

Financial Statements

Borough of Yeadon

December 31, 2018

R*ainer*
& Company

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants
INDEPENDENT AUDITORS' REPORT

Borough Council
Borough of Yeadon
Yeadon, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Yeadon as of and for the year ended December 31, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough'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 Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified



Aggregate Discretely Presented Component Units	Disclaimer
Governmental Funds (General Fund, Special Revenue, Capital Projects Fund)	Unmodified
Proprietary Funds (Sewer and Refuse Funds)	Unmodified
Fiduciary Funds (Police Pension and Municipal Pension Funds)	Unmodified

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of Yeadon Public Library have not been audited, and we were not engaged to audit the Yeadon Public Library's financial statements as part of our audit of the Borough's basic financial statements. Yeadon Public Library's activities are included in the Borough's basic financial statements as a discretely presented component unit and represent 4%, 11% and 46% of the assets, net position, and revenues, respectively, of the Borough's aggregate discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Borough of Yeadon. Accordingly, we do not express an opinion on those financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Yeadon, as of December 31, 2018, and the respective changes in in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 16, budgetary comparison information on page 50, the schedule of changes in the net police pension plan liability and related ratios on page 51, the schedule of Borough's pension plan contributions on page 52, and the schedule of post-employment benefit obligation funding progress on page 53 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.

Rainer + Co
Rainer & Company

Newtown Square, PA
January 19, 2021

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Our discussion and analysis of the Borough of Yeadon, Pennsylvania provides an overview of the Borough's financial performance for the calendar year ended December 31, 2018. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). Please consider the information presented here in conjunction with the Borough's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

Highlights for Government-Wide Financial Statements (Full Accrual Basis):

The government-wide financial statements report information about the Borough as a whole using the economic resources measurement focus and accrual basis of accounting.

- The Borough's net position (deficit) was \$2,100,089 as of December 31, 2018 (representing its net position for governmental activities). Net position (deficit) as of January 1, 2018 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the adjustment of the net OPEB liability for the government wide statements. The effect of the restatement was to reduce District's governmental activities net position (deficit) as of January 1, 2018 by \$3,071,585 for the Net OPEB liability.
- Total revenues of the Borough's 2017 governmental activities were \$6.5 million, and expenditures totaled \$7.3 million. This compares to 2017 activity of \$6.4 million in revenue and \$7.0 million in expenditures. A significant portion of the increased revenues was reflected by a slight increase in the collection of delinquent real estate taxes. Expenses were increased primarily in the area of governmental services and police and fire services.
- Borough revenues of business-type activities for 2018 were \$2.85 million and expenses were \$2.75 million. In 2017, revenues totaled \$2.8 million and expenses totaled \$2.6 million.
- Government wide long-term debt decreased \$201,000 or 7.6%, during fiscal year ended December 31, 2018. No long-term debt was issued in 2018.

Highlights for Fund Financial Statements (Modified Accrual):

The fund financial statements provide more detailed information about the Borough's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting:

- The Borough's governmental funds reported a consolidated fund balance of \$3,989,857 as of December 31, 2018. As of December 31, 2017, governmental funds reported a fund balance of \$4,723,760.

At December 31, 2018, the General Fund reported a fund balance of \$3,045,494 compared to a December 31, 2017 balance of \$3,826,680. The Borough's general fund's fund balance represents approximately 46 percent of general fund expenditures and 52 percent of general fund revenues, well within recommended fund balance levels.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 17 and 18) present information about the activities of the Borough as a whole and present a longer-term view of Yeadon Borough's finances. Fund financial statements begin on page 19. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The governmental proprietary fund financial statements also report the Borough's operations in more detail than the entity-wide statements by providing information about the Borough's most significant funds. The remaining statements provide financial information about activities for which the Borough acts solely as a trustee or agent for the benefit of those outside of the government.

The accompanying financial statements have been prepared in accordance with GASB Statement 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Borough's net position and how they have changed. Net position, the difference between the Borough's assets and liabilities, are one way to measure the Borough's financial health or position. Over time, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating, respectively.

In the Statement of Net Position and Statement of Activities, we divide the Borough into three kinds of categories:

- Governmental Activities - Most of the Borough's basic services are included here, such as general government, public safety, public works, culture and recreation. Property taxes finance most of these activities.
- Business-Type Activities - The Borough fees to help it cover the costs of certain services it provides, such as refuse and sewer services.
- Component Unit - Although legally separate, the Yeadon Public Library is important because the Borough is financially accountable for it.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Fund Level Financial Statements

Our 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 and by bond covenants. However, the Board of Supervisors establishes 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 Projects Fund). The Borough's three kinds of funds - governmental, proprietary and fiduciary - use different accounting approaches.

- ***Governmental Funds*** - Most of the Borough's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Borough's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- ***Proprietary Funds*** - When the Borough charges homeowners and businesses for the services it provides, these charges are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.
- ***Fiduciary Funds*** - The Borough is the trustee, or fiduciary, responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. All of the Borough's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Infrastructure Assets

The Borough implemented the all model portions of GASB Statement No. 34, including the reporting of infrastructure. Historically, a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must either (1) depreciate these assets over their estimated useful lives, or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system, (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Borough has elected to depreciate all assets over their useful lives.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

FINANCIAL ANALYSIS OF THE BOROUGH - GOVERNMENT-WIDE STATEMENTS

The Borough's net position (deficit) was \$2,100,089 as of December 31, 2018 (representing its net position for governmental activities). Net position (deficit) as of January 1, 2018 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the adjustment of the net OPEB liability for the government wide statements. The effect of the restatement was to reduce District's governmental activities net position (deficit) as of January 1, 2018 by \$3,071,585 for the Net OPEB liability.:

For more detailed information about this table refer to the Statement of Net Position (page 17).

Borough of Yeadon
Schedule of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS:						
Current and Other Assets	\$ 5,287,508	\$ 5,266,396	\$1,429,747	\$1,339,040	\$ 6,717,255	\$ 6,605,436
Capital Assets, Net of Depreciation	3,783,071	4,067,411	2,751,210	2,835,145	6,534,281	6,902,556
Deferred Outflows of Resources	532,593	92,005	0	0	532,593	92,005
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,603,172</u>	<u>\$ 9,425,812</u>	<u>\$4,180,957</u>	<u>\$4,174,185</u>	<u>\$ 13,784,129</u>	<u>\$ 13,599,997</u>
LIABILITIES:						
Current Liabilities	\$ 882,698	\$ 503,906	\$ 150,087	\$ 146,086	\$ 1,032,785	\$ 649,992
Long-Term Liabilities	10,554,158	6,775,141	1,187,000	1,279,000	11,741,158	8,054,141
Deferred Inflows of Resources	266,405	349,934	0	0	266,405	349,934
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>11,703,261</u>	<u>7,628,981</u>	<u>1,337,087</u>	<u>1,425,086</u>	<u>13,040,348</u>	<u>9,054,067</u>
NET POSITION:						
Invested in Capital Assets, Net of Related Debt	3,453,739	3,643,557	1,474,210	1,470,145	4,927,949	5,113,702
Restricted	944,363	897,080	0	0	944,363	897,080
Unrestricted	(6,498,191)	(2,743,806)	1,369,660	1,278,954	(5,128,531)	(1,464,852)
TOTAL NET POSITION	<u>(2,100,089)</u>	<u>1,796,831</u>	<u>2,843,870</u>	<u>2,749,099</u>	<u>743,781</u>	<u>4,545,930</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,603,172</u>	<u>\$ 9,425,812</u>	<u>\$4,180,957</u>	<u>\$4,174,185</u>	<u>\$ 13,784,129</u>	<u>\$ 13,599,997</u>

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

When comparing the 2018 Statement of Net Position to 2017, there was a decrease in total net position of \$730,564 (exclusive of the prior period adjustment of \$3,071,585 noted above). Governmental activities decreased by \$825,335 and business activities increased \$94,771.

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2018 and 2017 in a detailed format:

Borough of Yeadon
Changes In Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Services:						
Charges for Services	\$ 509,682	\$ 559,517	\$ 2,850,180	\$ 2,752,625	\$ 3,359,862	\$ 3,312,142
Operating Grants and Contributions	487,080	484,828	0	0	487,080	484,828
General Revenues:						
Property Taxes	3,195,913	3,146,669	0	0	3,195,913	3,146,669
Earned Income Taxes	1,805,313	1,709,955	0	0	1,805,313	1,709,955
Realty Transfer Taxes	145,118	115,131	0	0	145,118	115,131
Local Services Tax	94,336	96,973	0	0	94,336	96,973
Franchise Fee - Cable TV	224,580	223,423	0	0	224,580	223,423
Other Revenue	84,649	148,323	1,826	3,465	86,475	151,788
TOTAL REVENUES	6,546,671	6,484,819	2,852,006	2,756,090	9,398,677	9,240,909
EXPENSES:						
General Government	1,446,618	1,261,440	0	0	1,446,618	1,261,440
Public Safety	3,631,675	3,862,282	0	0	3,631,675	3,862,282
Public Works	830,758	613,123	0	0	830,758	613,123
Library	458,363	448,262	0	0	458,363	448,262
Culture and Recreation	105,733	116,167	0	0	105,733	116,167
Interest on Long-Term Debt	42,424	43,350	35,522	36,264	77,946	79,614
Pension	518,524	374,052	0	0	518,524	374,052
Unallocated Depreciation Expense	337,911	335,865	0	0	337,911	335,865
Refuse Fund	0	0	2,054,690	1,814,925	2,054,690	1,814,925
Sewer Fund	0	0	667,023	699,381	667,023	699,381
TOTAL EXPENSES	7,372,006	7,054,541	2,757,235	2,550,570	10,129,241	9,605,111
Transfers	0	0	0	0	0	0
CHANGE IN NET POSITION	\$ (825,335)	\$ (569,722)	\$ 94,771	\$ 205,520	\$ (730,564)	\$ (364,202)

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

There are eight basic impacts that can affect revenues and expenses on an annual basis. They are as follows:

Revenues:

1. **Economic Condition** can reflect a declining, stable or growing economic environment and has a substantial impact on property, business, mercantile or other tax revenue, as well as public spending habits for building permits and elective user fees.
2. **Changes in Borough Approved Rates** - While certain tax rates are set by statute, the Borough Council has significant authority to impose and periodically increase or decrease rates (real estate tax millage, sewer rental fee, refuse fees, building fees, user fees, etc.).
3. **Changing Patterns in Intergovernmental and Grant Revenue (Recurring and Non-recurring)** - Certain recurring revenues (state-shared revenues, block grant, etc.) may experience significant changes periodically, while non-recurring (or one time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
4. **Market Impacts on Investment Income** - The Borough's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic environment.

Expenses:

1. **Introduction of New Programs** - Within the functional expense categories (public safety, public works, refuse, sewer, etc.), individual programs may be added or deleted to meet changing community needs and requirements.
2. **Increase in Authorized Personnel** - Changes in service demand may cause the Borough Board to increase or decrease authorized staffing. Personnel costs (salary and related benefits) represent approximately 50% of the Borough's primary program expenses.
3. **Salary Increases (Annual Adjustments and Merit)** - The ability to attract and retain human resources requires Yeadon Borough to strive to approach a competitive salary and range position in the marketplace.
4. **Inflation** - While overall inflation appears to be reasonably modest, the Borough is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions experience unusual commodity-specific increases.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Governmental Activities - Changes in Net Position

Revenue from Yeadon Borough's governmental activities in 2017 totaled \$6,484,819, an increase of \$278,074. Sources of revenue were primarily from property taxes, realty transfer taxes, public safety related charges and operating grants and contributions. Taxes comprise the largest source of Borough revenues (78%), amounting to \$5,068,728 in 2017. Property taxes represent \$3,146,669 (49% of revenue) with earned income, business and deed transfer taxes accounting for the balance.

Expenses of all governmental activities this year totaled \$7,054,541, an increase of \$481,284 from 2016. As the statement of activities indicates, public safety is the largest program with expenses of \$3,862,282 or 55% of governmental expenses. Pension expenses totaled \$374,052 or 5% of governmental expenses, and public works expenses totaled \$613,123 or 9% of governmental expenses.

Business-Type Activities - Changes in Net Position

Yeadon Borough maintains a sewer fund and a refuse fund. The combined revenue from these funds was \$2,756,090 in 2017. This was a decrease of \$89,342 or 3.1% under 2016. The decrease was primarily due to the decrease in sewer usage.

For business-type activities, total expenses for 2017 decreased \$18,061 or 0.7% compared to calendar year 2016.

Cost of Services - Expenses Analysis

The schedule on the following page highlights the cost of services for Governmental Activities and Business-Type Activities. The total cost of services column includes all costs related to the programs and the net cost column shows how much of the total amount was not covered by program revenues. In other words, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Net cost of Governmental Activities is 85.2% of total cost of services in 2017. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Borough of Yeadon
Cost of Services - Expense Analysis

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
General Government	\$ 1,446,618	\$1,363,852	\$ 1,261,440	\$1,178,945
Public Safety	3,631,675	3,267,530	3,862,282	3,417,289
Public Works	830,758	480,051	613,123	295,951
Library	458,363	458,363	448,262	448,262
Culture and Recreation	105,733	98,649	116,167	109,189
Interest on Long-Term Debt	42,424	77,946	43,350	79,614
Pension	518,524	326,464	374,052	181,345
Unallocated Depreciation and Amortization	337,911	337,911	335,865	335,865
TOTAL GOVERNMENTAL ACTIVITIES	\$ 7,372,006	\$6,410,766	\$ 7,054,541	\$6,046,460
Business-Type Activities:				
Sewer Fund	\$ 2,054,690	\$ (47,178)	\$ 1,814,925	\$ (120,420)
Refuse Fund	667,023	(81,289)	699,381	(117,899)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 2,721,713	\$ (128,467)	\$ 2,514,306	\$ (238,319)

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Borough uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. The focus of the Borough's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such data is useful in assessing the Borough's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As the Borough completed the year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$3,989,857. The Borough's general fund unassigned fund balance was \$3,045,494 (including nonspendable fund balance) as of December 31, 2018, which equals 52% of 2018 total revenues and 46% of total expenditures, excluding other financing sources and uses.

Maintaining a reasonable fund balance provides a "safety net" in the event of emergencies, economic downturns or other unforeseen circumstances. Without an adequate level of fund balance, these unforeseen amounts could create the need for a significant tax increase in a future period or create the need for borrowing. Bond rating services and the Governmental Finance Officers Association (GFOA) recommend, at a minimum, an unreserved fund balance of 5 to 15 percent of regular general fund operating revenues.

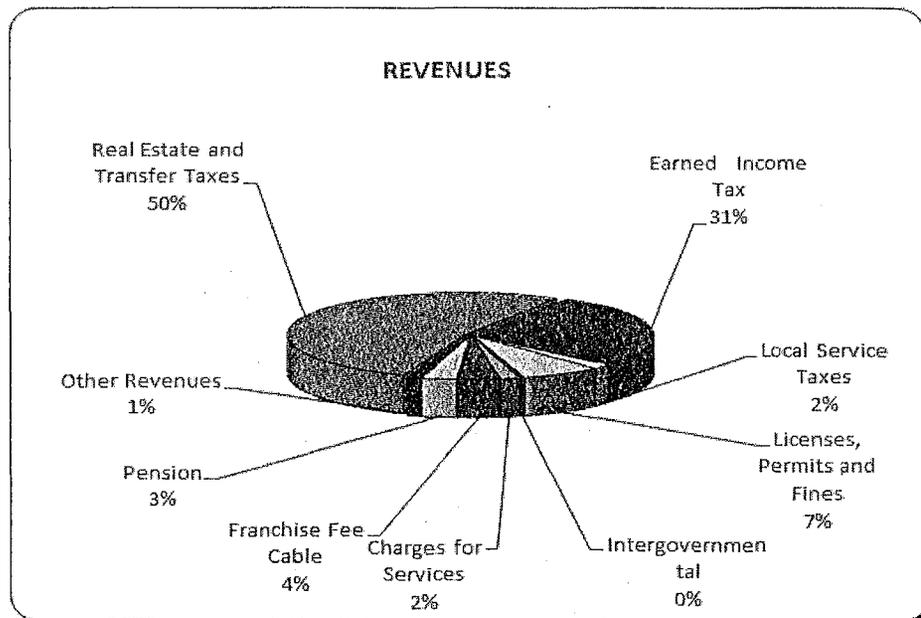
BOROUGH OF YEADON
 Management's Discussion and Analysis (Unaudited)
 December 31, 2018

General Fund Revenue Analysis:

Borough of Yeadon
Revenue Comparison

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Real Estate and Transfer Taxes	\$ 2,963,588	\$ 3,256,058	\$ (292,470)
Earned Income Tax	1,805,313	1,709,955	95,358
Local Service Taxes	94,336	96,973	(2,637)
Licenses, Permits and Fines	383,826	445,287	(61,461)
Intergovernmental	9,752	20,099	(10,347)
Charges for Services	113,435	106,030	7,405
Franchise Fee - Cable TV	224,580	223,423	1,157
Act 205 Pension	192,060	192,707	(647)
Other Revenues	94,491	79,744	14,747
TOTAL REVENUES	5,881,381	6,130,276	(248,895)
Other Financing Sources:			
Transfers In	0	0	0
Refunds of Prior Years Expenditures	0	0	0
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 5,881,381	\$ 6,130,276	\$ (248,895)

Revenues and other financing sources for 2018 totaled \$5,881,381. This was a decrease from the previous year of \$248,895. The major factors contributing to this decrease were the result of a decrease of \$292,470 in real estate and transfer taxes, an increase of \$95,358 in earned income tax revenue, a decrease in licenses, permits and fines revenue of \$61,461 and an increase of \$7,405 in charges for services.



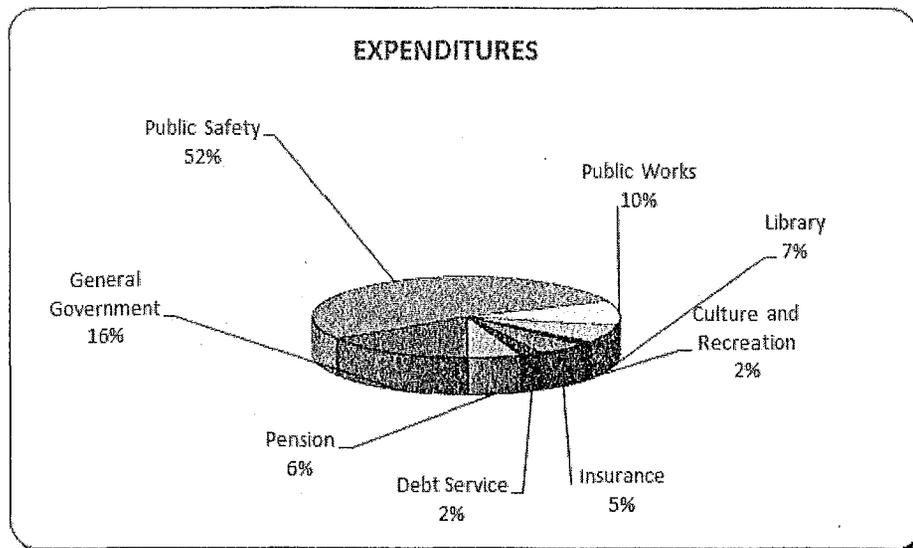
BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

General Fund Expenditure Analysis:

Borough of Yeadon
Expenditure Comparison

	2018	2017	Increase (Decrease)
Expenditures:			
General Government	\$ 1,054,397	\$ 1,001,945	\$ 52,452
Public Safety	3,473,204	3,454,224	18,980
Public Works	646,474	408,279	238,195
Library	458,363	448,262	10,101
Culture and Recreation	102,361	116,167	(13,806)
Insurance	358,148	317,700	40,448
Debt Service	156,748	158,571	(1,823)
Pension	374,821	327,962	46,859
TOTAL EXPENDITURES	6,624,516	6,233,110	391,406
Other Financing Uses:			
Refund of Prior Years Revenue	38,051	39,923	(1,872)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 6,662,567	\$ 6,273,033	\$ 389,534

Total expenditures and other financing uses were \$6,662,567 in 2018. This represents an increase of \$389,534 or 6.2% over the previous year. The major factors contributing to this in was public works increased \$238,195 or 58%, and library increased \$10,101 or 2% over 2017. Culture and recreation decreased \$13,806 or 12% and insurance increased \$40,448 or 13% compared to 2017.



BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

FINANCIAL ANALYSIS OF PROPRIETARY FUNDS (Business-Type)

Business-type funds are used to account for operations that are financed and operated in a manner similar to private businesses. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges and fees. Yeadon Borough maintains two such funds; the Sewer Fund and the Refuse Fund. The following is a comparative analysis of the Statements of Revenue and Expenses for:

Proprietary Funds

Total proprietary fund revenue in 2018 increased \$94,090 or 3.5%. This was a result of increased charges for services. Total proprietary fund expenses in 2018 increased \$204,839 or 8.0%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

The statement comparing the Borough's budget to actual results can be found on page 50. Total actual revenues ended the year under budget by \$40,332. The key factors were:

- Real estate collections were consistent with 2018, as the collection rate remained the same, although collections were under budget. Earned income tax collections increased significantly higher than budgetary expectations.
- Licenses and permits were slightly up this year, as building permits were increasing evidencing the growth in construction.
- Franchise Fees - Cable TV came in \$3,423 above budget. This increase is partly due to an increase in cable users.
- Fines and Forfeits exceeded budget by \$13,014. This was primarily a result of an increase in court fine collections.
- Charges for services were slightly above budget, but consistent with prior year revenues.

Expenditures

Actual Expenditures, including other financing sources and uses, ended the year with a net, unfavorable budget variance of \$457,803. Contributing to this position were several factors:

- General Government - Overall, general government services were \$101,581 over budget. General government expenditures were over budget and were over the 2017 costs. The significant budgetary overage was represented in engineering and architectural services resulting from the Borough hall construction project.
- Public Safety- Public safety costs were increased over the prior year as a result of increased salaries and related benefits as well as capital purchase costs and vehicle leasing expenditures. In addition, police costs also increased this past year for charges of engineering and architectural costs related to building improvements.
- Public Works - Public Works costs were \$237,579 over budget.
- Insurance - Insurance costs were \$22,120 over budget.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets - Governmental Activities

The Borough's investment in capital assets for its governmental activities for calendar year ended December 31, 2017 is \$3,783,071 net of accumulated depreciation.

Schedule of Capital Assets
For the Year Ended December 31, 2018

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Ending</u> <u>Balance</u>
Capital Assets:			
Land	\$ 404,957	\$ 0	\$ 404,957
Building and Improvements	2,539,417	0	2,539,417
Infrastructure	2,071,525	0	2,071,525
Machinery, Vehicles, Furniture and Equipment	2,484,505	53,571	2,538,076
Software	21,040	0	21,040
TOTAL CAPITAL ASSETS	<u>7,521,444</u>	<u>53,571</u>	<u>7,575,015</u>
Accumulated Depreciation for:			
Building and Improvements	1,096,270	64,324	1,160,594
Infrastructure	862,889	82,453	945,342
Machinery, Vehicles, Furniture and Equipment	1,479,684	186,843	1,666,527
Software	15,190	4,291	19,481
TOTAL ACCUMULATED DEPRECIATION	<u>3,454,033</u>	<u>337,911</u>	<u>3,791,944</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,067,411</u>	<u>\$ (284,340)</u>	<u>\$ 3,783,071</u>

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION (continued)

Capital Assets - Business-Type Activities

The Borough's investment in capital assets for its business-type activities for calendar year ended December 31, 2017 is \$2,751,210 net of accumulated depreciation.

Schedule of Capital Assets
For the Year Ended December 31, 2018

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
Capital Assets:			
Infrastructure	\$ 3,325,428	\$ 0	\$ 3,325,428
Equipment	342,475	0	342,475
TOTAL CAPITAL ASSETS	<u>3,667,903</u>	<u>0</u>	<u>3,667,903</u>
Accumulated Depreciation for:			
Infrastructure	525,824	74,358	600,182
Equipment	306,934	9,577	316,511
TOTAL ACCUMULATED DEPRECIATION	<u>832,758</u>	<u>83,935</u>	<u>916,693</u>
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS, NET	<u>\$ 2,835,145</u>	<u>\$ (83,935)</u>	<u>\$ 2,751,210</u>

Long-Term Debt

As of December 31, 2018, Yeadon Borough's outstanding debt portfolio consisted of \$2,655,000 in bonds. During 2018, the Borough made principal payments of \$201,000. This represented a 7.6% reduction in outstanding debt. There were no new issues or refunding of debt in 2018.

State statutes limit the amount of general obligation debt a governmental entity may issue to 250 percent of its average borrowing base (average revenues over the past three years). The Borough's current allowable debt borrowing base is approximately \$12,543,931. As of December 31, 2018, the Borough's borrowing level is only at 21% capacity. This is a relatively favorable position.

Additional information about the Borough's long-term debt can be found in Note 9 on pages 38 through 40 of this report.

BOROUGH OF YEADON
Management's Discussion and Analysis (Unaudited)
December 31, 2018

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION (continued)

Long-Term Debt (continued)

Debt Service Schedule
For the Year Ended December 31, 2018

	<u>Principal Outstanding 1/1/2018</u>	<u>Maturities</u>	<u>Additions</u>	<u>Principal Outstanding 12/31/2018</u>
General Obligation Bond Series B of 2010	\$ 988,000	\$ 112,000	\$ 0	\$ 876,000
General Obligation Bond Series A of 2010	503,000	1,000	0	502,000
General Obligation Bond Series 2010 Sewer Revenue Note	<u>1,365,000</u>	<u>88,000</u>	<u>0</u>	<u>1,277,000</u>
LONG-TERM DEBT	<u>\$ 2,856,000</u>	<u>\$ 201,000</u>	<u>\$ 0</u>	<u>\$ 2,655,000</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the borough's finances and to demonstrate the borough's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Borough Manager, Borough of Yeadon, Church Lane and Bailey Road, Yeadon, PA 19050.

BOROUGH OF YEADON
Statement of Net Position
As of December 31, 2018

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total	Component Unit
Current:				
Cash and Cash Equivalents	\$ 2,877,910	\$ 1,416,482	\$ 4,294,392	\$ 149,427
Accounts Receivable, Net	130,021	1,026,337	1,156,358	0
Due From Other Governments	4,050	0	4,050	0
Taxes Receivable	1,103,932	0	1,103,932	0
Internal Balances	1,013,072	(1,013,072)	0	0
Prepaid Expense	158,523	0	158,523	0
TOTAL CURRENT ASSETS	5,287,508	1,429,747	6,717,255	149,427
Capital Assets, Net of Accumulated Depreciation	3,783,071	2,751,210	6,534,281	352,674
TOTAL ASSETS	9,070,579	4,180,957	13,251,536	502,101
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources: Pension Plan	532,593	0	532,593	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,603,172	\$ 4,180,957	\$ 13,784,129	\$ 502,101
<u>LIABILITIES</u>				
Current:				
Accounts Payable and Other Current Liabilities	\$ 519,216	\$ 52,661	\$ 571,877	\$ 15,579
Accrued Salaries	116,120	7,426	123,546	0
Accrued Interest	6,575	0	6,575	0
Escrow Deposits	38,181	0	38,181	0
Bonds and Notes Payable Due Within One Year	114,000	90,000	204,000	0
Capital Leases Due Within One Year	88,606	0	88,606	0
TOTAL CURRENT LIABILITIES	882,698	150,087	1,032,785	15,579
Long-Term:				
Bonds and Notes Payable Due After One Year	1,264,000	1,187,000	2,451,000	0
Capital Leases Due After One Year	240,726	0	240,726	0
Net Pension Liability	3,014,869	0	3,014,869	0
Accrued Severance	195,636	0	195,636	0
Net OPEB Liability	5,838,927	0	5,838,927	0
TOTAL LONG-TERM LIABILITIES	10,554,158	1,187,000	11,741,158	0
TOTAL LIABILITIES	11,436,856	1,337,087	12,773,943	15,579
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources: Pension Plan	266,405	0	266,405	0
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	11,703,261	1,337,087	13,040,348	15,579
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt Restricted	3,453,739	1,474,210	4,927,949	352,674
Unrestricted	944,363	0	944,363	0
	(6,498,191)	1,369,660	(5,128,531)	133,848
TOTAL NET POSITION	(2,100,089)	2,843,870	743,781	486,522
TOTAL LIABILITIES AND NET POSITION	\$ 9,603,172	\$ 4,180,957	\$ 13,784,129	\$ 502,101

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Activities
For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Yeadon Library
Governmental Activities:								
General Government	\$ 1,446,618	\$ (73,014)	\$ (9,752)	\$ 0	\$ (1,363,852)	\$ 0	\$ (1,363,852)	\$ 0
Public Safety	3,631,675	(364,145)	0	0	(3,267,530)	0	(3,267,530)	0
Public Works	830,758	(65,439)	(285,268)	0	(480,051)	0	(480,051)	0
Library	458,363	0	0	0	(458,363)	0	(458,363)	0
Culture and Recreation	105,733	(7,084)	0	0	(98,649)	0	(98,649)	0
Interest on Long-Term Debt	42,424	0	0	0	(42,424)	(35,522)	(77,946)	0
Pension	518,524	0	(192,060)	0	(326,464)	0	(326,464)	0
Unallocated Depreciation and Amortization Expense	337,911	0	0	0	(337,911)	0	(337,911)	0
TOTAL GOVERNMENTAL ACTIVITIES	7,372,006	(509,682)	(487,080)	0	(6,375,244)	(35,522)	(6,410,766)	0
Business-Type Activities:								
Sewer Fund	2,054,690	(2,101,868)	0	0	0	47,178	47,178	0
Refuse Fund	667,023	(748,312)	0	0	0	81,289	81,289	0
TOTAL BUSINESS-TYPE ACTIVITIES	2,721,713	(2,850,180)	0	0	0	128,467	128,467	0
TOTAL PRIMARY GOVERNMENT	\$ 10,093,719	\$ (3,359,862)	\$ (487,080)	\$ 0	\$ (6,375,244)	\$ 92,945	\$ (6,282,299)	\$ 0
Component Unit:								
Library	\$ 500,566	\$ (17,087)	\$ (483,171)	\$ (5,678)				\$ 5,370
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes, Net					\$ 3,195,913	0	3,195,913	0
Earned Income Taxes					1,805,313	0	1,805,313	0
Realty Transfer Taxes					145,118	0	145,118	0
Local Services Tax					94,336	0	94,336	0
Franchise Fee - Cable TV					224,580	0	224,580	0
Investment Earnings					19,637	1,826	21,463	1,744
Miscellaneous Income					65,012	0	65,012	0
TOTAL GENERAL REVENUES AND SPECIAL ITEMS					5,549,909	1,826	5,551,735	1,744
CHANGE IN NET POSITION					(825,335)	94,771	(730,564)	7,114
Net Position - January 1, 2018					1,796,831	2,749,099	4,545,930	479,408
Prior Period Adjustment					(3,071,585)	0	(3,071,585)	0
NET POSITION (DEFICIT) - JANUARY 1, 2018 (RESTATED)					(1,274,754)	2,749,099	1,474,345	479,408
NET POSITION (DEFICIT) - DECEMBER 31, 2018					\$ (2,100,089)	\$ 2,843,870	\$ 743,781	\$ 486,522

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Balance Sheet
Governmental Funds
December 31, 2018

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	2,322,967	538,184	16,759	\$ 2,877,910
Taxes Receivable	1,103,932	0	0	1,103,932
Accounts Receivable, Net	130,021	0	0	130,021
Due from Other Governments	4,050	0	0	4,050
Due from Other Funds	681,655	42,427	427,118	1,151,200
Prepaid Expenditures	158,523	0	0	158,523
TOTAL ASSETS	<u>\$ 4,401,148</u>	<u>\$ 580,611</u>	<u>\$ 443,877</u>	<u>\$ 5,425,636</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> 				
<u>Liabilities:</u>				
Accounts Payable	441,656	77,559	0	\$ 519,215
Due to Other Funds	135,562	2,566	0	138,128
Accrued Wages and Payroll Taxes Payable	116,120	0	0	116,120
Escrow Deposits	38,181	0	0	38,181
TOTAL LIABILITIES	<u>731,519</u>	<u>80,125</u>	<u>0</u>	<u>811,644</u>
 <u>Deferred Inflows of Resources:</u>				
Unavailable Revenue - Property Taxes	624,135	0	0	624,135
 <u>Fund Balances:</u>				
Nonspendable Fund Balance	158,523	0	0	158,523
Restricted Fund Balance	0	645,818	0	645,818
Assigned Fund Balance	0	(145,332)	443,877	298,545
Unassigned Fund Balance	2,886,971	0	0	2,886,971
TOTAL FUND BALANCES	<u>3,045,494</u>	<u>500,486</u>	<u>443,877</u>	<u>3,989,857</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 4,401,148</u>	 <u>\$ 580,611</u>	 <u>\$ 443,877</u>	 <u>\$ 5,425,636</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

Total Fund Balances - Governmental Funds		\$ 3,989,857
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$7,521,444, and the accumulated depreciation is \$3,454,033</p>		3,783,071
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds</p>		624,134
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Bonds Payable	\$ (1,378,000)	
Capital Leases	(329,332)	
Accrued Interest on the Capital Leases	(6,575)	
Net Pension Liability	(3,014,869)	
Accrued Severance	(195,636)	
Net OPEB Liability	<u>(5,838,927)</u>	(10,763,339)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements</p>		
Deferred Outflows of Resources - Pension Plan		532,593
Deferred Inflows of Resources - Pension Plan		<u>(266,405)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ (2,100,089)</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Special Revenue Funds	Capital Projects Fund	Total Governmental Funds
Revenues:				
Local Sources:				
Real Estate Taxes	\$ 2,818,470	\$ 0	\$ 0	\$ 2,818,470
Earned Income Tax	1,805,313	0	0	1,805,313
Transfer Taxes	145,118	0	0	145,118
Local Services Tax	94,336	0	0	94,336
Licenses and Permits	236,177	0	0	236,177
Fines and Forfeits	147,649	0	0	147,649
Intergovernmental	9,752	285,268	0	295,020
Act 205 Pension	192,060	0	0	192,060
Charges for Services	113,435	0	0	113,435
Franchise Fee - Cable TV	224,580	0	0	224,580
Public Utility Tax	9,232	0	0	9,232
Investment Earnings	16,395	3,141	101	19,637
Miscellaneous	68,864	0	0	68,864
TOTAL REVENUES	5,881,381	288,409	101	6,169,891
Expenditures:				
General Government	1,054,397	0	0	1,054,397
Public Safety	3,473,204	0	0	3,473,204
Public Works	646,474	237,855	0	884,329
Library	458,363	0	0	458,363
Culture and Recreation	102,361	0	0	102,361
Insurance	358,148	0	0	358,148
Debt Service	156,748	0	0	156,748
Pension	374,821	0	0	374,821
Capital Projects	0	0	3,372	3,372
TOTAL EXPENDITURES	6,624,516	237,855	3,372	6,865,743
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(743,135)	50,554	(3,271)	(695,852)
Other Financing Uses:				
Refunds of Prior Years Revenue	(38,051)	0	0	(38,051)
NET CHANGE IN FUND BALANCES	(781,186)	50,554	(3,271)	(733,903)
Fund Balance - January 1	3,826,680	449,932	447,148	4,723,760
FUND BALANCE - DECEMBER 31	\$ 3,045,494	\$ 500,486	\$ 443,877	\$ 3,989,857

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Funds		\$ (733,903)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	53,571	
Depreciation Expense	<u>(337,911)</u>	(284,340)
Repayment of bond principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement net position.		
		113,000
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		372,260
Some of the 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.		
Net OPEB Liability	(241,206)	
Net Pension Liability	(143,703)	
Principal Payments of Capital Lease Obligations	94,522	
Accrued Interest on the Bonds	353	
Compensated Absences	<u>(2,318)</u>	<u>(292,352)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (825,335)</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Net Position
Proprietary Funds
December 31, 2018

<u>ASSETS</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Current:			
Cash and Cash Equivalents	\$ 630,294	\$ 786,188	\$ 1,416,482
Accounts Receivable, Net of Allowance for Uncollectibles	852,501	173,836	1,026,337
Due from Other Funds	0	285,605	285,605
TOTAL CURRENT ASSETS	<u>1,482,795</u>	<u>1,245,629</u>	<u>2,728,424</u>
Capital Assets, Net of Accumulated Depreciation	<u>2,730,811</u>	<u>20,399</u>	<u>2,751,210</u>
TOTAL ASSETS	<u>\$ 4,213,606</u>	<u>\$ 1,266,028</u>	<u>\$ 5,479,634</u>
 <u>LIABILITIES</u>			
Current:			
Accounts Payable	\$ 29,841	\$ 22,820	\$ 52,661
Accrued Expenses	3,713	3,713	7,426
Bonds Payable Due Within One Year	90,000	0	90,000
Due to Other Funds	854,431	444,246	1,298,677
TOTAL CURRENT LIABILITIES	<u>977,985</u>	<u>470,779</u>	<u>1,448,764</u>
Long-term:			
Bonds Payable Due After One Year	<u>1,187,000</u>	<u>0</u>	<u>1,187,000</u>
TOTAL LIABILITIES	<u>2,164,985</u>	<u>470,779</u>	<u>2,635,764</u>
 <u>NET POSITION</u>			
Net Investment in Capital Assets	1,453,811	20,399	1,474,210
Unrestricted	594,810	774,850	1,369,660
TOTAL NET POSITION	<u>2,048,621</u>	<u>795,249</u>	<u>2,843,870</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,213,606</u>	<u>\$ 1,266,028</u>	<u>\$ 5,479,634</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Revenues, Expenses and
Changes in Net Position -
Proprietary Funds
For the Year Ended December 31, 2018

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 2,101,868	\$ 747,447	\$ 2,849,315
Miscellaneous Income	0	865	865
TOTAL OPERATING REVENUES	<u>2,101,868</u>	<u>748,312</u>	<u>2,850,180</u>
Operating Expenses:			
Salaries and Wages	\$ 63,262	\$ 63,262	126,524
Employee Benefits	4,814	4,814	9,628
Treatment Charges - Sewer Authorities	1,829,153	0	1,829,153
Treatment Charges - Waste Management Authorities	0	513,367	513,367
Repairs and Maintenance	1,179	0	1,179
Supplies	1,151	3,186	4,337
Other Services and Charges	76,550	77,040	153,590
Depreciation Expense	78,581	5,354	83,935
TOTAL OPERATING EXPENSES	<u>2,054,690</u>	<u>667,023</u>	<u>2,721,713</u>
OPERATING INCOME	<u>47,178</u>	<u>81,289</u>	<u>128,467</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	957	869	1,826
Interest Expense	(35,522)	0	(35,522)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(34,565)</u>	<u>869</u>	<u>(33,696)</u>
CHANGE IN NET ASSETS	12,613	82,158	94,771
Net Position - Beginning	<u>2,036,008</u>	<u>713,091</u>	<u>2,749,099</u>
NET POSITION - ENDING	<u>\$ 2,048,621</u>	<u>\$ 795,249</u>	<u>\$ 2,843,870</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash Received from Users	\$ 2,172,214	\$ 641,625	\$ 2,813,839
Cash Payments to Suppliers for Goods and Services	<u>(1,761,188)</u>	<u>(517,376)</u>	<u>(2,278,564)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>411,026</u>	<u>124,249</u>	<u>535,275</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	(669,822)	0	(669,822)
Principal Paid on Debt Obligations	(85,000)	0	(85,000)
Interest Paid on Debt Obligations	<u>(35,522)</u>	<u>0</u>	<u>(35,522)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(790,344)</u>	<u>0</u>	<u>(790,344)</u>
Cash Flows From Investing Activities:			
Investment Earnings	<u>957</u>	<u>869</u>	<u>1,826</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(378,361)	125,118	(253,243)
Cash and Cash Equivalents - Beginning	<u>949,868</u>	<u>507,125</u>	<u>1,456,993</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 571,507</u>	<u>\$ 632,243</u>	<u>\$ 1,203,750</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income	\$ 47,178	\$ 81,289	\$ 128,467
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:			
Depreciation Expense	78,581	5,354	83,935
Changes in Assets and Liabilities:			
Accounts Receivable	70,346	(16,559)	53,787
Taxes Receivable	0	7,863	7,863
Due from Other Funds	0	(97,991)	(97,991)
Accounts Payable and Accrued Expenses	(123,100)	7,763	(115,337)
Due to Other Funds	<u>338,021</u>	<u>136,530</u>	<u>474,551</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 411,026</u>	<u>\$ 124,249</u>	<u>\$ 535,275</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Fiduciary Net Position
December 31, 2018

	<u>Police Pension Fund</u>	<u>Municipal Pension Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 220,263	\$ 0	\$ 220,263
Investments (At Market Value)	4,482,664	581,366	5,064,030
Other Assets	43,392	13,664	57,056
 TOTAL ASSETS	 <u>\$ 4,746,319</u>	 <u>\$ 595,030</u>	 <u>\$ 5,341,349</u>
 <u>NET POSITION</u>			
Reserve for Employees' Retirement Systems	<u>\$ 4,746,319</u>	<u>\$ 595,030</u>	<u>\$ 5,341,349</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2018

	<u>Police Pension Fund</u>	<u>Municipal Pension Fund</u>	<u>Total (Memorandum Only)</u>
Additions:			
Contributions	<u>\$ 425,328</u>	<u>\$ 54,310</u>	<u>\$ 479,638</u>
Investment Earnings:			
Net Depreciation in Fair Value of Investments	(400,512)	(29,292)	(429,804)
Investment Earnings	<u>115,252</u>	<u>49</u>	<u>115,301</u>
TOTAL INVESTMENT EARNINGS	<u>(285,260)</u>	<u>(29,243)</u>	<u>(314,503)</u>
 TOTAL ADDITIONS	 <u>140,068</u>	 <u>25,067</u>	 <u>165,135</u>
Deductions:			
Pension Benefits	500,209	83,204	583,413
Other Services and Charges	<u>27,857</u>	<u>2,868</u>	<u>30,725</u>
TOTAL DEDUCTIONS	<u>528,066</u>	<u>86,072</u>	<u>614,138</u>
 CHANGE IN NET POSITION	 <u>(387,998)</u>	 <u>(61,005)</u>	 <u>(449,003)</u>
Net Position - Beginning	<u>5,134,317</u>	<u>656,035</u>	<u>5,790,352</u>
 NET POSITION - ENDING	 <u>\$ 4,746,319</u>	 <u>\$ 595,030</u>	 <u>\$ 5,341,349</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

The Borough's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Borough has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Borough has chosen not to do so. The more significant accounting policies established in GAAP and used by the Borough are discussed below.

A. Reporting Entity

The Borough is a municipal corporation existing under the laws of the Commonwealth of Pennsylvania. The Borough operates under a council-mayor form of government in accordance with the Pennsylvania Borough Code. Accounting principles generally accepted in the United States of America require that the financial statements present the Borough and its component units, entities for which the Borough is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Borough's operations and so data from these units are required to be combined with data of the primary Borough. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Borough.

Discretely Presented Component Unit:

The Yeadon Borough Public Library serves the residents of Yeadon Borough as well as the residents of Delaware County. The Library's governing board approves its own budget. However, the Library is fiscally dependent upon the Borough because it receives a substantial portion of its operating funds from them. The Library is presented as a governmental fund type and has a December 31 year end. Copies of the Library's financial statements may be obtained at the Library administrative office.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only a portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Borough.

The Borough reports the following major government funds:

General Fund - The General Fund is the Borough's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise operations.

Special Revenue Funds - The following governmental funds of the Borough are considered non-major (presented in a single column).

- The Motor License Fund accounts for receipts from state motor license fund to be used for highway related expenses and improvements and the transfer of funds to the General Fund to cover other allowable highway-related expenditures.
- The Vehicle Replacement Fund is a fund used to account for financial resources to be used for the acquisition of major vehicles.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the operations of the Borough's sewer treatment systems.

Refuse Fund - The Refuse Fund is used to account for the activities of the Borough's trash collection operations. The primary source of revenue is from refuse collection fees.

Additionally, the Borough reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, or other governments. Pension Trust Funds are fiduciary funds which account for the activities of the Police and Municipal Pension Plans, which accumulate resources for the pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Borough has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

For purposes of the statements of cash flows of proprietary funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

With the exception of the Pension Trust Funds, the Borough is permitted under state law to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of any allowance for uncollectibles. The allowance for uncollectibles was \$103,424 at December 31, 2017.

Capital Assets

Capital assets, which include property, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during construction is not capitalized.

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

Buildings and Improvements	10-100 Years
Infrastructure	20-40 Years
Machinery, Vehicles, Furniture and Equipment	5-30 Years
Software	5 Years
Book Collection	5 Years

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Deferred Outflows of Resources

The Borough reports decreases in net assets that relate to future periods as deferred outflows of resources in the government-wide and proprietary funds statement of net position. The Borough reports deferred outflows of resources for the difference between projected and actual earnings on the Borough's defined benefit pension plan investments.

Deferred Inflows of Resources

The Borough's governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period(s). Deferred inflows of resources are reported in the governmental funds for revenues that are not considered available. The Borough will not recognize the related revenues until they are available (collected not later than 60 days after the end of the Borough's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if any, are expensed in the year of issuance.

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

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Invested in Capital Assets, Net of Related Debt - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted - Consists of the capital projects fund fund-balance that is restricted by the Borough for capital outlays, as well as the special revenue funds fund-balances that are restricted for highway related expenses and the acquisition of motor vehicles.

Unrestricted - Consists of all other net position reported in this category.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Supervisors resolution.

Assigned - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Borough Council establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. The Borough's policy is to first apply expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

NOTE 2 - Budgetary Information

Budgets are prepared on the same basis of accounting as the financial statements. Each fall, the Borough Council adopts an annual budget for the following year for the general and special revenue funds as set forth in the Borough code. Legal budgetary control is at the fund level.

Budget amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Council may take specific action to commit or assign fund equity.

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the Borough's checking, savings and money market deposits was \$4,664,082, and the corresponding bank balance was \$4,982,842. By State statute, the Borough may appoint one or more depositories for Borough funds and approve collateral consisting of obligations of the United States of the Commonwealth of Pennsylvania, or any political subdivision thereof, deposited with the bank or trust company. Pennsylvania Act 72 of 1971, as amended, allows depositories to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institution's trust department.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 3 - Deposits and Investments (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. In the normal course of business, the Borough may have deposits that exceed insured balances. The remaining balances over insured limits are covered by collateral held by the institution's trust department on a pooled basis not in the name of the Borough.

Custodial Credit Risk - Investments - For an investment, custodial risk is the risk that in the event of the failure of the counterparty, The Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough has no investments subject to custodial credit risk.

Investments - Statutes authorize the Borough to invest in U.S. Government Agency bonds, time or share accounts or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. The Borough has no investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk - The Borough does have an investment policy that addresses the amount the Borough may invest in one issuer.

The Borough's investments at December 31, 2018 consisted of the following:

	<u>Market Value</u>	<u>Credit Rating</u>
<u>Police Pension Plan:</u>		
Mutual Funds - Exchange Traded Funds	<u>\$ 4,446,764</u>	Not Applicable
<u>Municipal Pension Plan:</u>		
Mutual Funds - Bonds	<u>581,366</u>	Not Applicable
 TOTAL INVESTMENTS - FIDUCIARY FUNDS	 <u>\$ 5,064,030</u>	

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 4 - Taxes Receivable

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Real Estate Taxes	\$ 638,881	\$ 0	\$ 638,881
Transfer Taxes	5,312	0	5,312
Earned Income Taxes	459,739	0	459,739
TOTAL TAXES RECEIVABLE	<u>\$1,103,932</u>	<u>\$ 0</u>	<u>\$1,103,932</u>

At the end of the current fiscal year, the Borough reported deferred inflows of resources, related to unavailable real estate tax revenue, in the amount of \$251,874 in the governmental funds.

NOTE 5 - Accounts Receivable

	<u>General Fund</u>	<u>Proprietary Funds</u>
Fees	\$ 69,563	\$1,129,761
Franchise Fee - Cable TV Receivable	60,458	0
	130,021	1,129,761
Less: Allowance for Uncollectibles	0	(103,424)
ACCOUNTS RECEIVABLE	<u>\$ 130,021</u>	<u>\$1,026,337</u>

NOTE 6 - Interfund Receivables and Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 681,655	\$ 135,562
Motor License Fund	0	2,566
Vehicle Replacement Fund	42,427	0
Sewer Fund	0	854,431
Refuse Fund	285,605	444,246
Capital Projects Fund	427,118	0
	<u>\$1,436,805</u>	<u>\$ 1,436,805</u>

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 7 - Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Land	\$ 404,957	\$ 0	\$ 0	\$ 404,957
Building Improvements	2,539,417	0	0	2,539,417
Infrastructure	2,071,525	0	0	2,071,525
Machinery, Vehicles, Furniture and Equipment	2,484,505	53,571	0	2,538,076
Software	21,040	0	0	21,040
TOTAL CAPITAL ASSETS	<u>7,521,444</u>	<u>53,571</u>	<u>0</u>	<u>7,575,015</u>
Accumulated Depreciation for:				
Buildings and Improvements	1,096,270	64,324	0	1,160,594
Infrastructure	862,889	82,453	0	945,342
Machinery, Vehicles, Furniture and Equipment	1,479,684	186,843	0	1,666,527
Software	15,190	4,291	0	19,481
TOTAL ACCUMULATED DEPRECIATION	<u>3,454,033</u>	<u>337,911</u>	<u>0</u>	<u>3,791,944</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,067,411</u>	<u>\$(284,340)</u>	<u>\$ 0</u>	<u>\$3,783,071</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets:				
Infrastructure	\$ 3,325,428	\$ 0	\$ 0	\$3,325,428
Equipment	342,475	0	0	342,475
TOTAL CAPITAL ASSETS	<u>3,667,903</u>	<u>0</u>	<u>0</u>	<u>3,667,903</u>
Accumulated Depreciation for:				
Infrastructure	525,824	74,358	0	600,182
Equipment	306,934	9,577	0	316,511
TOTAL ACCUMULATED DEPRECIATION	<u>832,758</u>	<u>83,935</u>	<u>0</u>	<u>916,693</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 2,835,145</u>	<u>\$(83,935)</u>	<u>\$ 0</u>	<u>\$2,751,210</u>

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 7 - Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit Activities:				
Capital Assets:				
Furniture and Equipment	\$ 124,069	\$ 24,088	\$ 0	\$ 148,157
Improvements	139,457	0	0	139,457
TOTAL CAPITAL ASSETS	<u>263,526</u>	<u>24,088</u>	<u>0</u>	<u>287,614</u>
Accumulated Depreciation for:				
Furniture and Equipment	70,947	9,715	0	80,662
Improvements	14,525	4,042	0	18,567
TOTAL ACCUMULATED DEPRECIATION	<u>85,472</u>	<u>13,757</u>	<u>0</u>	<u>99,229</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 178,054</u>	<u>\$ 10,331</u>	<u>\$ 0</u>	<u>\$ 188,385</u>
Book Collection:				
Exhaustible Book Collection	\$1,313,125	\$ 34,541	\$ 0	\$1,347,666
Accumulated Depreciation for:				
Exhaustible Book Collection	1,147,411	35,966	0	1,183,377
COMPONENT UNIT ACTIVITIES BOOK COLLECTION, NET	<u>\$ 165,714</u>	<u>\$ (1,425)</u>	<u>\$ 0</u>	<u>\$ 164,289</u>

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

Governmental Activities - Unallocated	\$ 337,911
Business-Type Activities - Unallocated	83,935
Component Unit - Yeadon Public Library	<u>49,723</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 471,569</u>

NOTE 8 - Changes in Other Long-Term Liabilities

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2018</u>
Governmental Activities:				
Accrued Severance and Sick Days	<u>\$ 193,318</u>	<u>\$ 2,318</u>	<u>\$ 0</u>	<u>\$ 195,636</u>

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 9 - Long-Term Debt

	Principal Outstanding January 1, 2018	Maturities	Additions	Principal Outstanding December 31, 2018
General Obligation Notes Series A of 2010	\$ 988,000	\$ 112,000	\$ 0	\$ 876,000
General Obligation Notes Series B of 2010	503,000	1,000	0	502,000
General Obligation Notes Series 2010 Sewer Revenue Notes	<u>1,365,000</u>	<u>88,000</u>	<u>0</u>	<u>1,277,000</u>
LONG-TERM DEBT	<u>\$ 2,856,000</u>	<u>\$ 201,000</u>	<u>\$ 0</u>	<u>\$ 2,655,000</u>

	Current Outstanding Principal
General Obligation Notes, Series A of 2010. Original principal amount of \$1,665,000, maturing through June 25, 2025, bearing interest at a variable rate. Interest is payable monthly on the 25th.	\$ 876,000
General Obligation Notes, Series B of 2010. Original principal amount of \$510,000, maturing through June 25, 2030, bearing interest at a variable rate. Interest is payable monthly on the 25th.	502,000
General Obligation Notes, Sewer Revenue Note, Series 2010. Original principal amount of \$1,900,000, maturing through June 25, 2030, bearing interest at a variable rate. Interest is payable monthly on the 25th.	<u>1,277,000</u>
TOTAL	<u>\$ 2,655,000</u>

The annual requirements to amortize all debts outstanding as of December 31, 2018 are as follows:

<u>Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 204,000	\$ 81,807	\$ 285,807
2020	210,000	75,186	285,186
2021	217,000	68,359	285,359
2022	225,000	61,288	286,288
2023	232,000	60,288	292,288
2024-2028	1,115,000	178,283	1,293,283
2029-2030	452,000	16,582	468,582
TOTAL MATURITIES	<u>\$ 2,655,000</u>	<u>\$ 541,793</u>	<u>\$ 3,196,793</u>

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 9 - Long-Term Debt (Continued)

Interest Rate Management Plan

The Series A of 2010 Notes, Series B of 2010 Notes, and the Sewer Revenue Series 2010 were issued to the Delaware Valley Regional Finance Authority (DVRFA). In order to provide funds for loans (Loan Program) the DVRFA has issued Local Government Revenue Bonds (DVRFA Bonds). The DVRFA has entered into an interest rate swap agreement with Bank of America, N.A.(BOA), secured by municipal bond insurance policies in the loan program and to enhance the ability of participants to manage their interest rate risks. The DVRFA Swap Agreement is a "Qualified Interest Rate Management Agreement" as such term is defined in the Pennsylvania *Local Government Unit Debt Act*.

Under the terms of the loan agreements, the interest payments due from the borough are calculated to fund:

- The debt service payments on the DVRFA bonds.
- The net payments due under the DVRFA Swap Agreement.
- All other costs and expenses necessary for the operation of the Loan Program, amounts required to maintain the liquidity of the Loan Program, and any termination payment due under the DVRFA Swap Agreement

Interest Rate Risk - The Borough has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Borough elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Index (SIFMA Index), adjusts weekly with a maximum interest rate at the Borough of 15%. If the Borough elects a fixed rate, the rate, with terms and conditions selected by the Borough, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA and BOA under the DVRFA Swap Agreement. The Borough has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to rising short-term interest rates.

Since the Borough is not considered to be a signatory on the current interest rate swap agreements between DVRFA and BOA, management has concluded that the Borough would not be required to report the transaction in accordance with Governmental Accounting Standards Board (GASB) No. 53 Accounting and Financial Reporting for Derivative Instruments. Therefore, the fair value of the interest rate swap agreements is not recorded on the statement of net position. In addition, no evaluation has been made to whether the interest rate swaps are effective cash flow hedges.

Credit Risk - Rating downgrades by Moody's and Standard & Poor's ("S&P") can precipitate collateralization requirements under the DVRFA Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DVRFA Swap Agreement and may result in termination.

- If the long term, unsecured, senior debt ratings of BANA are reduced below "A2" by Moody's or "A" by S&P and if DVRFA would receive a payment from BOA upon termination, BOA is required to post collateral equal to the market value of each of the swap agreements executed with DVRFA. BOA's current ratings are "Aa3/A+", with stable outlooks by Moody's and S&P, respectively.
- If the long term, unsecured, senior debt ratings of BOA are downgraded below "Baa3" by Moody's and "BBB-" by S&P, DVRFA may terminate the swap agreements executed by BOA. If (i) the claims paying ability ratings of Ambac are reduced below "Baa3" by Moody's or "BBB-" by S&P and (ii) DVRFA has defaulted or DVRFA does not have published ratings of at least "Baa3" by Moody's and "BBB-" by S&P, BOA may terminate the DVRFA Swap Agreements.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 9 - Long-Term Debt (Continued)

Interest Rate Management Plan (Continued)

Termination Risk - The Borough is obligated to pay a termination payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A termination payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BOA, Ambac, and the Borough. These termination payments could be triggered in the event of (i) a payment default by the Borough under the Loan Agreement, (ii) a payment default by DVRFA, BOA or Ambac under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BOA or Ambac, or (iv) the downgrading of the claims paying ability of Ambac or long term, unsecured, senior debt rating of DVRFA or BOA. In all instances of termination except a payment default on the note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions.

The amount of the termination payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment. DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market.

The estimated termination payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Borough's notes as of December 31, 2018, is shown in the table below. In the event of a termination payment, DVRFA would assess the net loss, if any, to the Borough. Any net gain on the termination payment allocable to variable rate Notes would be retained by DVRFA.

<u>Type</u>	<u>Option Selected</u>	<u>Notional Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>(Loss)</u>
GON Series A of 2010	Fixed	\$ 502,000	1/25/2010	6/25/2030	\$ (9,045)
GON Series B of 2010	Fixed	\$ 876,000	9/15/2010	6/25/2025	\$ (18,074)
Sewer Notes - Note A	Fixed	\$ 509,000	1/25/2010	6/25/2030	\$ (635)
Sewer Notes - Note B	Fixed	\$ 514,000	1/25/2010	6/25/2030	\$ (18,765)
Sewer Notes - Note V	Variable	\$ 254,000	1/25/2010	6/25/2030	\$ 0

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 10 - Capital Leases

Governmental Activities

Assets recorded under capital leases, included in machinery, vehicles, furniture and equipment in the governmental activities schedule of capital assets in Note 7, are as follows:

Machinery, Vehicles, Furniture and Equipment	\$ 936,647
Less: Accumulated Depreciation	<u>619,801</u>
	<u>\$ 316,846</u>

Amortization of equipment under capital leases is included in depreciation expense.

The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of December 31, 2018:

2018	\$ 101,370
2019	96,182
2021	41,514
2022	41,514
Thereafter	<u>41,514</u>
TOTAL	363,608
Less: Amount Representing Interest	<u>34,276</u>
PRESENT VALUE OF MINIMUM PAYMENTS	<u>\$ 329,332</u>
Current Portion	\$ 88,606
Long-Term Portion	<u>240,726</u>
TOTAL	<u>\$ 329,332</u>

NOTE 11 - Commitments

The Borough entered into a 60 month operating lease agreement in November 2014 for office equipment with a minimum monthly payment of \$947. The future rental payments are as follows:

2019	<u>\$ 10,412</u>
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BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 12 - Property Tax

Property taxes attach as an enforceable lien on property as of March 1 of the following year. Taxes are levied on February 1 and payable in the following periods:

- Discount Period - February 1 to March 31 - 2% of Gross Levy
- Flat Period - April 1 to May 31
- Penalty Period - June 1 to Collection - 10% of Gross Levy

The following is a detail analysis of current year tax revenues:

Assessed Valuation, Adjusted by	
Authorized Revisions	\$ 321,779,575
Approved Tax Rate in Mills	9.89
GROSS LEVY	<u>3,182,400</u>
Plus Penalties Applied and Double Payments	14,650
Deductions:	
Discounts	48,139
Taxes Receivable	418,242
NET TAXES COLLECTED	<u><u>\$ 2,730,669</u></u>

NOTE 13 - Defined Benefit Pension Plan

Plan Description

The Borough contributes to a public employee retirement system (PERS), for its uniformed employees. The Police Pension Plan (uniformed) is a single employer PERS, administered by the Borough. The plan is a defined benefit pension plan. The Police Pension Plan covers all full-time uniformed employees.

Pension plan financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

Police Pension Plan - Members may retire upon reaching age 50 and completion of 25 years of service. Early retirement may occur after 20 years of service; vesting occurs after completion of 12 years of vesting service. Retirement benefit is equal to 50% of the average monthly compensation averaged over the last 36 months, plus an additional service increment of \$100 per month if the member has 26 years of service or more. Survivor benefit is available at 50% of pension if a member is retired or eligible for retirement. If eligible for vesting, refund of contributions with interest of 50% of vested benefit payable at officer's superannuation retirement date. Disability benefit if service related is 75% of base salary at the time of disability offset by social security benefits for the same injury. An active member who has met the eligibility requirements for normal retirement may elect to participate in the Act 44 Deferred Retirement Option Program for a period of up to 36 months. Member contributions are 5% of pay. Interest is credited to members' contributions at the rate of 4.5%.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 13 - Defined Benefit Pension Plan (Continued)

Plan Membership

The following table provides information concerning types of covered employees and benefit provisions for the Police Pension Plan, from the January 1, 2017 actuarial evaluation:

	<u>Police</u>
Inactive plan members currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>13</u>
TOTAL	<u><u>29</u></u>

Contributions

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

Police participants are required to contribute 5% of their compensation to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earnings.

Investments

Investment Policy - The plans' investment policy in regard to the allocation of invested assets is established and may be amended by the Borough Council and Pension Board. The objective of the investment strategy is to provide modest capital appreciation and income by balancing reasonable return expectations with appropriate levels of risk. The plans' formal investment policy statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The plans' investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	52.50%	5.54%
International Equities	17.50%	6.42%
Fixed Income	27.00%	1.35%
Cash	<u>3.00%</u>	(0.31)%
	<u><u>100.00%</u></u>	

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 13 - Defined Benefit Pension Plan (Continued)

Investments (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of a plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The plans do have a formal investment policy that addresses concentrations of credit risk. As of December 31, 2017, no investment in any one organization represented 5% or more of the plan's respective fiduciary net position.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Police Pension)

	Total Police Pension Liability	Police Plan Fiduciary Net Position	Net Police Pension Liability
Beginning Balance - January 1, 2018	\$7,481,366	\$5,134,317	\$ 2,347,049
Changes For the Year:			
Service Cost	158,697	0	158,697
Interest	593,429	0	593,429
Change in Benefit Terms	27,905	0	27,905
Differences Between Expected and Actual Experience	0	0	0
Changes of Assumption	0	0	0
Benefit Payments	(500,209)	(500,209)	0
Contributions - State Aid	0	192,060	(192,060)
Contributions - Employer	0	156,865	(156,865)
Contributions - Member	0	76,403	(76,403)
Net Investment Income	0	(305,117)	305,117
Administrative Expenses	0	(8,000)	8,000
NET CHANGES	<u>279,822</u>	<u>(387,998)</u>	<u>667,820</u>
BALANCE - DECEMBER 31, 2018	<u>\$7,761,188</u>	<u>\$ 4,746,319</u>	<u>\$ 3,014,869</u>

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2018 was 61.2%.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 13 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Police Pension) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Police Pension) - The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	<u>1% Decrease</u> <u>7.00%</u>	<u>Current</u> <u>Discount Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
Net Pension Liability	\$ 3,761,454	\$ 3,014,869	\$ 2,373,392

For the year ended December 31, 2017, the Borough recognized pension expense of \$502,320 related to the police pension. At December 31, 2017, the Borough reported deferred outflows of resources related to the police pension from the following sources:

	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between Expected and Actual Experience	\$ 0	\$ (266,405)
Changes in Assumptions	49,725	0
Net Difference between Projected and Actual Investment Earnings	482,868	0
	<u>\$ 532,593</u>	<u>\$ (266,405)</u>

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

<u>Year ending December 31:</u>	
2019	\$ 177,383
2020	1,988
2021	(4,263)
2022	91,080
Total	<u>\$ (257,929)</u>

Actuarial Assumptions (Police Pension)

The total pension liability as of December 31, 2018 was determined by rolling forward the System's total pension liability as of the January 1, 2017 actuarial valuation to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation - 2.25%
- Salary increases - 5.50%
- Investment rate of return - 8.00% (net of pension plan investment expenses, including inflation)
- Mortality rates were based on the Blue Collar RP-2000 Mortality Tables projected to 2017 using Scale AA.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 13 - Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Police Pension) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the police pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 14 - Defined Contribution Pension Plan

The Borough contributes to a public employee retirement system (PERS), for its non-uniformed employees. The Non-Uniformed Pension Plan is a single employer PERS, administered by the Borough. The plan is a defined contribution pension plan. The Non-Uniformed Pension Plan covers all full-time non-uniformed employees.

Pension plan financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

Non-Uniformed Pension Plan

The Plan was initially established on January 1, 2001, but was revised on October 1, 2004. Members hired prior to October 1, 2004 are considered 100% vested in the Plan. Members hired on or after October 1, 2004 are 100% vested after 5 years or more of service.

Plan Membership

The following table provides information concerning types of covered employees and benefit provisions for the Non-Uniform Pension Plan, for the year ended December 31, 2018:

	<u>Non-Uniform</u>
Inactive plan members currently receiving benefits	0
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>10</u>
TOTAL	<u><u>15</u></u>

Contributions

The Borough is required to contribute, for each eligible participant, an amount equal to \$2.11 per hour times 80 hours per pay period. Participants are not required to contribute to the plan. In addition to the Borough contribution made to the Non-Uniformed participant's account, their account will be credited annually with the pro rata share of the investment earnings or losses of the plan. The Borough, at its own discretion, may contribute more than the flat dollar contribution rate. Any additional contributions would be distributed on an equal basis. Total Borough contributions to the Non-Uniformed Pension Plan for the year ended December 31, 2018 were \$54,310.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 14 - Other Post-Employment Benefits

Plan Description

The Borough provides a defined benefit post-employment healthcare benefit, which provides medical benefits to eligible retirees and their spouses. The plan is available for the Borough's uniformed employees. All uniformed employees are eligible for the plan after reaching a minimum age of 50 and completing 25 years of service for the Borough.

Funding Policy

As of December 31, 2018, the Borough has not segregated assets to fund this liability. It is the intention of the Borough to pay healthcare premiums and costs as they are incurred.

Employee Covered by the Plan

Membership in the OPEB plan consisted of the following at January 1, 2017

Fully Eligible Active Employees	3
Other Active Employees Not Fully Eligible	12
Retirees and Beneficiaries Currently Receiving Benefits	7
	<hr/>
	22
	<hr/>

Actuarial Methods and Assumptions

In the January 1, 2017 actuarial valuation, the following actuarial assumptions were used:

Economic Assumptions

- Investment Return - There are no invested assets.
- Salary Increases - 5.5 compounded annually.
- Discount Rate - 3.25%

Healthcare Cost Trend Rate

- Non-Medicare medical and prescription drug cost trend rate is assumed to be 0% during 2018, 2019 and 2020, 8.25% in 2021 reduced 0.25% per year thereafter to an ultimate level of 5% per year.
- Medicare medical and prescription drug coverage trend rate is assumed to be 0% during 2018, 2019 and 2020, 6.00% in 2021 reduced 0.25% per year thereafter to an ultimate level of 5% per year.
- Dental costs are assumed to increase at a rate of 0% during 2018, 2019 and 2020 and 2.5% per year thereafter.
- Vision costs are assumed to increase at a rate of 0% during 2018, 2019 and 2020 and 2.5% per year thereafter.
- The Medicare Part B premium is assumed to remain level during 2018 and increase by 4% per year thereafter.

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 14 - Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Demographic Assumptions

- Pre and Post-Retirement Mortality – Blue Collar RP-2000 projected 17 years using Scale AA.
- Post-Disablement Mortality - Same as Normal Retirement Mortality set forward 10 years.
- Withdrawal - Withdrawal rates at selected ages as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	10.0%	15.0%
40	3.0%	5.0%
55	0.0%	0.0%

- Disability – 100% UAW Disability Table for Males and Females.
- Retirement is assumed to occur at a minimum of age 50 with 25 years of service.
- Retirement Participation – 100% of retirees who are eligible to participate are assumed to do so.
- Spouse Participation
 - Non-Medicare Spouses - It is assumed that 25% of spouses will participate in Borough coverage.
 - Medicare Spouses - It is assumed that 100% of spouses will participate in Borough coverage.
 - Surviving Spouses - It is assumed that 75% of surviving spouses will participate in Borough coverage.
- Marriage - 90% of all future retirees are assumed to be married.
- Ages - Males spouses are assumed to be three (3) years older than female spouses.

NET OPEB Liability

The following table shows the components of the Borough Net OPEB liability, which include costs for the year, the amount actually contributed to the plan and the changes in the Borough's Net OPEB liability.

Net OPEB Liability:	
Balance as of January 1, 2018	\$ 5,597,721
Service Cost	245,075
Interest Expense	186,793
Employer Contributions	<u>(190,662)</u>
 NET OPEB LIABILITY AS OF DECEMBER 31, 2018	 \$ <u>5,838,927</u>

BOROUGH OF YEADON
Notes to Financial Statements
December 31, 2018

NOTE 14 - Other Post-Employment Benefits (Continued)

Net OPEB Liability Sensitivity - Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table presents the net OPEB liability calculated using the discount rate of 3.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.25%) or 1 percent higher (4.25%) than the current rate:

	<u>1% Decrease</u> <u>2.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>3.25%</u>	<u>1% Increase</u> <u>4.25%</u>
Net OPEB Liability	\$ 6,809,560	\$ 5,838,927	\$ 5,057,777

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table presents the net OPEB liability calculated using the current healthcare trend, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher or 1 percent lower than expected:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 4,872,800	\$ 5,838,927	\$ 7,082,972

NOTE 15 - Prior Period Adjustment

Net position (deficit) as of January 1, 2018 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the adjustment of the net OPEB liability for the government wide statements. The effect of the restatement was to reduce District-wide net position (deficit) as of January 1, 2018 by \$3,071,585 for the Net OPEB liability.

NOTE 16 - Deficit Net Position

A deficit of \$2,100,089 exists in the District's Governmental Activities net position as of December 31, 2018. The deficit is a result of the District's adoption of Government Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 17 - Subsequent Events

The Borough has evaluated subsequent events through January 19, 2021, which represents the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact operating activity. Other financial impact could occur though such potential impact is unknown at this time.

BOROUGH OF YEADON
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Real Estate Taxes	\$ 3,150,000	\$ 3,150,000	\$ 2,818,470	\$ (331,530)
Earned Income Tax	1,635,000	1,635,000	1,805,313	170,313
Transfer Taxes	70,000	70,000	145,118	75,118
Local Services Tax	85,000	85,000	94,336	9,336
Licenses and Permits	267,575	267,575	236,177	(31,398)
Fines and Forfeits	120,600	120,600	147,649	27,049
Intergovernmental	10,000	10,000	9,752	(248)
Act 205 Pension	175,950	175,950	192,060	16,110
Charges for Services	49,328	49,328	113,435	64,107
Franchise Fee - Cable TV	220,000	220,000	224,580	4,580
Public Utility Tax	5,200	5,200	9,232	4,032
Investment Earnings	5,350	5,350	16,395	11,045
Miscellaneous	127,710	127,710	68,864	(58,846)
TOTAL REVENUES	<u>5,921,713</u>	<u>5,921,713</u>	<u>5,881,381</u>	<u>(40,332)</u>
Expenditures:				
General Government	890,816	952,816	1,054,397	(101,581)
Public Safety	3,470,142	3,405,142	3,473,204	(68,062)
Public Works	285,895	408,895	646,474	(237,579)
Library	432,647	449,647	458,363	(8,716)
Culture and Recreation	123,067	123,067	102,361	20,706
Insurance	473,028	336,028	358,148	(22,120)
Debt Service	162,140	162,140	156,748	5,392
Pension	328,978	328,978	374,821	(45,843)
TOTAL EXPENDITURES	<u>6,166,713</u>	<u>6,166,713</u>	<u>6,624,516</u>	<u>(457,803)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(245,000)	(245,000)	(743,135)	(498,135)
Other Financing Sources (Uses):	245,000	245,000	(39,923)	(284,923)
NET CHANGE IN FUND BALANCE	0	0	(783,058)	132,548
Fund Balance - January 1, 2018	3,826,680	3,826,680	3,826,680	0
FUND BALANCE - DECEMBER 31, 2018	<u>\$ 3,826,680</u>	<u>\$ 3,826,680</u>	<u>\$ 3,043,622</u>	<u>\$ 132,548</u>

BOROUGH OF YEADON

Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios (Unaudited)
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Police Pension Liability:			
Service Cost	158,697	150,424	126,876
Interest	593,429	582,663	602,096
Changes of Benefit Terms	27,905	0	0
Differences Between Expected and Actual Experience	0	(439,395)	0
Changes of Assumptions	0	21,492	0
Benefit Payments	(500,209)	(769,164)	(385,899)
NET CHANGE IN TOTAL POLICE PENSION LIABILITY	<u>279,822</u>	<u>(453,980)</u>	<u>343,073</u>
Total Police Pension Liability - Beginning	<u>7,481,366</u>	<u>7,935,346</u>	<u>7,592,273</u>
TOTAL POLICE PENSION LIABILITY - ENDING	<u>\$ 7,761,188</u>	<u>\$ 7,481,366</u>	<u>\$ 7,935,346</u>
Plan Fiduciary Net Position			
Contributions - State Aid	192,060	192,707	170,611
Contributions - Employer	156,865	112,271	72,591
Contributions - Member	76,403	64,782	59,536
Net Investment Income (Loss)	(305,117)	722,082	326,763
Benefit Payments	(500,209)	(769,164)	(385,899)
Administrative Expense	(8,000)	(5,500)	(5,183)
NET CHANGE IN POLICE PENSION FIDUCIARY NET POSITION	<u>(387,998)</u>	<u>317,178</u>	<u>238,419</u>
Total Police Pension Fiduciary Net Position - Beginning	5,134,317	4,817,139	4,578,720
NET POLICE FIDUCIARY NET POSITION, ENDING	<u>4,746,319</u>	<u>5,134,317</u>	<u>4,817,139</u>
NET POLICE PENSION LIABILITY - ENDING	<u>\$ 3,014,869</u>	<u>\$ 2,347,049</u>	<u>\$ 3,118,207</u>
Plan Fiduciary Net Position as a Percentage of the Total Police Pension Plan Liability	<u>61.15%</u>	<u>68.63%</u>	<u>60.70%</u>
Covered Employee Payroll	<u>\$ 1,292,006</u>	<u>\$ 1,206,148</u>	<u>\$ 959,874</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>233.35%</u>	<u>194.59%</u>	<u>324.86%</u>

SCHEDULE OF INVESTMENT RETURNS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>-6.47%</u>	<u>16.60%</u>	<u>7.89%</u>

BOROUGH OF YEADON
Schedule of Pension Plan Contributions
For the Year Ended December 31, 2018

UNIFORMED EMPLOYEES' PERS

<u>Fiscal Year</u>	<u>Actuarilly Determined Contribution</u>	<u>Contributions in Relation to Actuarilly Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2014	\$ 250,751	\$ 250,751	\$ 0	\$ 1,210,724	20.71%
2015	243,786	243,786	0	920,986	26.47%
2016	243,202	243,202	0	959,874	25.34%
2017	304,978	304,978	0	1,206,148	25.29%
2018	348,925	348,925	0	1,292,006	27.01%

BOROUGH OF YEADON

Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)

For the Year Ended December 31, 2018

Total Police Pension Liability:	
Service Cost	\$ 245,075
Interest	186,793
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes of Assumptions	0
Benefit Payments	<u>(190,662)</u>
NET CHANGE IN TOTAL POLICE PENSION LIABILITY	<u>241,206</u>
Total Police Pension Liability - Beginning	<u>5,597,721</u>
 TOTAL POLICE PENSION LIABILITY - ENDING	 <u><u>\$ 5,838,927</u></u>
 Covered Employee Payroll	 <u><u>\$ 1,626,331</u></u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 <u><u>359.02%</u></u>