

BOROUGH OF HELLERTOWN

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

December 31, 2015

**BOROUGH OF HELLERTOWN
TABLE OF CONTENTS**

	Page(s)
Independent Auditors' Report	1 - 3
Management's Discussion & Analysis	4 - 9
<i><u>Financial Statements</u></i>	
Statement of Net Position - Modified Cash Basis	10
Statement of Activities - Modified Cash Basis	11
Balance Sheet - Modified Cash Basis - Governmental Funds	12
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	13
Statement of Net Position - Modified Cash Basis - All Fiduciary Funds	14
Combined Statement of changes in Net Position - Modified Cash Basis - All Fiduciary Funds	15
Statement of Cash Flows - Modified Cash Basis - All Fiduciary Funds	16
Statement of Net Position – Modified Cash Basis – Proprietary Funds	17
Statement of Revenues Received, Expenditures Paid and Changes in Net Position - Modified Cash Basis - Proprietary Funds	18
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	19
Notes of Financial Statements	20 - 40
<i><u>Required Supplementary Information</u></i>	
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual - General Fund	42
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual - All Capital Projects Funds	43
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual - All Special Revenue Funds	44

**BOROUGH OF HELLERTOWN
TABLE OF CONTENTS (Continued)**

	Page(s)
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual - Debt Service Funds	45
Schedule of Borough Contributions - Police Pension Plan	46
Schedule of Changes in Net Pension Asset and Related Ratios - Police Pension Plan	47
Notes to Required Supplementary Schedules - Police Pension Plan	48
Schedule of Funding Progress for the Retiree Health Plan	49
 <i><u>Other Supplementary Information</u></i>	
Combining Balance Sheet - Modified Cash Basis - Special Revenue Funds	51
Combining Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances - Modified Cash Basis - Special Revenue Funds	52
Combining Statement of Plan Net Position - Modified Cash Basis - All Pension Trust Funds	53
Combining Statement of Changes in Plan Net Position - Modified Cash Basis - All Pension Trust Funds	54

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, 2015, 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, 2015, 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

Change in Accounting Principle

As discussed in Note 1 of the financial statements, management has elected to change its policy for recording net pension liability, along with applicable deferred outflows and inflows of resources on all defined benefit and defined contribution pension plans. Our opinion is not modified with respect to the matter.

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 Supplementary 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 & Yurawita LLP
Certified Public Accountants
Allentown, PA

September 6, 2016

**BOROUGH OF HELLERTOWN
2015 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2015. 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 decreased by \$706,230 during 2015. This is primarily due to the costs associated with the Water Street Park improvements. Since the Borough of Hellertown's financial statements are prepared on the modified cash basis of accounting, associated grant receipts will be shown in the 2016 financial statements.
- Parks and Recreation expenses increased \$792,170 primarily due to costs associated with the Water Street Park improvements.
- The net position of the Sanitation fund decreased by \$43,751 during 2015. The primary reason for the decrease is due to the purchase of a street sweeper.
- The Borough reduced its debt on the GON I and GON II by \$100,564. New debt consisted of GON III for \$140,000 for the purchase of a street sweeper. Overall the Borough of Hellertown had a total of outstanding debt of \$1,921,230 as of December 31, 2015.

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
2015 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 decreased from \$ 3,485,382 in 2014 to \$2,844,906 in 2015, or a net decrease of \$640,476. In contrast, 2014 net position increased by \$616,618.

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

Table 1 Net Position

	<u>Governmental Funds</u>		<u>Business Type Activities</u>		<u>Government Wide</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Cash & Cash Equivalent	\$5,182,644	\$4,505,023	\$201,345	\$260,918	\$5,383,989	\$4,765,941
Total Assets	<u>\$5,182,644</u>	<u>\$4,505,023</u>	<u>\$201,345</u>	<u>\$260,918</u>	<u>\$5,383,989</u>	<u>\$4,765,941</u>
Current Liabilities	\$ 80,640	\$ 82,440	\$ 20,032	\$ 54,710	\$ 100,672	\$ 137,150
Non Current Liabilities - Notes Payable	1,756,235	1,673,539	41,700	110,346	1,797,935	1,783,885
Total Liabilities	<u>\$1,836,875</u>	<u>\$1,755,979</u>	<u>\$ 61,732</u>	<u>\$165,056</u>	<u>\$1,898,607</u>	<u>\$1,921,035</u>
Restricted for Special Purpose	\$1,792,546	\$1,902,051	\$ -	\$ -	\$1,792,546	\$1,902,051
Unreserved - Undesignated	1,553,223	846,993	139,613	95,862	1,692,836	942,855
Total Net Position	<u>\$3,345,769</u>	<u>\$2,749,044</u>	<u>\$139,613</u>	<u>\$ 95,862</u>	<u>\$3,485,382</u>	<u>\$2,844,906</u>

**BOROUGH OF HELLERTOWN
2015 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net position of the Borough's governmental wide activities decreased by 18.37% in 2015. Therefore, the Borough decreased its net position for governmental activities by \$596,725 in 2015. 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 \$1,692,836 at the end of 2014 to \$942,855 at the end of 2015.

The net position of the Borough's Business Type Activities decreased by 31.33%. Accordingly, the Borough decreased its net position for Business Type Activities by \$43,751. The unrestricted net position – that part of net position that can be used to finance daily business type activities changed from \$139,613 in 2014 to \$95,862 in 2015.

Table 2 Changes in Net Position

	<u>Governmental Funds</u>		<u>Business Type Activities</u>		<u>Government Wide</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenue						
Taxes	\$ 3,471,773	\$ 3,398,866	\$ -	\$ -	\$ 3,471,773	\$ 3,398,866
Intergovernmental Revenue	687,045	605,275	-	23,611	687,045.00	628,886.00
Refuse Collections	-	-	545,657	536,875	545,657.00	536,875.00
Recycling	-	-	134,222	139,973	134,222.00	139,973.00
Charges for Service	213,011	170,046	-	-	213,011.00	170,046.00
Licenses & Permits	191,958	225,399	1,467	2,230	193,425.00	227,629.00
All Other	260,750	262,906	890	11,520	261,640.00	274,426.00
Total Revenue	<u>\$ 4,824,537</u>	<u>\$ 4,662,492</u>	<u>\$ 682,236</u>	<u>\$ 714,209</u>	<u>\$ 5,506,773</u>	<u>\$ 5,376,701</u>
Expenses						
General Government	\$ 572,365	\$ 543,762	\$ 50,061	\$ 42,720	\$ 622,426	\$ 586,482
Public Safety	1,492,153	1,547,225	-	-	1,492,153.00	1,547,225.00
Public Works	696,903	852,164	-	-	696,903.00	852,164.00
Personnel	-	-	316,599	305,487	316,599.00	305,487.00
Contracted Services	-	-	179,728	229,977	179,728.00	229,977.00
Culture & Recreation	510,403	1,302,573	-	-	510,403.00	1,302,573.00
Repairs /Maintenance & Supplies	-	-	106,873	175,645	106,873.00	175,645.00
Employee Benefits/Taxes	901,263	964,643	-	-	901,263.00	964,643.00
All Other	61,644	49,641	2,163	3,340	63,807.00	52,981.00
Total Expenses	<u>\$ 4,234,731</u>	<u>\$ 5,260,008</u>	<u>\$ 655,424</u>	<u>\$ 757,169</u>	<u>\$ 4,890,155</u>	<u>\$ 6,017,177</u>
Transfers	<u>10,000</u>	<u>791</u>	<u>(10,000)</u>	<u>(791)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 599,806</u>	<u>\$ (596,725)</u>	<u>\$ 16,812</u>	<u>\$ (43,751)</u>	<u>\$ 616,618</u>	<u>\$ (640,476)</u>

Overall, the Borough's governmental program revenues, including intergovernmental aid decreased from \$4,824,537 in 2014 to \$4,662,492 in 2015 primarily based on decreases from taxes received, operating grants (intergovernmental revenue), and charges for services.

Business Type revenue increased by \$31,973 primarily due to receiving two years of recycling grant monies during 2015.

Governmental Activities

The cost of all governmental activities (government-wide activities) this year was \$6,017,177 compared to \$ 4,890,155 last year. However, it should be noted a total of \$661,902 in grant funding is pending and will be reflected in the 2015 financial statements. The total cost associated with the Water Street Park Improvement project was \$840,352. 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 \$4,541,397. Some of the cost was paid by those who directly benefitted from the program which amounted to \$846,894 such as other governments and organizations that subsidized certain programs with grants and contributions in the amount of \$628,886.

**BOROUGH OF HELLERTOWN
2015 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business Type Activities

Overall the Sanitation Fund (business type activities) revenues increased by \$31,973 primarily due to receiving the 2013 and 2014 recycling grants in 2015 and the sale of borough owned equipment.

The cost to provide these services increased by \$101,745 primarily due to a slight increase in landfill contracted services as well as maintenance and repairs costs associated with the street sweeper purchase.

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. The last column represents the comparison to 2014.

Table 3 Governmental Activities

	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants</u>	<u>2015 Net Expense</u>	<u>2014</u>
General Government	543,762	-	-	543,762	572,365
Public Safety	1,547,225	24,674	219,082	1,303,469	1,157,759
Public Works	852,164	20,137	259,392	572,635	365,543
Culture & Recreation	1,302,573	125,235	-	1,177,338	400,466
Employee Benefits/taxes	964,643	-	126,801	837,842	776,898

Table 4 Business Type Activities

	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants</u>	<u>2015 Net Expense</u>	<u>2014</u>
Sanitation	757,169	676,848	23,611	56,710	24,455

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 \$4,505,218 which is below last year's total of \$5,182,524. Included in this year's fund balance is a deficit of \$706,230 in the Borough's General Fund with all governmental funds showing a deficit of \$596,725. However, intergovernmental revenue in the amount of \$661,902 will be reflected in the 2016 financial statements due to grants received to pay for expenses associated with the Water Street Park project.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenue of the general fund (the main operating fund of the Borough) were \$125,236 above budget projections, with the largest escalation seen in intergovernmental revenue consisting of H&L reimbursements, payment in lieu of taxes and CDBG grants.

The actual expenditures of the general fund were \$579,216 above the final budget amounts. The most significant variance of \$838,824 experienced in the culture and recreation line item, can be attributed to expenses associated with the Water Street Park Project. In addition, a variance of \$100,924 was experienced in general government. This variance is attributed to additional CDBG ADA ramp work, maintenance and repairs to buildings and construction review costs. Other variances include \$68,054 in public works associated with additional road maintenance.

**BOROUGH OF HELLERTOWN
2015 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL PROJECTS AND DEBT ADMINISTRATION

Capital Projects

2015 major additions included the following amounts:

- \$60,600 Police that includes purchase equipment and IT upgrades
- \$14,446 Parks & Recreation pavilion and restroom upgrades

The Borough's fiscal year 2016 capital budget calls for it to spend another \$397,000 in capital improvements or equipment.

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 \$1,756,174 (reduced \$80,851 in 2015) that was used for long term capital improvements and the 2012 General Obligation Note II with an outstanding balance of \$41,749 (reduced \$19,983 in 2015) remaining to pay off a Sanitation Truck. New debt consists of General Obligation Note III 2015, due June 1, 2019, in the amount of \$140,000 was used to purchase a street sweeper. This obligation was reduced by \$16,693 in 2015 with an outstanding balance of \$123,307

ECONOMIC OUTLOOK

For 2016 and beyond, all official U.S. economic forecasts call for stronger growth ahead. But, economic output is not the only variable on the rise. Inflation, debt levels, interest rates, and market valuations are also increasing.

The Fed reaffirmed that the federal funds rate, the benchmark short-term interest rate, is currently in its correct range; 0.0% to 0.25%. That said, what the market continues to grapple with is the reality of higher interest rates ahead. Notably, the Fed stated that it would look at both realized and expected economic data related to employment and inflation.

So, what are the official expectations? The Congressional Budget Office (CBO) estimates that the [U.S. economy](#), after growing 2.1% in 2014, will expand at 2.9% in 2016. The majority of the economic growth will be driven by a rise in consumer spending and fixed asset investment by businesses.

The CBO also forecasts that stronger hiring in the coming years will reduce unemployment from the current 5.5% to about 5.3% by the end of 2017. The Federal Reserve is more optimistic. Current forecasts call for unemployment to be in the range of 4.8% to a high of 5.1% by the end of 2017.

The most recent long-term forecasts suggest that the U.S. economy will expand no faster than 1.8% to two percent annually. Slow growth is expected despite the economy running at full employment and inflation hitting the long-term target of two percent. The new normal economic speed will be much slower than years past. (Source: [Federal Reserve](#), April 8, 2015.)

**BOROUGH OF HELLERTOWN
2015 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2015**

ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
Cash & Cash Equivalents	\$ 4,505,023	\$ 260,918	\$ 4,765,941
Total Assets	\$ 4,505,023	\$ 260,918	\$ 4,765,941
LIABILITIES AND NET POSITION			
Liabilities:			
Current Liabilities			
Other Withholdings	\$ (195)	\$ -	\$ (195)
Current Portion of Notes Payable	82,635	54,710	137,345
Total Current Liabilities	82,440	54,710	137,150
Noncurrent Liabilities			
Notes Payable, net of Current Portion	1,673,539	110,346	1,783,885
Total Liabilities	\$ 1,755,979	\$ 165,056	\$ 1,921,035
NET POSITION			
Restricted for Special Purpose	\$ 1,902,051	\$ -	\$ 1,902,051
Unreserved - Undesignated	846,993	95,862	942,855
Total Net Position	\$ 2,749,044	\$ 95,862	\$ 2,844,906
Total Liabilities and Net Position	\$ 4,505,023	\$ 260,918	\$ 4,765,941

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, 2015**

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		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Government activities:							
General Government	\$ 543,762	\$ -	\$ -	\$ -	\$ (543,762)	\$ -	\$ (543,762)
Public Safety	1,547,225	24,674	219,082	-	(1,303,469)	-	(1,303,469)
Public Works - Hwy/Strts	852,164	20,137	259,392	-	(572,635)	-	(572,635)
Culture and Recreation	1,302,573	125,235	-	-	(1,177,338)	-	(1,177,338)
Employee Benefits/Taxes	964,643	-	126,801	-	(837,842)	-	(837,842)
Contingencies	-	-	-	-	-	-	-
Interest	49,641	-	-	-	(49,641)	-	(49,641)
Total Governmental Activities	\$ 5,260,008	\$ 170,046	\$ 605,275	\$ -	\$ (4,484,687)	\$ -	\$ (4,484,687)
Business Type Activities:							
Sanitation	757,169	676,848	23,611	-	-	(56,710)	(56,710)
Total Business-Type Activities	\$ 757,169	\$ 676,848	\$ 23,611	\$ -	\$ -	\$ (56,710)	\$ (56,710)
Total Primary Government	\$ 6,017,177	\$ 846,894	\$ 628,886	\$ -	\$ (4,484,687)	\$ (56,710)	\$ (4,541,397)
General Revenues:							
Taxes					\$ 3,398,866	\$ -	\$ 3,398,866
Licenses & Permits					225,399	2,230	227,629
Fines & Forfeitures					59,461	-	59,461
Interest & Rents					19,350	415	19,765
Miscellaneous					169,994	11,105	181,099
Gain on Sale of Equipment					14,101	-	14,101
Transfers					791	(791)	-
Total General Revenues & Transfers					3,887,962	12,959	3,900,921
					(596,725)	(43,751)	(640,476)
Net Position - January 1, 2015					3,345,769	139,613	3,485,382
Net Position - December 31, 2015					\$ 2,749,044	\$ 95,862	\$ 2,844,906

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

**BOROUGH OF HELLERTOWN
BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 2,602,972	\$ 1,851,661	\$ 50,390	\$ 4,505,023
TOTAL ASSETS	\$ 2,602,972	\$ 1,851,661	\$ 50,390	\$ 4,505,023
LIABILITIES AND FUND BALANCES				
Other Withholdings	\$ (195)	\$ -	\$ -	\$ (195)
Total Liabilities	\$ (195)	\$ -	\$ -	\$ (195)
FUND BALANCES				
Restricted	-	-	9,660	9,660
Committed	-	635,151	40,730	675,881
Assigned	-	1,216,510	-	1,216,510
Unassigned	2,603,167	-	-	2,603,167
TOTAL FUND BALANCE	2,603,167	1,851,661	50,390	4,505,218
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,602,972	\$ 1,851,661	\$ 50,390	

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

(1,756,174)

Net position of governmental activities

\$ 2,749,044

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, 2015

	General Fund	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
REVENUES RECEIVED				
Taxes	\$ 3,206,521	\$ -	\$ 192,345	\$ 3,398,866
Intergovernmental Revenues	463,983	-	141,292	605,275
Charges for Service	160,556	9,490	-	170,046
Fines and forfeitures	59,461	-	-	59,461
Licenses and Permits	225,399	-	-	225,399
Interest and Rent	17,362	1,638	350	19,350
Miscellaneous Revenue	169,814	180	-	169,994
Gain on Sale of Equipment	-	14,101	-	14,101
	<u>4,303,096</u>	<u>25,409</u>	<u>333,987</u>	<u>4,662,492</u>
EXPENDITURES PAID				
General Government				
Mayor & Council	16,339	-	-	16,339
Managerial	14,116	-	-	14,116
Clerical	96,165	-	-	96,165
Solicitor	12,924	-	-	12,924
General government	404,218	-	-	404,218
Public Safety				
Police	1,382,628	60,600	-	1,443,228
Fire	3,500	-	100,497	103,997
Public Works				
Highways and Streets	567,112	-	285,052	852,164
Culture and Recreation				
Library	49,350	-	-	49,350
Park and Pool	1,238,777	14,446	-	1,253,223
Interest	49,641	-	-	49,641
Contingencies	-	-	-	-
Employee Benefits/Taxes	964,643	-	-	964,643
	<u>4,799,413</u>	<u>75,046</u>	<u>385,549</u>	<u>5,260,008</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID				
	(496,317)	(49,637)	(51,562)	(597,516)
OTHER FINANCING SOURCES (USES)				
Transfers In	541,068	310,000	3,733	854,801
Transfers Out	(750,981)	-	(103,029)	(854,010)
	<u>(209,913)</u>	<u>310,000</u>	<u>(99,296)</u>	<u>791</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES				
	(706,230)	260,363	(150,858)	(596,725)
Fund Balance - January 1, 2015	1,553,223	1,591,298	201,248	3,345,769
Fund Balance - December 31, 2015	<u>\$ 846,993</u>	<u>\$ 1,851,661</u>	<u>\$ 50,390</u>	<u>\$ 2,749,044</u>

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, 2015**

	Pension Trust Funds	Agency Fund	Total Fiduciary Funds
ASSETS			
Cash and Cash Equivalents	\$ 180,553	\$ 86,165	\$ 266,718
Investments at Fair Value			
Guaranteed Investment Contracts	364,420	-	364,420
U.S. Government Obligations	558,937	-	558,937
Balanced Funds/Fixed Income	1,143,366	-	1,143,366
Municipal Bonds	30,401	-	30,401
Corporate Bonds	838,704	-	838,704
Mutual Funds	1,661,236	-	1,661,236
Domestic Stocks	1,317,993	-	1,317,993
International Stocks	5,004	-	5,004
Total Investments, at Fair Value	<u>5,920,061</u>	<u>-</u>	<u>5,920,061</u>
Total Assets	<u>\$ 6,100,614</u>	<u>\$ 86,165</u>	<u>\$ 6,186,779</u>
LIABILITIES AND NET POSITION			
Liabilities			
Due to Depositors	<u>\$ -</u>	<u>\$ 85,967</u>	<u>\$ 85,967</u>
Total Liabilities	<u>-</u>	<u>85,967</u>	<u>85,967</u>
Net Position			
Unassigned	-	198	198
Restricted	<u>6,100,614</u>	<u>-</u>	<u>6,100,614</u>
Total Net Position	<u>6,100,614</u>	<u>198</u>	<u>6,100,812</u>
Total Liabilities and Net Position	<u>\$ 6,100,614</u>	<u>\$ 86,165</u>	<u>\$ 6,186,779</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, 2015**

	Pension Trust Funds	Agency Fund	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 54,840	\$ -	\$ 54,840
Employee	44,128	-	44,128
State Aid	69,368	-	69,368
Total Contributions	168,336	-	168,336
Investment Income			
Interest	31,146	53	31,199
Dividends	127,770	-	127,770
Realized Capital Gains (Losses)	159,644	-	159,644
Net Appreciation (Depreciation) in Fair Market of Investments	(300,201)	-	(300,201)
Total Investment Income (Loss)	18,359	53	18,412
Less: Investment Expenses	(42,903)	-	(42,903)
Net Investment Income (Loss)	(24,544)	53	(24,491)
Total Additions (Losses), Net	143,792	53	143,845
DEDUCTIONS			
Benefits	753,956	-	753,956
Administrative Expenses	3,192	-	3,192
Total Deductions	757,148	-	757,148
NET INCREASE (DECREASE) IN NET POSITION	(613,356)	53	(613,303)
NET POSITION - FIDUCIARY FUNDS			
JANUARY 1, 2015	6,713,970	145	6,714,115
DECEMBER 31, 2015	\$ 6,100,614	\$ 198	\$ 6,100,812

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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Decrease in Net Position - Fiduciary Funds	\$ (613,303)
Adjustments to Reconcile Net Decrease in Net Position	
To Net Cash Used by Operating Activities:	
Realized Losses on Investments	159,644
Unrealized Gains on Investments	(300,201)
Decrease Due to Depositors	<u>(2,182)</u>
Cash Used by Operating Activities	(756,042)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	7,040,438
Purchase of Investments	<u>(6,229,092)</u>
Cash Provided by Investing Activities	<u>811,346</u>

Increase in Cash and Cash Equivalents	55,304
Cash and Cash Equivalents, January 1, 2015	<u>211,414</u>
Cash and Cash Equivalents, December 31, 2015	<u><u>\$ 266,718</u></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, 2015**

	<u>PROPRIETARY FUND</u> Enterprise Fund
ASSETS	
Cash & Cash Equivalents	<u>\$ 260,918</u>
Total Assets	<u><u>\$ 260,918</u></u>
 LIABILITIES AND NET POSITION	
Liabilities:	
Current Liabilities	
Current Portion of Notes Payable	\$ 54,710
Noncurrent Liabilities	
Notes Payable, net of Current Portion	<u>110,346</u>
Total Liabilities	<u><u>\$ 165,056</u></u>
 NET POSITION	
Unrestricted	<u>\$ 95,862</u>
Total Net Position	<u><u>\$ 95,862</u></u>
Total Liabilities and Net Position	<u><u>\$ 260,918</u></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, 2015**

	<u>PROPRIETARY FUND</u> Enterprise Fund
REVENUES RECEIVED	
Refuse Collections	\$ 536,875
Recycling	139,973
Intergovernmental Revenues	23,611
Licenses and Permits	2,230
Interest	415
Miscellaneous	<u>11,105</u>
Total Revenues Received	714,209
EXPENDITURES PAID	
Personnel	305,487
Contracted Services	229,977
Repairs, Maintenance, and Supplies	175,645
General Government	42,720
Interest	<u>3,340</u>
Total Expenditures Paid	<u>757,169</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(42,960)
Other Financing Sources (Uses)	
Operating Transfers - Net	<u>(791)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(43,751)
NET POSITION - JANUARY 1, 2015	<u>139,613</u>
NET POSITION - DECEMBER 31, 2015	<u><u>\$ 95,862</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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 676,848
Cash Payment to Suppliers for Goods & Services	(448,342)
Cash Payments to Employees for Services	(305,487)
Other Operating Receipts	<u>36,946</u>
Net Cash Used by Operating Activities	<u>(40,035)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers In (Out)	<u>(791)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(791)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES	
Proceeds from Note Payable	140,000
Principal Paid on Long-Term Debt	(36,676)
Interest Paid on Long-Term Debt	<u>(3,340)</u>
Net Cash Provided by Capital Activities	<u>99,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>415</u>
Net Cash Provided from Investing Activities	<u>415</u>
Net Increase in Cash and Cash Equivalents	59,573
Cash and Cash Equivalents, January 1	<u>201,345</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$260,918</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Loss	\$ (40,035)
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 Used by Operating Activities	<u><u>\$ (40,035)</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash Paid For:	
Interest	\$ 3,340
Income Taxes	\$ -

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

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

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, 2015**

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, 2015**

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' 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 "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, 2014, 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, 2015.
3. The Operating budget includes the proposed expenditures

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

4. The Borough Manager and Finance Manager meet to determine proposed revenue for the fiscal year commencing January 1, 2015.
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, 2014 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, 2015.

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, 2015**

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 \$6,100,614 (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 \$9,660. The committed fund balances consisted of Fire Protection Special Revenue Fund for \$40,730 and Fire Capital Projects Fund for \$635,151, which are reserved for fire protection. The assigned fund balances consists of General Capital Projects Fund for \$1,216,510, 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.

New Accounting Standard

In June 2012, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies (Continued)

In November 2013, the GASB issued Statement No. 71 - Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB No. 68. Statement 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing Statement 68, which was issued in June 2012. To correct this potential understatement, Statement 71 requires that when a state or local government is transitioning to the new pension standards, that it "recognize a beginning deferred outflow or resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions." Statement 71 is effective concurrent with Statement 68 for fiscal year beginning after June 15, 2014.

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.

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.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. Cash and Cash Equivalents (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2015, the carrying amount of the borough's bank deposits (excluding those held in the Pension Trust Funds, but including Agency Funds) totaled \$4,851,206 and the corresponding bank balances were \$4,961,638, of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balance of \$4,711,638 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 \$4,711,638, 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, 2015, 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.

As of December 31, 2015, the Borough had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Pension Trust Funds</u>		
Guaranteed Investment Contracts		\$ 364,420
U.S. Government Obligations	2016-2020	558,937
Balanced Funds/Fixed Income		1,143,366
Municipal Bonds	2016	30,401
Corporate Bonds	2017-2024	838,704
Mutual Funds		1,661,236
Domestic Stocks		1,317,993
International Stocks		<u>5,004</u>
Total Pension Trust Funds		<u>\$ 5,920,061</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. Investments (Continued)

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.

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.

The \$140,000 proceeds from the General Obligation Note III 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.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. Notes Payable (Continued)

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, 2015 is presented below.

Notes Payable: <u>General Obligation Notes</u>	<u>Balance Outstanding January 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding December 31, 2015</u>
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.	1,836,755	-	80,581	1,756,174
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	61,732	-	19,983	41,749
General Obligation Note III 2015, fixed annual interest rate of 2.64%, due June 1, 2019 with monthly principal and interest installments of \$3,077	<u>-</u>	<u>140,000</u>	<u>16,693</u>	<u>123,307</u>
Total Notes Payable	<u>\$ 1,898,487</u>	<u>\$ 140,000</u>	<u>\$ 117,257</u>	<u>\$ 1,921,230</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2015 are as follows:

During the year(s) ended December 31:	<u>Principal</u>	<u>Interest</u>
2016	137,345	51,356
2017	141,175	47,374
2018	123,373	43,771
2019	108,223	40,471
2020	92,299	37,927
2021-2025	502,121	149,005
2026-2030	576,301	74,825
2031-2032	<u>240,393</u>	<u>6,756</u>
Totals	<u>\$ 1,921,230</u>	<u>\$ 451,485</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

6. Real Estate Taxes

Based upon assessed valuations provided by the Northampton County approximating \$130,275,400 in 2015, the Borough bills and collects its own real estate taxes. The schedule for real estate taxes levied for 2015 is as follows:

February 3, 2015	- levy date
February 3, 2015 - April 6, 2015	- 2% discount period
April 6, 2015 - June 5, 2015	- face payment period
June 5, 2015 - February 27, 2016	- 10% penalty period
March 2, 2016	- 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 2015 municipal tax rate for all purposes was 20.25 mills (\$20.25 per \$1,000 of assessed valuation) of which 1.5 mills is allocated for fire protection and the remaining 18.75 mills is allocated for general purposes. The 2016 municipal tax rate is 20.25 mills of which 1.5 mills is allocated for fire protection and the remaining 18.75 mills 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 "catastrophic days" 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 "sniffle" 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, 2015**

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 workers’ 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.

	2015
Building and Contents	\$ 12,661,990
Boiler and Equipment	\$ 616,867
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.

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.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (Continued)

Police Pension Plan

Plan Description

The Borough of Hellertown Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 784 adopted pursuant to Act 600. The plan is governed by the Borough of Hellertown which may amend plan provisions, and which is responsible for the management of plan assets. The Borough of Slatington has delegated the authority to manage certain plan assets to Fulton Financial Advisors.

The Borough of Hellertown filed actuarial valuation report Form 201C with the Public Employee Retirement Commission. The report dated January 1, 2015, was the most recently certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension or retirement benefits for Uniform employees. The Borough's uniformed pension plan covers all existing and future full-time or regular members of the police force of the Borough who work for a stated salary or compensation. 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).

Benefits Provided

Borough of Hellertown provides normal retirement, early retirement, and disability benefits to plan members and their beneficiaries. Normal retirement benefits are calculated on 50% of members average monthly compensation during the last 36 months of employment with the Borough when the member obtains the age of 50 and completes 25 years of credited service. In addition, a member shall receive a service increment of \$100 per month for each full year of service in excess of 25 years. The maximum monthly benefit for a service increment shall be \$500 per month. Early retirement benefits are determined based on an actuarial equivalent of the accrued retirement benefit, the member must have completed 20 years of service. Disability retirement benefits are equal to 75% of the salary of the member.

At January 1, 2015, the following employees were covered by the benefit terms:

Participants:	
Retirees and Beneficiaries	11
Active Employees	10
Terminated Employees	0

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute 2% of compensation to the plan. The plan may also be 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 in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Per January 1, 2014 Agreement each officer shall contribute the following percent of their salary: 1% for the 2014 Plan year, 1.5% for the 2015 Plan year, and 2% for the 2016 Plan year.

Net Pension Asset

The Borough's net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of the date. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases - 5% Compounded annually
Investment Return - 7% per annum, net of investment expenses

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2015. In addition mortality rates were based on the Blue Collar RP-2000 Mortality Table Projected to 2015 using Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Net Pension Liability (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	7.59%
Large Cap	6.58%	Fixed Income	3.03%
Mid Cap	7.39%	Emerging Markets	10.25%
Small Cap	7.39%	Cash	0.75%

Discount Rate

The discount rate used to measure the total pension asset was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Changes in Net Position Asset

The following table shows the changes in net pension asset recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Asset (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at December 31, 2014	\$ 4,571,526	\$ 5,594,981	\$ (1,023,455)
Changes for the year:			
Service Cost	172,891	-	172,891
Interest	321,886	-	321,886
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - Employer	-	-	-
Contributions - State Aid	-	48,460	(48,460)
Contributions - Member	-	12,642	(12,642)
Net Investment Income	-	(22,095)	22,095
Benefit Payments	(292,085)	(292,085)	-
Administrative Expense	-	(8,476)	8,476
Other Changes	-	-	-
	<u>\$ 4,774,218</u>	<u>\$ 5,333,427</u>	<u>\$ (559,209)</u>
Balance at December 31, 2015	<u>\$ 4,774,218</u>	<u>\$ 5,333,427</u>	<u>\$ (559,209)</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (Continued)

Police Pension Plan (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension asset to changes in the discount rate. The table below presents the net pension asset calculated using the discount rate of 7% as well as what the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net Pension (Asset) Liability	\$ 51,538	\$ (559,209)	\$(1,068,979)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Borough of Hellertown's Retirement Plan financial report.

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

For the year ended December 31, 2015, the Borough recognized pension expense of \$103,310. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension plan Investments	<u>323,612</u>	<u>-</u>
Total	<u>\$ 323,612</u>	<u>\$ -</u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

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

Years Ended December 31,	
2016	\$ 80,903
2017	80,903
2018	80,903
2019	80,903

Financial information of the Police Pension Plan is presented on the modified cash basis of accounting. Plan member contributions are 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.

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, 2015, employee contributions amounted to \$31,486 Employer funding requirements for 2015, amounting to \$20,908, of which \$20,908 was funded from State Aid.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. Pension Plans (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, 2015, fifteen 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, 2015, the Borough paid \$48,100 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, 2015, total member contributions were \$36,034.

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

9. Postemployment Benefits Other Than Pensions

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	\$ 62,891
Interest on net OPEB obligation	3,005
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	65,896
Contributions made	<u>(48,100)</u>
Increase in net OPEB obligation	17,796
Net OPEB obligation—beginning of year	<u>158,024</u>
 Net OPEB obligation—end of year	 <u>\$ 175,820</u>

The town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/13	\$ 78,057	55.04%	\$ 130,617
12/31/14	\$ 73,167	62.54%	\$ 158,024
12/31/15	\$ 65,896	72.99%	\$ 175,820

Funded Status and Funding Progress: As of December 31, 2015, the actuarial accrued liability for benefits was \$837,812, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,702,803, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 49.20% 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, 2015**

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 2015 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, 2015, was twenty-six years.

10. Operating Lease

The Borough leases certain equipment under a long-term lease agreement, expiring December 2019. Rent expense under the leases was \$4,016 in 2015. Future minimum lease payment is as follows:

Year ending December 31,			
	2016	\$	5,187
	2017		4,659
	2018		4,131
	2019		<u>4,131</u>
Total Minimum Lease Payments		\$	<u><u>18,108</u></u>

**BOROUGH OF HELLERTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

11. Subsequent Events

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through September 6, 2016, 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, 2015**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 3,206,521	\$ 3,209,805	\$ (3,284)
Licenses and Permits	225,399	181,155	44,244
Fines and Forfeitures	59,461	56,800	2,661
Interest and Rent	15,742	10,750	4,992
Intergovernmental Revenue	244,901	62,875	182,026
Charges for Services	160,556	125,990	34,566
Miscellaneous Revenue	155,796	295,765	(139,969)
Total Revenues Received	<u>4,068,376</u>	<u>3,943,140</u>	<u>125,236</u>
EXPENDITURES PAID			
General Government	529,450	428,526	(100,924)
Public Safety	1,332,425	1,342,652	10,227
Public Works - Highways and Streets	563,990	495,936	(68,054)
Culture and Recreation	1,178,364	339,540	(838,824)
Employee Benefits/Taxes	964,642	1,237,776	273,134
Interest	-	130,225	130,225
Contingencies	-	15,000	15,000
Total Expenditures Paid	<u>4,568,871</u>	<u>3,989,655</u>	<u>(579,216)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(500,495)	(46,515)	(453,980)
Other Financing Sources (Uses)			
Operating Transfers - Net	<u>(180,919)</u>	<u>(200,000)</u>	<u>19,081</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(681,414)	(246,515)	(434,899)
FUND BALANCE - JANUARY 1, 2015	<u>2,940,667</u>	<u>2,940,667</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2015	<u>\$ 2,259,253</u>	<u>(1) \$ 2,694,152</u>	<u>\$ (434,899)</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, 2015**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest	\$ 1,638	\$ -	\$ (1,638)
Charges for Service	9,490	-	(9,490)
Miscellaneous Revenue	180		(180)
Gain on Sale of Equipment	14,101	-	(14,101)
	<u>25,409</u>	<u>-</u>	<u>(25,409)</u>
EXPENDITURES PAID			
Public Safety	60,600	-	(60,600)
Culture and Recreation	14,446	-	(14,446)
	<u>75,046</u>	<u>-</u>	<u>(75,046)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	(49,637)	-	49,637
Other Financing Sources (Uses)			
Operating Transfers - Net	310,000	-	310,000
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	260,363	-	(260,363)
FUND BALANCE - JANUARY 1, 2015			
	<u>1,591,298</u>	<u>1,591,298</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2015			
	<u>\$ 1,851,661</u>	<u>\$ 1,591,298</u>	<u>\$ (260,363)</u>

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, 2015**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 192,345	\$ 198,600	\$ (6,255)
Interest	350	260	90
Intergovernmental Revenue	141,292	138,158	3,134
Total Revenues Received	333,987	337,018	(3,031)
EXPENDITURES PAID			
Public Works - Highways and Streets	285,052	164,000	(121,052)
Public Safety - Fire	100,497	104,391	3,894
Total Expenditures Paid	385,549	268,391	(117,158)
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(51,562)	68,627	114,127
Other Financing Sources (Uses)			
Operating Transfers - Net	(99,296)	(100,000)	704
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(150,858)	(31,373)	114,831
FUND BALANCE - JANUARY 1, 2015	201,248	201,248	-
FUND BALANCE - DECEMBER 31, 2015	\$ 50,390	\$ 169,875	\$ 114,831

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, 2015**

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest	\$ 492	\$ -	\$ (492)
Total Revenues Received	<u>492</u>	<u>-</u>	<u>(492)</u>
EXPENDITURES PAID			
Highways and Streets	3,122	-	(3,122)
Park and Pool	109,083	-	(109,083)
Interest	49,641	-	(49,641)
Total Expenditures Paid	<u>161,846</u>	<u>-</u>	<u>(161,846)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(161,354)	-	161,354
Other Financing Sources (Uses)			
Operating Transfers - Net	<u>130,224</u>	<u>-</u>	<u>130,224</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(31,130)	-	31,130
FUND BALANCE - JANUARY 1, 2015	<u>(1,280,641)</u>	<u>(1,280,641)</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2015	<u>\$ (1,311,771)</u>	<u>\$ (1,280,641)</u>	<u>\$ 31,130</u>

See independent auditors' report on supplementary information.

**BOROUGH OF HELLERTOWN
SCHEDULE OF BOROUGH CONTRIBUTIONS -
POLICE PENSION PLAN
FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2015**

	2014	2015
Actuarially Determined Contribution	\$ 50,846	\$ 48,460
Contributions in Relation to the Actuarially Determined Contribution	50,846	48,460
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 910,959	\$ 951,342
Contributions as a Percentage of Covered Employee Payroll	5.6%	5.1%

Ultimately, this schedule should present information for the last ten years. However, until then years of information can be compiled, information is presented for as many years as is available.

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 CHANGES IN NET PENSION
ASSET AND RELATED RATIOS -
POLICE PENSION PLAN
FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2015**

	2015
Total Pension Asset	
Service Cost	\$ 172,891
Interest	321,886
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(292,085)
Net Change in Total Pension Asset	202,692
Total Pension Asset - Beginning	4,571,526
 Total Pension Asset - Ending	 \$ 4,774,218
 Plan Fiduciary Net Pension	
Contributions - Employer	\$ -
Contributions - State Aid	48,460
Contributions - Member	12,642
Net Investment Income	(22,095)
Benefit Payments, Including Refunds of Member Contributions	(292,085)
Administrative Expense	(8,476)
Net Change in Plan Fiduciary Net Position	(261,554)
Plan Net Position - Beginning	5,594,981
 Plan Net Position - Ending	 \$ 5,333,427
 Municipality's Net Pension Asset	 (559,209)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	 111.7%
 Covered Employee Payroll	 \$ 951,342
 Municipality's Net Pension Asset as a Percentage	 (58.8%)

Ultimately, this schedule should present information for the last ten years. However, until then years of information can be compiled, information is presented for as many years as is available.

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 REQUIRED SUPPLEMENTARY SCHEDULES-
POLICE PENSION PLAN
DECEMBER 31, 2015**

Actuarial Methods

1. Liabilities - All plan benefits are valued using the entry age normal cost valuation method.

Actuarial Assumptions

1. Economic Assumptions

- a) Investment Return - 7% per annum, net investment expenses
- b) Salary Increases - 5% compounded annually

2. Economic Assumptions

- a) Mortality
Pre-Retirement - None
Post-Retirement - The Blue Collar RP-2000 Mortality Table Projected to 2015 using Scale AA
- b) Termination - None assumed
- c) Disability - None assumed
- d) Retirement Age - normal retirement age, or age on valuation date if greater
- e) Marital Status - 80% of active members are assumed to be married. Female spouse is assumed to be 3 years younger than male spouse
- f) Form of Annuity - 50% Joint & Survivor

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, 2015**

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	(6) Excess as a % of Covered Payroll
	(a)	(b)	(b-a)	(a)/(b)	(c)	[(b-a)/(c)]
12/31/2013	\$ -	\$ 927,589	\$ 927,589	0.00%	\$ 1,813,856	51.14%
12/31/2014	\$ -	\$ 850,885	\$ 850,885	0.00%	\$ 1,832,899	46.42%
12/31/2015	\$ -	\$ 837,812	\$ 837,812	0.00%	\$ 1,702,803	49.20%

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, 2015

	Fire Protection	State Liquid Fuels	Total
ASSETS			
Cash and Cash Equivalents	\$ 40,730	\$ 9,660	\$ 50,390
Total Assets	\$ 40,730	\$ 9,660	\$ 50,390
LIABILITIES AND FUND BALANCES			
Fund Balance			
Restricted	\$ -	\$ 9,660	\$ 9,660
Committed	40,730	-	40,730
Total Liabilities and Fund Balances	\$ 40,730	\$ 9,660	\$ 50,390

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, 2015**

	Fire Protection	State Liquid Fuels	Total
REVENUES RECEIVED			
Taxes	\$ 192,345	\$ -	\$ 192,345
Intergovernmental Revenues	-	141,292	141,292
Interest	111	239	350
Total Revenue Received	192,456	141,531	333,987
EXPENDITURES PAID			
Public Works - Highways and Streets	-	285,052	285,052
Public Safety - Fire	100,497	-	100,497
Total Expenditures Paid	100,497	285,052	385,549
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	91,959	(143,521)	(51,562)
OTHER FINANCING SOURCES (USES)			
Transfers In	3,733	-	3,733
Transfers Out	(103,029)	-	(103,029)
Total Other Financing Sources (Uses), Net	\$ (99,296)	\$ -	\$ (99,296)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	(7,337)	(143,521)	(150,858)
Fund Balances - January 1, 2015	48,067	153,181	201,248
Fund Balances - December 31, 2015	\$ 40,730	\$ 9,660	\$ 50,390

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, 2015**

	Police Pension Plan	Non-Uniformed Pension Plan	Total
ASSETS			
Cash and Cash Equivalents	\$ 180,553	\$ -	\$ 180,553
Investments, at Fair Value			
Guaranteed Investment Contracts	-	364,420	364,420
U.S. Government Obligations	558,937	-	558,937
Balanced Funds/Fixed Income	863,872	279,494	1,143,366
Municipal Bonds	30,401	-	30,401
Corporate Bonds	823,574	15,130	838,704
Mutual Funds	1,661,236	-	1,661,236
Domestic Stocks	1,203,885	114,108	1,317,993
International Stocks	-	5,004	5,004
Total Investments, at Fair Value	<u>5,141,905</u>	<u>778,156</u>	<u>5,920,061</u>
Total Assets	<u>\$ 5,322,458</u>	<u>\$ 778,156</u>	<u>\$ 6,100,614</u>
LIABILITIES AND NET POSITION			
Net Position			
Restricted	<u>\$ 5,322,458</u>	<u>\$ 778,156</u>	<u>\$ 6,100,614</u>
Total Liabilities and Net Position	<u>\$ 5,322,458</u>	<u>\$ 778,156</u>	<u>\$ 6,100,614</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, 2015

	Police Pension Plan	Non-Uniformed Pension Plan	Total
ADDITIONS			
Contributions			
Employer	\$ 54,840	\$ -	\$ 54,840
Employee	12,642	31,486	44,128
State Aid	48,460	20,908	69,368
Total Contributions	115,942	52,394	168,336
Investment Income			
Interest	31,146	-	31,146
Dividends	127,770	-	127,770
Realized Capital Gains (Losses)	159,644	-	159,644
Net Appreciation (Depreciation) in Fair Value of Investments	(304,270)	4,069	(300,201)
Total Investment Income (Loss)	14,290	4,069	18,359
Less: Investment Expenses	(42,903)	-	(42,903)
Net Investment Income (Loss)	(28,613)	4,069	(24,544)
Total Additions (Losses), Net	87,329	56,463	143,792
DEDUCTIONS			
Benefits	292,085	461,871	753,956
Administrative Expenses	3,192	-	3,192
Total Deductions	295,277	461,871	757,148
NET INCREASE (DECREASE) IN PLAN NET POSITION	(207,948)	(405,408)	(613,356)
NET POSITION - RESTRICTED FOR EMPLOYEES' PENSION BENEFITS:			
JANUARY 1, 2015	5,530,406	1,183,564	6,713,970
DECEMBER 31, 2015	\$ 5,322,458	\$ 778,156	\$ 6,100,614

See independent auditors' report on supplementary information.