

BOROUGH OF HELLERTOWN

**Financial Statements,
Independent Auditors' Report
and Supplementary Information**

December 31, 2014

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 SOUTH CEDAR CREST BOULEVARD
ALLENTOWN, PA 18103

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INDEPENDENT AUDITORS' REPORT

Borough Council
 Borough of Hellertown
 Hellertown, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified-cash basis of accounting described in Note 1; this includes determining that the modified-cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified-cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hellertown, Pennsylvania, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the modified-cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, and pension information on pages 4-9 and 42-49 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Hellertown's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Congbell, Rappold & Yasuta LLP
Certified Public Accountants
Allentown, PA

September 8, 2015

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Borough of Hellertown's discussion and analysis provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Borough's financial statements beginning on page 10.

FINANCIAL HIGHLIGHTS

- The net position of the Borough's general fund increased by \$605,099 during 2014.
- The net position of the Sanitation fund increased by \$16,812 during 2014.
- Tax revenue increased by \$39,011.
- There are no deficits to report in the 2014 Government Wide Financials.
- Intergovernmental revenues decreased \$448,709 primarily due to grants received in 2013 that were not received in 2014.
- Capital Fund expenditures were \$203,685.
- The Borough reduced its debt on the GON I and GON II by \$97,786.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 10 and 11 provide information about the activities of the Borough as a whole and present a longer-term view of the Borough's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Borough's operations in more detail than the government-wide statements by providing information about the Borough's most significant funds. Since Hellertown Borough is a general purpose government we have elected to combine fund financial statements into government-wide financial statements for single presentation. 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 the government.

REPORTING ON THE BOROUGH AS A WHOLE

The analysis of the Borough as a whole begins on page 10. One of the most important questions asked about the Borough's finances is "Is the Borough as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Borough as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting, which recognizes revenue when received and expenses when paid.

These two statements report the Borough's net position and changes in them. You can think of the Borough's net position . the difference between assets and liabilities . as one way to measure the Borough's financial health, or financial position. Over time, increases or decreases in the Borough's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Borough's property tax base and the condition of the Borough's roads, to assess the overall health of the Borough.

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In the Statement of Net Position and the Statement of Activities, the Borough presents Governmental and Business Type Activities. All of the Borough's basic services are reported here. The Borough's Governmental Activities include the General Fund, Special Revenue Fund (includes Liquid Fuels Fund and Fire Protection Fund) Debt Service Fund and Capital Projects Fund (includes Fire Capital Fund). These fund types are explained in more detail on page 21. The Borough has one Business Type Activity which is its Sanitation Fund.

Reporting the Borough's Most Significant Funds

Our analysis of the Borough's governmental funds begin on page 12 and provides detailed information about the most significant funds . General Fund, Capital Projects Funds and Special Revenue Funds - not the Borough as a whole. All of the Borough's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified cash basis of accounting. The general fund statements provide a detailed short term view of the Borough's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

THE BOROUGH AS TRUSTEE

The Borough is the trustee, or fiduciary, over its employees' pension trust funds. It's also responsible for other assets which can only be used for the depositors based on the trust agreement with those depositors. All of the Borough's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 14 - 16. 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 BOROUGH OF HELLERTOWN AS A WHOLE

The Borough of Hellertown's combined net position was much higher increasing from \$2,868,764 in 2013 to \$3,485,382 in 2014, or a net increase of \$616,618. In contrast, 2013 net position decreased by \$405,364.

Our analysis below focuses on the net position and changes in net position of the Borough's governmental and business type activities.

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 1 Net Position

	<u>Governmental Funds</u>		<u>Business Type Activities</u>		<u>Government Wide</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Cash & Cash Equivalent	\$ 4,663,802	\$ 5,182,644	\$ 203,927	\$ 201,345	\$ 4,867,729	\$ 5,383,989
Total Assets	<u>\$ 4,663,802</u>	<u>\$ 5,182,644</u>	<u>\$ 203,927</u>	<u>\$ 201,345</u>	<u>\$ 4,867,729</u>	<u>\$ 5,383,989</u>
Current Liabilities	\$ 81,025	\$ 80,640	\$ 19,442	\$ 20,032	\$ 100,467	\$ 100,672
Non Current Liabilities - Notes Payable	1,836,814	1,756,235	61,684	41,700	1,898,498	1,797,935
Total Liabilities	<u>\$ 1,917,839</u>	<u>\$ 1,836,875</u>	<u>\$ 81,126</u>	<u>\$ 61,732</u>	<u>\$ 1,998,965</u>	<u>\$ 1,898,607</u>
Restricted for Special Purpose	\$ 1,797,839	\$ 1,792,546	\$ -	\$ -	\$ 1,797,839	\$ 1,792,546
Unreserved - Undesignated	948,124	1,553,223	122,801	139,613	1,070,925	1,692,836
Total Net Position	<u>\$ 2,745,963</u>	<u>\$ 3,345,769</u>	<u>\$ 122,801</u>	<u>\$ 139,613</u>	<u>\$ 2,868,764</u>	<u>\$ 3,485,382</u>

Net position of the Borough's governmental wide activities increased by 21.85% in 2014. Therefore, the Borough increased its net position for governmental activities by \$616,618 in 2014. Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements changed from \$1,070,925 at the end of 2013 to \$1,692,836 at the end of 2014. The net position of the Borough's Business Type Activities increased by 13.07%. Accordingly, the Borough increased its net position for Business Type Activities by \$16,812.

Table 2 . Changes in Net Position

	<u>Governmental Funds</u>		<u>Business Type Activities</u>		<u>Government Wide</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenue						
Taxes	\$ 3,432,762	\$ 3,471,773	\$ -	\$ -	\$ 3,432,762	\$ 3,471,773
Intergovernmental Revenue	1,135,754	687,045	16,762	-	1,152,516.00	687,045.00
Refuse Collections	-	-	555,587	545,657	555,587.00	545,657.00
Recycling	-	-	135,486	134,222	135,486.00	134,222.00
Charges for Service	153,491	213,011	-	-	153,491.00	213,011.00
Licenses & Permits	199,808	191,958	2,388	1,467	202,196.00	193,425.00
All Other	430,517	260,750	754	890	431,271.00	261,640.00
Total Revenue	<u>\$ 5,352,332</u>	<u>\$ 4,824,537</u>	<u>\$ 710,977</u>	<u>\$ 682,236</u>	<u>\$ 6,063,309</u>	<u>\$ 5,506,773</u>
Expenses						
General Government	\$ 666,258	\$ 572,365	\$ 5,000	\$ 50,061	\$ 671,258	\$ 622,426
Public Safety	1,544,970	1,492,153	-	-	1,544,970.00	1,492,153.00
Public Works	1,386,731	696,903	-	-	1,386,731.00	696,903.00
Personnel	-	-	268,058	316,599	268,058.00	316,599.00
Contracted Services	-	-	172,667	179,728	172,667.00	179,728.00
Culture & Recreation	1,300,328	510,403	-	-	1,300,328.00	510,403.00
Repairs /Maintenance & Supplies	-	-	108,317	106,873	108,317.00	106,873.00
Employee Benefits/Taxes	964,199	901,263	-	-	964,199.00	901,263.00
All Other	49,667	61,644	2,478	2,163	52,145.00	63,807.00
Total Expenses	<u>\$ 5,912,153</u>	<u>\$ 4,234,731</u>	<u>\$ 556,520</u>	<u>\$ 655,424</u>	<u>\$ 6,468,673</u>	<u>\$ 4,890,155</u>
Transfers	8,928	10,000	(8,928)	(10,000)	-	-
Change in Net Position	<u>\$ (550,893)</u>	<u>\$ 599,806</u>	<u>\$ 145,529</u>	<u>\$ 16,812</u>	<u>\$ (405,364)</u>	<u>\$ 616,618</u>

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overall, the Borough's governmental program revenues, including intergovernmental aid decreased from \$5,352,332 in 2013 to \$4,824,537 in 2014 principally based on decreases in operating grants (intergovernmental revenue).

Business Type revenue decreased by \$28,741 primarily due to the delay in receiving recycling grant and slight reductions in both refuse collection and recycling.

Governmental Activities

The cost of all governmental activities (government-wide activities) this year was \$4,890,155 compared to \$ 6,063,309 last year. However, as shown in the Statement of Activities on page 11, the amount our taxpayers ultimately financed for these activities through Borough taxes, fines, licenses, and other revenue was only \$3,310,220. Some of the cost was paid by those who directly benefitted from the program which amounted to \$892,890 or by other governments and organizations that subsidized certain programs with grants and contributions in the amount of \$687,045.

Business Type Activities

Overall the Sanitation Fund (business type activities) revenues decreased by \$28,741 primarily due to not receiving a recycling grant in 2014 (received in 2015) and a slight decrease in sanitation and recycling income.

The cost to provide these services increased by \$98,904 primarily due to an increase in personnel and general government costs. Personnel costs increased \$42,000 compared to prior year, the increase was caused by a \$27,000 allocation of accounting salaries and a \$15,000 increase in Health, Life, and Disability Insurance. The increased in General Government is due to \$16,000 in Attorney Fees for the satisfaction and the purchase of financial software.

Table 3 presents the cost of each of the Borough's five largest programs (General Government, Public Safety, Public Works, Culture & Recreation, Employee Benefits) as well as each program's net cost (total cost less revenues generated by the activities. The net cost shows the financial burden that was placed on the Borough's taxpayers by each of these functions.

Table 3 Governmental Activities

	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants</u>	<u>Net Expense</u>
General Government	572,365	-	-	572,365
Public Safety	1,492,153	73,044	261,350	1,157,759
Public Works	696,903	30,030	301,330	365,543
Culture & Recreation	510,403	109,937	-	400,466
Employee Benefits/taxes	901,263	-	124,365	776,898

Table 4 Business Type Activities

	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants</u>	<u>Net Expense</u>
Personnel & General	655,424	679,879	-	(24,455)

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE BOROUGH OF HELLERTOWN FUNDS

As the Borough completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$5,182,524 which is above last year's total of \$4,661,110. Included in this year's fund balance is a surplus of \$ 605,099 in the Borough's General Fund with all governmental funds showing a surplus of \$ 599,806.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenue of the general fund (the main operating fund of the Borough) was \$ 335,027 above budget projections, with the largest escalation seen in taxes (an increase of \$ 108,788 from budget projections and an increase of \$ 237,009 intergovernmental revenue).

The actual expenditures of the general fund were \$ 185,149 below the final budget amounts. The most significant variance of \$255,451 experienced in the general government line item can be attributed to unused time reimbursement, audit costs for a single audit, the purchase of a new accounting software program and labor solicitor.

CAPITAL PROJECTS AND DEBT ADMINISTRATION

Capital Projects

2014 major additions included the following amounts:

- \$19,704 - Public Works & Sanitation that includes purchase of new radios for all vehicles, repairs to the sanitation truck, repair to the bucket truck.
- \$77,000 - Fire for the purchase of a 2014 purchase of a F550 truck
- \$106,981 - Recreation that includes the grading and seeding of the Reinhart lot, vinyl liner replacement and engineering costs.

The Borough's fiscal year 2015 capital budget calls for it to spend another \$158,600, primarily for an architectural design of the municipal building renovations and equipment for public works and parks departments.

An additional capital project, which entails significant improvements to Water Street Park will amount to \$800,000 with funding from various state and local grants.

Remaining 2012 General Obligation Note proceeds will complete the Dimmick Park project as well as substantial repairs and rehabilitation to 5 locally owned bridges.

Debt

Notes Payable include the 2012 General Obligation Note I with an outstanding balance of \$1,836,755 that was used for long term capital improvements and the 2012 General Obligation Note II with an outstanding balance of \$61,732 remaining to pay off a Sanitation Truck.

**BOROUGH OF HELLERTOWN
2014 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC OUTLOOK

Growth of the U.S. economy was at a more tepid pace in the fourth quarter as compared to the second and third quarters of 2014. GDP grew at an annualized rate of 2.2%. Consumer spending, which represents two-thirds of the U.S. economy, continues to be robust as spending increased 4.4% resulting in the fastest growth since the first quarter of 2006. Although the persistent lack of meaningful wage growth will likely keep economic growth subdued in the near term. The Lehigh Valley unemployment rate has fallen to 5.3% , down from 7.3% during the same period last year, according to Nancy Dischinat, Lehigh Valley Workforce Executive Director, there remains a skills gap with some employers finding it difficult to hire qualified workers.+

Borough Council and staff have attempted to anticipate the impact of the economy and cost of services on municipal revenues and expenditures. As we move through the year, we will monitor performance and make adjustments in spending that are appropriate, use capital funds efficiently and effectively and maintain necessary municipal services to the community.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Borough's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed in writing to the Borough Manager, 685 Main Street, Hellertown, PA 18055.

**BOROUGH OF HELLERTOWN
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014**

ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
Cash & Cash Equivalents	\$ 5,182,644	\$ 201,345	\$ 5,383,989
Total Assets	\$ 5,182,644	\$ 201,345	\$ 5,383,989
LIABILITIES AND NET POSITION			
Liabilities:			
Current Liabilities			
Other Withholdings	\$ 120	\$ -	\$ 120
Current Portion of Notes Payable	80,520	20,032	100,552
Total Current Liabilities	80,640	20,032	100,672
Noncurrent Liabilities			
Notes Payable, net of Current Portion	1,756,235	41,700	1,797,935
Total Liabilities	\$ 1,836,875	\$ 61,732	\$ 1,898,607
NET POSITION			
Restricted for Special Purpose	\$ 1,792,546	\$ -	\$ 1,792,546
Unreserved - Undesignated	1,553,223	139,613	1,692,836
Total Net Position	\$ 3,345,769	\$ 139,613	\$ 3,485,382
Total Liabilities and Net Position	\$ 5,182,644	\$ 201,345	\$ 5,383,989

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

**BOROUGH OF HELLERTOWN
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Government activities:							
General Government	\$ 572,365	\$ -	\$ -	\$ -	\$ (572,365)	\$ -	\$ (572,365)
Public Safety	1,492,153	73,044	261,350	-	(1,157,759)	-	(1,157,759)
Public Works - Hwy/Strts	696,903	30,030	301,330	-	(365,543)	-	(365,543)
Culture and Recreation	510,403	109,937	-	-	(400,466)	-	(400,466)
Employee Benefits/Taxes	901,263	-	124,365	-	(776,898)	-	(776,898)
Contingencies	9,812	-	-	-	(9,812)	-	(9,812)
Interest	51,832	-	-	-	(51,832)	-	(51,832)
Total Governmental Activities	\$ 4,234,731	\$ 213,011	\$ 687,045	\$ -	\$ (3,334,675)	\$ -	\$ (3,334,675)
Business Type Activities:							
Sanitation	655,424	679,879	-	-	-	24,455	24,455
Total Business-Type Activities	\$ 655,424	\$ 679,879	\$ -	\$ -	\$ -	\$ 24,455	\$ 24,455
Total Primary Government	\$ 4,890,155	\$ 892,890	\$ 687,045	\$ -	\$ (3,334,675)	\$ 24,455	\$ (3,310,220)
General Revenues:							
Taxes					\$ 3,471,773	\$ -	\$ 3,471,773
Licenses & Permits					191,958	1,467	193,425
Fines & Forfeitures					59,110	-	59,110
Interest & Rents					15,559	416	15,975
Miscellaneous					183,581	474	184,055
Gain on Sale of Equipment					2,500	-	2,500
Transfers					10,000	(10,000)	-
Total General Revenues & Transfers					3,934,481	(7,643)	3,926,838
					599,806	16,812	616,618
					2,745,963	122,801	2,868,764
					\$ 3,345,769	\$ 139,613	\$ 3,485,382

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

**BOROUGH OF HELLERTOWN
BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 3,390,098	\$ 1,591,298	\$ 201,248	\$ 5,182,644
TOTAL ASSETS	\$ 3,390,098	\$ 1,591,298	\$ 201,248	\$ 5,182,644
LIABILITIES AND FUND BALANCES				
Other Withholdings	\$ 120	\$ -	\$ -	\$ 120
Total Liabilities	\$ 120	\$ -	\$ -	\$ 120
FUND BALANCES				
Restricted	-	-	153,181	153,181
Committed	-	534,590	48,067	582,657
Assigned	-	1,056,708	-	1,056,708
Unassigned	3,389,978	-	-	3,389,978
TOTAL FUND BALANCE	3,389,978	1,591,298	201,248	5,182,524
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,390,098	\$ 1,591,298	\$ 201,248	

Reconciliation to Statement of Net Position - Modified Cash Basis:

Amounts reported for governmental activities in the Statement of Net Position - Modified Cash Basis are different because:

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds

(1,836,755)

Net position of governmental activities

\$ 3,345,769

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

BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
REVENUES RECEIVED				
Taxes	\$ 3,271,188	\$ -	\$ 200,585	\$ 3,471,773
Intergovernmental Revenues	557,464	-	129,581	687,045
Charges for Service	210,611	2,400	-	213,011
Fines and forfeitures	59,110	-	-	59,110
Licenses and Permits	191,958	-	-	191,958
Interest and Rent	13,669	1,605	285	15,559
Miscellaneous Revenue	183,581	-	-	183,581
Gain on Sale of Equipment	-	2,500	-	2,500
Total Revenues Received	4,487,581	6,505	330,451	4,824,537
EXPENDITURES PAID				
General Government				
Mayor & Council	16,320	-	-	16,320
Managerial	17,627	-	-	17,627
Clerical	92,378	-	-	92,378
Solicitor	23,676	-	-	23,676
General government	422,364	-	-	422,364
Public Safety				
Police	1,323,669	77,000	-	1,400,669
Fire	3,500	-	87,984	91,484
Public Works				
Highways and Streets	616,619	19,704	60,580	696,903
Culture and Recreation				
Library	49,350	-	-	49,350
Park and Pool	354,072	106,981	-	461,053
Interest	51,832	-	-	51,832
Contingencies	9,812	-	-	9,812
Employee Benefits/Taxes	901,263	-	-	901,263
Total Expenditures Paid	3,882,482	203,685	148,564	4,234,731
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	605,099	(197,180)	181,887	589,806
OTHER FINANCING SOURCES (USES)				
Transfers In	569,186	188,000	6,734	763,920
Transfers Out	(569,186)	(89,000)	(95,734)	(753,920)
Total Other Financing Sources (Uses), Net	\$ -	\$ 99,000	\$ (89,000)	\$ 10,000
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	605,099	(98,180)	92,887	599,806
Fund Balance - January 1, 2014	948,124	1,689,478	108,361	2,745,963
Fund Balance - December 31, 2014	\$ 1,553,223	\$ 1,591,298	\$ 201,248	\$ 3,345,769

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

**BOROUGH OF HELLERTOWN
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
ALL FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Pension Trust Funds	Agency Fund	Total Fiduciary Funds
ASSETS			
Cash and Cash Equivalents	\$ 123,120	\$ 88,294	\$ 211,414
Investments at Fair Value			
Guaranteed Investment Contracts	561,000	-	561,000
U.S. Government Obligations	578,375	-	578,375
Balanced Funds/Fixed Income	1,266,230	-	1,266,230
Municipal Bonds	31,964	-	31,964
International Bonds	65,292	-	65,292
Corporate Bonds	817,512	-	817,512
Mutual Funds	1,778,749	-	1,778,749
Domestic Stocks	1,487,260	-	1,487,260
International Stocks	4,468	-	4,468
Total Investments, at Fair Value	<u>6,590,850</u>	<u>-</u>	<u>6,590,850</u>
Total Assets	<u>\$ 6,713,970</u>	<u>\$ 88,294</u>	<u>\$ 6,802,264</u>
LIABILITIES AND NET POSITION			
Liabilities			
Due to Depositors	\$ -	\$ 88,149	\$ 88,149
Total Liabilities	<u>-</u>	<u>88,149</u>	<u>88,149</u>
Net Position			
Unassigned	-	145	145
Restricted	6,713,970	-	6,713,970
Total Net Position	<u>6,713,970</u>	<u>145</u>	<u>6,714,115</u>
Total Liabilities and Net Position	<u>\$ 6,713,970</u>	<u>\$ 88,294</u>	<u>\$ 6,802,264</u>

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

**BOROUGH OF HELLERTOWN
COMBINED STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Pension Trust Funds	Agency Fund	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ -	\$ -	\$ -
Employee	34,477	-	34,477
State Aid	19,825	-	19,825
	<u>54,302</u>	<u>-</u>	<u>54,302</u>
Total Contributions	54,302	-	54,302
Investment Income			
Interest	32,011	47	32,058
Dividends	130,076	-	130,076
Realized Capital Gains (Losses)	176,330	-	176,330
Net Appreciation (Depreciation) in Fair Market of Investments	9,970	-	9,970
	<u>348,387</u>	<u>47</u>	<u>348,434</u>
Total Investment Income (Loss)	348,387	47	348,434
Less: Investment Expenses	(42,466)	-	(42,466)
	<u>305,921</u>	<u>47</u>	<u>305,968</u>
Net Investment Income (Loss)	305,921	47	305,968
Total Additions (Losses), Net	360,223	47	360,270
DEDUCTIONS			
Benefits	344,680	-	344,680
Administrative Expenses	5,916	-	5,916
	<u>350,596</u>	<u>-</u>	<u>350,596</u>
Total Deductions	350,596	-	350,596
NET INCREASE (DECREASE) IN NET POSITION	9,627	47	9,674
NET POSITION - FIDUCIARY FUNDS			
JANUARY 1, 2014	<u>6,704,343</u>	<u>98</u>	<u>6,704,441</u>
DECEMBER 31, 2014	<u>\$ 6,713,970</u>	<u>\$ 145</u>	<u>\$ 6,714,115</u>

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

**BOROUGH OF HELLERTOWN
STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Increase (Decrease) in Net Position - Fiduciary Funds	\$ 9,674
Adjustments to Reconcile Net Increase (Decrease) in Net Position To Net Cash Provided (Used) by Operating Activities:	
Realized (Gains) Losses on Investments	176,330
Unrealized (Gains) Losses on Investments	9,970
(Decrease) Increase Due to Depositors	<u>2,704</u>
Cash Provided (Used) by Operating Activities	198,678

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	5,340,732
Purchase of Investments	<u>(5,504,636)</u>
Cash Provided (Used) by Investing Activities	<u>(163,904)</u>

Increase (Decrease) in Cash and Cash Equivalents	34,774
Cash and Cash Equivalents, January 1, 2014	<u>176,640</u>
Cash and Cash Equivalents, December 31, 2014	<u>\$ 211,414</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash Paid For:	
Interest	\$ -
Income Taxes	\$ -

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

**BOROUGH OF HELLERTOWN
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>PROPRIETARY FUND</u> Enterprise <u>Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 201,345
Total Assets	<u>\$ 201,345</u>
 LIABILITIES AND NET POSITION	
Liabilities:	
Current Liabilities	
Current Portion of Notes Payable	\$ 20,032
Noncurrent Liabilities	
Notes Payable, net of Current Portion	<u>41,700</u>
Total Liabilities	<u>\$ 61,732</u>
 NET POSITION	
Unrestricted	<u>\$ 139,613</u>
Total Net Position	<u>\$ 139,613</u>
Total Liabilities and Net Position	<u>\$ 201,345</u>

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

**BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>PROPRIETARY FUND</u> Enterprise Fund
REVENUES RECEIVED	
Refuse Collections	\$ 545,657
Recycling	134,222
Licenses and Permits	1,467
Interest	416
Miscellaneous	<u>474</u>
Total Revenues Received	682,236
EXPENDITURES PAID	
Personnel	316,599
Contracted Services	179,728
Repairs, Maintenance, and Supplies	106,873
General Government	50,061
Interest	<u>2,163</u>
Total Expenditures Paid	<u>655,424</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	26,812
Other Financing Sources (Uses)	
Operating Transfers - Net	<u>(10,000)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	16,812
NET POSITION - JANUARY 1, 2014	<u>122,801</u>
NET POSITION - DECEMBER 31, 2014	<u><u>\$ 139,613</u></u>

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

**BOROUGH OF HELLERTOWN
STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$679,879
Cash Payment to Suppliers for Goods & Services	(336,662)
Cash Payments to Employees for Services	(316,599)
Other Operating Receipts	<u>1,941</u>
Net Cash Provided (Used) by Operating Activities	<u>28,559</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers In (Out)	<u>(10,000)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>(10,000)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES	
Principal Paid on Long-Term Debt	(19,394)
Interest Paid on Long-Term Debt	<u>(2,163)</u>
Net Cash Provided (Used) by Capital Activities	<u>(21,557)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>416</u>
Net Cash Provided from Investing Activities	<u>416</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,582)
Cash and Cash Equivalents, January 1	<u>203,927</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$201,345</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ 28,559
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	-
Changes in Assets and Liabilities	<u>-</u>
Total Adjustments	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 28,559</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash Paid For:	
Interest	\$ 2,163
Income Taxes	\$ -

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

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies

The financial statements of the Borough of Hellertown (the "Borough") have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

The Financial Reporting Entity

The Borough of Hellertown was incorporated in 1872 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth"). The Borough operates as a council-manager form of government, is located in Northampton County, Hellertown, Pennsylvania, and provides a full range of services, including public safety, roads, sanitation, recreation and general government services, to its approximately 6,000 residents.

The Borough follows generally accepted accounting principles in determining which governmental units should be included in its financial statements. Factors considered in determining whether a governmental unit should be included in the Borough's financial statements include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements of the Borough of Hellertown do not include the financial activities of the Hellertown Borough Authority (the "Authority"), which provides water and sewer services to the residents of Hellertown. The Borough's financial statements do not include the Authority as a component unit for the following reasons:

- The Hellertown Borough Authority is a separate political entity established under the laws of the Commonwealth of Pennsylvania.
- Although the Borough Council appoints the Hellertown Borough Authority's Board, it operates autonomously from the Borough government.
- The Borough has no legal or moral responsibility for the debt of the Authority.

Basis of Presentation - Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, expenditures and other financing sources and uses. The various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies (Continued)

Basis of presentation - Fund Accounting (Continued)

For financial reporting purposes, the Borough's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use and balances of the Borough's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- **General Fund** - is used to account for all financial transactions applicable to the general operations of the Borough except for those required to be accounted for in another fund.
- **Special Revenue Funds** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

Liquid Fuels Tax Fund - is utilized to account for the financial activity of the Borough's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

Fire Protection Fund - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

- **Debt Service Fund** - is used to account for the accumulation of resources for, and the payment of, principal and interest on general obligation debt supported by the full faith and credit of the Borough. The fund balance contains a deficit, which will decrease as the loan payments are made.
- **Capital Projects Funds** - are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Regular and Special Capital Projects Funds are included in the accompanying financial statements as Capital Projects Funds.

Proprietary Fund Types

Proprietary funds are used to account for the Borough's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Borough has one type of proprietary fund - the Enterprise Fund - described below.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. **Summary of Significant Accounting Policies (Continued)**

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where 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, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough has one Enterprise Fund described below.

Garbage Fund - is used to account for the administration of the collection and disposal of municipal waste and recyclable materials in the Borough and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Borough's fiduciary fund types:

- ***Agency Funds*** - are used to account for funds held in escrow for other parties. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Escrow Funds - are used to account for monies paid by developers and/or land owners which are held in escrow for the purpose of reimbursing the Borough for any and all expenses, fees and charges incurred by the Borough in connection with land development, subdivision and property improvements located in the Borough of Hellertown.

- ***Pension Trust Funds*** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer and employee contributions, and investment earnings. The Borough of Hellertown has the following pension trust funds:

Police Pension Fund - is used to account for pension benefits for police officers.

Non-Uniformed Pension Fund - is used to account for pension benefits for non-uniformed employees.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Management Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Borough. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include the recording of payroll withholdings when withheld from employees' pay and the recording of investments held (in the Pension Trust Funds) as assets. In addition, net unrealized gains and losses on investments are recorded as a result of changes in the fair value of investments, not when the investments are sold. The Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Borough's activities; it does not purport to present the net income or loss for the period.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or financial flow measurement focus. This means the Borough has elected to report on a modified cash basis while reporting long-term indebtedness in the Debt Service Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and similar discretely presented component units are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statements of assets, liabilities, and net position. The reported fund equity is segregated into contributed capital and net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

The Pension Trust Fund uses an income determination as its measurement focus. Plan member contributions and employer contributions (including the portion, if any, funded by State Aid) are recognized in the period in which contributions are paid. Benefits and refunds are recognized when paid in accordance with the terms of each plan.

Budgetary Process

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

1. Prior to October 1, 2013, the Borough Manager meets with all Department Heads.
2. Department Heads submit a proposed operating budget for the fiscal year commencing the following January 1, 2014.
3. The Operating budget includes the proposed expenditures
4. The Borough Manager and Finance Manager meet to determine proposed revenue for the fiscal year commencing January 1, 2014.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

5. Capital budgets are updated at this time.
6. The proposed budget is compiled and submitted to Borough Council for review and discussion. A number of public meetings are scheduled to obtain taxpayer comment.
7. Prior to December 31, 2013 the budget is legally enacted through a majority vote of Borough Council. An ordinance establishing the tax rate for the year is simultaneously voted on.

Cash and Cash Equivalents

The Borough's cash and cash equivalents are comprised of cash on hand, demand deposits with financial institutions, and short-term investments with original maturities of three months or less as of the date of acquisition. See Note 3 for additional disclosures.

Restricted Assets

Restricted assets are comprised of cash held in escrow for property improvements, subdivision and land development.

Encumbrances

Net position of the Governmental Fund Types may be reserved for encumbrances. Encumbrances, which represent commitments for goods and services not yet received, are reported as a reservation of net position and are not otherwise available for appropriation. All encumbrances lapsed at the end of the year. Accordingly, there was no net position reserved for encumbrances as of December 31, 2014.

Fund Balance

The fund balance of Governmental Fund Types and the Pension Trust Fund are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Council.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

As of the date of these financial statements, the Borough had restricted, committed, and assigned fund balances. The restricted fund balances consisted of the Pension Trust Funds for \$6,713,970 (Police and Non-uniformed), which was comprised of amounts reserved for the payment of employee pension benefits and the Liquid Fuels Special Revenue Fund for \$153,181. The committed fund balances consisted of Fire Protection Special Revenue Fund for \$48,067 and Fire Capital Projects Fund for \$534,590, which are reserved for fire protection. The assigned fund balances consists of General Capital Projects Fund for \$1,059,708, which is reserved for future capital expenditures.

Inter-fund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting required management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

2. Non-GAAP Budgetary Basis of Accounting

The Borough's budget is prepared on the modified cash basis of accounting and includes appropriations to cover anticipated current encumbrances. The Borough Council approves budgets, which contain estimated revenues adequate to fully fund appropriations. Appropriations not reserved for encumbrances lapse at year end. Formal budgetary integration is employed as a management control device during the year for the General Fund, all Special Revenue Funds, the Debt Service Fund and for all Capital Projects Funds.

The Statements of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual present comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 1. The Borough Council approves by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Borough Council. There were no amendments to the budget as presented in the current year.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

3. Cash and Cash Equivalents

General

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough, except for Pension Trust Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Borough.

Cash (Cash on Hand and Bank Balances)

At December 31, 2014, the carrying amount of the borough's bank deposits (excluding those held in the Pension Trust Funds, but including Agency Funds) totaled \$5,471,383 and the corresponding bank balances were \$5,556,160, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC); the uninsured bank balance of \$5,316,410 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the Act of 72), financial institutions were granted the authority to secure the deposits of the public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of the FDIC limits. The uninsured bank balances (as defined by Statement No. 3 of the GASB) of the Borough in the amount of \$5,316,410, were collateralized by this pool of assets maintained by the Borough's depository institutions.

In addition, the Borough included in cash, amounts held on hand in petty cash. At December 31, 2014, the petty cash balance was \$900.

4. Investments

Under Section 1316 of the Pennsylvania Borough Code, the Borough is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of 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, shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Borough funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured. Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

4. Investments (Continued)

As of December 31, 2014, the Borough had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Pension Trust Funds</u>		
Guaranteed Investment Contracts		\$ 561,000
U.S. Government Obligations	2015	578,375
Balanced Funds/Fixed Income		1,266,230
Municipal Bonds	2016	31,964
International Bonds	2015-2017	65,292
Corporate Bonds	2017-2024	817,512
Mutual Funds		1,778,749
Domestic Stocks		1,487,260
International Stocks		<u>4,468</u>
 Total Pension Trust Funds		 <u>\$ 6,590,850</u>

Fair Value Measurement

The Borough reports all investments at fair value. Fair value is the closing price reported on the active market in which the individual securities are traded.

Interest Rate Risk

The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Borough places limits on the amount the Borough may invest in any one issuer. Currently the Borough does not have any investments not included in the Pension Trust Funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in 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 any outside party. The Borough has no investments subject to custodial credit risk.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. Notes Payable

The Borough of Hellertown issues notes payable to finance various capital improvements throughout the Borough, which are reported in the Debt Service Fund. The Borough refinanced its General Obligation Notes Series I, 2003, and borrowed an additional \$1,515,243 (taken down on November 16, 2012), bringing the total outstanding balance on the new note (General Obligation Note Series I, 2012) to \$2,000,000 as of November 1, 2012.

The \$100,000 proceeds from the General Obligation Note II were invested in the purchase of equipment, the expenditure of which was reported on the statement of Revenues Received, Expenditures Paid and Changes in Net Position . Modified Cash Basis . Proprietary Fund under the %Repairs, Maintenance, and Supplies+ category of Expenditures Paid.

A description of the terms of each of the Borough's long-term debt obligations (%Notes+) and the balance of each outstanding at December 31, 2014 is presented below.

Notes Payable: General Obligation Notes	Balance Outstanding January 1, 2014	Additions	Reductions	Balance Outstanding December 31, 2014
General Obligation Note I 2012, fixed annual interest rate of 2.72% for 10 years, thereafter a floating rate of 65% of Prime Rate, due November 1, 2032 with monthly principal and interest installments of \$10,853.	1,915,147	-	78,392	1,836,755
General Obligation Note II 2012, fixed annual interest rate of 2.95%, due November 28, 2017 with monthly principal and interest installments of \$1,796	81,126	-	19,394	61,732
Total Notes Payable	<u>\$ 1,996,273</u>	<u>\$ -</u>	<u>\$ 97,786</u>	<u>\$ 1,898,487</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2014 are as follows:

During the year (s) ended December 31:	Principal	Interest
2015	100,552	51,230
2016	103,271	48,551
2017	106,141	45,440
2018	87,453	42,772
2019	89,896	40,329
2020-2024	488,374	162,752
2025-2029	560,642	90,484
2030-2032	362,158	15,277
Totals	<u>\$ 1,898,487</u>	<u>\$ 496,835</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

6. Real Estate Taxes

Based upon assessed valuations provided by the Northampton County approximating \$130,654,400 in 2014, the Borough bills and collects its own real estate taxes. The schedule for real estate taxes levied for 2014 is as follows:

February 3, 2014	- levy date
February 3, 2014 - April 4, 2014	- 2% discount period
April 4, 2014 - June 3, 2014	- face payment period
June 3, 2014 - February 27, 2015	- 10% penalty period
March 1, 2015	- lien date

The Borough continues to collect delinquent real estate taxes up to the first Monday in March of the following year. At that time, all unpaid real estate taxes are turned over to the County of Northampton Tax Claim Bureau for further collection. The 2014 municipal tax rate for all purposes was 20.25 mils (\$20.25 per \$1,000 of assessed valuation) of which 1.5 mils is allocated for fire protection and the remaining 18.75 mils is allocated for general purposes. The 2015 municipal tax rate is 20.25 mils of which 1.5 mils is allocated for fire protection and the remaining 18.75 mils is allocated for general purposes.

7. Commitments and Contingencies

Compensated Absences

The Borough of Hellertown has not accrued compensated absences because the Borough has elected to report its financial activities on the modified cash basis of accounting. However, all full-time employees of the Borough are entitled to paid vacation and sick days, depending on their length of service and whether the employee is a uniformed or non-uniformed employee.

Vacation days for all employees begin to accrue one year after the initial date of hire and may not be carried from year to year. Vacation allowances accrue as follows:

<u>Length of Service</u>	<u>Vacation Allowance</u>	
	<u>Uniformed</u>	<u>Non-uniformed</u>
0 days - but less than 1 year	0 days	0 days
1 year - but less than 5 years	8 days	10 days
5 years - but less than 15 years	12 days	15 days
15 years - but less than 20 years	16 days	20 days
20 years and over	20 days	25 days

Sick leave is calculated separately for uniformed and non-uniformed employees. Each uniformed employee is entitled to seven sick days per year. Sick leave can be saved from one year to the next, to a maximum of 124 days. Any sick days accumulated in excess of 124 days are lost. Uniformed employees are also entitled to 7 non-accruable snuffle days per year, a maximum of six unused at year end are compensated for at the then-current base pay rate.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

7. Commitments and Contingencies (Continued)

Compensated Absences (Continued)

Non-uniformed employees are entitled to twelve non-accruable ~~sniffle~~ days per year. Any of these days that are remaining at the beginning of the subsequent year are compensated for at the rate of 50% of the then-current base pay. In addition, each non-uniformed employee is entitled to receive ten catastrophic sick days, accruable to 120 days. Any catastrophic sick days accumulated in excess of 120 days are lost.

Insurance

The Borough is exposed to various risks of loss, including workersq compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Borough is contingently liable to the extent any potential future judgment exceeds available insurance coverage. Approximate coverage amounts for significant risk categories are set forth below.

	2014
Building and Contents	\$ 11,743,400
Boiler and Equipment	\$ 646,867
Crime and Dishonesty (Per Employee)	\$ 100,000
Comprehensive General Liability	
- Each Occurrence	\$ 1,000,000
- Aggregate Limit	\$ 2,000,000
Employee Benefits Liability	
- Each Claim	\$ 1,000,000
- Aggregated Limit	\$ 2,000,000
Commercial Auto	\$ 1,000,000
Workers' Compensation	
- Per Accident	\$ 1,000,000
- Per Disease	\$ 1,000,000
- Disease Aggregate	\$ 1,000,000
Excess Liability (Umbrella) each occurrence	\$ 7,000,000
Excess Liability (Umbrella) aggregate limit	\$ 7,000,000

Federal and State Grants

The Borough receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Borough's management, such disallowances, if any, will not be significant to the Borough's basic purpose financial statements.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans

The Borough of Hellertown administers two pension plans - the Hellertown Borough Police Pension Plan, a defined benefit plan, and the Hellertown Borough Non-Uniformed Employees Pension Plan, a defined contribution plan. Separate trustees and investment accounts have been established for each plan. Each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of each plan. Additional administrative costs are funded from investment earnings.

Police Pension Plan

Plan Description

The Borough of Hellertown administers a single-employer defined benefit pension plan, Hellertown Borough Police Pension Plan (Police Pension Plan or PPP). This plan covers all existing and future full-time or regular members of the Borough's police force who work for a stated salary or compensation. It is the responsibility of a committee to function as administrative agents for the PPP. The committee consists of: (1) the Vice-president of Council; (2) one active policeman; (3) one retired policeman receiving pension benefits; and (4) two electors of the Borough (neither members of the police force nor individuals receiving pension benefits). The PPP does not issue a stand-alone report.

The PPP provides for normal retirement, disability, survivor, and death benefits to plan members and their beneficiaries under authority of Pennsylvania Act 205, the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). Pension benefits vest after the completion of 12 years of full-time service as a police officer.

Under the Police Pension Plan's provisions, participants are eligible for pension benefits after completing 25 years of continuous service and upon attaining the age of 50 or after completing 20 years of service. Eligible participants receive ½ of their average monthly compensation over their last thirty-six (36) months of employment, continuing for life in equal monthly payments. Any officer who serves as a police officer with the Borough for one or more years in excess of the minimum 25 years of service is eligible to receive an additional benefit of \$100 per month for each year of service in excess of 25 years to a maximum of \$500.

As of December 31, 2014, the Police Pension Plan's membership consisted of the following:

Active employees	12
Retirees and beneficiaries currently receiving benefits	10
Terminated employee entitled to benefits but not yet receiving them	-
Total Plan Membership	<u>22</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Summary of Significant Accounting Policies

Financial information of the Police Pension Plan is presented on the modified cash basis of accounting. Plan member contributions and employer contributions (including the portion, if any, funded by State Aid) are recognized in the period in which the contributions are received rather than when they are due. Benefits and refunds are recognized when paid rather than when the liability is incurred.

Investments of the PPP are reported at fair market value. Cash and cash equivalents are reported at cost, which approximates fair market value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Concentration of Credit Risk

The Plan places no limit on the amount that may be invested with any one organization.

At December 31, 2014, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent or more of net assets available for benefits ($\$5,597,981 \times .05 = \$279,749$):

Vanguard Value Index Fund . SIG 1346	\$426,619
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In addition, the PPP did not have any investment transactions with related parties during the year ended December 31, 2014.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Contributions

Act 205 requires that annual contributions to the Police Pension Plan be based upon the PPP's Minimum Municipal Obligation (MMO). The MMO is based upon the biennial actuarial valuation. According to Act 205, actuarial valuations may be made biennially and the most recent actuarial valuation for the PPP was completed as of January 1, 2013. The MMO includes the normal cost, estimated administrative expenses and an amortization of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The plan is eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO, which exceed the Commonwealth's allocation, must be contributed by the Borough in accordance with Act 205. The Borough's actuarially determined contribution to the Police Pension Plan for the year ended December 31, 2014, amounted to zero. Effective March 23, 2014, active members of the PPP are required to contribute 1% of their salary for the Plan year 2014, 1.5% for the 2015 Plan year, and 2% for the 2016 Plan year.

Administrative costs, including fees for investment, custodial trustee and actuarial services, are charged to the PPP and are funded from investment earnings.

The Borough of Hellertown does not have a net pension obligation as of December 31, 2014. The Police Pension Plan assets are in excess of the actuarial accrued liability, resulting in no amortization payment. Ten percent of the excess may be used each year to offset annual required contributions. Accordingly, there were no employer contributions made during the year ended December 31, 2014.

A summary of annual pension cost and net pension obligation (asset) for the most recent three years is set forth below.

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2012	\$ -	100%	\$ -
12/31/2013	\$ -	100%	\$ -
12/31/2014	\$ -	100%	\$ -

Deposits and Investments

The Governmental Accounting Standards Board, in Statement No. 3 (GASB 3), as amended by GASB 40, requires certain note disclosures about a governmental entity's deposits with financial institutions, investments (including repurchase agreements) and reverse repurchase agreements. The disclosures required by GASB 3, as amended by GASB 40, provide readers with information concerning the credit and market risks associated with the Plan's deposits and investments.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Deposits and Investment Risks

At December 31, 2014, the Plan held \$123,120 in the Goldman Sachs Financial Square Treasury Obligation Fund. The average maturity of the fund is not available.

Investments

- (i) The Plan has no policy regarding credit risk. The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.
- (ii) Custodial Credit Risk . As of December 31, 2014 and throughout the year, the investments held by the plan in Mutual Funds were not exposed to custodial credit risk.
- (iii) Interest Rate Risk . The plan has no formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. The plan invested in the following fixed income funds and corporate bonds:

<u>Corporate Bonds</u>	<u>Maturity (Years)</u>	<u>Moody's Ratings</u>
Bank of America Corp 1.700% 08/25/17	2.66	A-
Wells Fargo & Co 1.400% 09/08/17	2.75	A+
American Express 1.550% 09/22/17	2.75	A-
Royal Bank of Canada 1.400% 10/13/17	2.83	AA-
Morgan Stanley 1.875% 01/05/18	3.08	A-
Merrill Lynch & Co 6.875% 04/25/18	3.33	A-
Wells Fargo Co 2.125% 04/22/19	4.33	A+
Morgan Stanley 2.375% 07/23/19	4.58	A-
Citigroup Inc 2.500% 07/29/19	4.58	A-
American Express 2.250% 08/15/19	4.67	A-
American Honda Fin 2.250% 08/15/19	4.67	A+
Bank of NY Mellon 2.300% 09/11/19	4.75	A+
Enterprise Products 2.550% 10/15/19	4.83	BBB+
General Mills Inc 2.200% 10/21/19	4.83	BBB+
JPMorgan Chase & Co 2.200% 10/22/19	4.83	A
Goldman Sachs 2.550% 10/23/19	4.83	A-
Statoil Asa 2.250% 11/08/19	4.92	AA-
Chevron Corp 2.193% 11/15/19	4.92	AA
Kinder Morgan Inc 3.050% 12/01/19	5.00	BBB-
Unitedhealth Grp Inc 2.300% 12/15/19	5.00	A+
BB&T Corporation 2.450% 01/15/20	5.08	A-
BP Capital Markets 2.251% 01/15/20	5.08	A
Goldman Sachs Group 6.000% 06/15/20	5.5	A-
JPMorgan Chase 4.400% 07/22/20	5.58	A
Citigroup Inc 5.375% 08/09/20	5.67	A-
Morgan Stanley 5.500% 07/28/21	6.58	A-
JPMorgan Chase & Co 3.325% 05/13/24	9.42	A
Goldman Sachs Group 3.850% 07/08/24	9.58	A-
Kinder Morgan Ener Part 4.250% 09/01/24	9.75	BBB-
Morgan Stanley 3.700% 10/23/24	9.83	A-
Verizon Comm 3.500% 11/01/24	9.92	BBB+
Phillip Morris 3.250% 11/10/24	9.92	A
Petrobras Intl Fin 3.500% 02/06/17	2.17	BBB-
Rabobank 2.125% 10/13/15	0.83	A+

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Investments (Continued)

<u>Name</u>	<u>Duration (Years)</u>	<u>Average Credit Quality</u>	<u>Morningstar Rating</u>
Federated Corporate Bond Strat Portfolio (157)		Not Available	
Vanguard Intermediate Term Bond	6.51	A	****
PIMCO Total Return Fund	5.33	Not Rated	*****
Osterweis Strategic Income	2.27	B	***

(iv) Foreign Currency Risk . As of December 31, 2014 and throughout the year, the investments held by the plan in the following International Common Stocks:

<u>Name</u>	<u>Amount</u>
BCE Inc.	\$ 8,117
Total Fina Elf SA	\$ 12,902
Vodafone Group Plc Sp ADR	\$ 7,244
Unilever Plc . Sponsored PDR	\$ 9,472
Glaxosmithkline Plc . ADR	\$ 15,087
National Grid Plc Sponsored ADR	\$ 14,768
Royal Dutch Shell PLC . ADRB	\$ 12,868
BP P.L.C. ADR	\$ 10,559
Petrobas Int Fin	\$ 42,016
Rabobank	\$ 23,276

Funded Status and Funding Progress

As of January 1, 2013, the date of the most recent actuarial valuation, the funded status of the plan was as follows:

Actuarial Value of Assets (a)	\$ 5,213,064
Actuarial Accrued Liability (AAL) Entry age (b)	\$ 4,041,607
Unfunded (Assets in Excess of) AAL (b-a)	\$ (1,171,457)
Funded Ratio (a/b)	129.0%
Covered Payroll (c)	\$ 829,224
UAAL as a Percentage of Covered Payroll ((b-a)/c)	(131.3%)

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

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Actuarial Valuation and Significant Assumptions

Additional information regarding the actuarial methods and significant assumptions used in the most recent actuarial valuation follows:

Valuation Date:	January 1, 2013
Actuarial cost method:	Entry age
Amortization method:	Level dollar
Remaining amortization period:	None
Asset valuation method:	Market
Actuarial assumptions:	
Interest rate:	7.0%
Salary projection:	5.0%
Retirement age:	Age 50 and 25 years of service
Cost-of-living adjustments:	None

Non-Uniformed Employees' Pension Plan

The Borough of Hellertown established a pension plan effective January 1, 1992, entitled Hellertown Borough Non-Uniformed Employees Pension Plan (the "NUEPP"). The NUEPP covers all existing and future full-time non-uniformed salaried and management employees of the Borough. This single-employer defined contribution plan is administered by the International City Management Association Retirement Corporation in the form of a Money Purchase Plan and Trust. The NUEPP provides for normal retirement benefits at age 65 under authority of Act 205.

The contribution requirements established by the Money Purchase Plan and Trust Agreement adopted by the Borough are as follows:

- The Borough shall contribute \$1,300 on behalf of each participant for each plan year.
- Each participant is required to contribute to the NUEPP as a condition of participation; however, the Borough has elected to pick up the mandatory participant contributions in accordance with Internal Revenue Service Code Section 414(h)(2).
- Each participant may make voluntary, after-tax contributions.

The NUEPP is eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. The Borough, in accordance with Act 205, must contribute any funding requirements that exceed state aid. During the year ended December 31, 2014, employee contributions amounted to \$27,479 Employer funding requirements for 2014, amounting to \$19,825, of which \$19,825 was funded from State Aid.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. Pension Plans (Continued)

Actuarial Valuation and Assumptions (Continued)

Non-Uniformed Employees' Pension Plan (Continued)

Employee contributions vest immediately. Employer contributions vest in accordance with the following schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
1	0%
2	0%
3	20%
4	40%
5	60%
6	80%
7	100%

9. Postemployment Benefits Other Than Pensions

Plan Description: The Borough of Hellertown administers a single-employer defined benefit healthcare plan. All full-time uniformed and non-uniformed employees who retire from the Borough are eligible to receive these benefits. The benefit provisions and obligations to contribute are established in accordance with separate employee contracts. In accordance with the employee contracts, the Borough's obligation for payment of health insurance coverage premiums is limited to \$200 per month for non-uniformed employees before January 1, 2001, \$250 per month for non-uniformed employees retiring between January 1, 2001 and December 31, 2010, and \$350 per month for non-uniformed employees retiring after January 1, 2011. \$250 per month for uniformed employees retiring between January 1, 2002 and December 31, 2004, \$350 per month for uniformed employees retiring in 2005, \$450 per month for uniformed employees retiring in 2006, \$550 per month for uniformed employees retiring in 2007, \$660 per month for uniformed employees retiring in 2010 and the contract is silent for employees retiring since 2010. The retirees are obligated to absorb any and all monthly premium costs in excess of Borough contributions. Currently, the Borough pays the monthly health insurance premiums for each participant and is reimbursed by each retiree for an amount whereby the Borough's contribution does not exceed those listed above. As of December 31, 2014, eleven retirees are eligible and receiving these benefits. The health care benefits cover retired employees only; however, the retirees have the option to continue coverage for their spouses at their own expense. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy: The Borough contributes to the cost of current-year premiums for eligible retired plan members as described above. For the year ended December 31, 2014, the Borough paid \$45,760 toward retiree health care premiums. Plan members receiving benefits contribute the remaining amount of their premium costs above the amount paid by the Borough as described above. In the year ended December 31, 2014, total member contributions were \$29,341.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

9. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Cost and Net OPEB Obligation: The town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The borough has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the town's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 70,115
Interest on net OPEB obligation	3,052
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	73,167
Contributions made	<u>(45,760)</u>
Increase in net OPEB obligation	27,407
Net OPEB obligation- beginning of year	<u>130,617</u>
 Net OPEB obligation- end of year	 <u>\$ 158,024</u>

The town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 78,720	57.62%	\$ 95,420
12/31/13	\$ 78,057	55.04%	\$ 130,617
12/31/14	\$ 73,167	62.54%	\$ 158,024

Funded Status and Funding Progress: As of December 31, 2014, the actuarial accrued liability for benefits was \$850,885, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,832,899, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 46.42% percent.

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

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

9. Postemployment Benefits Other Than Pensions (Continued)

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

The following simplifying assumptions were made:

Retirement age for active employees: Active plan members were assumed to retire at their full normal retirement age according to Social Security Administration.

Mortality: Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2014 United States Life Tables for Males and for Females were used.

Turnover: Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums: the monthly benefit as described above was used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Borough's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was twenty-seven years.

10. Operating Lease

The Borough leases certain equipment under a long-term lease agreement, expiring June 2017. Rent expense under the leases was \$4,016 in 2014. Future minimum lease payment is as follows:

Year ending December 31,		
	2015	\$ 4,016
	2016	2,536
	2017	<u>528</u>
Total Minimum Lease Payments		<u>\$ 11,360</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

11. Subsequent Events

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through September 8, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 3,271,188	\$ 3,162,400	\$ 108,788
Licenses and Permits	191,958	179,250	12,708
Fines and Forfeitures	59,110	60,700	(1,590)
Interest and Rent	11,870	7,550	4,320
Intergovernmental Revenue	296,114	59,105	237,009
Charges for Services	210,611	115,785	94,826
Miscellaneous Revenue	167,946	288,980	(121,034)
Total Revenues Received	<u>4,208,797</u>	<u>3,873,770</u>	<u>335,027</u>
EXPENDITURES PAID			
General Government	559,254	432,054	(127,200)
Public Safety	1,275,714	1,284,271	8,557
Public Works - Highways and Streets	577,982	482,880	(95,102)
Culture and Recreation	337,833	345,864	8,031
Employee Benefits/Taxes	901,263	1,156,714	255,451
Interest	-	130,225	130,225
Contingencies	9,813	15,000	5,187
Total Expenditures Paid	<u>3,661,859</u>	<u>3,847,008</u>	<u>185,149</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	546,938	26,762	520,176
Other Financing Sources (Uses)			
Operating Transfers - Net	50,180	-	50,180
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	597,118	26,762	570,356
FUND BALANCE - JANUARY 1, 2014			
	<u>2,343,549</u>	<u>2,343,549</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2014			
	<u>\$ 2,940,667</u> (1)	<u>\$ 2,370,311</u>	<u>\$ 570,356</u>

(1) Schedule includes General Fund activity only, all other general operation funds are excluded.

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest	\$ 1,605	\$ -	\$ (1,605)
Charges for Service	2,400	-	(2,400)
Miscellaneous Revenue	2,500	-	(2,500)
Total Revenues Received	6,505	-	(6,505)
EXPENDITURES PAID			
Public Safety	77,000	-	(77,000)
Public Works - Highways and Streets	19,704	-	(19,704)
Culture and Recreation	106,981	-	(106,981)
Total Expenditures Paid	203,685	-	(203,685)
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(197,180)	-	197,180
Other Financing Sources (Uses)			
Operating Transfers - Net	99,000	-	99,000
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(98,180)	-	98,180
FUND BALANCE - JANUARY 1, 2014	1,689,478	1,689,478	-
FUND BALANCE - DECEMBER 31, 2014	\$ 1,591,298	\$ 1,689,478	\$ 98,180

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 200,585	\$ 193,500	\$ 7,085
Interest	285	300	(15)
Intergovernmental Revenue	129,581	115,763	13,818
Total Revenues Received	330,451	309,563	20,888
EXPENDITURES PAID			
Public Works - Highways and Streets	60,580	160,000	99,420
Public Safety - Fire	87,984	102,616	14,632
Total Expenditures Paid	148,564	262,616	114,052
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	181,887	46,947	(93,164)
Other Financing Sources (Uses)			
Operating Transfers - Net	(89,000)	(89,000)	-
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	92,887	(42,053)	(93,164)
FUND BALANCE - JANUARY 1, 2014	108,361	108,361	-
FUND BALANCE - DECEMBER 31, 2014	\$ 201,248	\$ 66,308	\$ (93,164)

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
BUDGET AND ACTUAL - DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest	\$ 613	\$ -	\$ (613)
Total Revenues Received	613	-	(613)
EXPENDITURES PAID			
Highways and Streets	38,638	-	(38,638)
Park and Pool	65,343	-	(65,343)
Interest	51,832	-	(51,832)
Total Expenditures Paid	155,813	-	(155,813)
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(155,200)	-	155,200
Other Financing Sources (Uses)			
Operating Transfers - Net	130,224	-	130,224
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(24,976)	-	24,976
FUND BALANCE - JANUARY 1, 2014	(1,255,665)	(1,255,665)	-
FUND BALANCE - DECEMBER 31, 2014	\$ (1,280,641)	\$ (1,255,665)	\$ 24,976

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
SCHEDULE OF FUNDING PROGRESS -
POLICE PENSION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 2009, is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Excess of Assets Over (Under) AAL	(4) Funded Ratio	(5) Covered Payroll
	(a)	(b)	(a-b)	(a)/(b)	(c)
1/1/2009	\$ 4,566,515	\$ 3,308,159	\$ 1,703,875	138.04%	\$ 494,705
1/1/2011	\$ 5,177,306	\$ 3,473,431	\$ 1,703,875	149.05%	\$ 667,587
1/1/2013	\$ 5,213,064	\$ 4,071,607	\$ 1,171,457	129.00%	\$ 892,224

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability and assets in excess of (Unfunded) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the PPP funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the plan.

Trends in assets in excess of (unfunded) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the assets in excess of (Unfunded) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the PPP progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller the percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the percentage, the stronger the plan.

See independent auditors' report on required supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF HELLERTOWN
 SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES -
 POLICE PENSION PLAN
 FOR THE THREE YEARS ENDED DECEMBER 31**

Calendar Year	Annual Required Contribution	Percent Contributed
2012	\$ - (a)	N/A
2013	\$ - (a)	N/A
2014	\$ 50,846	100%

Note: Contributions include state pension aid.

(a) No contribution required.

N/A = Not applicable as there was no contribution required.

See independent auditors' report on required supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF HELLERTOWN
NOTES TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014**

The information presented in the required supplementary schedules for the Police Pension Plan was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date is set forth below.

Actuarial valuation date	1/1/13
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Amortization period	None
Asset valuation method	Market

Actuarial assumptions:

Investment rate of return:	1/1/09	7%
Investment rate of return:	1/1/11	7%
Investment rate of return:	1/1/13	7%
Projected salary increases:	1/1/13	5%

There were no changes in actuarial methods and assumptions used for the actuarial valuation performed as of January 1, 2013 the most recent actuarial valuation.

See independent auditors' report on required supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF HELLERTOWN
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentag e of Covered Payroll ((b - a) / c)
12/31/12	\$-0-	\$951,414	\$951,414	0.0%	\$1,740,797	54.65%
12/31/13	\$-0-	\$927,589	\$927,589	0.0%	\$1,813,856	51.14%
12/31/14	\$-0-	\$850,885	\$850,885	0.0%	\$1,832,899	46.42%

See independent auditors' report on required supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF HELLERTOWN
COMBINING BALANCE SHEET - MODIFIED CASH BASIS - SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	<u>Fire Protection</u>	<u>State Liquid Fuels</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	<u>\$ 48,067</u>	<u>\$ 153,181</u>	<u>\$ 201,248</u>
Total Assets	<u>\$ 48,067</u>	<u>\$ 153,181</u>	<u>201,248</u>
LIABILITIES AND FUND BALANCES			
Fund Balance			
Restricted	\$ -	\$ 153,181	\$ 153,181
Committed	<u>48,067</u>	<u>-</u>	<u>48,067</u>
Total Liabilities and Fund Balances	<u>\$ 48,067</u>	<u>\$ 153,181</u>	<u>\$ 201,248</u>

See independent auditors' report on supplementary information.

BOROUGH OF HELLERTOWN
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	Fire Protection	State Liquid Fuels	Total
REVENUES RECEIVED			
Taxes	\$ 200,585	\$ -	\$ 200,585
Intergovernmental Revenues	-	129,581	129,581
Interest	117	168	285
	<u>200,702</u>	<u>129,749</u>	<u>330,451</u>
Total Revenue Received	200,702	129,749	330,451
EXPENDITURES PAID			
Public Works - Highways and Streets	-	60,580	60,580
Public Safety - Fire	87,984	-	87,984
	<u>87,984</u>	<u>60,580</u>	<u>148,564</u>
Total Expenditures Paid	87,984	60,580	148,564
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	<u>112,718</u>	<u>69,169</u>	<u>181,887</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	4,918	1,816	6,734
Transfers Out	(93,918)	(1,816)	(95,734)
	<u>(89,000)</u>	<u>-</u>	<u>(89,000)</u>
Total Other Financing Sources (Uses), Net	\$ (89,000)	\$ -	\$ (89,000)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	23,718	69,169	92,887
Fund Balances - January 1, 2014	<u>24,349</u>	<u>84,012</u>	<u>108,361</u>
Fund Balances - December 31, 2014	<u>\$ 48,067</u>	<u>\$ 153,181</u>	<u>\$ 201,248</u>

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
COMBINING STATEMENT OF PLAN NET POSITION - MODIFIED CASH BASIS
ALL PENSION TRUST FUNDS
DECEMBER 31, 2014**

	Police Pension Plan	Non-Uniformed Pension Plan	Total
ASSETS			
Cash and Cash Equivalents	\$ 123,120	\$ -	\$ 123,120
Investments, at Fair Value			
Guaranteed Investment Contracts	-	561,000	561,000
U.S. Government Obligations	578,375	-	578,375
Balanced Funds/Fixed Income	926,756	339,474	1,266,230
Municipal Bonds	31,964	-	31,964
International Bonds	65,292	-	65,292
Corporate Bonds	803,062	14,450	817,512
Mutual Funds	1,778,749	-	1,778,749
Domestic Stocks	1,223,088	264,172	1,487,260
International Stocks	-	4,468	4,468
Total Investments, at Fair Value	<u>5,407,286</u>	<u>1,183,564</u>	<u>6,590,850</u>
Total Assets	<u>\$ 5,530,406</u>	<u>\$ 1,183,564</u>	<u>\$ 6,713,970</u>
LIABILITIES AND NET POSITION			
Net Position			
Restricted	<u>\$ 5,530,406</u>	<u>\$ 1,183,564</u>	<u>\$ 6,713,970</u>
Total Liabilities and Net Position	<u>\$ 5,530,406</u>	<u>\$ 1,183,564</u>	<u>\$ 6,713,970</u>

See independent auditors' report on supplementary information.

BOROUGH OF HELLERTOWN
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION -
MODIFIED CASH BASIS - ALL PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Police Pension Plan	Non-Uniformed Pension Plan	Total
ADDITIONS			
Contributions			
Employer	\$ -	\$ -	\$ -
Employee	6,998	27,479	34,477
State Aid	-	19,825	19,825
Total Contributions	6,998	47,304	54,302
Investment Income			
Interest	32,011	-	32,011
Dividends	130,076	-	130,076
Realized Capital Gains (Losses)	176,330	-	176,330
Net Appreciation (Depreciation) in Fair Value of Investments	(33,050)	43,020	9,970
Total Investment Income (Loss)	305,367	43,020	348,387
Less: Investment Expenses	(42,466)	-	(42,466)
Net Investment Income (Loss)	262,901	43,020	305,921
Total Additions (Losses), Net	269,899	90,324	360,223
DEDUCTIONS			
Benefits	252,755	91,925	344,680
Administrative Expenses	5,916	-	5,916
Total Deductions	258,671	91,925	350,596
NET INCREASE (DECREASE) IN PLAN NET POSITION	11,228	(1,601)	9,627
NET POSITION - RESTRICTED FOR EMPLOYEES' PENSION BENEFITS:			
JANUARY 1, 2014	5,519,178	1,185,165	6,704,343
DECEMBER 31, 2014	\$ 5,530,406	\$ 1,183,564	\$ 6,713,970

See independent auditors' report on supplementary information.