



BOROUGH OF MEDIA

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

BOROUGH OF MEDIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	11
- Statement of Activities	12
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	13
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	14
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	16
- Budgetary Comparison Statement - General Fund	17
- Statement of Net Position - Fiduciary Funds	18
- Statement of Changes in Net Position - Fiduciary Funds	19
Notes to Financial Statements	20 - 47
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability, Investment Returns, and Related Ratios - Police Pension Fund	48
Schedule of Employer Contributions - Police Pension Fund	49
Notes to Required Supplementary Information - Police Pension Fund	49

BOROUGH OF MEDIA

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Changes in Net Pension Liability, Investment Returns, and Related Ratios - Non-Uniformed Pension Fund	50
Schedule of Employer Contributions - Non-Uniformed Pension Fund	51
Notes to Required Supplementary Information - Non-Uniformed Pension Fund	51
Schedule of Funding Progress - Other Post-employment Benefits	52
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position - Fiduciary Funds	53
Combining Statement of Changes in Net Position - Fiduciary Funds	54

INDEPENDENT AUDITOR'S REPORT

June 27, 2017

Members of Council
Borough of Media
Media, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Media ("the Borough"), Media, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

**BARBACANE
THORNTON
& COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

Members of Council
Borough of Media

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Media, Pennsylvania, as of December 31, 2016, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Borough has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the beginning net position for governmental activities and the beginning fund balance for the general fund have been restated to correct errors.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10; the schedules of changes in the net pension liability, investment returns, and related ratios; schedules of employer contributions; notes to the schedules of employer contributions; and schedule of funding progress - other post-employment benefits on pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Members of Council
Borough of Media

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Borough's financial statements as a whole. The combining fiduciary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fiduciary funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fiduciary funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2016**

The members of Council of the Borough of Media, Media, Pennsylvania are pleased to present to readers of the financial statements of the Borough of Media ("the Borough") this narrative overview and analysis of the financial activities of the Borough for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Entity-wide

- The assets of the Borough exceeded its liabilities at the close of the year by \$11,039,951 (net position), an increase of \$1,406,547 from the previous year.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$6,185,904, an increase of \$1,603,448 from the previous year. Of the current ending fund balances, \$3,702,696 is reported as unassigned and \$122,996 as nonspendable in the General Fund; \$2,419,956 as assigned in the Capital Reserve Fund; \$6,375 as assigned in the Recreation Fund; and \$66,119 as an unassigned deficit in the Highway Aid Fund.

Long-term Debt

- At the end of the current calendar year, the Borough had \$5,060,000 in long-term debt outstanding, a decrease of \$382,000 from the previous year. All of the debt is backed by the full faith and credit of the Borough government. Governmental activities report the total amount of the outstanding debt.
- Additional information on the Borough's long-term debt can be found in the notes to the financial statements.

Capital Assets

- As of December 31, 2016, the Borough has invested \$12,406,310, net of accumulated depreciation, in a broad range of capital assets. (See table on page 5.) Depreciation charges for the calendar year 2016 totaled \$459,839.

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016

**CAPITAL ASSETS
AS OF DECEMBER 31, 2016 AND 2015
(NET OF DEPRECIATION)**

	<u>2016</u>	<u>2015</u>
Land	\$ 789,849	\$ 789,849
Land improvements	1,620,637	1,591,791
Infrastructure	3,473,972	3,230,141
Building	9,893,004	9,636,745
Construction-in-progress	1,364,780	1,346,306
Machinery and equipment	4,059,946	3,606,044
	<u>21,202,188</u>	<u>20,200,876</u>
Less: accumulated depreciation	<u>(8,795,878)</u>	<u>(8,336,039)</u>
 NET CAPITAL ASSETS	 <u>\$ 12,406,310</u>	 <u>\$ 11,864,837</u>

Overview of the Financial Statements

This discussion and analysis is an introduction to the Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Entity-wide Financial Statements. The entity-wide financial statements are designed to provide readers with a broad overview of the Borough's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Borough's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future calendar periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

The entity-wide financial statements of the Borough report the following:

- **Governmental Activities** – All of the Borough's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government administration, public safety, public works - highways and streets, public works – sanitation, and culture and recreation.

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016

Fund Financial Statements. An analysis of the Borough's major funds provides detailed information about the most significant funds - not the Borough as a whole. Some funds are required to be established by state law. However, the Borough Council also establishes many other funds to help it control and manage money for particular purposes (special revenue funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (capital reserve funds). The Borough's two kinds of funds - governmental and fiduciary - use different accounting approaches.

- **Governmental Funds** – Most of the Borough's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Borough's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, reconciliations are provided to reconcile between the governmental funds balance sheet and the statement of net position and between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short term. Governmental funds include the general, special revenue (recreation, highway aid), and capital reserve funds.
- **Fiduciary Funds** – The Borough acts as a fiduciary to account for resources held for the benefit of Borough employees. The pension trust funds account for the activities of the police and non-uniformed pension plans, which accumulate resources for pension benefit payments to qualified employees. These funds are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These funds are reported using accrual accounting. The entity-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Borough to finance its operations.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Borough's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Other information includes combining financial statements for fiduciary funds.

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Borough's financial position. A year-to-year comparison of net position has been presented below.

	Governmental Activities	
	2016	2015
ASSETS		
Current assets	\$ 7,085,701	\$ 4,884,102
Capital and other assets	<u>13,700,310</u>	<u>11,864,837</u>
TOTAL ASSETS	<u>21,949,275</u>	<u>16,748,939</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>1,163,264</u>	 <u>1,124,884</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 21,949,275</u>	 <u>\$ 17,873,823</u>
 LIABILITIES		
Current liabilities	1,530,378	\$ 1,007,455
Long-term liabilities	<u>9,273,334</u>	<u>7,021,740</u>
TOTAL LIABILITIES	<u>10,803,712</u>	<u>8,029,195</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>105,612</u>	 <u>211,224</u>
 NET POSITION		
Net investment in capital assets	7,346,310	8,564,133
Unrestricted	<u>3,693,641</u>	<u>1,069,271</u>
TOTAL NET POSITION	<u>11,039,951</u>	<u>9,633,404</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 21,949,275</u>	 <u>\$ 17,873,823</u>

The largest portion of the Borough's total net position, \$7,346,310, or 67 percent, is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt which is still outstanding. The Borough uses these capital assets to provide services to residents and to preserve open ground for recreational and environmental purposes; consequently, they are not available for future spending as cash, and the resources needed to repay the debt must be provided from other sources. Cash and investments represent most of the current and other assets of the Borough.

The total net position in the governmental activities reflected an increase of \$1,406,547 from 2015 to 2016. This was a result of an increase in revenues in the current year while expenses remained relatively stable comparing 2016 and 2015.

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016

Analysis of the Borough's Operations

	Governmental Activities	
	2016	2015
REVENUES		
Program Revenues:		
Charges for services	\$ 1,166,040	\$ 1,241,654
Operating grants and contributions	626,430	382,257
Capital grants and contributions	-	561,409
General Revenues:		
Real estate taxes	1,164,654	1,164,685
Real estate transfer taxes	274,613	150,808
Earned income taxes	3,803,602	3,126,647
Mercantile taxes	98,493	113,197
Local services taxes	262,378	254,365
Business privilege taxes	435,339	394,755
Franchise fees	145,763	145,546
Fines and forfeits	205,601	186,643
Interest and rents	792,397	733,360
Other revenues	2,010,962	-
TOTAL REVENUES	10,986,272	8,455,326
EXPENSES		
Current:		
General government	1,109,167	1,197,839
Public safety	4,484,762	4,687,113
Public works - highways and streets	1,497,584	1,406,062
Public works - sanitation	462,819	455,634
Library	1,616,500	1,628,634
Community development	87,246	75,000
Culture and recreation	245,909	199,212
Interest expense	75,738	22,337
TOTAL EXPENSES	9,579,725	9,671,831
CHANGE IN NET POSITION	1,406,547	(1,216,505)
BEGINNING NET POSITION, RESTATED	9,633,404	10,849,909
ENDING NET POSITION	\$ 11,039,951	\$ 9,633,404

The cost of all governmental activities in 2016 was \$9,579,725. The amount that the Borough's various taxpaying groups financed for these activities through Borough property, local services, business, mercantile, and real estate transfer taxes was \$6,039,079. Other costs were paid by those who directly benefited from the programs (\$1,166,040) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$626,430).

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

As indicated above, general government accounts for approximately 12 percent of the total expenses of the Borough's governmental activities. Public safety and public works account for approximately 47 percent and 20 percent, respectively, of total expenses for 2016.

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 combining ending fund balances of \$6,185,904, an increase of \$1,603,448 as compared to the prior year.

Major Governmental Funds

The General Fund is the Borough's primary operating fund. As of December 31, 2016, the fund balance of the General Fund was \$3,825,692, an increase of \$1,236,181 as compared to the prior year.

The Highway Aid Fund is a special revenue fund that is earmarked for expenditures related to highways and streets. The Borough receives annual funding through the Commonwealth's fuels tax. As of December 31, 2016, the fund balance of the Highway Aid Fund was a deficit of \$66,119, a decrease of \$72,121 as compared to the prior year.

The Recreation Fund accounts for the activities of various recreational programs. As of December 31, 2016, the fund balance of the Recreation Fund was \$6,375, an increase of \$1,337 as compared to the prior year.

The Capital Reserve Fund provides funding for capital improvements, or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or other governmental funds. As of December 31, 2016, the fund balance of the Capital Reserve Fund was \$2,419,956, an increase of \$438,051 as compared to the prior year.

General Fund Budgetary Highlights

The Borough adopted the 2016 budget with estimated revenues and other financing sources of \$8,050,860 and appropriations of \$8,050,860.

In 2016, actual revenues exceeded budgeted revenues by \$831,064. The surplus is mostly attributable to earned income tax. The earned income tax is the Borough's single largest revenue source. Actual expenditures were lower than budget.

**BOROUGH OF MEDIA
MEDIA, PENNSYLVANIA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016

Economic Factors and Next Year's Budget Rates

The Borough, incorporated in 1850, occupies an area of .75 square miles and is located in the central section of Delaware County ("the County"). The Borough is approximately 12 miles west of the City of Philadelphia and is bounded by the Township of Upper Providence to the west, northwest, and southwest and by the Township of Nether Providence on the east, northeast, and southeast.

The following economic factors currently affect the Borough and were considered in developing the 2017 fiscal year budget.

- Interest rates for savings and checking accounts continue to remain near historic lows.
- The Borough adopted a balanced budget for 2017 with no increase in real estate taxes.
- Annual recurring revenues such as Act 511 taxes (i.e. earned income, business privilege, mercantile, local services, and transfer tax) are projected to increase three percent in 2017.
- A 5.37 percent increase in medical/prescription insurance with Independence Blue Cross (IBC)
- Proposed salary increases for personnel:
 - 2.75 percent salary increase for police per the collective bargaining agreement
 - 3.50 percent salary increase for public works employees and non-uniformed personnel
- Assumption of less than one percent increase in workers compensation insurance
- Assumption of 8.5 percent increase in casualty/liability insurance
- Anticipated decrease of 19 percent in electricity costs
- Anticipated increase of \$25,702 in the police pension costs. The police pension plan funding ratio is approximately 80 percent, and the non-uniformed plan is 93 percent funded.
- \$60,000 for future fire apparatus to be transferred to the capital reserve account

Requests for Information

The financial report is designed to provide a general overview of the Borough of Media's finances to the citizens of the Borough of Media, Media, Pennsylvania and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Jeffery Smith, Borough Manager, Borough of Media, 301 North Jackson Street, Media, PA 19063-2909.

**BOROUGH OF MEDIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 6,710,842
Accounts and other receivables	127,863
Taxes receivable	22,000
Notes receivable	102,000
Prepaid expenses	122,996
Total Current Assets	<u>7,085,701</u>
Noncurrent Assets:	
Notes receivable	1,294,000
Land	789,850
Construction-in-progress	1,364,779
Depreciable capital assets, net	10,251,681
Total Noncurrent Assets	<u>13,700,310</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension expense	<u>1,163,264</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,163,264</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 21,949,275</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable and other accrued liabilities	\$ 91,227
Accrued salaries and benefits	77,070
Unearned revenue	607,500
Accrued interest payable	19,476
Compensated absences	366,105
General obligation bonds payable	369,000
Total Current Liabilities	<u>1,530,378</u>
Noncurrent Liabilities:	
General obligation bonds payable	4,691,000
Other post employment benefits obligation	1,525,088
Net pension liability	3,057,246
Total Noncurrent Liabilities	<u>9,273,334</u>
TOTAL LIABILITIES	<u>10,803,712</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	<u>105,612</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>105,612</u>
NET POSITION	
Net investment in capital assets	7,346,310
Unrestricted	3,693,641
TOTAL NET POSITION	<u>11,039,951</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 21,949,275</u></u>

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

**BOROUGH OF MEDIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,109,167	\$ 275,633	\$ 109,988	\$ (723,546)
Public safety	4,484,762	837,860	141,359	(3,505,543)
Public works - highways and streets	1,497,584	4,382	-	(1,198,821)
Public works - sanitation	462,819	48,165	-	(414,654)
Library	1,616,500	-	-	(1,616,500)
Community development	87,246	-	-	(87,246)
Culture and recreation	245,909	-	80,702	(165,207)
Interest expense	75,738	-	-	(75,738)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 9,579,725	\$ 1,166,040	\$ 626,430	\$ (7,787,255)
GENERAL REVENUES				
Taxes:				
Real estate taxes				1,164,654
Real estate transfer taxes				274,613
Earned income taxes				3,803,602
Mercantile taxes				98,493
Local services taxes				262,378
Business privilege taxes				435,339
Franchise fees				145,763
Fines and forfeits				205,601
Interest and rents				792,397
Other revenues				2,010,962
TOTAL GENERAL REVENUES				<u>9,193,802</u>
CHANGE IN NET POSITION				1,406,547
NET POSITION, BEGINNING OF YEAR, RESTATED				<u>9,633,404</u>
NET POSITION, END OF YEAR				<u>\$ 11,039,951</u>

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

BOROUGH OF MEDIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Capital Reserve Fund	Recreation Fund	Highway Aid Fund	Total
ASSETS					
Cash and cash equivalents	\$ 1,868,319	\$ 4,773,710	\$ 30,044	\$ 38,769	\$ 6,710,842
Accounts and other receivables	127,863	-	-	-	127,863
Taxes receivable	22,000	-	-	-	22,000
Due from other funds	2,457,629	108,621	-	-	2,566,250
Notes receivable	1,396,000	-	-	-	1,396,000
Prepaid expenditures	122,996	-	-	-	122,996
TOTAL ASSETS	\$ 5,994,807	\$ 4,882,331	\$ 30,044	\$ 38,769	\$ 10,945,951
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)					
LIABILITIES:					
Accounts payable and other accrued liabilities	\$ 66,636	\$ 22,312	\$ 2,279	\$ -	\$ 91,227
Accrued salaries and benefits	76,979	-	91	-	77,070
Unearned revenue	607,500	-	-	-	607,500
Due to other funds	-	2,440,063	21,299	104,888	2,566,250
TOTAL LIABILITIES	751,115	2,462,375	23,669	104,888	3,322,047
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	22,000	-	-	-	22,000
Unavailable revenue - loan proceeds	1,396,000	-	-	-	1,396,000
TOTAL DEFERRED INFLOW/S OF RESOURCES	1,418,000	-	-	-	1,418,000
FUND BALANCES (DEFICIT):					
Nospendable	122,996	2,419,956	6,375	-	122,996
Assigned	-	-	-	-	2,426,331
Unassigned (Deficit)	3,702,696	-	-	(66,119)	3,636,577
TOTAL FUND BALANCES (DEFICIT)	3,825,692	2,419,956	6,375	(66,119)	6,185,904
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 5,994,807	\$ 4,882,331	\$ 30,044	\$ 38,769	\$ 10,945,951

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

BOROUGH OF MEDIA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUND BALANCES \$ 6,185,904

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 12,406,310

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 unavailable in the funds.

Property taxes	22,000
Note receivable	1,396,000

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Interest payable	\$ (19,476)
Compensated absences	(366,105)
General obligation bonds payable	(5,060,000)
Other post-employment benefits obligation	(1,525,088)
Net pension liability	<u>(3,057,246)</u> (10,027,915)

Deferred inflows and outflows related to the Borough's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes of benefit terms, and changes of assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources - pensions	1,163,264
Deferred inflows of resources - pensions	<u>(105,612)</u> 1,057,652

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,039,951

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

BOROUGH OF MEDIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Capital Reserve Fund	Recreation Fund	Highway Aid Fund	Total
REVENUES					
Taxes	\$ 6,039,079	\$ -	\$ -	\$ -	\$ 6,039,079
Licenses and permits	334,748	-	-	-	334,748
Fines, forfeits, and costs	205,601	-	-	-	205,601
Interest, dividends, and rents	785,489	6,453	256	-	792,397
Intergovernmental revenues	286,969	200,203	-	199	626,430
Charges for services/fees	977,055	-	-	139,258	977,055
Miscellaneous/other	242,983	353,000	18,979	-	614,962
TOTAL REVENUES	8,871,924	559,656	19,235	-	9,590,272
EXPENDITURES					
Current:					
General government	1,002,659	311,899	-	-	1,314,558
Public safety	3,917,154	186,538	-	-	4,103,692
Public works - streets and highways	1,129,992	619,319	-	-	211,578
Public works - sanitation	421,865	-	-	-	421,865
Library	116,500	1,500,000	-	-	1,616,500
Community development	87,246	-	-	-	87,246
Culture and recreation	144,047	13,334	77,898	-	235,279
Insurance, employee benefits, payroll taxes	318,018	-	-	-	318,018
Debt service:					
Principal	382,000	-	-	-	382,000
Interest and other charges	56,262	-	-	-	56,262
TOTAL EXPENDITURES	7,575,743	2,631,090	-	77,898	10,496,309
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,296,181	(2,071,434)	(58,663)	(72,121)	(906,037)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	60,000	-	60,000
Transfers out	(60,000)	-	-	-	(60,000)
Proceeds from long-term debt	-	2,509,485	-	-	2,509,485
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	2,509,485	60,000	-	2,509,485
NET CHANGE IN FUND BALANCES	1,236,181	438,051	1,337	(72,121)	1,603,448
FUND BALANCES, BEGINNING OF YEAR, RESTATED	2,589,511	1,981,905	5,038	6,002	4,582,456
FUND BALANCES (DEFICIT), END OF YEAR	\$ 3,825,692	\$ 2,419,956	\$ 6,375	\$ (66,119)	\$ 6,185,904

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

BOROUGH OF MEDIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,603,448

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the effect of these differences:

Capital outlays	\$ 1,001,312	541,473
Depreciation expense	<u>(459,839)</u>	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Notes receivable	<u>1,396,000</u>	1,396,000
------------------	------------------	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

(2,127,485)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(20,296)	(20,296)
Other post-employment benefits obligation	<u>(42,036)</u>	
Accrued interest payable	<u>(19,476)</u>	(81,808)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the changes in the actuarially determined net pension liability, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

74,919

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,406,547

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, 2016

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES				
Taxes:				
Real estate	\$ 1,189,500	\$ 1,189,500	\$ 1,164,654	\$ (24,846)
Real estate - transfer	125,000	125,000	274,613	149,613
Mercantile taxes	110,000	110,000	98,493	(11,507)
Earned income tax	3,140,000	3,140,000	3,803,602	663,602
Local services tax	241,000	241,000	262,378	21,378
Business privilege taxes	475,000	475,000	435,339	(39,661)
Licenses and permits	306,200	306,200	334,748	28,548
Fines, forfeits, and costs	168,000	168,000	205,601	37,601
Interest, dividends, and rents	780,160	780,160	785,489	5,329
Intergovernmental revenues	256,500	256,500	286,969	30,469
Charges for services/fees	1,248,500	1,248,500	977,055	(271,445)
Miscellaneous revenue	1,000	1,000	242,983	241,983
TOTAL REVENUES	8,040,860	8,040,860	8,871,924	831,064
EXPENDITURES				
Current:				
General government	1,248,200	1,248,200	1,002,659	245,541
Public safety	4,086,840	4,086,840	3,917,154	169,686
Public works - highways and streets	1,129,000	1,129,000	1,129,992	(992)
Public works - sanitation	418,100	418,100	421,865	(3,765)
Library	116,500	116,500	116,500	-
Community development	88,000	88,000	87,246	754
Culture and recreation	188,700	188,700	144,047	44,653
Insurance, employee benefits	331,200	331,200	318,018	13,182
Debt service				
Principal	381,320	381,320	382,000	(680)
Interest and other charges	63,000	63,000	56,262	6,738
TOTAL EXPENDITURES	8,050,860	8,050,860	7,575,743	475,117
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	1,296,181	1,306,181
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	10,000	10,000	-	(10,000)
Transfers out	-	-	(60,000)	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	(60,000)	(70,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 1,236,181	\$ 1,236,181

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

BOROUGH OF MEDIA
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016

	Pension Trust Funds
ASSETS	
Member contribution receivable	\$ 5,272
Benefit overpayment receivable	7,655
Investments, at fair value:	
Mutual funds	<u>16,528,751</u>
TOTAL ASSETS	<u>\$ 16,541,678</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Refund of member contributions	\$ 20,180
NET POSITION:	
Net position restricted for pension	<u>16,521,498</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,541,678</u>

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

BOROUGH OF MEDIA
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Pension Trust Funds</u>
ADDITIONS AND INVESTMENT INCOME	
Contributions:	
State Aid	\$ 183,735
Employer	680,592
Employee	129,492
Total contributions	<u>993,819</u>
Investment income (expense):	
Interest and dividends	251,107
Realized gain on investments	463,774
Investment expense	(88,951)
Net investment income	<u>625,930</u>
TOTAL ADDITIONS AND INVESTMENT INCOME	<u>1,619,749</u>
DEDUCTIONS	
Benefits paid	753,209
Refund of member contribution	1,142
Administrative expenses	<u>5,762</u>
TOTAL DEDUCTIONS	<u>760,113</u>
CHANGE IN NET POSITION	859,636
NET POSITION, BEGINNING OF YEAR	<u>15,661,862</u>
NET POSITION, END OF YEAR	<u>\$ 16,521,498</u>

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

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Borough of Media ("the Borough") conform, in all material respects, to generally accepted accounting principles ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"). The following summarizes the Borough's significant accounting policies.

Reporting Entity

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61. 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.

The Borough has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Borough's financial statements. In addition, the Borough is not aware of any entity which would exercise such oversight which would result in the Borough being considered a component unit of the entity.

Basis of Presentation

Entity-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.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. 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.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each governmental program. Expenses are those that are specifically associated with a service or program and, therefore, are 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 and capital projects 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The four major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Borough reports the following major governmental funds:

- The **General Fund** is the government'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 **Capital Reserve Fund** accounts for the resources accumulated for future capital projects.
- The **Highway Aid Fund** accounts for receipts from the Commonwealth of Pennsylvania Motor License Fund (gasoline tax distribution) and the approved expenditures of such monies for highway purposes.
- The **Recreation Fund** accounts for the activities of various recreational programs.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 government considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. 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 taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property 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 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, such as for 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.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 consist of the Pension Trust Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, capital reserve fund, recreation fund, and highway aid fund. All annual appropriations lapse at fiscal year end.

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.

Investments

Investments are recorded at fair value. In establishing the fair value of investments, the Borough uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

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 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 MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported under governmental activities in the entity-wide financial statements. Capital assets are defined by the Borough as assets with 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the Borough are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 50 years
Buildings and improvements	20 - 50 years
Machinery and equipment	5 - 20 years
Infrastructure	40 - 50 years

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Borough currently has three items that qualify for reporting in this category. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide statement of net position. The governmental funds balance sheet reports delinquent taxes and notes receivable not collected within 60 days of year end as deferred inflows of resources since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting.

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, 2016.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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:

Public Works	For employees hired prior to January 1, 2014, pay out for sick time is 50% of the first 150 accumulated sick days; 20% of 151 to 180 sick days.
	For employees hired after January 1, 2014, 50% of 60 sick days is paid out
Other Employees	50% of the first 150 accumulated sick days; 20% of 151 to 180 sick days
Police	Lesser of (a) 100 days severance pay or (b) 50% of accumulated sick time

The liability for these compensated absences is recorded in the entity-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. Historically, the general fund has been responsible for liquidation of compensated absences associated with governmental activities.

Long-term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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 Balance

As of December 31, 2016, fund balances of the governmental funds are classified, as applicable, as follows:

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts limited by Board policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

Assigned – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. The Borough Council or the Borough Manager may assign amounts for specific purposes.

Unassigned – amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net Investment in Capital Assets – the Borough's investment in capital assets plus any unspent funding from debt borrowings, reduced by accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

Restricted – amounts limited by external parties or legislation (e.g. grants or donations and constraints imposed through a debt covenant).

Unrestricted – amounts available for consumption or not restricted in any manner.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Implementation of GASB Statement

During the year ended December 31, 2016, the Borough implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the Borough's financial statement footnotes.

NOTE 2 DEPOSITS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. 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 in 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.

At December 31, 2016, the carrying amount of the Borough's deposits was \$6,710,842, and the bank balance was \$7,145,628 (exclusive of the pension funds). Of the bank balance, \$250,000 was covered by federal depository insurance, and \$6,895,628 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.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 789,850	\$ -	\$ -	\$ 789,850
Construction-in-progress	1,346,305	18,474		1,364,779
Total Capital Assets Not Being Depreciated	2,136,155	18,474	-	2,154,629

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

(cont'd)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Land improvements	1,591,791	28,846	-	1,620,637
Infrastructure	3,230,141	243,831	-	3,473,972
Buildings and improvements	9,636,745	256,259	-	9,893,004
Machinery and equipment	3,606,044	453,902	-	4,059,946
Total Capital Assets Being Depreciated	18,064,721	982,838	-	19,047,559
Less accumulated depreciation for:				
Land improvements	625,870	47,433	-	673,303
Infrastructure	565,956	82,267	-	648,223
Buildings and improvements	3,858,246	200,907	-	4,059,153
Machinery and equipment	3,285,967	129,232	-	3,415,199
Total accumulated depreciation	8,336,039	459,839	-	8,795,878
Total Capital Assets Being Depreciated, Net	9,728,682	522,999	-	10,251,681
Governmental Activities Capital Assets, Net	\$ 11,864,837	\$ 541,473	\$ -	\$ 12,406,310

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

Governmental Activities:

General government	\$ 75,219
Public safety	234,815
Public works - streets and highway	112,203
Public works - sanitation	24,139
Culture and recreation	13,463
Total Depreciation Expense – Governmental Activities	\$ 459,839

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2016 was as follows:

Receivable To	Payable From	Amount
General Fund	Capital Reserve Fund	\$ 2,440,063
General Fund	Highway Fund	1,817
Capital Reserve	Highway Fund	103,071
Capital Reserve	Recreation Fund	5,550
General Fund	Recreation Fund	15,749

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

The composition of interfund transfers as of December 31, 2016 is as follows:

<u>Transfers In:</u>	<u>Transfers Out:</u>	
Recreation Fund	General Fund	\$ 60,000

Interfund balances represent routine temporary loans to provide cash flows assistance.

Interfund transfers represent cash appropriations to assist in funding the operations of the Borough.

NOTE 5 LEASES

On May 23, 1995, the Borough of Media ("Lessor") and Philadelphia Suburban Water Company ("Lessee"), now known as Aqua PA, executed a lease for approximately 63 acres of land whereby the Lessee shall hold the leased property for a term ending on December 31, 2045, unless extended or terminated sooner as outlined in the signed lease agreement. The 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.

Per the lease agreement, commencing on January 1, 2001 and on each five-year anniversary through December 31, 2045, the rent shall be adjusted based on the Consumer Price Index ("CPI") pursuant to the following formula:

$$\text{New rent} = \text{Old Rent} \times \text{CPI Adjustment Factor}$$

$$\text{CPI Adjustment Factor} = \text{New CPI} \text{ divided by Old CPI}$$

As of December 31, 2016, lease payments to be received are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 456,727
2018	456,727
2019	456,727
2020	456,727
2021	456,727
2022 - 2026	2,283,635
2027 - 2031	2,283,635
2032 - 2036	2,283,635
2037 - 2041	2,283,635
2042 - 2045	<u>1,826,908</u>
	<u>\$ 13,245,083</u>

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LEASES (cont'd)

On April 6, 2001, the Borough of Media ("Lessor") and Little Washington Wastewater Company ("Lessee") executed a lease for approximately 12 acres of land. The Lessee shall hold the leased property for a term ending on December 31, 2052, unless extended or terminated sooner as outlined in the lease agreement. The 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.

Per the lease agreement, commencing on January 1, 2007 and on each five-year anniversary through December 31, 2052, the rent shall be adjusted based on the Consumer Price Index ("CPI") pursuant to the following formula:

$$\text{New rent} = \text{Old Rent} \times \text{CPI Adjustment Factor}$$

$$\text{CPI Adjustment Factor} = \text{New CPI} \text{ divided by Old CPI}$$

As of December 31, 2016, lease payments to be received are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 68,563
2018	68,563
2019	68,563
2020	68,563
2021	68,563
2022 - 2026	342,814
2027 - 2031	342,814
2032 - 2036	342,814
2037 - 2041	342,814
2042 - 2046	342,814
2047 - 2051	342,814
2052	68,563
	<hr/>
	\$ 2,468,262

The Borough also leases space in its Armory building and the tenant is in the first extension period which expires in 2018. The Borough will receive \$216,563 in lease payments for both 2017 and 2018.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 NOTE RECEIVABLE

In 2015, the Borough granted a loan in the amount of \$1,500,000 to the Media Free Library Association. The loan bears interest ranging from 1.54 to 4.5 percent, payable semi-annually on April 1 and October 1. The total principal and interest payments received on this loan for the year ended December 31, 2016 were \$104,000 and \$11,426, respectively.

A schedule of the future payments to be received on the loan follows.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 102,000	\$ 21,498	\$ 123,498
2018	103,000	19,928	122,928
2019	104,000	18,342	122,342
2020	106,000	16,740	122,740
2021	108,000	15,108	123,108
2022 - 2026	536,000	79,290	615,290
2027 - 2029	337,000	30,734	367,734
TOTALS	\$ 1,396,000	\$ 201,640	\$ 1,597,640

NOTE 7 LONG-TERM DEBT

General Obligation Bonds

During 2014, the Borough authorized \$5,620,000 of General Obligation Bonds, Series of 2014. The bonds mature October 1, 2029 with interest payable semi-annually ranging from 1.54 percent to 4.50 percent. The balance at December 31, 2016 was \$5,060,000.

The schedule of future principal maturities and annual interest at December 31, 2016 is as follows:

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>
2017	\$ 369,000	\$ 76,114
2018	375,000	70,617
2019	380,000	65,866
2020	385,000	60,052
2021	391,000	54,686
2022 - 2026	1,938,000	287,172
2027 - 2029	1,222,000	111,554
Totals	\$ 5,060,000	\$ 726,061

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

Changes in Long-term Liabilities

A schedule of the changes in long-term liabilities is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,932,515	\$ 2,509,485	\$ (382,000)	\$ 5,060,000	\$ 369,000
Compensated absences	345,809	20,296	-	366,105	366,105
Net pension liability	2,988,173	69,073	-	3,057,246	-
Other post-employment benefits	1,483,052	42,036	-	1,525,088	-
Governmental Activities, Long-term Liabilities	<u>\$ 7,749,549</u>	<u>\$ 2,640,890</u>	<u>\$ (382,000)</u>	<u>\$10,008,439</u>	<u>\$ 735,105</u>

NOTE 8 TAXES

For 2016, the following tax was levied on assessed value of real estate:

Real estate bills: Mailed February 1, Discount period through March 31, Face period through May 31, Penalty period subsequent to May 31, Lien Date December 31

The taxable assessed valuation of property as of December 31, 2016 is \$396,668,909, and the millage rate was 3.00.

Other taxes levied in 2016:

Real estate transfer	- ½ percent of sale price
Earned income tax	- 1 percent of net income
Local services tax	- \$52 annually
Mercantile tax	- .75 mills of gross receipts for wholesalers and retailers
Business privilege tax	- 1.5 mills of gross receipts for services and retailers

NOTE 9 POLICE PENSION PLAN

Plan description and provisions:

All of the Borough's full-time police employees participate in the defined benefit pension plan for the police officers of the Borough, as adopted pursuant to Act 600 of 1956. The Plan was amended and restated effective January 1, 2013. The Plan is governed by the Borough Council, which has delegated the authority to manage certain plan assets to the Pennsylvania State Association of Boroughs Municipal Retirement Trust ("PSABMRT").

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Plan Membership

At December 31, 2016, pension plan membership consisted of the following:

Active employees	13
Inactive members and beneficiaries	
currently receiving benefits	7
Inactive members entitled to but not yet receiving benefits	<u>-</u>
TOTAL	<u>20</u>

Benefit Provisions

The following table provides information concerning types of benefit provisions for the police pension plan:

Benefit vesting	100 percent after 12 years of service
Normal retirement	Age 50 and 25 years of service
Member contributions	Five percent of compensation
Early retirement	Completion of 20 years of service but actuarially reduced for early commencement, payable immediately
Retirement benefit	A monthly benefit equal to 50 percent of gross pay averaged over the final 36 months of employment plus a service increment of \$100 for completion of 26 years of service, \$200 for completion of 27 years of service, and \$250 for completion of 28 or more years of service
Death benefit	If a member dies before becoming eligible for retirement, contributions are refunded plus interest. If a member dies after becoming eligible for retirement, a monthly benefit equal to 50 percent of the benefit the participant was receiving or was entitled to receive is payable to the spouse for life. Upon the spouse's death, the participant's dependent children will share the benefit until age 18, or age 23 if attending college.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Disability benefit An employee with a service-related total and permanent disability is eligible for a monthly benefit equal to the greater of 50 percent of the member's salary at the time disablement occurred, or 100 percent of the final year pay divided by 12 offset by any workers' compensation benefits received.

Deferred Retirement Option Program

An active member hired prior to January 1, 2013 who has attained the age of 52 and completed 25 years of service is eligible to participate in the Deferred Retirement Option Program ("DROP") for a period of up to 36 months. The monthly pension shall be calculated as of the date of the participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of the DROP. At December 31, 2016, the pension plan had no accumulated DROP payments payable.

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. State aid allocations and Borough contributions amounted to \$94,100 and \$620,801, respectively, for the year ended December 31, 2016. In addition, the employees contributed \$81,769.

Administrative Costs

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

Method Used to Value Investments

In accordance with GASB Statement No. 72, 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.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Investments

The investment objective of the Borough of Media Police Pension Plan is to maintain a balanced portfolio comprised of equity and fixed income, as such is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2016, the Borough Police Pension Plan had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds	<u>\$ 10,813,262</u>	<u>\$ 10,813,262</u>

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

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.60 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The net pension liability was measured at December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the end of the year. The components of the net pension liability of the Borough at December 31, 2016 were as follows:

Total pension liability	<u>\$ 13,463,925</u>
Plan fiduciary net position	<u>(10,816,680)</u>
Borough's net pension liability	<u><u>\$ 2,647,245</u></u>
Plan fiduciary net position as a percentage of the total pension liability	80.34%

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 12,819,866	\$ 10,159,682	\$ 2,660,184
Service cost	257,879	-	257,879
Interest	928,810	-	928,810
Contributions - employer	-	714,901	(714,901)
Contributions - employee	-	81,769	(81,769)
Net investment income	-	405,935	(405,935)
Benefit payments, including refunds of member contributions	(542,630)	(542,630)	-
Administrative expenses	-	(2,977)	2,977
Net Changes	<u>644,059</u>	<u>656,998</u>	<u>(12,939)</u>
Balance at December 31, 2016	<u>\$ 13,463,925</u>	<u>\$ 10,816,680</u>	<u>\$ 2,647,245</u>

Actuarial Methods and Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	5.0 percent, average, including inflation
Investment rate of return	7.25 percent including inflation

Mortality rates were based on the RP2000 Healthy Combined Mortality Table with Blue Collar Adjustment, with rates set forward five years for disabled lives.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources

For the year ended December 31, 2016, the Borough recognized pension expense of \$690,470. At December 31, 2016, the Borough reported deferred outflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources
Net difference between expected and actual experience	\$ 116,841
Net difference between projected and actual investment earnings	<u>675,286</u>
	<u>\$ 792,127</u>

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

The deferred amounts related to the pension will be recognized in pension expense as follows:

Year Ended December 31,

2017	\$ 252,439
2018	252,439
2019	234,462
2020	52,787
	<hr/>
	<u>\$ 792,127</u>

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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimate of arithmetic real rates for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	65.0%	6.3%
Fixed income	35.0%	2.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.25 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability	\$ 4,232,146	\$ 2,647,245	\$ 1,317,900

NOTE 10 NON-UNIFORMED PENSION PLAN

Plan description and provisions:

The Plan is a single-employer defined benefit pension plan that provided benefits for full-time non-uniformed employees of the Borough. The Plan was closed to all non-union employees hired on or after July 1, 2013 and to all union employees hired on or after January 1, 2014. The Plan is governed by the Borough Council which has delegated the authority to manage certain plan assets to the Pennsylvania State Association of Boroughs Municipal Retirement Trust ("PSABMRT").

Plan Membership

At December 31, 2016, pension plan membership consisted of the following:

Active employees	14
Inactive members and beneficiaries currently receiving benefits	11
Inactive members entitled to but not yet receiving benefits	-
TOTAL	<u>25</u>

Benefit Provisions

The following table provides information concerning types of benefit provisions for the non-uniformed pension plan:

Benefit vesting	100 percent immediately upon Plan participation
Normal retirement	Age 62, except for public works employees who attain normal retirement at earlier of age 62 or age 60 with 35 years of service
Member contributions	6.5 percent of compensation. Employees with 35 years of service are not required to contribute.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Retirement benefit	A monthly benefit equal to two percent of average monthly compensation multiplied by years of service. Maximum benefit is 70 percent of average monthly compensation.
Death benefit	If a member dies before becoming eligible for retirement, contributions are refunded plus interest. If a member dies after becoming eligible for retirement, the normal form of payment is a life annuity with 120 monthly payments guaranteed. Optional forms of benefit payments are available at the election of the participant and are calculated as actuarially equivalent to the normal form.
Disability benefit	For service or non-services related total and permanent disablement and qualification for social security benefits, the accrued benefit at date of disablement will be payable six months following disablement and will continue for the lifetime of the participant.

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. State aid allocations and Borough contributions amounted to \$89,635 and \$59,791, respectively, for the year ended December 31, 2016. In addition, the employees contributed \$47,723.

Administrative Costs

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

Method Used to Value Investments

In accordance with GASB Statement No. 72, 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.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Investments

The investment objective of the Borough of Media Non-Uniformed Police Pension Plan is to maintain a balanced portfolio comprised of equity and fixed income, as such is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2016, the Borough Non-Uniformed Pension Plan had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds	<u>\$ 5,715,489</u>	<u>\$ 5,715,489</u>

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

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.63 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The net pension liability was measured at December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the end of the year. The components of the net pension liability of the Borough at December 31, 2016 were as follows:

Total pension liability	\$ 6,114,819
Plan fiduciary net position	<u>(5,704,818)</u>
Borough's net pension liability	<u>\$ 410,001</u>
Plan fiduciary net position as a percentage of the total pension liability	93.29%

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 5,830,169	\$ 5,502,180	\$ 327,989
Service cost	75,733	-	75,733
Interest	420,638	-	420,638
Contributions - employer	-	149,426	(149,426)
Contributions - employee	-	47,723	(47,723)
Net investment income	-	219,995	(219,995)
Benefit payments, including refunds of member contributions	(211,721)	(211,721)	-
Administrative expenses	-	(2,785)	2,785
Net Changes	<u>284,650</u>	<u>202,638</u>	<u>82,012</u>
Balance at December 31, 2016	<u>\$ 6,114,819</u>	<u>\$ 5,704,818</u>	<u>\$ 410,001</u>

Actuarial Methods and Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	5.0 percent, average, including inflation
Investment rate of return	7.25 percent including inflation

Mortality rates were based on the RP2000 Healthy Combined Mortality Table with Blue Collar Adjustment, with rates set forward five years for disabled lives.

Net Pension Liability, Pension Expense, and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2016, the Borough recognized pension expense of \$98,938. At December 31, 2016, the Borough reported deferred outflows and inflows of resources related to the pension plan from the following sources:

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ 105,612
Net difference between projected and actual investment earnings	<u>371,137</u>	<u>-</u>
	<u><u>\$ 371,137</u></u>	<u><u>\$ 105,612</u></u>

The deferred amounts related to the pension will be recognized in pension expense as follows:

Year Ended December 31,

2017	\$ 8,687
2018	114,299
2019	114,299
2020	<u>28,240</u>
	<u><u>\$ 265,525</u></u>

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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimate of arithmetic real rates for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	65.0%	6.3%
Fixed income	35.0%	2.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.25 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	\$ 924,124	\$ 410,001	\$ (36,854)

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Borough adheres to the GASB Codification section regarding "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Borough. The GASB generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Borough's post-employment benefits plan is a single-employer defined benefit plan with benefits as follows:

- Police: Eligible employees include those police officers who retire either at or after normal retirement age with at least 20 years of service, or after age 50 with 25 years of service. Benefits for these employees consist of premium payments on health, vision, dental, and prescription drug benefits at a rate of 100 percent for the retiree, and 50 percent for spouse and dependents for the lesser of 10 years or becoming Medicare eligible. Retirees hired before January 1, 2013 are also provided a \$10,000 life insurance policy.

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (cont'd)

- Public Works Employees: Eligible employees include those full-time employees hired before January 1, 2014 who retire or are after age 62. Benefits 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 percent for the retiree and spouse until age 65.

All other employees groups are not eligible for benefits.

The Borough Council assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Borough Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Borough Council.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Borough's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

Annual required contribution	\$ 177,380
Interest on net OPEB obligation	66,737
Adjustment to annual required contribution	<u>(91,047)</u>
Annual OPEB cost (expense)	153,070
Contributions made	<u>(111,034)</u>
Increase in net OPEB obligation	42,036
Net OPEB obligation - beginning of year	<u>1,483,052</u>
Net OPEB obligation - end of year	<u>\$ 1,525,088</u>

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (cont'd)

The Borough's annual OPEB cost, contributions, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended June 30	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation
2014	\$ 177,384	\$ 116,549	65.70%	\$ 1,032,195
2015	\$ 176,387	\$ 127,258	72.15%	\$ 1,483,052
2016	\$ 153,070	\$ 111,034	72.54%	\$ 1,525,088

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2016	\$ -	\$ 2,029,521	\$ 2,029,521	0.00%	\$ 2,029,521	98.3%
1/1/2013	\$ -	\$ 2,180,914	\$ 2,180,914	0.00%	\$ 1,956,392	111.5%
1/1/2010	\$ -	\$ 2,520,999	\$ 2,520,999	0.00%	\$ 2,403,650	104.9%

The actuarial valuation of an ongoing plan involves 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 healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (cont'd)

In the January 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at December 31, 2016 was 22 years.

NOTE 12 DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan ("the Plan") in accordance with Internal Revenue Code ("IRC") Section 457. The Plan is administered by ICMA Retirement Corporation. The Plan, available to all employees of the Borough, permits them to defer a portion of their salary until future years. The deferred compensation, including related income, is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the provisions of IRC Section 457, the Borough does not own the amounts deferred by employees, including the related income on those amounts.

NOTE 13 EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2016, expenditures over appropriations for the General Fund were as follows:

Public works – highways and streets	\$ 992
Public works – sanitation	\$ 3,765
Debt principal	\$ 680

The over expenditures were covered through revenues in excess of budget and expenditures under budget in other areas.

NOTE 14 DEFICIT FUND BALANCES

As of December 31, 2016, the Highway Aid Fund reported a deficit fund balance of \$66,119. The deficit resulted from expenditures exceeding revenues in the current year. The deficit will be eliminated through future transfers from the General Fund.

NOTE 15 COMMITMENTS

As of December 31, 2016, anticipated construction commitments are as follows:

	Contract Amount	Completed at 12/31/16	Commitment
Capital projects	\$ 179,250	\$ -	\$ 179,250

BOROUGH OF MEDIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 COMMITMENTS (cont'd)

In addition, the Borough incurred costs of \$1,364,779 for capital improvement projects that are not under formal commitments.

NOTE 16 PRIOR PERIOD ADJUSTMENTS

The Borough has restated its beginning governmental activities net position to correct errors in recording (1) accumulated depreciation; (2) compensated absences payable; (3) other accrued liabilities; (4) bond issuance cost; (5) taxes receivable; and (6) unearned revenue. Overall, the Borough increased beginning net position by \$1,097,657.

The Borough has restated its beginning fund balance in the General Fund to correct errors in recording (1) unavailable revenue – property taxes; (2) accrued payroll; and (3) other accrued liabilities. Overall, the Borough decreased beginning fund balance by \$23,793.

NOTE 17 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through June 27, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF MEDIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY, INVESTMENT
RETURNS, AND RELATED RATIOS - POLICE PENSION PLAN

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>TOTAL PENSION LIABILITY</u>			
Service cost	\$ 257,879	\$ 245,599	\$ 249,567
Interest cost	928,810	878,981	811,445
Differences between expected and actual experience	-	206,719	-
Benefit payments	<u>(542,630)</u>	<u>(359,680)</u>	<u>(305,729)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	644,059	971,619	755,283
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>12,819,866</u>	<u>11,848,247</u>	<u>11,092,964</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u><u>\$ 13,463,925</u></u>	<u><u>\$ 12,819,866</u></u>	<u><u>\$ 11,848,247</u></u>
<u>PLAN FIDUCIARY NET POSITION</u>			
Contributions:			
Employer	620,801	511,925	550,624
State aid	94,100	100,000	100,000
Member	81,769	76,372	71,994
Net investment income (loss)	405,935	(113,645)	542,895
Benefit payments	<u>(542,630)</u>	<u>(359,680)</u>	<u>(305,729)</u>
Administrative expenses	<u>(2,977)</u>	<u>(6,421)</u>	<u>(51,338)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	656,998	208,551	908,446
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>10,159,682</u>	<u>9,951,131</u>	<u>9,042,685</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u><u>\$ 10,816,680</u></u>	<u><u>\$ 10,159,682</u></u>	<u><u>\$ 9,951,131</u></u>
BOROUGH'S NET PENSION LIABILITY	<u>\$ 2,647,245</u>	<u>\$ 2,660,184</u>	<u>\$ 1,897,116</u>
Plan fiduciary net position as a percentage of total pension liability	80.34%	79.25%	83.99%
Covered employee payroll	\$ 1,618,388	\$ 1,506,925	\$ 1,433,676
Borough's net pension liability as a percentage of covered payroll	163.57%	176.53%	132.33%
Annual money-weighted rate of return, net of investment expense	4.60%	-0.62%	6.09%

Notes to Schedule:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BOROUGH OF MEDIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2007	\$ 309,186	\$ 309,186	\$ -	* 1,391,319	* 27.99%
2008	389,444	389,444	-	* 1,428,973	* 27.22%
2009	410,021	410,021	-	* 1,556,630	* 32.43%
2010	389,029	389,029	-	* 1,433,676	* 45.38%
2011	495,395	420,285	75,110	* 1,506,925	* 40.61%
2012	504,891	504,891	-	* 1,618,388	* 44.17%
2013	564,183	564,183	-	-	-
2014	636,364	650,624	(14,260)	-	-
2015	611,925	611,925	-	-	-
2016	714,901	714,901	-	-	-

* Not available due to biennially required ACT 205 report.

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Valuation date	January 1, 2015
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	6 years
Asset valuation method	4-year smoothing
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	Age 52 with 25 years of service
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment. Rates set forward 5 years for disabled members, and projected with 75% of scale AA.

BOROUGH OF MEDIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY, INVESTMENT
RETURNS, AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>TOTAL PENSION LIABILITY</u>			
Service cost	\$ 75,733	\$ 72,127	\$ 88,040
Interest cost	420,638	401,296	406,888
Difference between expected and actual experience	-	(316,836)	-
Benefit payments	<u>(211,721)</u>	<u>(208,840)</u>	<u>(268,710)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	284,650	(52,253)	226,218
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>5,830,169</u>	<u>5,882,422</u>	<u>5,656,204</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 6,114,819</u>	<u>\$ 5,830,169</u>	<u>\$ 5,882,422</u>
<u>PLAN FIDUCIARY NET POSITION</u>			
Contributions:			
Employer	\$ 59,791	\$ 134,263	\$ 123,674
State aid	89,635	60,754	78,143
Member	47,723	46,466	45,289
Net investment income (loss)	219,995	(65,710)	315,581
Benefit payments	<u>(211,721)</u>	<u>(208,840)</u>	<u>(268,710)</u>
Administrative expenses	<u>(2,785)</u>	<u>(5,548)</u>	<u>(31,580)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	202,638	(38,615)	262,397
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>5,502,180</u>	<u>5,540,795</u>	<u>5,278,398</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 5,704,818</u>	<u>\$ 5,502,180</u>	<u>\$ 5,540,795</u>
BOROUGH'S NET PENSION LIABILITY	<u>\$ 410,001</u>	<u>\$ 327,989</u>	<u>\$ 341,627</u>
Plan fiduciary net position as a percentage of total pension liability	93.29%	94.37%	94.19%
Covered employee payroll	\$ 817,622	\$ 809,503	\$ 821,075
Borough's net pension liability as a percentage of covered payroll	50.15%	40.52%	41.61%
Annual money-weighted rate of return, net of investment expense	4.63%	-0.63%	6.07%

Notes to Schedule:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BOROUGH OF MEDIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2007	\$ 87,822	\$ 87,822	\$ -	* 1,072,244	* 8.81%
2008	94,445	94,445	-	* 1,028,372	* 9.29%
2009	95,176	95,176	-	* 824,894	* 15.53%
2010	95,571	95,571	-	* 809,503	* 24.58%
2011	137,810	127,069	10,741	* 817,622	* 24.09%
2012	128,139	128,139	-	* 201,817	* 18.28%
2013	158,937	158,937	-	* 195,017	* 149,426
2014	197,558	201,817	(4,259)	821,075	
2015	195,017	195,017	-	809,503	
2016	149,426	149,426	-	817,622	

* Not available due to biennially required ACT 205 report.

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Valuation date	January 1, 2015
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	3 years
Asset valuation method	4-year smoothing
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment. Rates set forward 5 years for disabled members, and projected with 75% of scale AA.

**BOROUGH OF MEDIA
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

Historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information for the last three valuations is disclosed is below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
01/01/10	\$ -	\$ 2,029,521	\$ 2,029,521	0.0%	\$ 2,029,521	98.3%
01/01/13	\$ -	\$ 2,180,914	\$ 2,180,914	0.0%	\$ 1,956,392	111.5%
01/01/16	\$ -	\$ 2,520,999	\$ 2,520,999	0.0%	\$ 2,403,650	104.9%

SUPPLEMENTARY INFORMATION

BOROUGH OF MEDIA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total
ASSETS			
Member contribution receivable	\$ 3,418	\$ 1,854	\$ 5,272
Benefit overpayment receivable	-	7,655	7,655
Investments, at fair value:			
Mutual funds	<u>10,813,262</u>	<u>5,715,489</u>	<u>16,528,751</u>
TOTAL ASSETS	<u>\$ 10,816,680</u>	<u>\$ 5,724,998</u>	<u>\$ 16,541,678</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Refund of member contributions	\$ -	\$ 20,180	\$ 20,180
NET POSITION:			
Net position restricted for pension	<u>10,816,680</u>	<u>5,704,818</u>	<u>16,521,498</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,816,680</u>	<u>\$ 5,724,998</u>	<u>\$ 16,541,678</u>

BOROUGH OF MEDIA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total
ADDITIONS AND INVESTMENT INCOME			
Contributions:			
State Aid	\$ 94,100	\$ 89,635	\$ 183,735
Employer	620,801	59,791	680,592
Employee	81,769	47,723	129,492
Total contributions	<u>796,670</u>	<u>197,149</u>	<u>993,819</u>
Investment income (expense):			
Interest and dividends	162,263	88,844	251,107
Net appreciation in fair value of investments	300,237	163,537	463,774
Investment expense	(56,565)	(32,386)	(88,951)
Net investment income	<u>405,935</u>	<u>219,995</u>	<u>625,930</u>
TOTAL ADDITIONS AND INVESTMENT INCOME	<u>1,202,605</u>	<u>417,144</u>	<u>1,619,749</u>
DEDUCTIONS			
Benefits paid	542,630	210,579	753,209
Refund of member contributions	-	1,142	1,142
Administrative expenses	<u>2,977</u>	<u>2,785</u>	<u>5,762</u>
TOTAL DEDUCTIONS	<u>545,607</u>	<u>214,506</u>	<u>760,113</u>
CHANGE IN NET POSITION	656,998	202,638	859,636
NET POSITION, BEGINNING OF YEAR	<u>10,159,682</u>	<u>5,502,180</u>	<u>15,661,862</u>
NET POSITION, END OF YEAR	<u>\$ 10,816,680</u>	<u>\$ 5,704,818</u>	<u>\$ 16,521,498</u>