

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Royersford Borough  
66 Pa. C.S. §1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2020-3019634**

19. Cost of Service.
- a. Provide a copy of the seller's two most recent audited financial statements.

**RESPONSE:**

- a. See enclosed audited financial statements provided by the Borough for the previous two years (fiscal years ended 2018 and 2019). Both financial statements are attached as **Appendix A-19-a**.



**BOROUGH OF ROYERSFORD**  
**ANNUAL FINANCIAL REPORT**  
***Year Ended December 31, 2018***



*Certified Public Accountants and Business Consultants*

**INTRODUCTORY SECTION**

**BOROUGH OF ROYERSFORD**  
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**YEAR ENDED DECEMBER 31, 2018**

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**FINANCIAL SECTION**



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***Independent Auditors' Report***

To the Borough Council  
Borough of Royersford  
Royersford, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Royersford as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough of Royersford's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.



## APPENDIX A-19-a

To the Borough Council  
Borough of Royersford  
Royersford, Pennsylvania

### *Opinion*

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 50 and 51, and schedules of changes in the net police pension plan liability and related ratios on page 52, schedules of police pension plan contributions on page 53, schedules of police pension plan investment returns on page 54, schedules of changes in the net non-uniformed pension plan liability and related ratios on page 55, schedules of non-uniformed pension plan contributions on page 56 and schedules of non-uniformed pension plan investment returns on page 57 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.

*Maillie LLP*

Oaks, Pennsylvania  
July 9, 2019

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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Our discussion and analysis of the Borough of Royersford's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Borough's financial statements, which begin with the statement of net position.

**FINANCIAL HIGHLIGHTS**

The assets of the Borough exceeded its liabilities by \$8 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

Our analysis of the Borough as a whole begins with the statement of net position. One of the most important questions asked about the Borough's finances is, "What is the Borough's overall financial condition?" 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.

**Governmental Activities**

Most of the Borough's basic services are reported here, including police, public works, planning and zoning, parks and recreation and administration. The Borough also contributes to the fire departments, library and historical society.

**Business-Type Activities**

The Borough charges a fee to customers to cover the cost of the operation of the Waste Water Treatment Plant and the collection of solid waste, including recyclables.

**BOROUGH OF ROYERSFORD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2018

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**ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**General Fund**

The Borough realizes two major sources of income for the operation of the general government (excluding the trash collection service and the operations of the waste water treatment facility). The two major income sources are real estate taxes and earned income taxes (EIT). The tax millage rate increased for general purposes for 2018; the rate increased from 6.95 mills to 7.70 mills per \$1 of assessed value for general purposes and 1.25 mills per \$1 of assessed valuation for fire tax for a total assessment of 8.95 mills per \$1 of assessed valuation. A property assessed at \$100,000 would have paid \$895 including fire tax for Borough taxes in 2018.

EIT tax revenue has remained steady. Continued monitoring of collections reflects the proper amount being received by the Borough.

General Real Estate Taxes increased in 2018 due to the millage increase. Real estate transfer tax decreased due to lack of high value property sales in 2018.

Increasing costs will be experienced with the ongoing Storm Water Management related to compliance with the Department of Environmental Protection requirements of permitting and inspecting storm water systems.

A number of minor projects were completed and are reflected in the General Fund.

**Sewer Fund**

The Sewer Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income sources are connection fees for new construction and user fees based on water consumption.

The Borough has started its Infiltration Inflow Project required by the Department of Environmental Protection. The Borough's engineer has recommended completing the project within five years. In 2012, the Borough implemented the Root Control Program and Sewer Lining Project. The project was completed by the Borough in 2018. The Borough is waiting for a letter from DEP releasing the Borough from the program, the letter is expected early 2019.

**Trash Collection Fund**

The Trash Collection Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income source is the user fees.

A contract with the landfill which accepts the Borough's solid waste showed a slight increase in the volume of trash collected. The recycling collector's contract is a fixed cost for five years (through 2018). The Borough went through the bidding process for a new trash collection contract in 2015. The recycling contract runs from 2014 to 2018. The trash contract for dumping portion of trash collection runs from 2015 to 2019. Long term contracts of trash and recycling will enable the Borough to budget for future years with some certainty.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

The analysis which follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Borough's governmental and business-type activities. Comparative data from fiscal year 2017 is included.

**Table 1**  
**Condensed Statements of Net Position**  
**December 31, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Cash and cash equivalents	\$ 366,799	\$ 587,627	\$ 340,398	\$ 381,725	\$ 707,197	\$ 969,352
Other assets	264,198	114,818	151,159	256,835	415,357	371,753
Capital assets	6,132,583	6,094,996	4,545,699	4,661,294	10,678,282	10,756,290
<b>TOTAL ASSETS</b>	<b>6,763,580</b>	<b>6,797,541</b>	<b>5,037,256</b>	<b>5,299,854</b>	<b>11,800,835</b>	<b>12,097,395</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	302,828	83,728	77,842	15,710	380,670	89,438
<b>LIABILITIES</b>						
Other liabilities	110,192	214,803	53,858	37,731	164,050	252,534
Long-term	1,191,077	655,203	2,851,086	2,955,000	4,042,163	3,610,203
<b>TOTAL LIABILITIES</b>	<b>1,301,269</b>	<b>870,006</b>	<b>2,904,944</b>	<b>2,992,731</b>	<b>4,206,213</b>	<b>3,862,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	268,977	523,169	40,093	114,196	297,070	637,365
<b>NET POSITION</b>						
Net investment in capital assets	5,781,746	5,710,997	1,762,699	1,706,294	7,544,445	7,417,291
Restricted	245,110	112,408	-	-	245,110	112,408
Unrestricted	(818,694)	(335,311)	407,362	602,343	(111,332)	167,032
<b>TOTAL NET POSITION</b>	<b>\$ 5,508,162</b>	<b>\$ 5,488,094</b>	<b>\$ 2,170,061</b>	<b>\$ 2,208,637</b>	<b>\$ 7,678,223</b>	<b>\$ 7,896,731</b>

Cash and cash equivalents represent 6% and 8% of the Borough's total assets for the years ended December 31, 2018 and 2017, respectively.

By far, the largest portion of the Borough's assets, 90% (2018) and 89% (2017), reflects its investment in capital assets (e.g., land, buildings, waste water treatment plant, vehicles and recreation equipment). Because the Borough uses these capital assets to provide services to residents, these assets are not available for future spending.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

**Table 2**  
**Changes in Net Position**  
**Years Ended December 31, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 145,182	\$ 148,800	\$ 1,179,710	\$ 1,177,215	\$ 1,324,892	\$ 1,326,015
Operating grants and contributions	287,985	268,074	7,931	-	305,896	268,074
Capital grants and contributions	188,183	128,527	-	-	188,183	128,527
General revenues						
Property taxes	1,886,165	1,663,972	-	-	1,666,165	1,583,972
Earned income taxes	689,270	678,205	-	-	689,270	678,205
Real estate transfer taxes	91,003	106,065	-	-	91,003	106,065
Per capita taxes and local services tax	68,970	71,803	-	-	68,970	71,803
Public utility taxes	2,187	2,281	-	-	2,187	2,281
Franchise taxes	103,581	114,213	-	-	103,581	114,213
Amusement taxes	10,152	11,790	-	-	10,152	11,790
Investment earnings	20,634	9,020	3,838	2,821	24,472	11,841
Miscellaneous	99,353	64,864	-	-	99,353	64,864
<b>TOTAL REVENUES</b>	<b>3,362,645</b>	<b>3,161,614</b>	<b>1,191,479</b>	<b>1,180,036</b>	<b>4,664,124</b>	<b>4,341,650</b>
<b>EXPENSES</b>						
General government	794,330	655,305	-	-	794,330	655,305
Public safety	1,605,833	1,483,325	-	-	1,605,833	1,483,325
Highway/streets	756,374	588,540	-	-	756,374	588,540
Culture and recreation	159,404	141,326	-	-	159,404	141,326
Health and public welfare	-	-	-	-	-	-
Interest on long-term debt	8,425	7,587	-	-	8,425	7,587
Sewer	-	-	805,099	758,768	805,099	758,768
Trash collection	-	-	424,956	384,517	424,956	384,517
Loss on sale of capital assets	18,111	-	-	-	18,111	-
<b>TOTAL EXPENSES</b>	<b>3,342,577</b>	<b>2,866,083</b>	<b>1,230,055</b>	<b>1,143,285</b>	<b>4,572,632</b>	<b>3,999,368</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS</b>	<b>20,068</b>	<b>305,531</b>	<b>(38,578)</b>	<b>36,751</b>	<b>(18,508)</b>	<b>342,282</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>5,488,094</b>	<b>5,182,563</b>	<b>2,208,637</b>	<b>2,171,886</b>	<b>7,896,731</b>	<b>7,354,449</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 5,508,162</b>	<b>\$ 5,488,094</b>	<b>\$ 2,170,061</b>	<b>\$ 2,208,637</b>	<b>\$ 7,878,223</b>	<b>\$ 7,896,731</b>

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The uncollected real estate taxes increased from 2017 to 2018, while the earned sick leave of Borough employees decreased. The uncollected fees for the Trash Collection Fund and the Sewer Fund decreased from 2017 to 2018.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS**

The Borough has not made it a practice to change the budget amounts between the original adoption of the budget and year-end. Where actual expenses are in excess of budget amounts, or less than budget amounts, the department heads are expected to adjust spending in other areas to offset the differences. The total for the department is the driving force, and each department head is accountable for his department. Certain circumstances which are beyond the control of the department head are brought to Borough Council and appropriate actions taken. A review of the operations of all departments is undertaken at the end of June. Reviews are also conducted at the end of September (or more often if necessary) and monthly thereafter through December 31. The Finance Committee within Borough Council and the Borough Manager conduct the reviews. Necessary adjustments in spending are instituted as needed.

**VARIATIONS BETWEEN BUDGET AND ACTUAL AMOUNTS**

**Taxes**

Real Estate Transfer Taxes saw a decrease of \$15,062 over the prior year amount and Earned Income Tax saw a \$19,270 increase over the budgeted amount.

**Intergovernmental Revenue**

The Borough received liquid fuels money for 2018 and it will be used for 2019 road projects.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Borough of Royersford's investment in capital assets for its governmental and business-type activities as of December 31, 2018, totals \$10,678,282 in all funds (net of accumulated depreciation). The Borough's investment in capital assets includes building and building improvements, equipment, vehicles, recreational equipment, land and the Waste Water Treatment Plant.

**Long-Term Debt**

The 1997 General Obligation Note (utilized to finance the renovations to the Waste Water Treatment Plant) was paid off in 2017.

The Borough has a 2008 series sewer bond in the amount of \$2,960,000. Interest on this fixed loan is 1.840% and payment is until the year 2032.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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**ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES**

The Borough Main Street stores are beginning to be occupied and the possible development in the future on North 1<sup>st</sup> Avenue by The Riverfront at Royersford Development will be prosperous for the Borough's economic future.

**CONTACTING THE BOROUGH'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the accountability for the money that the Borough receives and disburses. If you have any questions about this report or need additional information, contact Michael Leonard, Borough Manager.

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 366,799	\$ 340,398	\$ 707,197
Accounts receivable	138,692	63,546	202,238
Taxes receivable	38,026	-	38,026
Internal balances	(61,842)	61,842	-
Prepaid expenses	149,322	25,771	175,093
Net pension asset	-	-	-
Capital assets			
Land	216,461	-	216,461
Infrastructure	7,168,464	-	7,168,464
Plant	-	8,802,794	8,802,794
Buildings and building improvements	642,197	-	642,197
Equipment	413,235	51,054	464,289
Vehicles	408,601	29,268	437,869
Accumulated depreciation	(2,716,375)	(2,337,417)	(5,053,792)
<b>TOTAL ASSETS</b>	<u>6,763,580</u>	<u>5,037,256</u>	<u>11,800,836</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>302,828</u>	<u>77,842</u>	<u>380,670</u>
<b>LIABILITIES</b>			
Accounts payable	35,034	48,004	83,038
Escrows payable	15,226	-	15,225
Payroll and payroll taxes payable	59,933	5,854	65,787
Long-term liabilities			
Portion due or payable within one year			
Capital lease	10,407	-	10,407
Bonds and notes payable	23,645	175,000	198,645
Portion due or payable after one year			
Capital lease	10,844	-	10,844
Bonds and notes payable	305,941	2,606,000	2,913,941
Net pension liability	742,256	68,088	810,342
Compensated absences	97,984	-	97,984
<b>TOTAL LIABILITIES</b>	<u>1,301,269</u>	<u>2,904,944</u>	<u>4,206,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>256,977</u>	<u>40,093</u>	<u>297,070</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,781,746	1,762,699	7,544,445
Restricted	245,110	-	245,110
Unrestricted	<u>(518,694)</u>	<u>407,362</u>	<u>(111,332)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,508,162</u>	<u>\$ 2,170,061</u>	<u>\$ 7,678,223</u>

See accompanying notes to the basic financial statements.



APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 794,330	\$ -	\$ 8,406	\$ 93,106
Public safety	1,605,933	93,879	124,352	-
Highways and streets	766,374	50,050	133,257	25,633
Culture and recreation	159,404	1,263	31,950	69,444
Interest on long-term debt	8,425	-	-	-
Loss on sale of capital assets	18,111	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,342,577</b>	<b>145,182</b>	<b>297,965</b>	<b>188,183</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer	805,099	778,908	-	-
Trash collection	424,856	400,802	7,931	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,230,055</b>	<b>1,179,710</b>	<b>7,931</b>	<b>-</b>
<b>TOTAL BOROUGH ACTIVITIES</b>	<b>\$ 4,572,632</b>	<b>\$ 1,324,892</b>	<b>\$ 305,896</b>	<b>\$ 188,183</b>

**GENERAL REVENUES**

- Property taxes, levied for general purposes
- Earned income taxes
- Transfer taxes
- Per capita taxes and local services tax
- Public utility taxes
- Franchise taxes
- Amusement taxes
- Investment earnings
- Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

# APPENDIX A-19-a

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**Net (Expense) Revenue and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (692,818)	\$ -	\$ (692,818)
(1,387,702)	-	(1,387,702)
(547,434)	-	(547,434)
(56,757)	-	(56,757)
(8,425)	-	(8,425)
<u>(18,111)</u>	<u>-</u>	<u>(18,111)</u>
<u>(2,711,247)</u>	<u>-</u>	<u>(2,711,247)</u>
-	(26,191)	(26,191)
-	<u>(16,223)</u>	<u>(16,223)</u>
-	(42,414)	(42,414)
<u>(2,711,247)</u>	<u>(42,414)</u>	<u>(2,753,661)</u>
1,666,165	-	1,666,165
669,270	-	669,270
91,003	-	91,003
68,970	-	68,970
2,187	-	2,187
103,581	-	103,581
10,152	-	10,152
20,634	3,838	24,472
99,353	-	99,353
<u>2,731,315</u>	<u>3,838</u>	<u>2,735,153</u>
20,068	(38,576)	(18,508)
<u>5,488,094</u>	<u>2,208,637</u>	<u>7,696,731</u>
\$ <u>5,508,162</u>	\$ <u>2,170,061</u>	\$ <u>7,678,223</u>

**BOROUGH OF ROYERSFORD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 121,689	\$ 245,110	\$ 366,799
Accounts receivable	138,692	-	138,692
Taxes receivable	6,728	-	6,728
Prepaid expenditures	<u>149,322</u>	<u>-</u>	<u>149,322</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>416,429</u></b>	<b>\$ <u>245,110</u></b>	<b>\$ <u>661,539</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 35,034	\$ -	\$ 35,034
Escrows payable	15,225	-	15,225
Due to other funds	61,842	-	61,842
Payroll and payroll taxes payable	<u>59,933</u>	<u>-</u>	<u>59,933</u>
<b>TOTAL LIABILITIES</b>	<b><u>172,034</u></b>	<b><u>-</u></b>	<b><u>172,034</u></b>
<b>FUND BALANCES</b>			
Nonspendable, prepaid expenses	149,322	-	149,322
Restricted, highway and street projects	-	245,110	245,110
Unassigned	<u>95,073</u>	<u>-</u>	<u>95,073</u>
<b>TOTAL FUND BALANCES</b>	<b><u>244,395</u></b>	<b><u>245,110</u></b>	<b><u>489,505</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>416,429</u></b>	<b>\$ <u>245,110</u></b>	<b>\$ <u>661,539</u></b>

*See accompanying notes to the basic financial statements.*

# APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2018**

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 489,505

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	216,481
Infrastructure	7,168,464
Buildings and building improvements	642,197
Equipment	413,235
Vehicles	408,601
Accumulated depreciation	(2,716,375)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred inflows and outflows related to pension activities	45,851
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable and capital lease	(350,837)
Compensated absences	(97,984)
Net pension liability	(742,256)

Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds.

31,300

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,508,162

*See accompanying notes to the basic financial statements.*

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,490,325	\$ -	\$ 2,490,325
Intergovernmental revenues	333,574	129,018	462,592
Investment income	16,950	3,684	20,634
Licenses and permits	104,631	-	104,631
Fines	25,362	-	25,362
Charges for services	150,720	-	150,720
Miscellaneous revenues	17,408	-	17,408
<b>TOTAL REVENUES</b>	<u>3,138,968</u>	<u>132,702</u>	<u>3,271,670</u>
<b>EXPENDITURES</b>			
General government	533,717	-	533,717
Public safety	1,774,527	-	1,774,527
Highways and streets	655,622	-	655,622
Recreation	208,945	-	208,945
Retirement expenses	126,483	-	126,483
Debt service			
Principal	23,178	-	23,178
Interest and other charges	7,110	-	7,110
<b>TOTAL EXPENDITURES</b>	<u>3,329,582</u>	<u>-</u>	<u>3,329,582</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(190,614)</u>	<u>132,702</u>	<u>(57,912)</u>
<b>OTHER FINANCING SOURCES</b>			
Insurance recoveries	81,947	-	81,947
<b>NET CHANGE IN FUND BALANCES</b>	<u>(108,667)</u>	<u>132,702</u>	<u>24,035</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>353,062</u>	<u>112,408</u>	<u>465,470</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 244,395</u>	<u>\$ 245,110</u>	<u>\$ 489,505</u>

See accompanying notes to the basic financial statements.

**BOROUGH OF ROYERSFORD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 24,035
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.	55,698
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	(18,111)
The issuance of long-term debt (e.g., notes, leases) provides current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net effect of these differences in the treatment of long-term debt.	33,162
Pension plan expenses are reported in the statement of activities and do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	(86,228)
Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. This is the amount of the change in real estate taxes outstanding during the year.	9,028
In the statement of activities, certain operating expenses—compensated absences (sick leave)—are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>2,484</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 20,068</u>

*See accompanying notes to the basic financial statements.*

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 87,011	\$ 263,387	\$ 340,398
Accounts receivable	36,893	28,653	65,546
Due from other funds	65,037	-	65,037
Prepaid expenses	20,486	5,285	25,771
<b>TOTAL CURRENT ASSETS</b>	<b>209,427</b>	<b>285,325</b>	<b>494,752</b>
<b>NON CURRENT ASSETS</b>			
<b>CAPITAL ASSETS</b>			
Plant	6,802,794	-	6,802,794
Vehicles	29,268	-	29,268
Equipment	51,054	-	51,054
Accumulated depreciation	(2,337,417)	-	(2,337,417)
<b>TOTAL NON CURRENT ASSETS</b>	<b>4,545,699</b>	<b>-</b>	<b>4,545,699</b>
<b>TOTAL ASSETS</b>	<b>4,755,126</b>	<b>285,325</b>	<b>5,040,451</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	58,074	19,760	77,832
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,813,200</b>	<b>\$ 305,093</b>	<b>\$ 5,118,293</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	\$ 175,000	\$ -	\$ 175,000
Accounts payable	23,688	24,336	48,024
Due to other funds	-	3,195	3,195
Payroll and payroll taxes payable	5,854	-	5,854
<b>TOTAL CURRENT LIABILITIES</b>	<b>204,522</b>	<b>27,531</b>	<b>232,053</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt	2,608,000	-	2,608,000
Net pension liability	50,799	17,287	68,086
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,658,799</b>	<b>17,287</b>	<b>2,676,086</b>
<b>TOTAL LIABILITIES</b>	<b>2,863,321</b>	<b>44,818</b>	<b>2,908,139</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	29,907	10,166	40,083
<b>NET POSITION</b>			
Net investment in capital assets	1,762,699	-	1,762,699
Unrestricted	157,273	250,089	407,362
<b>TOTAL NET POSITION</b>	<b>1,919,972</b>	<b>250,089</b>	<b>2,170,061</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 4,813,200</b>	<b>\$ 305,093</b>	<b>\$ 5,118,293</b>

See accompanying notes to the basic financial statements.

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>OPERATING REVENUES</b>			
Sewer rents and installation	\$ 778,908	\$ -	\$ 778,908
Trash collection	-	400,802	400,802
<b>TOTAL OPERATING REVENUES</b>	<u>778,908</u>	<u>400,802</u>	<u>1,179,710</u>
<b>OPERATING EXPENSES</b>			
Expenses	585,881	424,956	1,010,817
Depreciation	166,649	-	166,649
<b>TOTAL OPERATING EXPENSES</b>	<u>752,310</u>	<u>424,956</u>	<u>1,177,266</u>
<b>OPERATING INCOME (LOSS)</b>	<u>26,598</u>	<u>(24,154)</u>	<u>2,444</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants	-	7,931	7,931
Investment income	3,838	-	3,838
Interest expense	(52,789)	-	(52,789)
<b>TOTAL NONOPERATING REVENUES</b> <b>(EXPENSES)</b>	<u>(48,951)</u>	<u>7,931</u>	<u>(41,020)</u>
<b>CHANGE IN NET POSITION</b>	<u>(22,353)</u>	<u>(16,223)</u>	<u>(38,576)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,942,325</u>	<u>266,312</u>	<u>2,208,637</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,919,972</u>	<u>\$ 250,089</u>	<u>\$ 2,170,061</u>

*See accompanying notes to the basic financial statements.*



**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 791,177	\$ 407,284	\$ 1,198,461
Payments to suppliers	(369,553)	(360,926)	(730,479)
Payments to employees	(192,447)	(52,788)	(245,235)
<b>NET CASH PROVIDED (USED) BY     OPERATING ACTIVITIES</b>	<u>229,177</u>	<u>(6,430)</u>	<u>222,747</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Grants received	-	7,931	7,931
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of equipment	(51,054)	-	(51,054)
Principal paid on long-term debt	(172,000)	-	(172,000)
Interest paid on long-term debt	(52,789)	-	(52,789)
<b>NET CASH USED BY CAPITAL AND     RELATED FINANCING ACTIVITIES</b>	<u>(275,843)</u>	<u>-</u>	<u>(275,843)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings from investments	3,838	-	3,838
<b>NET INCREASE (DECREASE) IN     CASH AND CASH EQUIVALENTS</b>	(42,828)	1,501	(41,327)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>129,839</u>	<u>251,886</u>	<u>381,725</u>
<b>CASH AND CASH EQUIVALENTS AT     END OF YEAR</b>	<u>\$ 87,011</u>	<u>\$ 253,387</u>	<u>\$ 340,398</u>

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Trash Collection Fund</u>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 26,598	\$ (24,154)	\$ 2,444
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	166,649	-	166,649
Pension expense	15,320	5,217	20,537
Change in assets and liabilities			
Accounts receivable	12,269	6,482	18,751
Prepaid expenses	(1,247)	(614)	(1,761)
Accounts payable	9,373	6,539	15,912
Payroll and payroll taxes payable	215	-	215
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 229,177</u>	<u>\$ (6,430)</u>	<u>\$ 222,747</u>

See accompanying notes to the basic financial statements.

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2018**

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	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Non-Uniformed</u>	<u>Fiduciary</u>
	<u>Pension</u>	<u>Pension</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,923	\$ 9,823	\$ 31,746
Investments	<u>2,585,472</u>	<u>2,244,163</u>	<u>4,829,635</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 2,607,395</u>	<u>\$ 2,253,986</u>	<u>\$ 4,861,381</u>

*See accompanying notes to the basic financial statements.*

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Pension Trust Funds		Total Fiduciary Funds
	Police Pension	Non-Uniformed Pension	
<b>ADDITIONS</b>			
Contributions			
Employees	\$ 32,200	\$ 12,175	\$ 44,375
Employer	18,742	-	18,742
State aid	78,686	29,155	107,741
Investment loss	(168,587)	(143,895)	(312,482)
<b>TOTAL ADDITIONS</b>	<u>(39,059)</u>	<u>(102,565)</u>	<u>(141,624)</u>
<b>DEDUCTIONS</b>			
Benefits	102,345	99,814	202,159
Administrative	43,540	38,088	81,628
<b>TOTAL DEDUCTIONS</b>	<u>145,885</u>	<u>137,902</u>	<u>283,787</u>
<b>CHANGE IN NET POSITION</b>	(184,944)	(240,467)	(425,411)
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
<b>BEGINNING OF YEAR</b>	<u>2,792,339</u>	<u>2,494,453</u>	<u>5,286,792</u>
<b>END OF YEAR</b>	<u>\$ 2,607,395</u>	<u>\$ 2,253,986</u>	<u>\$ 4,861,381</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Borough of Royersford (the "Borough") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Borough's accounting policies are described below.

**Reporting Entity**

The financial statements of the Borough include the departments and other organizational units over which Borough Council exercises oversight responsibility, including general government, police protection, parks and recreation, public works and sanitation.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable and, as such, be includable within the Borough's financial statements. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Borough's financial statements to be misleading or incomplete.

Management has evaluated the following potential component units and determined they did not meet the criteria for inclusion as component units in the December 31, 2018 annual financial report:

- The fire department receives a contribution from the Borough and uses the personal property of the Borough. However, the majority of revenues generated is through private fund-raisers under the direction of a separate independent board not appointed by Borough Council. The department is organized under a separate charter, and, therefore, it is not included in the financial statements.
- The tax collector is an elected officer who collects taxes on behalf of the Borough, the Spring-Ford Area School District and Montgomery County. The Borough regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

**Fund Accounting**

The Borough uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Borough functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds of the Borough are grouped into the categories governmental, proprietary and fiduciary.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Borough reports the following major Governmental Funds:

**General Fund** - The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public works and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted expenditures for specified purposes. This fund accounts principally for the disposition of dedicated state liquid fuels highway aid funding.

The Borough reports the following major Proprietary Funds:

**Enterprise Funds**

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems.

**Trash Collection Fund** - The Trash Collection Fund accounts for the operation of the Borough's trash collection system.

The Borough reports the following Fiduciary Funds:

**Pension Trust Funds** - The Pension Trust Funds are used to account for financial resources restricted solely for life insurance, disability and retirement benefits of the employees participating under the Borough's defined benefit pension plans.

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

**BOROUGH OF ROYERSFORD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds' financial statements but differs from the manner in which Governmental Funds' financial statements are prepared. Governmental Funds' financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Borough and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the Borough. The focus of Governmental and Proprietary Funds' financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are sewer rents and trash collection fees. Operating expenses of the Borough's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

*Cash Equivalents*

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Investments*

Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Borough may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. State law does not limit pension investments. Investments are stated at fair value.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2018, was in excess of the minimum requirements just described.



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Borough has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with this Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

*Prepaid Expenditures/Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures/expenses in both the government-wide and fund financial statements.

*Capital Assets*

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the Governmental Funds' financial statements.

Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	5-40
Plant	5-40
Equipment	10-20
Vehicles	3-10
Infrastructure	25

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions and the differences between expected and actual experience of the pension plan.

*Long-Term Obligations*

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds' statement of net position.

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

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

Beginning with the year ended December 31, 2011, the Borough implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which Borough Council delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Real Estate Tax Calendar**

The original tax duplicate is received by the tax collector and mailed February 1. The discount period extends through March 31, followed by the flat period through May 31 and ends with the penalty period after June 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be liened by January 15 with the county.

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough follows state statute as it relates to custodial credit risk. As of December 31, 2018, \$441,282 of the Borough's bank balance of \$723,028 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Borough's name	\$ <u>196,172</u>
Held by PLGIT, which is uninsured and uncollateralized	\$ <u>245,110</u>

**Investments**

**Fair Value Measurement** - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough had the following recurring fair value measurements as of December 31, 2018.

Investment Type	Fair Value (Level 1)	Investment Maturities	
		1 Year or Less	2 to 5 Years
Equity Investments	\$ 2,557,697	\$ 2,557,697	\$ -
Mutual funds	2,243,381	2,243,381	-
Exchange traded products	<u>28,557</u>	<u>28,557</u>	-
	<u>\$ 4,829,635</u>	<u>\$ 4,829,635</u>	<u>\$ -</u>

**Interest Rate Risk** - The Borough's investment policy does limit investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	<u>General Fund</u>	<u>Proprietary Fund Type</u>	<u>Totals</u>
Sewer billings	\$ -	\$ 36,893	\$ 36,893
Refuse billings	-	26,653	26,653
Other	<u>138,692</u>	<u>-</u>	<u>138,692</u>
	<u>\$ 138,692</u>	<u>\$ 63,546</u>	<u>\$ 202,238</u>

The Borough believes that all receivables are collectible; therefore, an allowance for doubtful accounts is not needed.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE D - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 216,461	\$ -	\$ -	\$ 216,461
Capital assets being depreciated				
Infrastructure	6,780,236	388,228	-	7,168,464
Buildings and building improvements	642,197	-	-	642,197
Equipment	413,235	-	-	413,235
Vehicles	448,117	-	(39,516)	408,601
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>8,283,785</b>	<b>388,228</b>	<b>(39,516)</b>	<b>8,632,497</b>
Accumulated depreciation				
Infrastructure	(1,524,438)	(275,298)	-	(1,799,736)
Buildings and building improvements	(273,907)	(16,655)	-	(289,562)
Equipment	(310,330)	(18,805)	-	(330,135)
Vehicles	(296,575)	(21,772)	21,405	(296,942)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(2,405,250)</b>	<b>(332,530)</b>	<b>21,405</b>	<b>(2,716,375)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>5,878,535</b>	<b>55,698</b>	<b>(18,111)</b>	<b>5,916,122</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>6,094,996</b>	<b>55,698</b>	<b>(18,111)</b>	<b>6,132,583</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Plant	6,802,794	-	-	6,802,794
Vehicles	29,266	-	-	29,266
Equipment	-	51,054	-	51,054
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>6,832,062</b>	<b>51,054</b>	<b>-</b>	<b>6,883,116</b>
Accumulated depreciation				
Plant	(2,153,694)	(163,722)	-	(2,317,416)
Vehicles	(17,074)	(2,927)	-	(20,001)
Equipment	-	-	-	-
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(2,170,768)</b>	<b>(166,649)</b>	<b>-</b>	<b>(2,337,417)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>4,661,294</b>	<b>(115,595)</b>	<b>-</b>	<b>4,545,699</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 10,756,290</b>	<b>\$ (59,897)</b>	<b>\$ (18,111)</b>	<b>\$ 10,678,282</b>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE D - CAPITAL ASSETS (Continued)**

The net book value of each capital asset category for governmental and business-type activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b>Capital assets not being depreciated</b>			
Land	\$ 216,481	\$ -	\$ 216,481
<b>Capital assets being depreciated</b>			
Infrastructure	7,166,484	(1,799,736)	5,366,728
Buildings and building improvements	642,197	(289,582)	352,635
Equipment	413,235	(330,135)	83,100
Vehicles	408,601	(296,942)	111,659
	<u>8,848,958</u>	<u>(2,716,375)</u>	<u>6,132,583</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>Capital assets being depreciated</b>			
Plant	6,802,794	(2,317,416)	4,485,378
Vehicles	29,268	(20,001)	9,267
Equipment	51,054	-	51,054
	<u>8,883,116</u>	<u>(2,337,417)</u>	<u>4,545,699</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 15,732,074</b>	<b>\$ (5,053,792)</b>	<b>\$ 10,678,282</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 12,219
Public safety	20,027
Highways and streets	254,233
Culture and recreation	46,051
	<u>332,530</u>
	<b>\$ 332,530</b>

APPENDIX A-19-a

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity of the Borough for the year ended December 31, 2018:

	<u>Balance January 1, 2018</u>	<u>Additions/ Refundings</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Obligation Bonds and Notes		
Bonds, Series of 2011	\$ 352,764	\$ -
Capital leases	31,235	-
Net Pension Liability	170,736	-
Compensated absences (Note G)	100,468	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>655,203</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Notes		
Guaranteed Sewer Revenue Note, Series of 2008	2,955,000	-
Net Pension Liability	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>2,955,000</u>	<u>-</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 3,610,203</u>	<u>\$ -</u>

The General Fund funds the payment of long-term debt and compensated absences in the governmental activities.



# APPENDIX A-19-a

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<u>Deletions/ Maturities</u>	<u>Balance December 31, 2018</u>	<u>Due Within One Year</u>
\$ (23,178)	\$ 329,586	\$ 23,645
(9,984)	21,251	10,407
571,520	742,256	-
(2,484)	97,984	-
<u>535,874</u>	<u>1,191,077</u>	<u>34,052</u>
(172,000)	2,783,000	175,000
68,086	68,086	-
<u>(103,914)</u>	<u>2,851,086</u>	<u>175,000</u>
\$ <u>431,960</u>	\$ <u>4,042,163</u>	\$ <u>209,052</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE E - LONG-TERM LIABILITIES (Continued)**

Bonds and notes payable at December 31, 2018, consisted of:

*Governmental Activities*

General Obligation Bonds, Series of 2011, used to currently refund the General Obligation Note, Series of 2008, which was originally used to finance the revitalization of Main Street, principal and interest payments were due monthly and began in April 2011 and continued through July 2016 at a fixed rate of 3.45%. In August 2016, the interest rate was set at a fixed rate of 2.08% continuing through April 2021. In April 2021 and continuing through April 2026 interest will be set at a variable rate of the prime rate plus an additional .25%, not to exceed 5.99%. In April 2026 the rate will change to a fixed rate of 5.99% through maturity in April 2031.

\$ 329,586

*Business-Type Activities*

Guaranteed Sewer Revenue Note, Series of 2008, used for renovations to the Royersford Waste Water Treatment Plant; principal payments began in June 2009 and continue through June 2032 ranging from \$5,000 to \$265,000 annually; interest payments began in July 2008 and are due monthly at a fixed rate of 1.84%

2,783,000

TOTAL BONDS AND NOTES PAYABLE

\$ 3,112,586

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE E - LONG-TERM LIABILITIES (Continued)**

Debt Service Requirements

A summary of notes payable debt service requirements to maturity, including principal and interest, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 198,645	\$ 57,830	\$ 256,475
2020	203,144	54,131	257,275
2021	203,734	57,320	261,054
2022	206,424	56,318	262,742
2023	211,743	51,595	263,338
2024 to 2028	1,137,461	181,703	1,319,164
2029 to 2033	951,435	48,331	997,766
	<u>\$ 3,112,586</u>	<u>\$ 505,228</u>	<u>\$ 3,617,814</u>

**NOTE F - CAPITAL LEASE**

The Borough has entered into a lease agreement as lessee for financing the acquisition of a vehicle for the Police Department. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease have a cost of \$31,295 and accumulated depreciation of \$4,173 as of December 31, 2018.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

<u>Year Ending December, 31</u>	<u>General Fund</u>
2019	11,299
2020	11,299
Amount representing interest	<u>(1,347)</u>
	<u>\$ 21,251</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE G - SICK LEAVE**

The Borough does not accrue accumulated sick leave on its Governmental or Proprietary Funds but expenses these costs as paid in the fund financial statements. Sick leave is accrued on the government-wide financial statements. The amount of vested accumulated sick leave was \$97,984 as of December 31, 2018. Non-uniform employees earn 1 1/4 days of sick leave per month with a maximum accumulation of 75 days for hourly employees and 100 days for salaried employees. Uniform employees earn ten hours of sick leave per month with a maximum accumulation of 1040 hours. All employees are entitled to payment for 80% of accumulated sick leave upon retirement and 50% upon termination after three years of employment. Effective January 1, 2012, all uniform employees are eligible to receive payment of accumulated sick leave up to a maximum of \$9,000.

**NOTE H - INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues by source are summarized as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>COMMONWEALTH OF PENNSYLVANIA</b>		
Payment in lieu of taxes	\$ 6,207	\$ -
Public utility realty tax	2,187	-
Liquid fuels	-	129,018
Pension	107,741	-
Snow removal	4,239	-
Liquor Control Board	850	-
Volunteer Fire Fighter	24,167	-
DCNR grants	89,444	-
County of Montgomery		
Conservation District	25,633	-
Streetscape enhancement	93,108	-
	<u>\$ 333,574</u>	<u>\$ 129,018</u>

Approximately 14% of all Borough revenues represents federal, state and county grants.

**NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables are summarized as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 81,842
Sewer Fund	65,037	-
Trash Collection Fund	-	3,195
	<u>\$ 65,037</u>	<u>\$ 65,037</u>

There were no Interfund transfers that occurred for the year ended December 31, 2018.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

Summary of Significant Accounting Policies

**Method Used to Value Investments** - Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

**Plan Administration** - The Borough administers the Police Pension Plan—a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the Borough Manager, one police department representative and one non-uniformed employees representative—all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Police Pension Fund.

**Plan Membership** - At December 31, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
	<u>10</u>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month per year of benefit service completed in excess of 25 years, up to a maximum of \$500 additional per month. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 80% of the member's monthly salary at the time of disability reducing to 50% of salary at normal retirement date less worker's compensation benefits. There is no benefit for non-service related disability.

**BOROUGH OF ROYERSFORD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Benefit terms provide for an annual cost-of-living increase, based upon the increase in the Consumer Price Index for the preceding year, shall be granted to retired members equal to not more than the increase in the Consumer Price Index from the year in which the member last worked, with a maximum total cost-of-living increase of 30%.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

**Contributions** - The Borough's police employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$97,328 to the plan for the year 2018. The Borough's actual contributions for the plan year 2018 were \$97,328.

Per the collective bargaining agreement, employees are required to contribute 5% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

The following was the Board's adopted asset allocation policy as of December 31, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and Income stocks	30%
Core equity	25%
International	15%
Fixed income	30%
	<u>100%</u>

**Concentrations** - More than 5% of the Borough's investments are in equity securities and mutual funds. These investments are 53% and 46% of the plan's total investments, respectively.

**Rate of Return** - For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -7.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The components of the net pension liability of the Borough at December 31, 2018, were as follows:

Total pension liability	\$ 3,279,660
Plan fiduciary net position	<u>(2,607,395)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>672,265</u></b>

Plan fiduciary net position as a percentage of the total pension liability	<u>79.50%</u>
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**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.25% average, including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Blue Collar Mortality Table with Scale AA.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Dividend and income stocks	7.5%
Core equity	8.0%
International	10.0%
Fixed income	3.8%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Changes in the Net Pension Liability***

	Governmental Activities:		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 3,054,243	\$ 2,792,339	\$ 261,904
Changes for the year			
Service cost	106,285	-	106,285
Interest cost	225,428	-	225,428
Changes for experience	(3,951)	-	(3,951)
Changes of assumptions	-	-	-
Contributions			
Employer	-	97,328	(97,328)
Member	-	32,200	(32,200)
Net investment income	-	(168,587)	168,587
Benefit payments	(102,345)	(102,345)	-
Administrative expenses	-	(43,540)	43,540
Net Changes	<u>225,417</u>	<u>(184,944)</u>	<u>410,361</u>
Balance at December 31, 2018	<u>\$ 3,279,660</u>	<u>\$ 2,807,395</u>	<u>\$ 672,265</u>

***Changes in Assumptions***

In the 2017 actuarial valuation, the investment rate of return was changed to 7.25%, in prior years the investment rate of return was 7.5%.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ <u>1,159,553</u>	\$ <u>672,265</u>	\$ <u>269,408</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended December 31, 2018, the Borough recognized pension expense of \$163,615. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 87,247
Change of assumptions	80,930	128,510
Net difference between projected and actual earnings on pension plan investments	<u>161,876</u>	<u>-</u>
	<u>\$ 222,805</u>	<u>\$ 215,757</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2019	\$ 24,185
2020	(4,976)
2021	5,770
2022	53,937
2023	(20,740)
Thereafter	(51,127)

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN)**

*Summary of Significant Accounting Policies*

**Method Used to Value Investments** - Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

*Plan Description*

**Plan Administration** - The Borough administers the Non-Uniformed Pension Plan—a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniformed Borough employees.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the borough manager, one police department representative and one non-uniformed employees representative—all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Non-Uniformed Pension Fund.

**Plan Membership** - At December 31, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>11</u>
	<u>18</u>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 62. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to a designated beneficiary, equal to the present value of the accrued benefit at the time of the member's death. The amount of monthly pension is equal to 1.667% times average monthly compensation. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability. If the disability is not service related, a benefit of 30% of salary is provided to a member who has at least ten years of service.

The benefit provisions of the Borough's plan are established by Borough ordinances.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

**Contributions** - The Borough's non-uniformed employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$29,155 to the plan for the year 2018. The Borough's actual contributions for the plan year 2018 were \$29,155.

Per Borough ordinance, employees are required to contribute 2.25% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	28%
Core equity	26%
International	16%
Fixed income	30%
	<u>100%</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

*Concentrations* - More than 5% of the Borough's investments are in equity securities and mutual funds. These investments are 55% and 45% of the plan's total investments, respectively.

*Rate of Return* - For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -7.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability of the Borough*

The components of the net pension liability of the Borough at December 31, 2018, were as follows:

Total pension liability	\$ 2,382,064
Plan fiduciary net position	<u>(2,253,986)</u>
NET PENSION LIABILITY	<u>\$ 138,078</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>84.23%</u>

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.75% average, including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Blue Collar Mortality Table with Scale AA.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Dividend and income stocks	7.5%
Core equity	8.0%
International	10.0%
Fixed income	3.8%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	<u>Governmental Activities:</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at December 31, 2017	\$ 1,173,220	\$ 1,264,387	\$ (91,167)
Changes for the year			
Service cost	24,633	-	24,633
Interest cost	85,012	-	85,012
Changes for experience	(19,784)	-	(19,784)
Contributions			
Employer	-	14,779	(14,779)
Member	-	6,172	(6,172)
Net investment income	-	(72,940)	72,940
Benefit payments	(50,596)	(50,596)	-
Administrative expenses	-	(19,307)	19,307
Net changes	<u>39,285</u>	<u>(121,892)</u>	<u>161,157</u>
Balance at December 31, 2018	<u>\$ 1,212,485</u>	<u>\$ 1,142,495</u>	<u>\$ 69,990</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

	Business-type Activities		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 1,141,380	\$ 1,230,066	\$ (88,686)
Changes for the year			
Service cost	23,962	-	23,962
Interest cost	82,701	-	82,701
Changes for experience	(18,246)	-	(18,246)
Contributions			
Employer	-	14,378	(14,378)
Member	-	6,003	(6,003)
Net investment income	-	(70,955)	70,955
Benefit payments	(49,218)	(49,218)	-
Administrative expenses	-	(18,781)	18,781
Net changes	<u>38,189</u>	<u>(118,575)</u>	<u>156,774</u>
Balance at December 31, 2018	\$ 1,179,579	\$ 1,111,491	\$ 88,088

**Changes in Assumptions**

In the 2017 actuarial valuation, the investment rate of return was changed to 7.25%, in prior years the investment rate of return was 7.5%.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 355,584	\$ 138,078	\$ (46,466)

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended December 31, 2018, the Borough recognized pension expense of \$75,794. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 41,220	\$ -	\$ 40,093
Change of assumptions	11,567	-	11,251	-
Net difference between projected and actual earnings on pension plan investments	<u>68,455</u>	<u>-</u>	<u>66,591</u>	<u>-</u>
	<u>\$ 80,022</u>	<u>\$ 41,220</u>	<u>\$ 77,842</u>	<u>\$ 40,093</u>

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

<u>December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 6,488	\$ 8,312
2020	(6,310)	(6,138)
2021	5,361	5,215
2022	33,263	32,360

**NOTE L - RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Borough to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.



**REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF ROYERSFORD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Budgetary Basis	Actual Amounts		Variance With Final Budget Favorable (Unfavorable)
	Original	Final		Budget to GAAP Differences	GAAP Basis	
<b>REVENUES</b>						
Taxes	\$ 2,741,980	\$ 2,741,980	\$ 2,486,385	\$ 3,940	\$ 2,490,325	\$ (255,595)
Intergovernmental revenues	137,875	137,875	245,206	88,368	333,574	107,231
Investment income	5,500	5,500	16,950	-	16,950	11,450
Licenses and permits	116,500	116,500	104,331	300	104,631	(12,789)
Fines	26,000	26,000	25,357	5	25,362	(643)
Charges for services	58,100	58,100	150,949	(229)	150,720	92,848
Miscellaneous revenues	50,000	50,000	17,162	244	17,406	(32,838)
<b>TOTAL REVENUES</b>	<b>3,136,055</b>	<b>3,136,055</b>	<b>3,046,340</b>	<b>82,628</b>	<b>3,138,968</b>	<b>(89,715)</b>
<b>EXPENDITURES</b>						
General government	459,865	459,865	525,790	7,927	533,717	(66,125)
Public safety	1,673,685	1,673,685	1,772,258	2,269	1,774,527	(99,569)
Highways and streets	557,420	567,420	663,225	(7,609)	655,622	(105,806)
Recreation	288,475	288,475	208,586	358	208,945	79,889
Retirement expenses	126,500	126,500	126,483	-	126,483	17
Debt service						
Principal	23,178	23,178	23,178	-	23,178	-
Interest and other charges	7,122	7,122	7,110	-	7,110	12
<b>TOTAL EXPENDITURES</b>	<b>3,136,055</b>	<b>3,136,055</b>	<b>3,328,530</b>	<b>2,962</b>	<b>3,328,582</b>	<b>(190,575)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			<b>(290,290)</b>	<b>88,676</b>	<b>(190,614)</b>	<b>(290,290)</b>
<b>OTHER FINANCING SOURCES</b>						
Insurance recoveries			35,530	46,317	81,947	35,630
<b>NET CHANGE IN FUND BALANCE</b>			<b>(244,660)</b>	<b>135,993</b>	<b>(108,667)</b>	<b>(244,660)</b>

See accompanying notes to the budgetary comparison schedule.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE A - BUDGETARY INFORMATION**

The Borough's process for establishing its annual operating budget involves submission of the budget by the Borough Manager to Borough Council for its approval and adoption.

The Borough prepares the General Fund budget on the cash basis of accounting, which is not consistent with accounting principles generally accepted in the United States of America.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2018, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General government	\$	66,125
Public safety		98,563
Highways and streets		105,805

These excess expenditures were funded by cash reserves.

# APPENDIX A-19-a

## BOROUGH OF ROYERSFORD SCHEDULES OF CHANGES IN THE NET POLICE PENSION PLAN LIABILITY AND RELATED RATIOS LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 108,286	\$ 103,774	\$ 84,658	\$ 82,517	\$ 87,111
Interest	225,428	210,375	202,448	204,204	181,670
Differences between expected and actual experience	(3,951)	(82,990)	(6,320)	(17,032)	41,166
Changes of assumptions	-	74,230	-	(198,360)	-
Benefit payments	(102,345)	(98,183)	(96,785)	(96,785)	(95,228)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>225,417</b>	<b>207,206</b>	<b>183,901</b>	<b>(25,456)</b>	<b>214,709</b>
Total pension liability, beginning	<u>3,054,243</u>	<u>2,847,037</u>	<u>2,653,136</u>	<u>2,688,592</u>	<u>2,473,883</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ <u>3,279,660</u></b>	<b>\$ <u>3,054,243</u></b>	<b>\$ <u>2,847,037</u></b>	<b>\$ <u>2,663,136</u></b>	<b>\$ <u>2,688,592</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
Employer	\$ 97,328	\$ 87,354	\$ 84,837	\$ 75,396	\$ 64,795
Member	32,200	30,458	28,541	24,960	23,616
Net investment income	(168,587)	413,998	218,177	19,273	165,226
Benefit payments, including refunds of member contributions	(102,345)	(88,183)	(96,785)	(96,785)	(95,228)
Administrative expense	(43,540)	(39,857)	(41,095)	(33,862)	(35,637)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>(184,944)</b>	<b>393,770</b>	<b>193,875</b>	<b>(11,828)</b>	<b>132,772</b>
Plan fiduciary net position, beginning	<u>2,792,339</u>	<u>2,398,569</u>	<u>2,204,894</u>	<u>2,216,522</u>	<u>2,083,750</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ <u>2,607,395</u></b>	<b>\$ <u>2,792,339</u></b>	<b>\$ <u>2,398,669</u></b>	<b>\$ <u>2,204,694</u></b>	<b>\$ <u>2,216,522</u></b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ <u>672,265</u></b>	<b>\$ <u>261,904</u></b>	<b>\$ <u>448,468</u></b>	<b>\$ <u>458,242</u></b>	<b>\$ <u>472,070</u></b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>80%</u>	<u>81%</u>	<u>84%</u>	<u>83%</u>	<u>82%</u>
<b>COVERED PAYROLL</b>	<u>\$ 662,977</u>	<u>\$ 637,431</u>	<u>\$ 557,623</u>	<u>\$ 623,032</u>	<u>\$ 464,976</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<u>101%</u>	<u>41%</u>	<u>80%</u>	<u>88%</u>	<u>102%</u>

### NOTES TO SCHEDULES

#### Changes of Assumptions:

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

In 2015 amounts reported as changes of assumptions resulted from adjustment to the assumed average annual salary increase, decreasing the rate from 6.0% to 4.5%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BOROUGH OF ROYERSFORD  
SCHEDULES OF POLICE PENSION PLAN CONTRIBUTIONS  
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 97,328	\$ 87,354	\$ 84,837	\$ 76,396	\$ 54,795
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>97,328</u>	<u>87,354</u>	<u>84,837</u>	<u>75,398</u>	<u>54,795</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>882,977</u>	\$ <u>637,431</u>	\$ <u>557,623</u>	\$ <u>523,032</u>	\$ <u>464,976</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>15%</u>	<u>14%</u>	<u>16%</u>	<u>14%</u>	<u>12%</u>

**NOTES TO SCHEDULES**

Valuation date

January 1, 2017

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	PMRS asset method
Inflation	3.0%
Salary increases	4.25% annual increase
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Blue Collar Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BOROUGH OF ROYERSFORD  
SCHEDULES OF POLICE PENSION PLAN  
INVESTMENT RETURNS  
LAST FIVE FISCAL YEARS**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-7.60%</u>	<u>15.70%</u>	<u>8.50%</u>	<u>0.02%</u>	<u>7.20%</u>

**NOTE TO SCHEDULES**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BOROUGH OF ROYERSFORD  
SCHEDULES OF CHANGES IN THE NET NON-UNIFORMED  
PENSION PLAN LIABILITY AND RELATED RATIOS  
LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 48,895	\$ 47,701	\$ 55,458	\$ 54,051	\$ 46,392
Interest	167,713	159,185	168,932	152,820	137,776
Differences between expected and actual experience	(39,030)	(34,245)	(42,091)	(43,982)	50,099
Changes of assumptions	-	40,800	-	-	-
Benefit payments	(99,814)	(93,200)	(83,298)	(82,313)	(101,635)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>77,464</b>	<b>120,321</b>	<b>89,001</b>	<b>80,576</b>	<b>132,832</b>
Total pension liability, beginning	2,314,600	2,194,279	2,105,278	2,024,702	1,892,070
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 2,392,064</b>	<b>\$ 2,314,600</b>	<b>\$ 2,194,279</b>	<b>\$ 2,105,278</b>	<b>\$ 2,024,702</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
Employer	\$ 29,165	\$ 35,034	\$ 51,650	\$ 47,508	\$ 42,475
Member	12,175	12,851	13,419	12,375	10,730
Net investment income	(143,895)	372,904	211,303	23,312	191,181
Benefit payments, including refunds of member contributions	(99,814)	(93,200)	(83,298)	(82,313)	(101,635)
Administrative expense	(38,088)	(36,653)	(38,702)	(31,585)	(33,658)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>(240,467)</b>	<b>290,936</b>	<b>154,372</b>	<b>(30,703)</b>	<b>109,083</b>
Plan fiduciary net position, beginning	2,484,483	2,203,517	2,049,145	2,079,848	1,970,785
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 2,253,986</b>	<b>\$ 2,494,453</b>	<b>\$ 2,203,517</b>	<b>\$ 2,049,145</b>	<b>\$ 2,079,848</b>
<b>NET PENSION LIABILITY (ASSET), ENDING (a)-(b)</b>	<b>\$ 138,078</b>	<b>\$ (179,853)</b>	<b>\$ (9,238)</b>	<b>\$ 56,133</b>	<b>\$ (55,146)</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>94%</b>	<b>108%</b>	<b>100%</b>	<b>97%</b>	<b>103%</b>
<b>COVERED PAYROLL</b>	<b>\$ 582,359</b>	<b>\$ 577,111</b>	<b>\$ 582,264</b>	<b>\$ 617,654</b>	<b>\$ 502,883</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>24%</b>	<b>-31%</b>	<b>-2%</b>	<b>9%</b>	<b>-11%</b>

**NOTES TO SCHEDULES**

*Changes of Assumptions:*

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

# APPENDIX A-19-a

## BOROUGH OF ROYERSFORD SCHEDULES OF NON-UNIFORMED PENSION PLAN CONTRIBUTIONS LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 29,155	\$ 35,034	\$ 51,650	\$ 47,508	\$ 42,475
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	29,155	35,034	51,650	47,508	42,475
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
COVERED PAYROLL	\$ 582,359	\$ 577,111	\$ 582,264	\$ 462,914	\$ 502,883
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	5%	6%	9%	10%	8%

### NOTES TO SCHEDULES

Valuation date

January 1, 2017

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	3 years
Asset valuation method	PMRS asset method
Inflation	3.0%
Salary increases	4.75% annual increase
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Blue Collar Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.



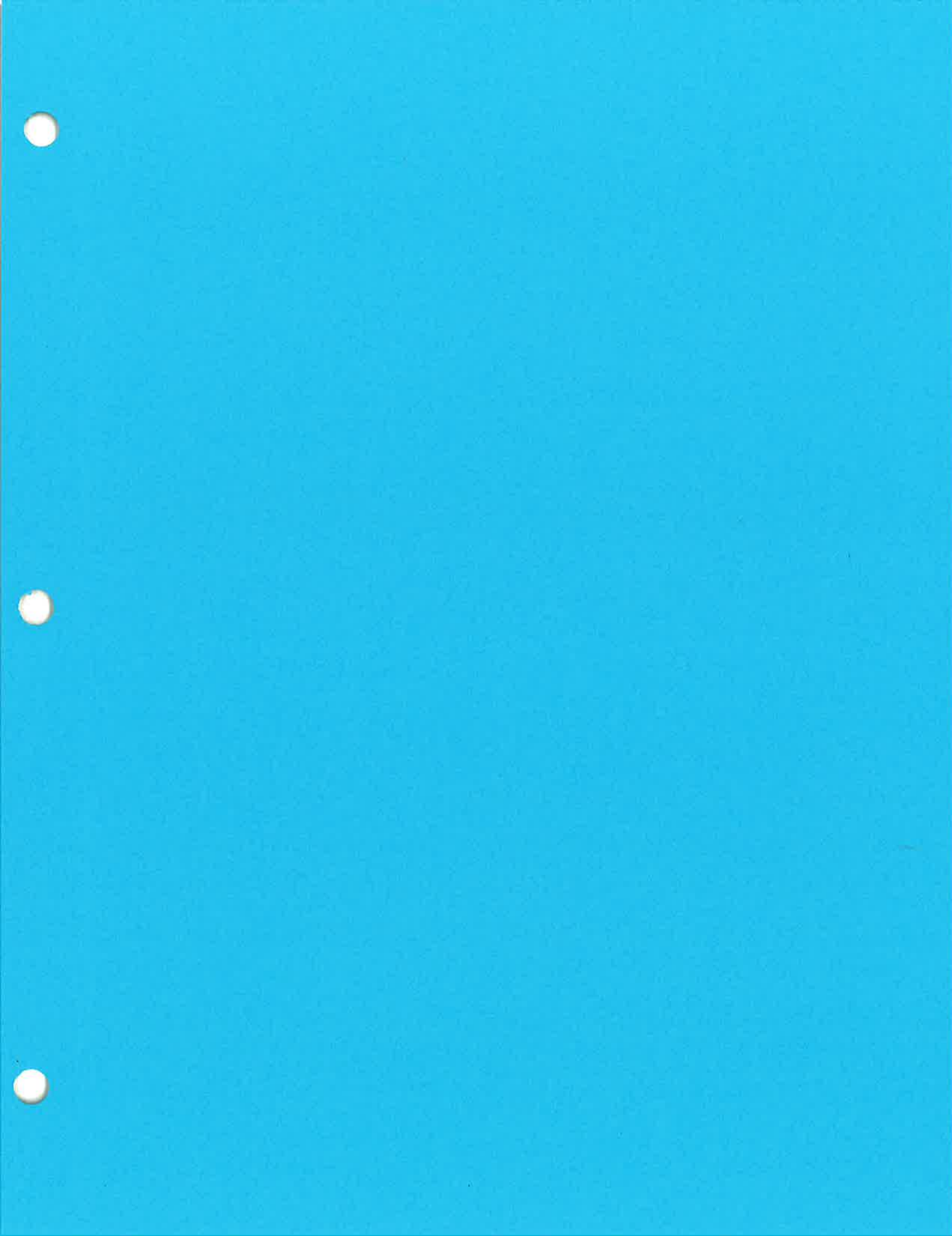
**BOROUGH OF ROYERSFORD  
SCHEDULES OF NON-UNIFORMED PENSION PLAN  
INVESTMENT RETURNS  
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-7.80%</u>	<u>15.80%</u>	<u>8.00%</u>	<u>0.02%</u>	<u>8.00%</u>

**NOTE TO SCHEDULES**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.







**BOROUGH OF ROYERSFORD**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

**BOROUGH OF ROYERSFORD**  
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**YEAR ENDED DECEMBER 31, 2019**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Borough Council  
Borough of Royersford  
Royersford, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Royersford as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough of Royersford's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

To the Borough Council  
Borough of Royersford  
Royersford, Pennsylvania

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Royersford as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Emphasis of Matter**

For the year ended December 31, 2019, the Borough of Royersford adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note M, the Borough of Royersford is currently experiencing uncertainty related to the economic impact of the spread of the COVID-19 coronavirus. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

As discussed in Note M, in December 2019, the Borough of Royersford Council approved the sale of the Borough sewer system to PA American Water. The sale is expected to be finalized in November or December 2020. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

As discussed in Note M, in January 2020, The Borough of Royersford Council signed a Tax and Revenue Anticipation Note, Series of 2020. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 51 and 52, and schedule of changes in the net police pension plan liability and related ratios on page 53, schedule of police pension plan contributions on page 54, schedule of police pension plan investment returns on page 55, schedule of changes in the net non-uniformed pension plan liability and related ratios on page 56, schedule of non-uniformed pension plan contributions on page 57 and schedule of non-uniformed pension plan investment returns on page 58 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.

*Maillie LLP*

Oaks, Pennsylvania  
April 30, 2020

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

---

Our discussion and analysis of the Borough of Royersford's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Borough's financial statements, which begin with the statement of net position.

**FINANCIAL HIGHLIGHTS**

The assets of the Borough exceeded its liabilities by \$8 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

Our analysis of the Borough as a whole begins with the statement of net position. One of the most important questions asked about the Borough's finances is, "What is the Borough's overall financial condition?" 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.

**Governmental Activities**

Most of the Borough's basic services are reported here, including police, public works, planning and zoning, parks and recreation and administration. The Borough also contributes to the fire departments, library and historical society.

**Business-Type Activities**

The Borough charges a fee to customers to cover the cost of the operation of the Waste Water Treatment Plant and the collection of solid waste, including recyclables.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

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**ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**General Fund**

The Borough realizes two major sources of income for the operation of the general government (excluding the trash collection service and the operations of the waste water treatment facility). The two major income sources are real estate taxes and earned income taxes (EIT). The tax millage rate increased for general purposes for 2019; the rate increased from 7.70 mills to 8.20 mills per \$1 of assessed value for general purposes and 1.25 mills per \$1 of assessed valuation for fire tax for a total assessment of 9.45 mills per \$1 of assessed valuation. A property assessed at \$100,000 would have paid \$945 including fire tax for Borough taxes in 2019.

EIT tax revenue has remained steady. Continued monitoring of collections reflects the proper amount being received by the Borough.

General Real Estate Taxes increased in 2019 due to the millage increase. Real estate transfer tax increased due to increase in real estate sales in 2019.

Increasing costs will be experienced with the ongoing Storm Water Management related to compliance with the Department of Environmental Protection requirements of permitting and inspecting storm water systems.

A number of minor projects were completed and are reflected in the General Fund.

**Sewer Fund**

The Sewer Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income sources are connection fees for new construction and user fees based on water consumption.

**Trash Collection Fund**

The Trash Collection Fund operates as a business-type activity. All income and expenses are accounted for in this fund. The income source is the user fees.

The Borough went through the bidding process for trash and recycling for the years 2020, 2021 and 2022. J. P. Mascaro & Sons won the three-year bid for the trash and Charles Blosenski won a three-year recycling contract from the Borough.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

The analysis which follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Borough's governmental and business-type activities. Comparative data from fiscal year 2018 is included.

**Table 1**  
**Condensed Statements of Net Position**  
**December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Cash and cash equivalents	\$ 682,564	\$ 366,799	\$ 506,607	\$ 340,398	\$ 1,189,171	\$ 707,197
Other assets	453,850	264,198	19,735	151,159	473,585	415,357
Capital assets	6,795,464	6,132,583	4,561,473	4,545,699	11,356,937	10,678,282
<b>TOTAL ASSETS</b>	<b>7,931,878</b>	<b>6,763,580</b>	<b>5,087,815</b>	<b>5,037,256</b>	<b>13,019,693</b>	<b>11,800,836</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	168,786	302,828	35,351	77,842	204,137	380,670
<b>LIABILITIES</b>						
Other liabilities	1,055,468	110,192	231,030	53,858	1,286,498	164,050
Long-term	770,139	1,191,077	2,608,000	2,851,086	3,378,139	4,042,163
<b>TOTAL LIABILITIES</b>	<b>1,825,607</b>	<b>1,301,269</b>	<b>2,839,030</b>	<b>2,904,944</b>	<b>4,664,637</b>	<b>4,206,213</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	591,457	256,977	117,954	40,093	709,411	297,070
<b>NET POSITION</b>						
Net investment in capital assets	6,478,572	5,781,746	1,953,473	1,762,699	8,432,045	7,544,445
Restricted	137,151	245,110	-	-	137,151	245,110
Unrestricted	(932,123)	(518,694)	212,709	407,362	(719,414)	(111,332)
<b>TOTAL NET POSITION</b>	<b>\$ 5,683,600</b>	<b>\$ 5,508,162</b>	<b>\$ 2,166,182</b>	<b>\$ 2,170,061</b>	<b>\$ 7,849,782</b>	<b>\$ 7,678,223</b>

Cash and cash equivalents represent 9% and 6% of the Borough's total assets for the years ended December 31, 2019 and 2018, respectively.

By far, the largest portion of the Borough's assets, 86% (2019) and 90% (2018), reflects its investment in capital assets (e.g., land, buildings, waste water treatment plant, vehicles and recreation equipment). Because the Borough uses these capital assets to provide services to residents, these assets are not available for future spending.

**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**Table 2**  
**Changes in Net Position**  
**Years Ended December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 117,476	\$ 145,182	\$ 1,299,795	\$ 1,179,710	\$ 1,417,271	\$ 1,324,892
Operating grants and contributions	288,566	297,965	10,686	7,931	299,252	305,896
Capital grants and contributions	298,314	188,183	-	-	298,314	188,183
General revenues						
Property taxes	1,728,505	1,666,165	-	-	1,728,505	1,666,165
Earned income taxes	708,856	669,270	-	-	708,856	669,270
Real estate transfer taxes	124,539	91,003	-	-	124,539	91,003
Per capita taxes and local services tax	84,862	68,970	-	-	84,862	68,970
Public utility taxes	2,021	2,187	-	-	2,021	2,187
Franchise taxes	101,258	103,581	-	-	101,258	103,581
Amusement taxes	7,150	10,152	-	-	7,150	10,152
Investment earnings	36,728	20,634	3,060	3,838	39,788	24,472
Miscellaneous	105,943	99,353	-	-	105,943	99,353
<b>TOTAL REVENUES</b>	<b>3,604,218</b>	<b>3,362,645</b>	<b>1,313,541</b>	<b>1,191,479</b>	<b>4,917,759</b>	<b>4,554,124</b>
<b>EXPENSES</b>						
General government	753,302	794,330	-	-	753,302	794,330
Public safety	1,642,613	1,605,933	-	-	1,642,613	1,605,933
Highway/streets	781,646	756,374	-	-	781,646	756,374
Culture and recreation	243,578	159,404	-	-	243,578	159,404
Health and public welfare	-	-	-	-	-	-
Interest on long-term debt	7,641	8,425	-	-	7,641	8,425
Sewer	-	-	893,127	805,099	893,127	805,099
Trash collection	-	-	424,293	424,956	424,293	424,956
Loss on sale of capital assets	-	18,111	-	-	-	18,111
<b>TOTAL EXPENSES</b>	<b>3,428,780</b>	<b>3,342,577</b>	<b>1,317,420</b>	<b>1,230,055</b>	<b>4,746,200</b>	<b>4,572,632</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS</b>	<b>175,438</b>	<b>20,068</b>	<b>(3,879)</b>	<b>(38,576)</b>	<b>171,559</b>	<b>(18,508)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>5,508,162</b>	<b>5,488,094</b>	<b>2,170,061</b>	<b>2,208,637</b>	<b>7,678,223</b>	<b>7,696,731</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 5,683,600</b>	<b>\$ 5,508,162</b>	<b>\$ 2,166,182</b>	<b>\$ 2,170,061</b>	<b>\$ 7,849,782</b>	<b>\$ 7,678,223</b>

**BOROUGH OF ROYERSFORD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The uncollected real estate taxes increased from 2018 to 2019, the earned sick leave of Borough employees also increased. The uncollected fees for the Trash Collection Fund and the Sewer Fund increased from 2018 to 2019.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS**

The Borough has not made it a practice to change the budget amounts between the original adoption of the budget and year-end. Where actual expenses are in excess of budget amounts, or less than budget amounts, the department heads are expected to adjust spending in other areas to offset the differences. The total for the department is the driving force, and each department head is accountable for his department. Certain circumstances which are beyond the control of the department head are brought to Borough Council and appropriate actions taken. A review of the operations of all departments is undertaken at the end of June. Reviews are also conducted at the end of September (or more often if necessary) and monthly thereafter through December 31. The Finance Committee within Borough Council and the Borough Manager conduct the reviews. Necessary adjustments in spending are instituted as needed.

**VARIATIONS BETWEEN BUDGET AND ACTUAL AMOUNTS**

**Taxes**

Real Estate Transfer Taxes saw an increase of \$33,536 over the prior year amount and Earned Income Tax saw a \$53,856 increase over the budgeted amount.

**Intergovernmental Revenue**

The Borough received liquid fuels money for 2019 and it will be used for 2020 road projects.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Borough of Royersford's investment in capital assets for its governmental and business-type activities as of December 31, 2019, totals \$11,356,937 in all funds (net of accumulated depreciation). The Borough's investment in capital assets includes building and building improvements, equipment, vehicles, recreational equipment, land and the Waste Water Treatment Plant.

**Long-Term Debt**

The Borough has a 2008 series sewer bond in the amount of \$2,608,000. Interest on this fixed loan is 1.840% and payment is until the year 2032.



**BOROUGH OF ROYERSFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

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**ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES**

The Borough is entertaining a large development at Main Street and North 1st Avenue Riverfront at Royersford is the Property owner of this site. The project should take between 3 and 5 years to complete. The Borough was also awarded a million dollar grant to refurbish the old trestle bridge that crosses the Schuylkill River from the proposed Boroughs walking trail that will connect to the county trail.

**CONTACTING THE BOROUGH'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the accountability for the money that the Borough receives and disburses. If you have any questions about this report or need additional information, contact Michael Leonard, Borough Manager.

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 682,564	\$ 506,607	\$ 1,189,171
Accounts receivable	60,263	74,974	135,237
Taxes receivable	40,208	-	40,208
Internal balances	144,705	(144,705)	-
Prepaid expenses	139,758	22,426	162,184
Net pension asset	68,916	67,040	135,956
Capital assets			
Land	216,461	-	216,461
Infrastructure	8,030,453	-	8,030,453
Plant	-	7,002,593	7,002,593
Buildings and building improvements	794,318	-	794,318
Equipment	413,235	51,054	464,289
Vehicles	408,601	29,268	437,869
Accumulated depreciation	(3,067,604)	(2,521,442)	(5,589,046)
<b>TOTAL ASSETS</b>	<u>7,931,878</u>	<u>5,087,815</u>	<u>13,019,693</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>168,786</u>	<u>35,351</u>	<u>204,137</u>
<b>LIABILITIES</b>			
Accounts payable	90,693	219,223	309,916
Escrows payable	15,225	-	15,225
Payroll and payroll taxes payable	62,529	7,087	69,616
Unearned revenues	887,021	4,720	891,741
Long-term liabilities			
Portion due or payable within one year			
Capital lease	10,845	-	10,845
Bonds and notes payable	24,144	179,000	203,144
Portion due or payable after one year			
Bonds and notes payable	281,903	2,429,000	2,710,903
Net pension liability	353,179	-	353,179
Compensated absences	100,068	-	100,068
<b>TOTAL LIABILITIES</b>	<u>1,825,607</u>	<u>2,839,030</u>	<u>4,664,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>591,457</u>	<u>117,954</u>	<u>709,411</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,478,572	1,953,473	8,432,045
Restricted	137,151	-	137,151
Unrestricted	(932,123)	212,709	(719,414)
<b>TOTAL NET POSITION</b>	<u>\$ 5,683,600</u>	<u>\$ 2,166,182</u>	<u>\$ 7,849,782</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 753,302	\$ -	\$ 23,557	\$ 37,195
Public safety	1,642,613	78,386	126,690	-
Highways and streets	781,646	24,900	132,083	209,034
Culture and recreation	243,578	14,190	6,236	52,085
Interest on long-term debt	7,641	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,428,780</b>	<b>117,476</b>	<b>288,566</b>	<b>298,314</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer	893,127	860,127	-	-
Trash collection	424,293	439,668	10,686	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,317,420</b>	<b>1,299,795</b>	<b>10,686</b>	<b>-</b>
<b>TOTAL BOROUGH ACTIVITIES</b>	<b>\$ 4,746,200</b>	<b>\$ 1,417,271</b>	<b>\$ 299,252</b>	<b>\$ 298,314</b>

**GENERAL REVENUES**

Property taxes, levied for general purposes  
 Earned income taxes  
 Transfer taxes  
 Per capita taxes and local services tax  
 Public utility taxes  
 Franchise taxes  
 Amusement taxes  
 Investment earnings  
 Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (692,550)	\$ -	\$ (692,550)
(1,437,537)	-	(1,437,537)
(415,629)	-	(415,629)
(171,067)	-	(171,067)
<u>(7,641)</u>	<u>-</u>	<u>(7,641)</u>
<u>(2,724,424)</u>	<u>-</u>	<u>(2,724,424)</u>
-	(33,000)	(33,000)
-	26,061	26,061
-	(6,939)	(6,939)
<u>(2,724,424)</u>	<u>(6,939)</u>	<u>(2,731,363)</u>
1,728,505	-	1,728,505
708,856	-	708,856
124,539	-	124,539
84,862	-	84,862
2,021	-	2,021
101,258	-	101,258
7,150	-	7,150
36,728	3,060	39,788
105,943	-	105,943
<u>2,899,862</u>	<u>3,060</u>	<u>2,902,922</u>
175,438	(3,879)	171,559
<u>5,508,162</u>	<u>2,170,061</u>	<u>7,678,223</u>
<u>\$ 5,683,600</u>	<u>\$ 2,166,182</u>	<u>\$ 7,849,782</u>

**BOROUGH OF ROYERSFORD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 545,413	\$ 137,151	\$ 682,564
Accounts receivable	60,263	-	60,263
Due from other funds	211,656	-	211,656
Taxes receivable	6,764	-	6,764
Prepaid expenditures	139,758	-	139,758
<b>TOTAL ASSETS</b>	<b><u>\$ 963,854</u></b>	<b><u>\$ 137,151</u></b>	<b><u>\$ 1,101,005</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 90,693	\$ -	\$ 90,693
Escrows payable	15,225	-	15,225
Due to other funds	66,951	-	66,951
Unearned revenue	887,021	-	887,021
Payroll and payroll taxes payable	62,529	-	62,529
<b>TOTAL LIABILITIES</b>	<b><u>1,122,419</u></b>	<b><u>-</u></b>	<b><u>1,122,419</u></b>
<b>FUND BALANCES</b>			
Nonspendable, prepaid expenses	139,758	-	139,758
Restricted, highway and street projects	-	137,151	137,151
Unassigned	(298,323)	-	(298,323)
<b>TOTAL FUND BALANCES</b>	<b><u>(158,565)</u></b>	<b><u>137,151</u></b>	<b><u>(21,414)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 963,854</u></b>	<b><u>\$ 137,151</u></b>	<b><u>\$ 1,101,005</u></b>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ (21,414)

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

These assets consist of:

Land	216,461
Infrastructure	8,030,453
Buildings and building improvements	794,318
Equipment	413,235
Vehicles	408,601
Accumulated depreciation	(3,067,604)

The net pension asset is not a current financial resource and therefore is not reported in the funds. 68,916

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred inflows and outflows related to pension activities	(422,671)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable and capital lease	(316,892)
Compensated absences	(100,068)
Net pension liability	(353,179)

Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds.

33,444

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,683,600

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,646,007	\$ -	\$ 2,646,007
Intergovernmental revenues	456,343	132,083	588,426
Investment income	30,054	6,674	36,728
Licenses and permits	116,158	-	116,158
Fines	18,387	-	18,387
Charges for services	90,425	-	90,425
Miscellaneous revenues	8,264	-	8,264
<b>TOTAL REVENUES</b>	<u>3,365,638</u>	<u>138,757</u>	<u>3,504,395</u>
<b>EXPENDITURES</b>			
General government	817,555	-	817,555
Public safety	1,899,425	-	1,899,425
Highways and streets	751,665	246,716	998,381
Recreation	233,866	-	233,866
Retirement expenses	133,478	-	133,478
Debt service			
Principal	23,539	-	23,539
Interest and other charges	6,749	-	6,749
<b>TOTAL EXPENDITURES</b>	<u>3,866,277</u>	<u>246,716</u>	<u>4,112,993</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(500,639)	(107,959)	(608,598)
<b>OTHER FINANCING SOURCES</b>			
Insurance recoveries	97,679	-	97,679
<b>NET CHANGE IN FUND BALANCES</b>	(402,960)	(107,959)	(510,919)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>244,395</u>	<u>245,110</u>	<u>489,505</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (158,565)</u>	<u>\$ 137,151</u>	<u>\$ (21,414)</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (510,919)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.	662,881
The issuance of long-term debt (e.g., notes, leases) provides current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net effect of these differences in the treatment of long-term debt.	33,945
Pension plan expenses are reported in the statement of activities and do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	(10,529)
Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. This is the amount of the change in real estate taxes outstanding during the year.	2,144
In the statement of activities, certain operating expenses--compensated absences (sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(2,084)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 175,438</u>

*See accompanying notes to the basic financial statements.*



**BOROUGH OF ROYERSFORD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Operating Income	\$ 143,835	\$ 362,772	\$ 508,607
Adjustments to reconcile operating income to Due from other funds	44,099	30,875	74,974
Prepaid expenses	70,146	-	70,146
	16,788	5,638	22,426
<b>TOTAL CURRENT ASSETS</b>	<b>274,868</b>	<b>399,285</b>	<b>674,153</b>
<b>NON CURRENT ASSETS</b>			
Net pension asset	50,018	17,022	67,040
Capital assets			
Plant	7,002,593	-	7,002,593
Vehicles	29,268	-	29,268
Equipment	51,054	-	51,054
Accumulated depreciation	(2,521,442)	-	(2,521,442)
<b>TOTAL NON CURRENT ASSETS</b>	<b>4,611,491</b>	<b>17,022</b>	<b>4,628,513</b>
<b>TOTAL ASSETS</b>	<b>4,886,359</b>	<b>416,307</b>	<b>5,302,666</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	26,322	9,029	35,351
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,912,681</b>	<b>\$ 425,336</b>	<b>\$ 5,338,017</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	\$ 179,000	\$ -	\$ 179,000
Accounts payable	192,631	26,592	219,223
Due to other funds	122,216	92,635	214,851
Payroll and payroll taxes payable	7,087	-	7,087
Unearned revenues	4,720	-	4,720
<b>TOTAL CURRENT LIABILITIES</b>	<b>505,654</b>	<b>119,227</b>	<b>624,881</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt	2,429,000	-	2,429,000
<b>TOTAL LIABILITIES</b>	<b>2,934,654</b>	<b>119,227</b>	<b>3,053,881</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	87,995	29,959	117,954
<b>NET POSITION</b>			
Net investment in capital assets	1,953,473	-	1,953,473
Unrestricted	(63,441)	276,150	212,709
<b>TOTAL NET POSITION</b>	<b>1,890,032</b>	<b>276,150</b>	<b>2,166,182</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 4,912,681</b>	<b>\$ 425,336</b>	<b>\$ 5,338,017</b>

See accompanying notes to the basic financial statements.

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>OPERATING REVENUES</b>			
Sewer rents and installation	\$ 860,127	\$ -	\$ 860,127
Trash collection	-	439,668	439,668
<b>TOTAL OPERATING REVENUES</b>	<u>860,127</u>	<u>439,668</u>	<u>1,299,795</u>
<b>OPERATING EXPENSES</b>			
Expenses	659,505	424,293	1,083,798
Depreciation	184,025	-	184,025
<b>TOTAL OPERATING EXPENSES</b>	<u>843,530</u>	<u>424,293</u>	<u>1,267,823</u>
<b>OPERATING INCOME</b>	<u>16,597</u>	<u>15,375</u>	<u>31,972</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants	-	10,686	10,686
Investment income	3,060	-	3,060
Interest expense	(49,597)	-	(49,597)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(46,537)</u>	<u>10,686</u>	<u>(35,851)</u>
<b>CHANGE IN NET POSITION</b>	<u>(29,940)</u>	<u>26,061</u>	<u>(3,879)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,919,972</u>	<u>250,089</u>	<u>2,170,061</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,890,032</u>	<u>\$ 276,150</u>	<u>\$ 2,166,182</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 852,532	\$ 524,886	\$ 1,377,418
Payments to suppliers	(162,598)	(361,096)	(523,694)
Operating income	(211,774)	(65,091)	(276,865)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>478,160</b>	<b>98,699</b>	<b>576,859</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Grants received	-	10,686	10,686
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of equipment	(199,799)	-	(199,799)
Principal paid on long-term debt	(175,000)	-	(175,000)
Interest paid on long-term debt	(49,597)	-	(49,597)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(424,396)</b>	<b>-</b>	<b>(424,396)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings from investments	3,060	-	3,060
<b>NET INCREASE IN CASH AND AND CASH EQUIVALENTS</b>	<b>56,824</b>	<b>109,385</b>	<b>166,209</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	87,011	253,387	340,398
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 143,835</b>	<b>\$ 362,772</b>	<b>\$ 506,607</b>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Trash Collection Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 16,597	\$ 15,375	\$ 31,972
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	184,025	-	184,025
Pension expense	(10,977)	(3,797)	(14,774)
Change in assets and liabilities			
Accounts receivable	(7,206)	(4,222)	(11,428)
Prepaid expenses	3,698	(353)	3,345
Accounts payable	168,963	2,256	171,219
Due to other funds	117,107	89,440	206,547
Payroll and payroll taxes payable	1,233	-	1,233
Unearned revenues	4,720	-	4,720
	<u>478,160</u>	<u>98,699</u>	<u>576,859</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 478,160</u>	<u>\$ 98,699</u>	<u>\$ 576,859</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

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	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Non-Uniformed</u>	<u>Fiduciary</u>
	<u>Pension</u>	<u>Pension</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 80,961	\$ 48,097	\$ 129,058
Investments	<u>3,086,785</u>	<u>2,581,979</u>	<u>5,668,764</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,167,746</u>	<u>\$ 2,630,076</u>	<u>\$ 5,797,822</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 3,167,746</u>	<u>\$ 2,630,076</u>	<u>\$ 5,797,822</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds		Total Fiduciary Funds
	Police Pension	Non-Uniformed Pension	
<b>ADDITIONS</b>			
Contributions			
Employees	\$ 33,034	\$ 13,816	\$ 46,850
Employer	10,586	-	10,586
State aid	88,749	34,143	122,892
Investment income	579,134	498,144	1,077,278
<b>TOTAL ADDITIONS</b>	<u>711,503</u>	<u>546,103</u>	<u>1,257,606</u>
<b>DEDUCTIONS</b>			
Benefits	105,549	130,577	236,126
Administrative	45,603	39,436	85,039
<b>TOTAL DEDUCTIONS</b>	<u>151,152</u>	<u>170,013</u>	<u>321,165</u>
<b>CHANGE IN NET POSITION</b>	560,351	376,090	936,441
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
<b>BEGINNING OF YEAR</b>	<u>2,607,395</u>	<u>2,253,986</u>	<u>4,861,381</u>
<b>END OF YEAR</b>	<u>\$ 3,167,746</u>	<u>\$ 2,630,076</u>	<u>\$ 5,797,822</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Borough of Royersford (the "Borough") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Borough's accounting policies are described below.

**Reporting Entity**

The financial statements of the Borough include the departments and other organizational units over which Borough Council exercises oversight responsibility, including general government, police protection, parks and recreation, public works and sanitation.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable and, as such, be includable within the Borough's financial statements. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Borough's financial statements to be misleading or incomplete.

Management has evaluated the following potential component units and in reviewing criteria, the Borough considered the following:

- The fire department receives a contribution from the Borough and uses the personal property of the Borough. However, the majority of revenues generated are through private fundraisers under the direction of a separate independent board not appointed by Borough Council. The department is organized under a separate charter, and, therefore, it is not included in the financial statements.
- The tax collector is an elected officer who collects taxes on behalf of the Borough, the Spring-Ford Area School District and Montgomery County. The Borough regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.
- The Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity, it is reported as if it is part of the government as it is government by a board comprised of members appointed by the Board of the Borough and the Borough is responsible for funding the plan. The plan is a blended component unit and is reported as a fiduciary fund and does not issue separate financial statements.

**BOROUGH OF ROYERSFORD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- The Non-Uniformed Employees Pension Plan is a single employer defined benefit pension plan that provides pensions for all full-time non-uniformed employees of the Borough. Although the plan is a separate legal entity, it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of the Borough and the Borough is responsible for funding the plan. The plan is a blended component unit and is reported as a fiduciary fund and does not issue separate financial statements.

**Fund Accounting**

The Borough uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Borough functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds of the Borough are grouped into the categories governmental, proprietary and fiduciary.

The Borough reports the following major Governmental Funds:

**General Fund** - The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public works and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted expenditures for specified purposes. This fund accounts principally for the disposition of dedicated state liquid fuels highway aid funding.

The Borough reports the following major Proprietary Funds:

***Enterprise Funds***

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems.

**Trash Collection Fund** - The Trash Collection Fund accounts for the operation of the Borough's trash collection system.



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Borough reports the following Fiduciary Funds:

*Pension Trust Funds* - The Pension Trust Funds are used to account for financial resources restricted solely for life insurance, disability and retirement benefits of the employees participating under the Borough's defined benefit pension plans.

**Basis of Presentation and Accounting**

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds' financial statements but differs from the manner in which Governmental Funds' financial statements are prepared. Governmental Funds' financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Borough and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements*** - Fund financial statements report detailed information about the Borough. The focus of Governmental and Proprietary Funds' financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are sewer rents and trash collection fees. Operating expenses of the Borough's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Equivalents**

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased and no restrictions on withdrawal to be cash equivalents.

**Investments**

Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Borough may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. State law does not limit pension investments. Investments are stated at fair value.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2019, was in excess of the minimum requirements just described.

The Borough has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with this Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

**Prepaid Expenditures/Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures/expenses in both the government-wide and fund financial statements.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets*

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the Governmental Funds' financial statements.

Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	5-40
Plant	5-40
Equipment	10-20
Vehicles	3-10
Infrastructure	25

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments and the differences between expected and actual experience of the pension plan.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds' statement of net position.

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

**Fund Balance**

Beginning with the year ended December 31, 2011, the Borough implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which Borough Council delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Real Estate Tax Calendar**

The original tax duplicate is received by the tax collector and mailed February 1. The discount period extends through March 31, followed by the flat period through May 31 and ends with the penalty period after June 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be liened by January 15 with the county.

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough follows state statute as it relates to custodial credit risk. As of December 31, 2019, \$1,002,221 of the Borough's bank balance of \$1,382,280 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Borough's name	\$ <u>865,070</u>
Held by PLGIT, which is uninsured and uncollateralized	\$ <u>137,151</u>

The bank balance invested in PLGIT, a state investment pool, is uninsured and uncollateralized. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

*Investments*

**Fair Value Measurement** - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough had the following recurring fair value measurements as of December 31, 2019.

Investment Type	Fair Value (Level 1)	Investment Maturities	
		1 Year or Less	2 to 5 Years
Equity investments	\$ 2,999,400	\$ 2,999,400	\$ -
Mutual funds	2,597,914	2,597,914	-
Exchange traded products	71,450	71,450	-
	<u>\$ 5,668,764</u>	<u>\$ 5,668,764</u>	<u>\$ -</u>

**Interest Rate Risk** - The Borough's investment policy does limit investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	General Fund	Proprietary Fund Type	Totals
Sewer billings	\$ -	\$ 44,099	\$ 44,099
Refuse billings	-	30,875	30,875
Other	60,263	-	60,263
	<u>\$ 60,263</u>	<u>\$ 74,974</u>	<u>\$ 135,237</u>

The Borough believes that all receivables are collectible; therefore, an allowance for doubtful accounts is not needed.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE D - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 216,461	\$ -	\$ -	\$ 216,461
Capital assets being depreciated				
Infrastructure	7,168,464	861,989	-	8,030,453
Buildings and building improvements	642,197	152,121	-	794,318
Equipment	413,235	-	-	413,235
Vehicles	408,601	-	-	408,601
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>8,632,497</u>	<u>1,014,110</u>	<u>-</u>	<u>9,646,607</u>
Accumulated depreciation				
Infrastructure	(1,799,736)	(292,647)	-	(2,092,383)
Buildings and building improvements	(289,562)	(19,141)	-	(308,703)
Equipment	(330,135)	(19,191)	-	(349,326)
Vehicles	(296,942)	(20,250)	-	(317,192)
TOTAL ACCUMULATED DEPRECIATION	<u>(2,716,375)</u>	<u>(351,229)</u>	<u>-</u>	<u>(3,067,604)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>5,916,122</u>	<u>662,881</u>	<u>-</u>	<u>6,579,003</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>6,132,583</u>	<u>662,881</u>	<u>-</u>	<u>6,795,464</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Plant	6,802,794	199,799	-	7,002,593
Vehicles	29,268	-	-	29,268
Equipment	51,054	-	-	51,054
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>6,883,116</u>	<u>199,799</u>	<u>-</u>	<u>7,082,915</u>
Accumulated depreciation				
Plant	(2,317,416)	(164,080)	-	(2,481,496)
Vehicles	(20,001)	(2,927)	-	(22,928)
Equipment	-	(17,018)	-	(17,018)
TOTAL ACCUMULATED DEPRECIATION	<u>(2,337,417)</u>	<u>(184,025)</u>	<u>-</u>	<u>(2,521,442)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>4,545,699</u>	<u>15,774</u>	<u>-</u>	<u>4,561,473</u>
CAPITAL ASSETS, net	<u>\$ 10,678,282</u>	<u>\$ 678,655</u>	<u>\$ -</u>	<u>\$ 11,356,937</u>



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE D - CAPITAL ASSETS (Continued)**

The net book value of each capital asset category for governmental and business-type activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
Capital assets not being depreciated			
Land	\$ 216,461	\$ -	\$ 216,461
Capital assets being depreciated			
Infrastructure	8,030,453	(2,092,383)	5,938,070
Buildings and building improvements	794,318	(308,703)	485,615
Equipment	413,235	(349,326)	63,909
Vehicles	408,601	(317,192)	91,409
	<u>9,863,068</u>	<u>(3,067,604)</u>	<u>6,795,464</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Capital assets being depreciated			
Plant	7,002,593	(2,481,496)	4,521,097
Vehicles	29,268	(22,928)	6,340
Equipment	51,054	(17,018)	34,036
	<u>7,082,915</u>	<u>(2,521,442)</u>	<u>4,561,473</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 16,945,983</b>	<b>\$ (5,589,046)</b>	<b>\$ 11,356,937</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,357
Public safety	20,021
Highways and streets	268,944
Culture and recreation	<u>46,907</u>
	<u>\$ 351,229</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity of the Borough for the year ended December 31, 2019:

	Balance January 1, 2019	Additions/ Refundings
	<u>          </u>	<u>          </u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Obligation Bonds and Notes		
Bonds, Series of 2011	\$ 329,586	\$ -
Capital leases	21,251	-
Net Pension Liability	742,256	-
Compensated absences (Note G)	97,984	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>1,191,077</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Notes		
Guaranteed Sewer Revenue Note, Series of 2008	2,783,000	-
Net Pension Liability	68,086	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>2,851,086</u>	<u>-</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 4,042,163</u>	<u>\$ -</u>

The General Fund funds the payment of long-term debt and compensated absences in the governmental activities.

<u>Deletions/ Maturities</u>	<u>Balance December 31, 2019</u>	<u>Due Within One Year</u>
\$ (23,539)	\$ 306,047	\$ 24,144
(10,406)	10,845	10,845
(389,077)	353,179	-
2,084	100,068	-
<u>(420,938)</u>	<u>770,139</u>	<u>34,989</u>
(175,000)	2,608,000	179,000
(68,086)	-	-
<u>(243,086)</u>	<u>2,608,000</u>	<u>179,000</u>
\$ <u>(664,024)</u>	\$ <u>3,378,139</u>	\$ <u>213,989</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE E - LONG-TERM LIABILITIES (Continued)**

Bonds and notes payable at December 31, 2019, consisted of:

**Governmental Activities**

General Obligation Bonds, Series of 2011, used to currently refund the General Obligation Note, Series of 2008, which was originally used to finance the revitalization of Main Street, principal and interest payments were due monthly and began in April 2011 and continued through July 2016 at a fixed rate of 3.45%. In August 2016, the interest rate was set at a fixed rate of 2.08% continuing through April 2021. In April 2021 and continuing through April 2026 interest will be set at a variable rate of the prime rate plus an additional .25%, not to exceed 5.99%. In April 2026 the rate will change to a fixed rate of 5.99% through maturity in April 2031.

\$ 306,047

**Business-Type Activities**

Guaranteed Sewer Revenue Note, Series of 2008, used for renovations to the Royersford Waste Water Treatment Plant; principal payments began in June 2009 and continue through June 2032 ranging from \$5,000 to \$265,000 annually; interest payments began in July 2008 and are due monthly at a fixed rate of 1.84%

2,608,000

**TOTAL BONDS AND NOTES PAYABLE**

\$ 2,914,047

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE E - LONG-TERM LIABILITIES (Continued)**

*Debt Service Requirements*

A summary of notes payable debt service requirements to maturity, including principal and interest, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 203,144	\$ 54,131	\$ 257,275
2021	203,734	57,320	261,054
2022	206,424	56,318	262,742
2023	211,743	51,595	263,338
2024	217,107	46,753	263,860
2025 to 2029	1,164,900	154,846	1,319,746
2030 to 2032	706,995	26,434	733,429
	<u>\$ 2,914,047</u>	<u>\$ 447,397</u>	<u>\$ 3,361,444</u>

**NOTE F - CAPITAL LEASE**

The Borough has entered into a lease agreement as lessee for financing the acquisition of a vehicle for the Police Department. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease have a cost of \$31,295 and accumulated depreciation of \$7,302 as of December 31, 2019.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ending December, 31</u>	<u>General Fund</u>
2020	\$ 11,299
Amount representing interest	<u>(454)</u>
	<u>\$ 10,845</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE G - SICK LEAVE**

The Borough does not accrue accumulated sick leave on its Governmental or Proprietary Funds. The Borough expenses these costs as paid in the fund financial statements. Sick leave is accrued on the government-wide financial statements. The amount of vested accumulated sick leave was \$100,068 as of December 31, 2019. Non-uniform employees earn 1 1/4 days of sick leave per month with a maximum accumulation of 75 days for hourly employees and 100 days for salaried employees. Uniform employees earn ten hours of sick leave per month with a maximum accumulation of 1040 hours. All employees are entitled to payment for 80% of accumulated sick leave upon retirement and 50% upon termination after three years of employment. Effective January 1, 2012, all uniform employees are eligible to receive payment of accumulated sick leave up to a maximum of \$9,000.

**NOTE H - INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues by source are summarized as follows:

	General Fund	Special Revenue Fund
	<u>          </u>	<u>          </u>
COMMONWEALTH OF PENNSYLVANIA		
Payment in lieu of taxes	\$ 5,761	\$ -
Public utility realty tax	2,021	-
Liquid fuels	-	132,083
Pension	122,892	-
Liquor Control Board	850	-
Volunteer Fire Fighter	26,505	-
DCNR grants	52,085	-
Turnback revenue	188,252	-
County of Montgomery		
Conservation District	20,782	-
Streetscape enhancement	37,195	-
	<u>\$ 456,343</u>	<u>\$ 132,083</u>

Approximately 17% of all Borough revenues represents federal, state and county grants.

**NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables are summarized as follows:

	Due from Other Funds	Due to Other Funds
	<u>          </u>	<u>          </u>
General Fund	\$ 211,656	\$ 66,951
Sewer Fund	70,146	122,216
Trash Collection Fund	-	92,635
	<u>\$ 281,802</u>	<u>\$ 281,802</u>

There were no Interfund transfers that occurred for the year ended December 31, 2019.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

*Summary of Significant Accounting Policies*

**Method Used to Value Investments** - Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

*Plan Description*

**Plan Administration** - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the Borough Manager, one police department representative and one non-uniformed employees representative--all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Police Pension Fund.

**Plan Membership** - At December 31, 2019, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	6
	<hr/>
	9
	<hr/> <hr/>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month per year of benefit service completed in excess of 25 years, up to a maximum of \$500 additional per month. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 80% of the member's monthly salary at the time of disability reducing to 50% of salary at normal retirement date less worker's compensation benefits. There is no benefit for non-service related disability.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Benefit terms provide for an annual cost-of-living increase, based upon the increase in the Consumer Price Index for the preceding year, shall be granted to retired members equal to not more than the increase in the Consumer Price Index from the year in which the member last worked, with a maximum total cost-of-living increase of 30%.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

**Contributions** - The Borough's police employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$99,335 to the plan for the year 2019. The Borough's actual contributions for the plan year 2019 were \$99,335.

Per the collective bargaining agreement, employees are required to contribute 5% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	30%
Core equity	25%
International	15%
Fixed income	<u>30%</u>
	<u>100%</u>

**Concentrations** – As of December 31, 2019, the Borough had no individual investments that exceeded 5% of the Borough's total investments.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The components of the net pension liability of the Borough at December 31, 2019, were as follows:

Total pension liability	\$ 3,520,925
Plan fiduciary net position	<u>(3,167,746)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>353,179</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.97%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.00% average, including inflation
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Blue Collar Mortality Table with Scale AA.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Dividend and income stocks	7.5%
Core equity	8.0%
International	10.0%
Fixed income	3.8%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Changes in the Net Pension Liability***

	Governmental Activities:		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
Balance at December 31, 2018	\$ 3,279,660	\$ 2,607,395	\$ 672,265
Changes for the year			
Service cost	113,571	-	113,571
Interest cost	242,183	-	242,183
Changes for experience	(96,356)	-	(96,356)
Changes of assumptions	87,416	-	87,416
Contributions			
Employer	-	99,335	(99,335)
Member	-	33,034	(33,034)
Net investment income	-	579,134	(579,134)
Benefit payments	(105,549)	(105,549)	-
Administrative expenses	-	(45,603)	45,603
Net Changes	<u>241,265</u>	<u>560,351</u>	<u>(319,086)</u>
Balance at December 31, 2019	\$ 3,520,925	\$ 3,167,746	\$ 353,179

***Changes in Assumptions***

In the 2018 actuarial valuation, the investment rate of return was changed to 7.00%, in prior years the investment rate of return was 7.25%.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.00%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ <u>877,569</u>	\$ <u>353,179</u>	\$ <u>(80,067)</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2019, the Borough recognized pension expense of \$125,051. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 163,475
Change of assumptions	132,445	111,054
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>195,673</u>
	<u>\$ 132,445</u>	<u>\$ 470,202</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2020	\$ (84,078)
2021	(73,332)
2022	(25,165)
2023	(99,842)
2024	(21,686)
Thereafter	(33,654)

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN)**

*Summary of Significant Accounting Policies*

**Method Used to Value Investments** - Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

*Plan Description*

**Plan Administration** - The Borough administers the Non-Uniformed Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniformed Borough employees.

Management of the plan is vested in the Pension Board, which consists of five members; two elected council members, the borough manager, one police department representative and one non-uniformed employees representative--all appointed by the Borough Council President. The Pension Board is responsible for managing, investing and monitoring the Borough's Non-Uniformed Pension Fund.

**Plan Membership** - At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>10</u>
	<u><u>18</u></u>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 62. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to a designated beneficiary, equal to the present value of the accrued benefit at the time of the member's death. The amount of monthly pension is equal to 1.667% times average monthly compensation. Average compensation is based upon the highest 36 of the last 60 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The service related disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability. If the disability is not service related, a benefit of 30% of salary is provided to a member who has at least ten years of service.

The benefit provisions of the Borough's plan are established by Borough ordinances.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

**Contributions** - The Borough's non-uniformed employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$34,143 to the plan for the year 2019. The Borough's actual contributions for the plan year 2019 were \$34,143.

Per Borough ordinance, employees are required to contribute 2.25% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Dividend and income stocks	28%
Core equity	26%
International	16%
Fixed income	30%
	<u>100%</u>

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

**Concentrations** - As of December 31, 2019, the Borough had no individual investments that exceeded 5% of the Borough's total investments.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The components of the net pension liability of the Borough at December 31, 2019, were as follows:

Total pension liability	\$ 2,494,120
Plan fiduciary net position	<u>(2,630,076)</u>
NET PENSION LIABILITY	<u>\$ (135,956)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>105.45%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.50% average, including inflation
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Blue Collar Mortality Table with Scale AA.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Dividend and income stocks	7.5%
Core equity	8.0%
International	10.0%
Fixed income	3.8%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	<u>Governmental Activities:</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary Net</u>	<u>Pension</u>
	<u>Liability</u>	<u>Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2018	\$ 1,212,485	\$ 1,142,495	\$ 69,990
Changes for the year			
Service cost	19,899	-	19,899
Interest cost	86,950	-	86,950
Changes for experience	(12,617)	-	(12,617)
Changes of assumptions	23,687	-	23,687
Contributions			
Employer	-	17,307	(17,307)
Member	-	7,003	(7,003)
Net investment income	-	252,509	(252,509)
Benefit payments	(66,189)	(66,189)	-
Administrative expenses	-	(19,990)	19,990
Net changes	<u>51,730</u>	<u>190,640</u>	<u>(138,910)</u>
Balance at December 31, 2019	<u>\$ 1,264,215</u>	<u>\$ 1,333,135</u>	<u>\$ (68,920)</u>



**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

	Business-type Activities		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at December 31, 2018	\$ 1,179,579	\$ 1,111,491	\$ 68,088
Changes for the year			
Service cost	19,358	-	19,358
Interest cost	84,587	-	84,587
Changes for experience...	(12,273)	-	(12,273)
Changes of assumptions	23,042	-	23,042
Contributions			
Employer	-	16,836	(16,836)
Member	-	6,813	(6,813)
Net investment income	-	245,635	(245,635)
Benefit payments	(64,388)	(64,388)	-
Administrative expenses	-	(19,446)	19,446
Net changes	<u>50,326</u>	<u>185,450</u>	<u>(135,124)</u>
Balance at December 31, 2019	\$ <u>1,229,905</u>	\$ <u>1,296,941</u>	\$ <u>(67,036)</u>

***Changes in Assumptions***

In the 2018 actuarial valuation, the investment rate of return was changed to 7.00%, in prior years the investment rate of return was 7.25%.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.00%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	<u>          </u>	<u>          </u>	<u>          </u>
Net pension liability	\$ 89,074	\$ (135,956)	\$ (330,663)

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PLAN) (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2019, the Borough recognized pension expense of \$28,562. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 33,635	\$ -	\$ 32,719
Change of assumptions	36,341	-	35,351	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>87,620</u>	<u>-</u>	<u>85,235</u>
	<u>\$ 36,341</u>	<u>\$ 121,255</u>	<u>\$ 35,351</u>	<u>\$ 117,954</u>

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

<u>December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ (44,476)	\$ (43,264)
2021	(30,624)	(29,789)
2022	1,319	1,284
2023	(30,020)	(29,202)
2024	4,364	4,245
Thereafter	14,523	14,123

**NOTE L - RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Borough to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE M - SUBSEQUENT EVENTS**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Borough operations including tax collections and the collection of sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Borough having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have experienced significant decline since the beginning of the year. These losses, if not regained, will have a significant detrimental impact on the value of the investments held by the Borough's pension plans. Decreases in the value of investments held by the Plans may result in a significant impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact the Borough's financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

In December 2019, Borough Council approved the sale of the Borough sewer system to PA American Water for \$13,000,000. The sale is scheduled to be finalized in November or December of 2020.

In January 2020, the Borough Council signed a Tax and Revenue Anticipation Note, Series of 2020, for general government expenditures. The note will be in the amount of \$400,000 and will be outstanding for a period ending no later than February 21, 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**3 FORD**  
**↓ SCHEDULE**

31, 2019

	Budgeted Amounts		Actual Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Budgetary Basis	Budget to GAAP Differences	GAAP Basis	
	\$ 2,837,508	\$ 2,837,508	\$ 2,645,851	\$ 156	\$ 2,646,007	\$ (191,657)
	139,950	139,950	1,394,537	(938,194)	456,343	1,254,587
	10,000	10,000	30,054	-	30,054	20,054
	116,200	116,200	116,458	(300)	116,158	258
	26,000	26,000	17,852	535	18,387	(8,148)
	61,900	61,900	89,645	780	90,425	27,745
	50,000	50,000	7,948	316	8,264	(42,052)
	<u>3,241,558</u>	<u>3,241,558</u>	<u>4,302,345</u>	<u>(936,707)</u>	<u>3,365,638</u>	<u>1,060,767</u>
	436,702	436,702	809,918	7,637	817,555	(373,216)
	1,725,371	1,725,371	1,979,147	(79,722)	1,899,425	(253,776)
	616,630	616,630	684,203	67,462	751,665	(67,573)
	299,055	299,055	230,819	3,047	233,866	68,236
	133,500	133,500	133,478	-	133,478	22
	23,551	23,551	23,539	-	23,539	12
	6,749	6,749	6,749	-	6,749	-
S	<u>3,241,558</u>	<u>3,241,558</u>	<u>3,867,853</u>	<u>(1,576)</u>	<u>3,868,277</u>	<u>(626,295)</u>
IS OVER	-	-	434,492	(935,131)	(500,639)	434,492
	-	-	126,384	(28,705)	97,679	126,384
Y BALANCE	\$ -	\$ -	\$ 560,876	\$ (963,836)	\$ (402,960)	\$ 560,876

*budgetary comparison schedule.*

**BOROUGH OF ROYERSFORD**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE A - BUDGETARY INFORMATION**

The Borough's process for establishing its annual operating budget involves submission of the budget by the Borough Manager to Borough Council for its approval and adoption.

The Borough prepares the General Fund budget on the cash basis of accounting, which is not consistent with accounting principles generally accepted in the United States of America.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2019, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General government	\$	373,216
Public safety		253,776
Highways and streets		67,573

These excess expenditures were funded by cash reserves.

**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF CHANGES IN THE NET POLICE PENSION**  
**PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 113,571	\$ 106,285	\$ 103,774
Interest	242,183	225,428	210,375
Differences between expected and actual experience	(96,356)	(3,951)	(82,990)
Changes of assumptions	87,416	-	74,230
Benefit payments	<u>(105,549)</u>	<u>(102,345)</u>	<u>(98,183)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	241,265	225,417	207,206
Total pension liability, beginning	<u>3,279,660</u>	<u>3,054,243</u>	<u>2,847,037</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u>\$ 3,520,925</u>	<u>\$ 3,279,660</u>	<u>\$ 3,054,243</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 99,335	\$ 97,328	\$ 87,354
Member	33,034	32,200	30,458
Net investment income	579,134	(168,587)	413,998
Benefit payments, including refunds of member contributions	(105,549)	(102,345)	(98,183)
Administrative expense	<u>(45,603)</u>	<u>(43,540)</u>	<u>(39,857)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	560,351	(184,944)	393,770
Plan fiduciary net position, beginning	<u>2,607,395</u>	<u>2,792,339</u>	<u>2,398,569</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u>\$ 3,167,746</u>	<u>\$ 2,607,395</u>	<u>\$ 2,792,339</u>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<u>\$ 353,179</u>	<u>\$ 672,265</u>	<u>\$ 261,904</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>90%</u>	<u>80%</u>	<u>91%</u>
<b>COVERED PAYROLL</b>	<u>\$ 594,998</u>	<u>\$ 662,977</u>	<u>\$ 637,431</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<u>59%</u>	<u>101%</u>	<u>41%</u>

**NOTES TO SCHEDULE**

*Changes of Assumptions:*

In 2019 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.25% to 7.00%.

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

In 2015 amounts reported as changes of assumptions resulted from adjustment to the assumed average annual salary increase, decreasing the rate from 5.0% to 4.5%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

2016	2015	2014
\$ 84,558	\$ 82,517	\$ 87,111
202,448	204,204	181,670
(6,320)	(17,032)	41,156
-	(198,360)	-
<u>(96,785)</u>	<u>(96,785)</u>	<u>(95,228)</u>
183,901	(25,456)	214,709
<u>2,663,136</u>	<u>2,688,592</u>	<u>2,473,883</u>
<u>\$ 2,847,037</u>	<u>\$ 2,663,136</u>	<u>\$ 2,688,592</u>
\$ 84,837	\$ 75,396	\$ 54,795
28,541	24,350	23,616
218,177	19,273	185,226
(96,785)	(96,785)	(95,228)
<u>(41,095)</u>	<u>(33,862)</u>	<u>(35,637)</u>
193,675	(11,628)	132,772
<u>2,204,894</u>	<u>2,216,522</u>	<u>2,083,750</u>
<u>\$ 2,398,589</u>	<u>\$ 2,204,894</u>	<u>\$ 2,216,522</u>
<u>\$ 448,468</u>	<u>\$ 458,242</u>	<u>\$ 472,070</u>
<u>84%</u>	<u>83%</u>	<u>82%</u>
<u>\$ 557,623</u>	<u>\$ 523,032</u>	<u>\$ 464,976</u>
<u>80%</u>	<u>88%</u>	<u>102%</u>



**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 99,335	\$ 97,328	\$ 87,354
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>99,335</u>	<u>97,328</u>	<u>87,354</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 594,998</u>	<u>\$ 662,977</u>	<u>\$ 637,431</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>17%</u>	<u>15%</u>	<u>14%</u>

**NOTES TO SCHEDULE**

Valuation date

January 1, 2018

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	PMRS asset method
Inflation	3.0%
Salary increases	4.00% annual increase
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Blue Collar Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

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<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 84,837	\$ 75,396	\$ 54,795
<u>84,837</u>	<u>75,396</u>	<u>54,795</u>
\$ -	\$ -	\$ -
<u>\$ 557,623</u>	<u>\$ 523,032</u>	<u>\$ 464,976</u>
<u>15%</u>	<u>14%</u>	<u>12%</u>

**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF POLICE PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.60%</u>	<u>-7.60%</u>	<u>15.70%</u>	<u>8.50%</u>	<u>0.02%</u>	<u>7.20%</u>

**NOTE TO SCHEDULE**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 39,257	\$ 48,595	\$ 47,701
Interest	171,537	167,713	159,165
Differences between expected and actual experience	(24,890)	(39,030)	(34,245)
Changes of assumptions	46,729	-	40,900
Benefit payments	(130,577)	(99,814)	(93,200)
NET CHANGE IN TOTAL PENSION LIABILITY	102,056	77,464	120,321
Total pension liability, beginning	2,392,064	2,314,600	2,194,279
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,494,120</u>	<u>\$ 2,392,064</u>	<u>\$ 2,314,600</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 34,143	\$ 29,155	\$ 35,034
Member	13,816	12,175	12,851
Net investment income	498,144	(143,895)	372,904
Benefit payments, including refunds of member contributions	(130,577)	(99,814)	(93,200)
Administrative expense	(39,436)	(38,088)	(36,653)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	376,090	(240,467)	290,936
Plan fiduciary net position, beginning	2,253,986	2,494,453	2,203,517
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,630,076</u>	<u>\$ 2,253,986</u>	<u>\$ 2,494,453</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ (135,956)</u>	<u>\$ 138,078</u>	<u>\$ (179,853)</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>105%</u>	<u>94%</u>	<u>108%</u>
<b>COVERED PAYROLL</b>	<u>\$ 688,296</u>	<u>\$ 582,359</u>	<u>\$ 577,111</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<u>-20%</u>	<u>24%</u>	<u>-31%</u>

**NOTES TO SCHEDULE**

*Changes of Assumptions:*

In 2019 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.25% to 7.00%.

In 2017 amounts reported as changes of assumptions resulted from adjustment to the investment rate of return, decreasing the rate from 7.5% to 7.25%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

2016	2015	2014
\$ 55,458	\$ 54,051	\$ 46,392
158,932	152,820	137,776
(42,091)	(43,982)	50,099
-	-	-
<u>(83,298)</u>	<u>(82,313)</u>	<u>(101,635)</u>
89,001	80,576	132,632
<u>2,105,278</u>	<u>2,024,702</u>	<u>1,892,070</u>
<u>\$ 2,194,279</u>	<u>\$ 2,105,278</u>	<u>\$ 2,024,702</u>
\$ 51,650	\$ 47,508	\$ 42,475
13,419	12,375	10,730
211,303	23,312	191,181
(83,298)	(82,313)	(101,635)
<u>(38,702)</u>	<u>(31,585)</u>	<u>(33,668)</u>
154,372	(30,703)	109,083
<u>2,049,145</u>	<u>2,079,848</u>	<u>1,970,765</u>
<u>\$ 2,203,517</u>	<u>\$ 2,049,145</u>	<u>\$ 2,079,848</u>
<u>\$ (9,238)</u>	<u>\$ 56,133</u>	<u>\$ (55,146)</u>
<u>100%</u>	<u>97%</u>	<u>103%</u>
<u>\$ 582,264</u>	<u>\$ 617,654</u>	<u>\$ 502,883</u>
<u>-2%</u>	<u>9%</u>	<u>-11%</u>

**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF NON-UNIFORMED PENSION**  
**PLAN CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 34,143	\$ 29,155	\$ 35,034
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>34,143</u>	<u>29,155</u>	<u>35,034</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 688,296</u>	<u>\$ 582,359</u>	<u>\$ 577,111</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>5%</u>	<u>5%</u>	<u>6%</u>

**NOTES TO SCHEDULE**

Valuation date

January 1, 2018

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	PMRS asset method
Inflation	3.0%
Salary increases	4.50% annual increase
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Blue Collar Mortality Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

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<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 51,650	\$ 47,508	\$ 42,475
<u>51,650</u>	<u>47,508</u>	<u>42,475</u>
\$ -	\$ -	\$ -
<u>\$ 582,264</u>	<u>\$ 462,914</u>	<u>\$ 502,883</u>
<u>9%</u>	<u>10%</u>	<u>8%</u>

**BOROUGH OF ROYERSFORD**  
**SCHEDULE OF NON-UNIFORMED PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.60%</u>	<u>-7.60%</u>	<u>15.60%</u>	<u>9.00%</u>	<u>0.02%</u>	<u>8.00%</u>

**NOTE TO SCHEDULE**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.