Department – Is a fully-staffed and open 24 hours a day, year-round, is centrally located on the corner of Third and Jackson Streets. It employs fourteen full-time officers, part-time police officers, and parking enforcement officers. In addition, the staff is also supported by several part-time civilian employees. Media police officers respond to approximately 900 calls per month. The Department offers additional services to the community, underscoring its proactive--rather than reactive--approach to crime prevention.

Public Works Department - Provides many services to the Borough including, but not limited to, trash removal twice weekly, bulk trash pick-up monthly, snow removal, leaf pick-up through the fall and winter months, sign installation, landscaping of Borough-owned property and various other road improvements.

Recreation Board – Responsible for outfitting, operating, and maintaining recreation programs and places in the Borough of Media. These include annual holiday events, bus trips and discount tickets to sports and entertainment venues, and family and adult dances.

OPERATIONS:

The Borough has four (4) main funds: General Fund, Capital Fund, Recreation Fund and Liquid Fuels Fund. Listed below is a summary of the Finance Committee recommendations to Borough Council as it pertains to the adoption of the 2015 final budget.

Revenues:

The General Fund is balanced each year and includes a transfer of \$60,000 to the capital reserve account at the end of the year for future fire apparatus. The budget also shows a contingency line item of \$60,000. Annual recurring revenues such as Act 511 taxes (i.e. earned income, business privilege, mercantile, local services and transfer tax) are projected to increase by approximately \$376,000 in 2015. The following are other revenues worth noting in 2015:

- Real Estate Property Taxes - \$1,184,500
- Act 511 Taxes (Transfer, EIT, BP, Mercantile, LST) - \$4,200,000. Increase of approximately \$376,000 or 9%.

- Other Revenues worth noting
 - Rental from Borough Owned Properties - \$732,500
 - Parking Meters, Fines & Permits - \$800,000
- \$20,000 from healthcare contributions for Public Works, Public Information Officers and non-union personnel
- Projected 6.5% increase (\$498,900) in the general fund revenue in 2015 mainly due to increase in Act 511 taxes, building permit fees and reimbursement of debt payments from the library.

TOTAL BUDGETED GENERAL FUND REVENUE \$8,039,900

Expenditures:

The following are anticipated increases in the 2015 operating budget:

- An increase of (6.5%) \$376,000 is projected in the general fund budget in 2015
- A 5.44% (\$35,400) increase in medical/prescription insurance with Independence Blue Cross (IBC).
- Proposed salary increases for personnel:
 - 3.25% salary increase for Police
 - 3.0% salary increase for Public Works and Public Information Officers
 - 3.09% (average of 3 unions) for non-union staff

Overall, it is anticipated that the salary increases and 3 new staff members (technology coordinator, property maintenance inspector and full-time highway laborer) will result in approximately \$258,800 in additional payroll costs in 2015.

- Anticipated decrease of \$25,000 in electricity costs due to the energy efficiency grants at the parking garage and Borough Hall
- Anticipated increase of \$60,000 in the police pension MMO and \$30,000 for non-uniformed employees
- Assumption of 10% increase or \$20,000 in workers compensation insurance
- Assumption of 10% increase or \$12,000 in casualty/liability insurance
- Assumption of 10% increase of \$7,500 for dental, long term disability and life insurance costs
- The Library contribution remains the same at \$110,000
- \$60,000 is budgeted for future fire apparatus to be transferred to the Capital Reserve account.
- Transfer of \$431,000 to the capital fund to cover capital purchases/projects.

Debt Service

New debt service = \$211,000 in 2015 and \$445,000 beyond with \$129,000 in the form of reimbursement from the library.

- 2003 TD Bank Note – 5 years remaining @ \$163,000 each year
 - 2015 Principal payment - \$133,000
 - 2013 Interest payment - \$30,000

- 2005 PNC Bank Note – 7 years remaining @ \$81,000
 - 2013 Principal payment - \$60,000
 - 2013 Interest payment - \$21,000
- The issuance of debt in 2014 will add approximately \$201,000 in debt payments in 2016, which will be offset by \$129,000 in the form of reimbursement from the library in 2016.
- The two above referenced General Obligation Notes were retired with the new borrowing in December 2014

The total departmental allotment, excluding capital expenditures is listed by department below:

- | | | | |
|--|-------------|------|--------------|
| • Police Department - | \$3,402,450 | 44% | 2% increase |
| • Code Enforcement Department - | \$ 338,800 | 4% | 20% increase |
| • Administration & Finance - | \$ 645,500 | 8% | 1% increase |
| • Fire Department - | \$ 214,000 | 3% | 3% increase |
| • Health Department - | \$ 18,000 | 0.2% | 13% increase |
| • Public Works Department – | \$1,336,450 | 17% | 11% decrease |
| - Sanitation - \$412,450 (5% increase) | | | |
| - Highway - \$898,000 (10% increase) | | | |
| - Snow removal - \$26,000 (26% decrease) | | | |

TOTAL GENERAL FUND EXPENSE \$8,039,900

CAPITAL FUND BUDGET – REVENUES

Borough Council decided previously on a threshold of \$5,000 (cost) with a useful life of five (5) years for capital items.

The following is anticipated non-recurring grants/revenue for 2015:

- Third Street Bridge Design Reimbursement - \$300,000 (county and state).
- It is anticipated that \$431,000 will be transferred from the General Fund to the Capital Fund to help cover the costs of some projects listed below such as vehicles, equipment, etc.
- It is anticipated that \$298,200 will be transferred from the capital reserve account (savings account) to cover the cost of Veteran’s Square memorial garden, highway garage maintenance, etc.
- Bank loan proceeds for Library and Borough Hall projects \$2,825,000
- DEP Stormwater Management study \$127,500
- DVRPC Wayfinding Signage Grant \$40,000
- CDBG grant for Jefferson Street Sidewalk Project \$35,000

CAPITAL FUND BUDGET – EXPENDITURES

A 5 year Capital Improvements Program (CIP) was adopted which includes future capital projects/expenditures from each department, municipal owned buildings, community organizations, etc. and should be updated each year.

The following is a list of capital expenditures by department/category for 2015:

Borough Hall

Borough Facilities

Public Works

Police

- 12 New Tasers \$ 10,800
- SUBTOTAL \$ 89,400**

Media Business Authority

- New directional (way-finding) signage consultant/design \$ 60,000
- SUBTOTAL \$ 60,000**

Media-Upper Providence Free Library

- Funds for demolition and rebuilding of library facility \$2,500,000
- SUBTOTAL \$2,500,000**

Recreation

- Houtman Park Tree Removal and Guard Rail \$ 40,000
 - Resurfacing of Tennis Courts at Barrall Park \$ 10,000
- SUBTOTAL \$ 50,000**

Technology

- Municipal Software for Property & Infrastructure Management \$ 35,000
 - Tablets for Code Enforcement Inspectors \$ 10,000
- SUBTOTAL \$45,000**

Fire

- Replacement of aprons at Firehouse \$20,000
- SUBTOTAL \$20,000**

TOTAL CAPITAL BUDGET \$4,115,700

LIQUID FUELS FUND

Liquid fuels funding will be approximately \$165,250 in 2015, which is received from the Commonwealth of Pennsylvania. The Finance Committee is recommending the funds be expended on road resurfacing in the amount of \$165,250. This increase is due to half of the previous year's allocation not being expended in the previous fiscal year.

TOTAL LIQUID FUELS FUND BUDGET \$165,250

RECREATION FUND

Please note a transfer from the general fund to the recreation fund in the amount of \$40,000 is included in the 2015 budget. Most of the expenditures in the Recreation Department are related to various programs offered throughout the year. This is the sixth year that summer camp will be administered by the Media Youth Center. The total Recreation Fund revenue and expenditures are anticipated to be \$67,500.

TOTAL RECREATION FUND BUDGET \$67,500

CONCLUSION

In conclusion, as previously mentioned and discussed, the Borough's cash flow position is good, however there is some uncertainty as the economy starts to show signs of improvement.

Council may want to consider the following in 2015:

- Monitor future police pension costs.
- Monitor other municipalities who may assess an Earned Income tax and what the impact may be on the Borough.
- Continue to update the 5 year CIP on an annual basis.

By considering the above referenced items, it may allow for meaningful dialogue to take place on the future cash flow position of the Borough and how to plan for future capital expenditures.

Borough Council may want to consider setting aside 5% - 10% of operating revenues annually to maintain a capital reserve fund, which will allow for the continuation of a 5-10 year capital improvement plan (CIP). The CIP will serve as a blue print for future capital expenditures.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, and the Members of Council
Media Borough, Delaware County, Pennsylvania

We have audited the basic financial statements of the Borough of Media (a Pennsylvania Municipality) as of 31st December 2014 & 2013 and for the years then ended, and the notes thereto. These financial statements are the responsibility of the Borough of Media. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Borough's two pension plans. The financial information presented in Notes #7 & #8 is based upon information provided by the plans' custodian.

Management's Responsibility. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. The auditors' responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor 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 and the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Risk assessments involve consideration of 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, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Media as of 31st December 2014 & 2013, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States, subject to the limitations described in the first paragraph of this report.

Report on Summarized Comparative Information. We have previously audited the Borough of Media's basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 17th July 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended 31st December 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Management's Discussion & Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements; accordingly, we express no opinion thereon.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
16th June 2015

Borough of Media

**Statement of Net Assets
as of December 31, 2014**

(with Comparative Data as of December 31, 2013)

	Governmental Activities	
	2014	2013
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 4,995,930	\$ 4,683,492
Taxes Receivable	22,000	18,000
Due from Other Government Funds	974,494	64,778
Other Receivables	30,650	4,165
Prepaid Expenses	30,207	33,290
Total Current Assets	<u>6,053,281</u>	<u>4,803,725</u>
Non-Current Assets:		
Land	789,849	789,849
Capital Assets <i>(net of depreciation)</i>	10,392,261	9,479,764
Capitalized Bond Costs <i>(net of amortized amounts)</i>	51,044	-
Total Non-Current Assets	<u>11,233,154</u>	<u>10,269,613</u>
TOTAL ASSETS	<u>\$ 17,286,435</u>	<u>\$ 15,073,338</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable & Other Current Liabilities	\$ 522,217	\$ 451,760
Deferred Revenue	49,208	51,370
Due to Other Government Funds	974,494	64,778
Compensated Absences	66,666	47,411
Note Payable	-	204,781
Total Current Liabilities	<u>1,612,585</u>	<u>820,100</u>
Non-Current Liabilities:		
Compensated Absences	568,039	426,701
Post Employment Benefits Payable	1,252,508	1,032,195
Notes Payable	1,860,515	892,422
Total Non-Current Liabilities	<u>3,681,062</u>	<u>2,351,318</u>
TOTAL LIABILITIES	<u>5,293,647</u>	<u>3,171,418</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	9,372,639	9,172,410
Unrestricted (deficit)	2,620,149	2,729,510
Total Net Assets	<u>11,992,788</u>	<u>11,901,920</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 17,286,435</u>	<u>\$ 15,073,338</u>

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

Borough of Media

Statement of Activities

for the year ended December 31, 2014

(with Summarized Comparative Data for the year ended December 31, 2013)

	Expenses	Program Revenues			Net (Expense) Revenues & Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants	2014	2013
Governmental Activities:						
General Government	\$ 1,114,774	\$ 334,290	\$ 293,108	\$ 3,000	\$ (484,376)	\$ (410,370)
Public Safety	4,451,003	790,310		3,188	(3,657,505)	(3,512,192)
Public Works - Highways & Streets	1,465,421		108,857		(1,356,564)	(1,306,807)
Public Works - Sanitation	457,495	55,698			(401,797)	(398,887)
Health & Welfare	20,582				(20,582)	(16,206)
Library	135,217				(135,217)	(110,000)
Cummunity Development	75,000				(75,000)	(79,032)
Culture & Recreation	222,151	20,834			(201,317)	(186,572)
Interest Expense	105,076				(105,076)	(48,034)
Total Governmental Activities	\$ 8,046,719	\$ 1,201,132	\$ 401,965	\$ 6,188	\$ (6,437,434)	\$ (6,068,100)

General Government Revenues

Taxes:

Real Estate Taxes <i>(including transfer tax)</i>	\$ 1,332,898	\$ 1,317,674
Earned Income Tax	3,295,573	3,659,714
Local Services Tax	256,721	280,160
Mercantile & Business Privilege Taxes	697,443	636,403
Francise Fees	143,499	137,766
Fines, Forfeits, & Costs	118,411	181,563
Interest & Rents	743,959	753,359
Gain on assets disposals - State Street	-	7,013
Total	\$ 6,588,504	\$ 6,973,652

Change in Net Assets \$ 151,070 \$ 905,552

Net Assets, Beginning of Year 11,901,920 10,996,368

Prior Period Adjustment (60,202) -

Net Assets, End of Year \$ 11,992,788 \$ 11,901,920

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

Borough of Media

**Reconciliation of Total Government Fund Balances to
Net Assets of Government Activities, December 31, 2014**

Total Governmental Fund Balances (p.6)	\$	4,852,672
Amounts Reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and therefore, are not reported as asset in gov't funds		11,233,154
Less: Payables & Accruals not reflected in gov't fund statement:		
Accounts Payable & Accrued Expenses	345,310	
Compensated Absences	<u>634,705</u>	
		(980,015)
Long term liabilities that are not due & payable in the current period, and therefore are not reported as liabilities in the government funds		
Post Employment Benefits Payable	1,252,508	
Notes Payable	<u>1,860,515</u>	
		<u>(3,113,023)</u>
Net Assets of Governmental Activities (p.3)	<u>\$</u>	<u>11,992,788</u>

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

Borough of Media

Balance Sheet - Governmental Funds

as of December 31, 2014

(with Summarized Comparative Data as of December 31, 2013)

	General Fund	Highway Aid Fund	Capital Reserve Fund	Recreation Fund	Totals	
					2014	2013
ASSETS						
Cash & Cash Equivalents	\$ 1,334,150	\$ 71,678	\$ 3,558,744	\$ 31,358	\$ 4,995,930	\$ 4,683,492
Taxes Receivable	22,000				22,000	18,000
Due from Other Government Funds	974,494	\$0			974,494	514,421
Other Receivables	30,650				30,650	4,166
Prepaid Expenses	30,207				30,207	33,290
TOTAL ASSETS	\$ 2,391,501	\$ 71,678	\$ 3,558,744	\$ 31,358	\$ 6,053,281	\$ 5,253,369
LIABILITIES & FUND BALANCES						
LIABILITIES						
Accounts Payable & Accrued Liabilities	85,184	-	89,668	2,055	176,907	144,639
Deferred Revenue	49,208				49,208	51,370
Due to Other Government Funds	-		953,195	21,299	974,494	514,421
TOTAL LIABILITIES	134,392	-	1,042,863	23,354	1,200,609	710,430
FUND BALANCES						
Reserved for Capital Projects	-	-	2,515,881	-	2,515,881	2,613,042
Unreserved (Deficit)	2,257,109	71,678		8,004	2,336,791	1,929,897
TOTAL FUND BALANCES	2,257,109	71,678	2,515,881	8,004	4,852,672	4,542,939
TOTAL LIABILITIES & FUND BALANCES	\$ 2,391,501	\$ 71,678	\$ 3,558,744	\$ 31,358	\$ 6,053,281	\$ 5,253,369

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

Borough of Media

Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds for the year ended December 31, 2014 (with Summarized Comparative Data for the year ended December 31, 2013)

	General Fund	Highway Aid Fund	Capital Reserve Fund	Recreation Fund	Totals	
					2014	2013
REVENUES						
Taxes	\$ 5,582,635				\$ 5,582,635	\$ 5,893,950
Licenses & Permits	435,427				435,427	393,833
Fines, Forfeits, & Costs	118,411				118,411	181,563
Interest, Rents, & Franchise Fees	740,447	105	3,396	11	743,959	753,360
Intergovernmental Revenues	345,469	108,857	3,188		457,514	454,604
Charges for Services/Fees	836,009			20,834	856,843	891,968
Miscellaneous Revenue	-		3,000		3,000	11,013
Proceeds of New Bond Issue			1,860,515		1,860,515	-
TOTAL REVENUES	8,058,398	108,962	1,870,099	20,845	10,058,304	8,580,291
EXPENDITURES - Current						
General Government	925,686		60,833		986,519	921,699
Public Safety	3,866,150		59,125		3,925,275	4,122,778
Public Works - Highways & Streets	972,549	138,654	\$1,332,537		2,443,740	1,560,066
Public Works - Sanitation	385,028				385,028	408,699
Library	110,000				110,000	110,000
Community Development	88,592				88,592	77,500
Culture & Recreation	114,799		22,674	68,673	206,146	188,375
Insurance, Employee Benefits, P/R Taxes, &c	349,948				349,948	295,270
Miscellaneous Expenses	51,044				51,044	-
EXPENDITURES - Debt Service						
Principal	1,098,887				1,098,887	209,502
Interest	103,392				103,392	51,380
TOTAL EXPENDITURES	8,066,075	138,654	1,475,169	68,673	9,748,571	7,945,269
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	(7,677)	(29,692)	394,930	(47,828)	309,733	635,022
OTHER FINANCING SOURCES (USES)						
Transfers In (Out)	1,050,653	-	558,562	40,000	1,649,215	632,188
Transfers In (Out)	(598,562)	-	(1,050,653)		(1,649,215)	(632,188)
TOTAL OTHER FINANCING SOURCES (USES)	452,091	-	(492,091)	40,000	-	-
NET CHANGE IN FUND BALANCES	444,414	(29,692)	(97,161)	(7,828)	309,733	635,022
FUND BALANCES (DEFICIT), BEGINNING of YEAR	1,812,695	101,370	2,613,042	15,832	4,542,939	3,907,917
FUND BALANCES (DEFICIT), END of YEAR	\$ 2,257,109	\$ 71,678	\$ 2,515,881	\$ 8,004	\$ 4,852,672	\$ 4,542,939

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

Borough of Media

**Reconciliation of the Statement of Revenues, Expenditures, & Changes in Fund Balances of
Governmental Funds to the Statement of Activities, December 31, 2014**

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

Net Changes in Fund Balances - total governmental funds (p.7)	\$	309,733
Adjustments for Debt & Debt Service		
Principal Payments on Bonds & Notes Payable	1,098,887	
Capitalize Fiscal Agent Fees	51,044	
Interest Expense to Settle Notes Payable (final payment)	(1,684)	
Proceeds of New Debt Issue	<u>(1,860,515)</u>	
Net adjustment for debt proceeds / payments		(712,268)
Expenditures for Capital Assets		1,335,824
adjustments to amounts payable:		
increase in accrual for compensated absences	(34,999)	
increase in accrual for compensated absences - police comp time	(125,594)	
accrual for post-employment benefits	(220,313)	
other payables & accruals, net decrease	<u>22,014</u>	
		(358,892)
Depreciation Expense claimed on GAAP Statement of Activities		<u>(423,327)</u>
Changes in Net Assets of Governmental Funds (p.4)	\$	<u><u>151,070</u></u>

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

Borough of Media

**Budgetary Comparison Statement - General Fund
for the year ended December 31, 2014**

	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance
REVENUES:			
Taxes	\$ 5,013,500	\$ 5,582,635	\$ 569,135
Licenses & Permits	298,000	435,427	137,427
Fines, Forfeits, & Costs	194,000	118,411	(75,589)
Interest & Rents	736,000	740,447	4,447
Intergovernmental Revenues	400,400	345,469	(54,931)
Charges For Sevices & Fees	1,000,800	836,009	(164,791)
Miscellaneous Revenue	10,000	-	(10,000)
TOTAL BUDGETED REVENUES	\$ 7,652,700	\$ 8,058,398	\$ 405,698
EXPENDITURES - CURRENT			
General Government	\$ 978,450	\$ 925,686	\$ 52,764
Public Safety	3,911,176	3,866,150	45,026
Public Works: Highways & Streets	982,710	972,549	10,161
Public Works: Sanitation	391,950	385,028	6,922
Library	110,000	110,000	-
Culture & Recreation	95,200	88,592	6,608
Community Development	75,500	114,799	(39,299)
Insurance, Employee Benefits, P/R Taxes, &c	316,533	349,948	(33,415)
TOTAL EXPENDITURES - CURRENT	\$ 6,861,519	\$ 6,812,752	\$ 48,767
DEBT SERVICE			
Principal	\$ 193,000	\$ 1,098,887	\$ (905,887)
Interest	42,000	103,392	(61,392)
Fiscal Agent Fees, GO Bond Issue 2014		51,044	(51,044)
TOTAL DEBT SERVICE	\$ 235,000	\$ 1,253,323	\$ (1,018,323)
TOTAL EXPENDITURES	\$ 7,096,519	\$ 8,066,075	\$ (969,556)
EXCESSS of REVENUES OVER EXPENDITURES	\$ 556,181	\$ (7,677)	\$ (563,858)
Net Transfer to RECREATION FUND	40,000	40,000	-
Net Transfer to CAPITAL RESERVE		(1,050,653)	(1,050,653)
Net Transfer to CAPITAL FUND	504,581	558,562	53,981
NET TRANSFERS	\$ 544,581	\$ (452,091)	\$ (996,672)
NET CHANGE in FUND BALANCE	\$ 11,600	\$ 444,414	\$ 432,814

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

Borough of Media

Statement of Net Assets - Fiduciary Funds as of December 31, 2014
(with Comparative Data as of December 31, 2013)

	Pension Trust Funds	
	2014	2013
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 15,427,001	\$ 14,385,847
TOTAL ASSETS	15,427,001	12,426,366
<u>LIABILITIES & NET ASSETS</u>		
<u>LIABILITIES</u>		
	-	-
<u>NET ASSETS</u>		
Held in Trust for Pension Benefits & Pool Participants	15,427,001	14,385,847
TOTAL LIABILITIES & NET ASSETS	\$ 15,427,001	\$ 12,426,366

Statement of Changes in Net Assets - Fiduciary Funds
for the Year Ended December 31, 2014
(with Comparative Data for the Year Ended December 31, 2013)

	Pension Trust Funds	
	2014	2013
<u>ADDITIONS</u>		
Contributions:		
State Aid	\$ 178,143	\$ 194,888
Employer Contributions	674,298	528,232
Employee Contributions	117,153	119,000
Total Contributions	969,594	842,120
Investment Earnings	236,233	205,529
Realized Gains (net of losses)	888,645	436,284
Unrealized Gains (net of losses)	-	1,235,803
Total Additions	2,094,472	2,719,736
<u>REDUCTIONS</u>		
Benefits Paid	703,999	674,031
Administration Expenses	198,384	86,226
Unrealized Losses (net of gains)	150,935	-
Total Reductions	1,053,318	760,257
Change in Net Assets	1,041,154	1,959,479
Net Assets, Beginning of Year	14,385,847	12,426,366
Net Assets, End of Year	\$ 15,427,001	\$ 14,385,847

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

BOROUGH of MEDIA
NOTES to FINANCIAL STATEMENTS
December 31, 2014
(with comparative information as of December 31, 2013)

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The Borough of Media presents its financial statements in accordance with generally accepted accounting principles (GAAP), which include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Component Units. The Borough used guidance contained in GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement No. 39, to evaluate the possible inclusion of related entities (e.g., authorities, boards, councils, etc.) within its reporting entity, i.e., component units. The criteria used by the Borough for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the Borough reviews the applicability of the following criteria. The Borough is financially accountable for:

- Organizations that make up the legal Borough entity.
- Legally separate organizations if Borough officials both (a.) appoint a voting majority of the organization’s governing body and (b.) are able to impose its will on the organization; or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough as defined below.

“Impose its will”. If the Borough can significantly influence the programs, projects, activities of, or the level of services performed or provided by, the organization.

“Financial benefit or burden” exists if the Borough,

- (1) is entitled to the organization’s resources; or
- (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or
- (3) is obligated in some manner for the debt of the organization.

“Organizations that are fiscally dependent on the Borough”. Fiscal dependency is established if the organization needs the concurrence of the Borough in order to adopt its budget, levy taxes, set rates or charges, or issue bonded debt.

Based upon the above criteria, the Borough does not have any component units.

Basis of Presentation - Entity-wide Financial Statements. The Statement of Net Assets and the Statement of Activities display information about the Borough as a whole. These statements exclude fiduciary activities such as the pension funds. The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and

BOROUGH of MEDIA
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expenses are recognized when they are incurred. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

Internal activity is limited to interfund transfers which are eliminated to avoid presenting the same revenues and expenses in two places. Net assets are reported as restricted when constraints placed on net asset 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 assets restricted for other purposes result from special revenue and capital projects funds and the restrictions on their net asset use.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in the entity-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Borough has elected not to follow subsequent private-sector standards.

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

The Borough reports the following major governmental funds:

- General Fund - The General Fund is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general tax revenues of the Borough, as well as other resources received and not designated for a specific purpose, are accounted for in the General Fund.
- Capital Reserve Fund - The Capital Reserve Fund accounts for all financial resources used for the acquisition or construction of major capital projects.
- 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. The major governmental fund of the Borough is the general fund.

Revenue Recognition. In applying the "susceptible to accrual" concept under the modified accrual basis, certain revenue sources are deemed both measurable and available if collectible

BOROUGH of MEDIA
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(with comparative information as of December 31, 2013)

within the current year or within 60 days from December 31st and available to pay obligations of the current period. This includes investment earnings, real estate taxes, real estate transfer taxes, earned income taxes, and certain fees for services. Revenues for projects funded by federal or state funds are recognized at the time all eligibility requirements have been satisfied, said requirements include (a.) timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, (b.) matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and (c.) expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property taxes remaining unpaid 60 days after the close of the fiscal year, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes remaining unpaid 60 days after the close of the fiscal year are not recognized as income (and recorded as a receivable) until they are indeed received. Likewise, other revenues, including earned income taxes, and certain other charges for services and miscellaneous revenues, are recorded as revenue when received because they are generally not measurable until actually received.

Expenditure Recognition. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are 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 fund liabilities and expenditures (e.g., 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.

Fiduciary Funds (Trust Funds). Fiduciary Funds or 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/or other funds, including Pension Trust Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the periodic net income and the determination of capital maintenance are critical.

Budgets. An annual appropriation budget is adopted for the general fund, wherein all annual appropriations lapse on December 31st of each year. Budgets are adopted on a cash basis.

Cash & Cash Equivalents. The Borough of Media considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value.

Accounts Receivable & Accounts Payable. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other

BOROUGH of MEDIA
NOTES to FINANCIAL STATEMENTS
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(with comparative information as of December 31, 2013)

funds” (i.e., the noncurrent portion of interfund loans).

Capital Assets. Capital assets, which include property, plant, & equipment, are reported in the governmental activities column in the entity-wide financial statements. Capital assets are defined by the Borough as assets with both an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Land improvements	40 years
Buildings & improvements	20-50 years
Furniture & equipment	5-20 years
Infrastructure	40-50 years

The Borough’s general infrastructure assets consist of streets and roads and their related traffic signals. The Borough has capitalized the general infrastructure assets acquired on or after January 1, 2004 at their actual cost; assets acquired before January 1, 2004 were capitalized at their appraised cost as part of the implementation of Statement of Governmental Accounting Standards #34.

Long-Term Obligations. In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Restricted Net Assets. Restricted net assets are comprised of assets, net of related liabilities, that

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(with comparative information as of December 31, 2013)

are legally restricted as to their use. When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

Compensated Absences. The Borough's policy concerning vacation pay directs all vacation days to be taken by the end of the calendar year. Therefore, there is no accrual for unused vacation pay at December 31, 2014.

The Borough's policy regarding sick pay directs that upon retirement, only a portion of unused sick time is paid out. The payout of sick time is as follows:

Highway/Administration Department	50% of the first 150 accumulated sick days; 20% of 151 to 180 sick days; 0% of sick days in excess of 180 days
Police Department	lesser of (a.) 100 days severance pay or (b.) 50% of accumulated sick time.

In accordance with the provisions of Statement of Governmental Accounting Standards #16, "Accounting for Compensated Absences," a liability is recorded only for the vested portion of accumulated rights to receive sick pay benefits. Historically, Media Borough has estimated the current portion (i.e., the portion to be paid within one year) at 10% of the total accumulated obligation.

Several employees are eligible to separate service and receive a lump-sum payment for these benefits, at a cost of approx. \$7,500; the estimated maximum obligation due by the Borough if every employee eligible for retirement separated service during 2015 is estimated at between \$90,000 and \$108,000.

During 2014, it came to the attention of the Borough that the "comp time" earned by police officers had not been recorded in its financial statements. Therefore, a one-time expense of \$125,594 has been recorded as an additional liability for compensated absences, of which \$15,755 is expected to be paid out to officer(s) separating from service during 2015. The amount of this liability incurred during 2014 (as opposed to years prior to 2014) is not determinable.

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Comparative Data. Comparative totals for the prior year have been presented in the

BOROUGH of MEDIA
NOTES to FINANCIAL STATEMENTS

December 31, 2014

(with comparative information as of December 31, 2013)

accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

NOTE 2 DEPOSITS & INVESTMENTS

Deposits. Custodial credit risk is the risk that the Borough's deposits will not be returned in the event of a bank failure. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located within the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

On December 31, 2014, the carrying amount of the Borough's deposits was \$4,995,310 and the bank balances were \$5,159,462. Of these bank balances, \$260,000 was covered by federal depository insurance and \$4,899,462 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

On December 31, 2013, the carrying amount of the Borough's deposits was \$4,683,492 and the bank balances were \$4,805,999. Of these bank balances, \$265,323 was covered by federal depository insurance and \$4,540,676 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

Investments. The Borough is authorized by statutes to invest in (a.) obligations of the United States of America, and agencies and instrumentalities of the United States, and (b.) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, and (c.) deposits in savings accounts or time deposits or share amounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or the National Credit Union Share Insurance Fund. Additionally, the Borough may invest in 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 all investments of that company are also authorized investments for Borough funds. The Borough is in compliance with this statute.

The Pension Trust Funds are administered by the Pennsylvania State Association of Boroughs (PSAB) Retirement Trust, which has responsibility for the exclusive management of the fund and has full power to invest the monies therein subject to the terms, conditions, limitations and

BOROUGH of MEDIA
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(with comparative information as of December 31, 2013)

restrictions imposed by law upon fiduciaries.

As of December 31, 2014 and 2013, the Police Pension and Non-Uniformed Pension Plans had invested with PSAB \$15,427,000 and \$14,385,847, respectively, which represents pooled investments comprised of domestic equity and fixed income securities. Investments in external investment pools are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 789,849	\$ -	\$ -	\$ 789,849
Capital Assets Being Depreciated:				
Land Improvements	\$ 1,591,790	\$ 205,514	\$ -	\$ 1,797,304
Infrastructure	2,941,868	940,597	-	3,882,465
Buildings and improvements	9,606,903	6,268	-	9,613,171
Furniture & Equipment	3,310,898	183,445	-	3,494,343
Total Assets Being Depreciated	17,451,459	1,335,824	-	18,787,283
Accumulated Depreciation:				
Land Improvements	547,001	\$ 31,763	-	578,764
Infrastructure	403,944	93,637	-	497,581
Buildings and improvements	3,555,669	184,994	-	3,740,663
Furniture & Equipment	3,465,081	112,933	-	3,578,014
Total Accumulated Depreciation	7,971,695	423,327	-	8,395,022
Capital Assets Being Depreciated	\$ 9,479,764	\$ 912,497	\$ -	\$ 10,392,261

Capital asset activity for the year ended December 31, 2013 was as follows:

BOROUGH of MEDIA
NOTES to FINANCIAL STATEMENTS
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Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 789,849	\$ -	\$ -	\$ 789,849
Capital Assets Being Depreciated:				
Land Improvements	\$ 1,521,879	\$ 69,911	\$ -	\$ 1,591,790
Infrastructure	2,753,639	188,229	-	2,941,868
Buildings and improvements	9,596,148	10,755	-	9,606,903
Furniture & Equipment	3,062,118	248,780	-	3,310,898
Total Assets Being Depreciated	16,933,784	517,675	-	17,451,459
Accumulated Depreciation:				
Land Improvements	480,586	66,415	-	547,001
Infrastructure	347,284	56,660	-	403,944
Buildings and improvements	3,370,861	184,808	-	3,555,669
Furniture & Equipment	3,423,599	41,482	-	3,465,081
Total Accumulated Depreciation	7,622,330	349,365	-	7,971,695
Capital Assets Being Depreciated	\$ 9,311,454	\$ 168,310	\$ -	\$ 9,479,764

Depreciation was charged to the following functions for the years 2014 & 2013:

Governmental Activities	2014	2013
General Government	\$ 88,541	\$ 80,723
Public Safety	173,469	150,141
Public Works: Highways & Streets	96,040	59,724
Public Works: Sanitation	37,107	35,171
Health & Welfare	492	406
Culture & Recreation	25,217	21,168
Community Development	2,461	2,032
Total Depreciation Expense	\$ 423,327	\$ 349,365

BOROUGH of MEDIA
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NOTE 4 INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2014 was as follows:

Interfund Receivables/Payables at December 31, 2014	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 811,067
Highway Aid Fund	361,067	-
Recreation Fund		-
Capital Reserve Fund	450,000	-
	<u>\$ 811,067</u>	<u>\$ 811,067</u>

Interfund transfers represent cash appropriations from the general fund to various other funds of the Borough directed by the Borough Council. The composition of interfund transfers for the year ended December 31, 2014 is as follows:

Interfund Transfers (cash):

<u>Transfers Out:</u>		<u>Transfers In:</u>	
General Fund	\$ 598,562	General Fund	\$ 1,050,653
Recreation Commission Fund	-	Recreation Commission Fund	40,000
Capital Reserve Fund	1,050,653	Capital Reserve Fund	558,562
	<u>\$ 1,649,215</u>		<u>\$ 1,649,215</u>

Interfund Transfers (accrued at 12/31/2014):

<u>Transfers Out:</u>		<u>Transfers In:</u>	
General Fund	\$ 450,000	Capital Reserve Fund	\$ 450,000
	<u>\$ 450,000</u>		<u>\$ 450,000</u>

NOTE 5 LONG-TERM LIABILITIES

In December 2014, the Borough authorized General Obligation (“GO”) Note Series 2014 for a maximum of \$5,620,000 with a coupon rate of 5%. Funds may be drawn on an as-needed basis through December 31, 2015. As of December 31, 2014, \$1,860,515 had been drawn from this GO Note Series. This GO Note Series provides for interest-only payments through December 31, 2016, with equal principal payments being required for 15 years starting in 2017. This GO Note Series provides for interest at a rate of 1.54% per annum (fixed) for 10 years, after which the rate will fluctuate based on market benchmarks, but in no case to exceed 1.99% per annum.

In December 2014, both the Borough’s 2003 note agreement with Commerce Bank (now TD Bank) to borrow \$1,800,000 and its 2005 note agreement with PNC Bank to borrow \$910,000

BOROUGH of MEDIA
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were satisfied in full with proceeds of the above GO Note Series of 2014.

Schedules of changes in liabilities for the years ended December 31, 2014 & 2013 are as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Year Ended 12/31/2014:					
GO Note Series 2014		\$ 1,860,515		\$ 1,860,515	
Other Notes Payable	1,097,203	-	1,097,203	-	
Compensated Absenses	474,112	50,754	-	524,866	50,911
Post-Employment Benefits	1,032,195	152,609	-	1,252,508	-
Total L/T Financing	\$ 2,603,510	\$ 2,063,878	\$ 1,097,203	\$ 3,637,889	\$ 50,911
Year Ended 12/31/2013:					
Notes Payable	\$ 1,308,400	\$ -	\$ 211,197	\$ 1,097,203	\$ 204,781
Compensated Absenses	408,077	175,874	-	474,112	47,411
Post-Employment Benefits	879,202	152,993	-	1,032,195	-
Total L/T Financing	\$ 2,595,679	\$ 219,028	\$ 211,197	\$ 2,603,510	\$ 252,192

Post-Employment Benefits due within one year have not been estimated. The general fund is responsible for the payment of these liabilities.

NOTE 6 TAXES

For 2014, the Borough levied a general fund real estate tax of 3 mills (³/₁₀%) of the assessed value of real estate located within the Borough, due January 1, 2014; the taxable assessed valuation of property for 2014 is \$391,520,711. Invoices for this real estate tax were mailed on February 1, 2014. Tax payments received through March 31, 2014 were granted a 2% discount; those received after May 31, 2014 are subject to a 10% penalty. Taxes remaining unpaid on December 31, 2014 were submitted to Delaware County for tax liens.

Other taxes levied in 2014:

- Real Estate Transfer ½ % of sale price
- Earned Income Tax 1 % of net income
- Mercantile Tax
 - Gross Receipts Tax of Wholesalers of .75 mills
 - Gross Receipts Tax of Retailers of .75 mills
- Business Privilege Tax Gross Receipts Tax of Service & Retailers of 1½ mills
- Local Services Tax (formerly Emergency & Municipal Services Tax) \$52 per person employed within Borough limits.

BOROUGH of MEDIA
NOTES to FINANCIAL STATEMENTS
December 31, 2014
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NOTE 7 POLICE PENSION FUND

General. All of the Borough's full-time police employees participate in the Pennsylvania State Association of Boroughs' Municipal Retirement Trust (PSAB) defined benefit pension plan as established by Borough Ordinance No. 691 as amended. The Trust is established under the pension plans of members of the Pennsylvania State Association of Boroughs and Other Subdivisions of the Commonwealth of Pennsylvania.

Benefit Provisions. Employees attaining the age of 50 who have completed 25 years of service are entitled to a monthly benefit equal to 50 percent of average monthly compensation averaged over the last 36 months of employment. Active employees who become disabled due to service-related events receive 100 percent of their wages at the time of their retirement less a credit to the Borough of any amount paid under the Worker's Compensation Law. Benefits vest after 12 years of service. This benefit is based on the ratio of service actually completed at date of termination to services that would have been completed at retirement date.

Police are required to contribute five percent of their annual salary to the PSAB. The Borough is required to contribute the remaining amounts necessary to fund the PSAB, using the entry age - normal actuarial method as specified in Act 205.

Plan Membership. Actuarial valuation report Form 205 is filed with the Public Employee Retirement Commission on a biennial basis. The most recently filed Form 205 disclosed that pension plan membership consisted of the following as of its actuarial date January 1, 2013:

Active Employees	16
Retirees and beneficiaries currently receiving benefits	<u>6</u>
Total	<u><u>22</u></u>

Method Used to Value Investments. In accordance with GASB No. 25, investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Actuarial Cost Method used is the "Entry Age Normal" method.

Administrative Costs. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from pension funds.

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. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

During the years ended December 31, 2014 & 2013 the following contributions were received in accordance with contribution requirements determined by the actuary of the plan:

BOROUGH of MEDIA
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(with comparative information as of December 31, 2013)

for the year ended December 31,	2014	2013
Employer Contributions	\$ 550,624	\$ 452,983
Employee Contributions	71,971	78,439
State Contributions	100,000	111,200
	\$ 722,595	\$ 642,622

Trend Information. Actuarial information is required to be reported biennially by Act 205, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed is as follows:

Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Accrued Liability (Excess Funded Liability)	Annual Covered Payroll	Unfunded (assets in excess of Accrued Liability) as a % of Payroll
1-Jan-05	3,748,291	3,708,254	101.1%	(40,037)	866,136	4.6%
1-Jan-06	*	*	*	*	*	*
1-Jan-07	4,247,727	4,261,802	99.7%	14,075	999,275	1.4%
1-Jan-08	*	*	*	*	*	*
1-Jan-09	4,418,621	4,713,244	93.7%	294,623	1,072,244	27.5%
1-Jan-10	*	*	*	*	*	*
1-Jan-11	4,730,306	5,373,916	88.0%	643,610	1,072,244	60.0%
1-Jan-12	*	*	*	*	*	*
1-Jan-13	7,803,596	10,356,555	75.3%	2,552,959	1,556,630	164.0%
1-Jan-14	*	*	*	*	*	*

* not available

NOTE 8 NON-UNIFORMED PENSION FUND

General. Substantially all of the full-time, non-uniformed (i.e., non-police) employees participate in the Pennsylvania State Association of Boroughs' Municipal Retirement Trust (PSAB), defined benefit pension plan as established by Borough Ordinance No. 504 as amended. The Trust is established under the pension plans of members of the Pennsylvania State Association of Boroughs and Other Subdivisions of the Commonwealth of Pennsylvania.

Benefit Provisions. Employees attaining the age of 62 are entitled to (a.) 1 % of average compensation times years of service prior to January 1, 1981 plus (b.) 1.125% of average compensation times years of service after December 31, 1980 and prior to January 1, 1992 and (c.) 2.0% of average compensation times years of service after December 31, 1991 with the maximum of 70% pension benefit. Average compensation is the total wages paid by the employer averaged over the final 12 months of employment. Employees who become disabled receive the accrued benefit at the date of disablement. Effective January 1, 2003, the Borough of Media increased employee pensions to 2% total compensation for all years of service. This benefit applies to those employees currently employed by the Borough of Media.

Borough employees participating in this plan are required to contribute 5.5% of their annual

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salary to the PSAB. The Borough is required to contribute the remaining amounts necessary to fund the PSAB, using the entry age-normal actuarial method as specified in Act 205.

Plan Membership. Actuarial valuation report Form 205 is filed with the Public Employee Retirement Commission on a biennial basis. The most recently filed Form 205 disclosed that pension plan membership consisted of the following as of its actuarial date January 1, 2013:

Active Employees	16
Retirees and beneficiaries currently receiving benefits	15
Deferred	3
Total	34

Method Used to Value Investments. In accordance with GASB Statement No. 25, investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The actuarial cost method used is the “Entry Age Normal” method.

Administrative Costs. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from pension funds.

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. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

During the years ended December 31, 2014 & 2013, the following contributions were received in accordance with contribution requirements determined by the actuary of the plan:

for the year ended December 31,	2014	2013
Employer Contributions	\$ 123,674	\$ 75,249
Employee Contributions	45,182	40,561
State Contributions	78,143	83,688
	\$ 246,999	\$ 199,498

Trend Information. Actuarial information is required to be reported biennially by Act 205, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed is as follows:

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Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Accrued Liability (Excess Funded Liability)	Annual Covered Payroll	Unfunded (assets in excess of Accrued Liability) as a % of Payroll
1-Jan-05	3,748,291	3,708,254	101.1%	(40,037)	866,136	4.6%
1-Jan-06	*	*	*	*	*	*
1-Jan-07	4,247,727	4,261,802	99.7%	14,075	999,275	1.4%
1-Jan-08	*	*	*	*	*	*
1-Jan-09	4,418,621	4,713,244	93.7%	294,623	1,072,244	27.5%
1-Jan-10	*	*	*	*	*	*
1-Jan-11	4,730,306	5,373,916	88.0%	643,610	1,072,244	60.0%
1-Jan-12	*	*	*	*	*	*
1-Jan-13	5,018,748	5,640,978	89.0%	622,230	824,894	75.4%
1-Jan-14	*	*	*	*	*	*

* not available

NOTE 9 CONTINGENT LIABILITIES

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 10 SALE of WATERWORKS SYSTEM

On May 18, 1995, the Borough of Media (“Media”) enacted an asset purchase agreement with Philadelphia Suburban Water Company (PSW, now Aqua PA) for the sale of its waterworks system. The purchase price paid by PSW to Media for the Media water system assets was \$25,891,878 as summarized in the Asset Purchase Agreement.

Further, on May 23, 1995, PSW and Media executed a lease for approximately 63 acres whereby the lessee (PSW) shall hold the leased property for a term ending on December 31, 2045 (“expiration date”), unless extended or terminated sooner as outlined in the signed lease agreement. Lessee, at its sole option, may extend the lease for two additional terms of 50 years each on the terms and provisions contained in the lease by providing the lessor (i.e., the Borough) with notice of such extension 180 days prior to the expiration date.

The annual rentals from the lessee are as follows:

- A. For the period January 1, 2006 through December 31, 2010, lessee shall pay lessor the sum of \$380,923 per year, in advance. For each subsequent five-year period through December 31, 2045, the rent shall be adjusted based on the consumer price index (“CPI”) as discussed in Section 2 of the lease agreement and pursuant to the following formula:

$$\text{New rent} = \text{old rent} \times \text{CPI adjustment factor}$$

$$\text{CPI adjustment factor} = \text{new CPI} \div \text{old CPI}$$

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This formula provided a 10% increase in the rental payment due January 1, 2011.
The remaining lease payments are as follows:

Year Ended December 31,	
2015	419,015
2016	419,015
2017	419,015
2018	419,015
2019	419,015
2020-2024	2,095,075
2025-2029	2,095,075
2030-2034	2,095,075
2035-2039	2,095,075
2040-2044	2,095,075
2045	419,015
2046	-
	\$ 12,989,465

Note: These payments have not been adjusted based on consumer price index (CPI) as provided in the lease for periods beyond 2016.

- B. The rent for the premises is divided among the parcels comprising the leased property and the easement property as set forth in Exhibit D of the lease agreement. In the event that lessee elects to exercise a contraction option as set forth in Article IV of the lease agreement, then the rent shall be adjusted and prorated commencing on the date that the contraction option is effective.

NOTE 11 SALE of SEWER SYSTEM

On April 5, 2001, Little Washington and Media executed the asset purchase agreement for the sale of the Borough's wastewater system. The purchase price paid by Little Washington was \$4,063,117 as summarized in the asset purchase agreement.

Further, on April 6, 2001, Little Washington and Media executed a lease for approximately 12 acres of land. The lessee (Little Washington) shall hold the leased property for a term ending on December 31, 2052 ("expiration date"), unless extended or terminated sooner as outlined in the lease agreement. Lessee, at its sole option, may extend the lease for two additional terms of 50 years each on the terms and provisions contained in the lease by providing the lessor with notice of such extension 180 days prior to the expiration date.

Annual rentals are due in advance on January 1st of each year. During the first through fifth

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calendar years of the term commencing January 1, 2003, annual rentals were due at the rate of \$56,780. For each subsequent five-year period through December 31, 2052, the rent shall be adjusted based on the consumer price index (“CPI”) as discussed in Section 2 of the lease agreement and pursuant to the following formula:

$$\begin{aligned} \text{New rent} &= \text{old rent} \times \text{CPI adjustment factor} \\ \text{CPI adjustment factor} &= \text{new CPI divided by old CPI} \end{aligned}$$

The remaining term lease payments are as follows:

Year Ended December 31,	
2015	56,780
2016	56,780
2017	56,780
2018	56,780
2019	56,780
2020-2024	283,900
2025-2029	283,900
2030-2034	283,900
2035-2039	283,900
2040-2044	283,900
2045-2049	283,900
2050-2052	170,340
2053	-
	\$ 2,157,640

Note: These payments have not been adjusted based on consumer price index (CPI) as provided in the lease.

NOTE 12 LEASES

The Borough entered into agreements to lease a portion of its Armory building. Currently, the tenant is in the 1st extension period which expires during 2018. Annual contract rent for each year of this extension period is approx. \$211,750.

The Borough has also entered into agreements to lease the Media Theater building, and remaining portion of its Armory building to local not-for-profit organization at nominal rents.

NOTE 13 POST-EMPLOYMENT BENEFITS (OTHER THAN PENSIONS)

In 2009, the Borough adopted Government Accounting Standards Board Statement No. 45, “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than

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Pensions". This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits ("OPEB") expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Plan Description. The Borough self-administers its single-employer, other post-employment benefit program, with benefits as follows:

Police Employees: Eligible employees include those police officers who retire either (a.) at or after normal retirement age with at least 20 years of service, or (b.) after age 50 with 25 years of service. OPEB for these employees consist of premium payments on health, vision, dental, \$10,000 term life insurance, and prescription drug benefits at a rate of 100% for the retiree, and 50% for spouse and dependents for the lesser of 10 years or becoming Medicare eligible.

Other employees: Other eligible employees include those full time employees who retire or are after age 62. OPEB for these employees consist of premium payments on health, vision, dental, and \$10,000 term life insurance, and prescription drug benefits at a rate of 25% for the retiree and spouse until age 65.

Funding Policy. The contribution requirements of the Borough are established and may be amended by the Borough Council. Thus far, it has not been the Borough's policy to annually designate resources to fund these obligations in the amount of the liability that it recognizes for the year, which in turn is computed according to the 30-year method. Instead, the Borough has been using the "pay as you go" method, thereby funding current obligations through its general fund appropriations. There are no required contributions on the part of the program participants (i.e., retirees).

Annual OPEB Cost & Net OPEB Obligation. The Borough's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with 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 liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed during the year, and changes to the Borough's net OPEB obligation.

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Normal Cost	\$	65,193
30-year amortization of UAAL		
Unfunded actuarial accrued liability		133,890
Annual Required Contribution (ARC)		199,083
add: Interest on Net OPEB Obligation		46,449
adjustment		(59,071)
Annual OPEB Cost (Expense)		186,461
less: Contributions Made (<i>pay-as-you-go expds.</i>)		33,852
Increase in Net OPEB Obligation		220,313
Net Recognized OPEB Obligation - Jan'y 1, 2014		1,032,195
Net Recognized OPEB Obligation - December 31, 2014	\$	1,252,508

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014 was as follows:

Fiscal Year Ended:	December 31, 2014
Annual OPEB Cost:	\$186,461
Percentage of OPEB Cost Contributed:	18.2%
Net OPEB Obligation	\$1,032,195

Funding Status & Funding Progress.

The funded status of the plan as of December 31, 2014:

Actuarial accrued liability ("AAL")		\$2,180,914
Actuarial value of plan assets		-
Unfunded actuarial accrued liability ("UAAL")		\$2,180,914
Funded ratio		0%
Covered payroll		\$2,048,448
Total Payroll (per Form W-3)		\$3,168,006
UAAL as percentage of covered payroll		106.5%

The Borough has estimated its total obligation at approx. \$2.2 million and has not changed its assessment since 12/31/2013. As an employer-administered plan, there are no mandated

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contributions to fund these OPEB obligations, other than expenditures made on the pay-as-you-go basis.

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

Actuarial Methods & 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In calculating the January 1, 2013 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate (investment rate of return, net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Initial cost trend assumptions for annual healthcare insurance & prescription costs are based on .5% increase in 2014, with an annual rate increase of 0.5% each year thereafter. Insurance costs for the dental and vision benefits are estimated to increase at a constant 3% annual rate. The UAAL is being amortized on the "Level Dollar" open basis, with an end-of-year interest component. The remaining amortization period at December 31, 2014 is twenty-four (24) years. These values were obtained from the Borough's actuarial study commissioned as of January 1, 2013.

NOTE 14 SUBSEQUENT EVENTS.

The Borough has evaluated all events subsequent to the financial statement date of December 31, 2014 through June 16, 2015, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.