

**NARBERTH BOROUGH
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Fiscal Year Ended December 31, 2020

NARBERTH BOROUGH
MONTGOMERY COUNTY, PENNSYLVANIA

For the Fiscal Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Borough Council
Narberth Borough, Pennsylvania

Report on the Financial Statements

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 Narberth Borough, Pennsylvania, as of and for the year ended December 31, 2020, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of 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.

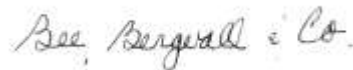
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Narberth Borough, Pennsylvania, as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, and the historical trend information on pages 62 through 67 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 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.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
December 20, 2021

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

Within this section of the Borough of Narberth's annual financial report, the Borough management provides narrative discussion and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2020. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Borough's assets exceeded its liabilities by \$1,073,631 (total net position) for the fiscal year reported. This total includes both governmental and business-type (sewer and solid waste) activities. The Borough's assets exceeded its liabilities by \$1,635,085 as of December 31, 2019.
- Total net position is comprised of the following:
 - 1) Net investment in capital assets of \$5,290,106 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted net position of \$172,904.
 - 3) Unrestricted net position of (\$4,389,379).
- The Borough's General Fund balance at the end of 2020 was \$691,169 as compared to the General Fund balance at the end of 2019 of \$353,008.
- The Borough's Proprietary Fund net position decreased from \$723,841 at the end of 2019 to \$670,674 at the end of 2020. The decrease in net position was (\$53,167). Overall, 2020 Proprietary Funds revenues, charges to customers for sewer and garbage/recycling collection services, of \$850,061 increased compared to 2019 charges for services of \$746,066. Total Proprietary Fund operating expenses totaled \$898,408 during 2020 as compared to \$706,729 in 2019. The decrease in net position can be largely attributed to the increase in operating expenses of \$191,679.
- Long-term debt principal totaled \$1,437,528 as of December 31, 2020. During 2020, the Borough incurred new debt of \$651,000 and repaid principal of \$142,194.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis provides an introduction to the Borough's basic financial statements. The basic financial statements include:

1. Government-Wide Financial Statements
2. Governmental Fund Financial Statements
3. Proprietary Fund Financial Statements
4. Fiduciary Fund Financial Statements
5. Notes to the Financial Statements

Additional information is also provided to supplement the basic financial statements.

Government-Wide Financial Statements

The Borough's annual report contains two Government-Wide Financial Statements. They are the *Statement of Net Position* and the *Statement of Activities*. These statements provide both long-term and short-term information about the Borough's overall financial status. Financial reporting at this level is similar to that found in the private sector with its basis in full accrual accounting and the elimination or reclassification of internal activities.

The *Statement of Net Position* provides information on all of the Borough's assets and liabilities, with the difference reported as *Net Position*. Over time, increases or decreases in net position serve as a useful indicator of whether the Borough's financial position is improving or deteriorating. Evaluation of the overall economic health of the Borough would include other non-financial factors such as changes in the taxpayer base or the condition of the Borough's infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities* reports how the Borough's net position changed during the current fiscal year. All current year revenues and expenditures are included in this report regardless of when cash is received or paid. An important purpose of the Statement of Activities is to show the financial reliance of the Borough's various activities or services on revenues provided by the Borough's taxpayers.

Both Government-Wide Financial Statements are divided into two categories.

1. **Governmental Activities:** Most of the Borough's basic services are included here, such as general government, public safety, public services and recreation. These activities are principally supported by taxes and intergovernmental revenues such as grants.
2. **Business-Type Activities:** Services which are intended to recover all or most of their costs through user fees and charges. The Borough's sewer and solid waste operations are examples of business-type activities.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide more detailed information about the Borough's Funds, focusing on its most significant or "Major Funds" - not the Borough as a whole. A fund is an accountability unit used to maintain control over resources segregated by specific sources of funding or spending on particular programs.

- Some funds are required by state law or bond covenants.
- The Borough establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The Borough has three kinds of Funds:

Governmental Funds

Most of the Borough's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to fund the Borough's programs. Because this information does not encompass the additional long-term focus of the Government-Wide statements, additional information on a separate page of the Governmental Funds statements explains the relationship (or differences) between them.

Proprietary Funds

Services for which the Borough charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the Government-Wide statements. The Borough's Proprietary Funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

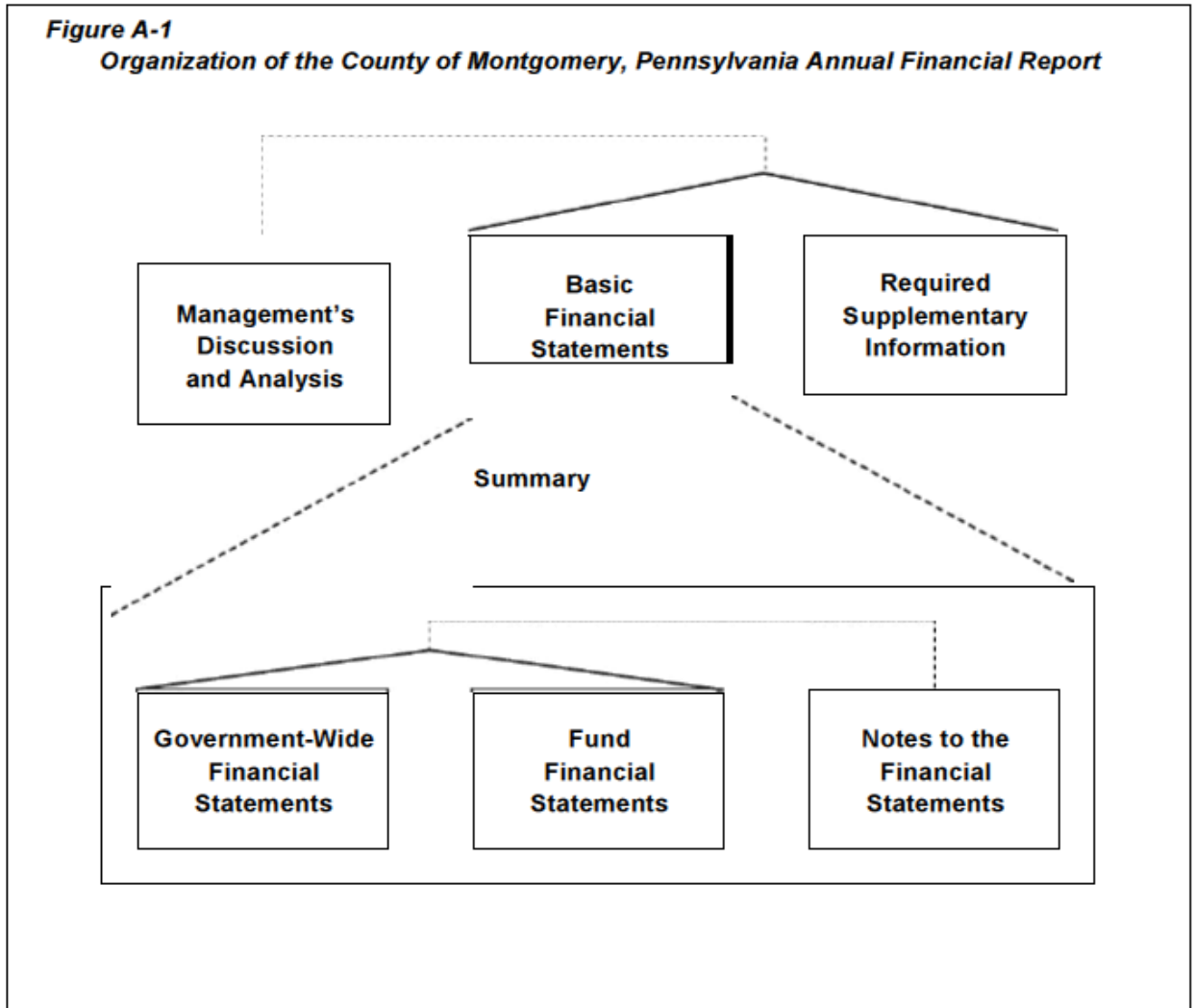
Fiduciary Funds

The Borough is the trustee, or fiduciary, for assets that belong to others, such as the pension plans. The Borough is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Borough excludes these activities from the Government-Wide financial statements because it cannot use these assets to finance its operations.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

ORGANIZATION OF BOROUGH OF NARBERTH'S ANNUAL FINANCIAL REPORT



BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net position can be used to explain the changing financial position of the Borough as a whole.

Condensed Statement of Net Position
(In Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$ 2,499	\$ 2,466	\$ 670	\$ 639	\$ 3,169	\$ 3,105
Capital Assets	<u>6,535</u>	<u>6,740</u>	<u>192</u>	<u>176</u>	<u>6,727</u>	<u>6,916</u>
Total Assets	9,034	9,206	862	815	9,896	10,021
Deferred Outflows of Resources	<u>1,376</u>	<u>1,297</u>	<u>-</u>	<u>-</u>	<u>1,376</u>	<u>1,297</u>
Liabilities						
Current and Other Liabilities	138	513	191	91	329	604
Net Pension Liability	3,003	3,774	-	-	3,003	3,774
Net OPEB Liability	4,069	3,978	-	-	4,069	3,978
Long-Term Liabilities	<u>1,438</u>	<u>929</u>	<u>-</u>	<u>-</u>	<u>1,438</u>	<u>929</u>
Total Liabilities	8,648	9,194	191	91	8,839	9,285
Deferred Inflows of Resources	<u>1,359</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>1,359</u>	<u>397</u>
Net Position						
Net investment in capital assets	5,098	5,812	192	176	5,290	5,988
Restricted	173	204	-	-	173	204
Unrestricted	<u>(4,868)</u>	<u>(5,104)</u>	<u>479</u>	<u>548</u>	<u>(4,389)</u>	<u>(4,556)</u>
Total Net Position	<u>\$ 403</u>	<u>\$ 912</u>	<u>\$ 671</u>	<u>\$ 724</u>	<u>\$ 1,074</u>	<u>\$ 1,636</u>

The Borough's net position at fiscal year-end 2020 was \$1,073,631. This is a decrease of (\$561,454) or 34% compared to 2019 net position of \$1,635,085.

Net position for governmental activities decreased by (\$508,287). The decrease in net position for governmental activities was mostly attributable to increases in long-term liabilities, and changes in deferred inflows of resources related to pension and other post-employment benefit plans. Long-term debt additions during 2020 amounted to \$651,000. The net investment in capital assets decreased in 2020 due to changes in accumulated depreciation related to annual depreciation expense.

Net position for business-type activities (Sewer and Solid Waste) decreased by (\$53,167). The decrease in net position for business-type activities was mostly attributable to increased expenses for solid waste disposal. Revenues increased due to increases in rates billed to residents.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Summary of Changes in Net Position
(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 271	\$ 395	\$ 851	\$ 746	\$ 1,122	\$ 1,141
Operating grants and contributions	258	792	-	-	258	792
Capital grants and contributions	34	164	-	-	34	164
General revenues:						
Property taxes	3,079	3,023	-	-	3,079	3,023
Real estate transfer tax	173	206	-	-	173	206
Business privilege taxes	169	133	-	-	169	133
Franchise fees	80	82	-	-	80	82
Interest and rents	625	650	4	12	629	662
Miscellaneous revenues	65	47	-	-	65	47
Gain on sale of capital assets	(121)	6	-	-	(121)	6
Transfers, net	9	9	(9)	(9)	-	-
Total Revenues	<u>4,642</u>	<u>5,507</u>	<u>846</u>	<u>749</u>	<u>5,488</u>	<u>6,256</u>
Expenses:						
General government	1,212	1,354	-	-	1,212	1,354
Public safety	2,651	2,720	-	-	2,651	2,720
Health and welfare	-	-	-	-	-	-
Public works	946	837	-	-	946	837
Culture and recreation	297	423	-	-	297	423
Community development	6	-	-	-	6	-
Miscellaneous	5	4	-	-	5	4
Debt service interest	33	57	-	-	33	57
Sewer	-	-	187	226	187	226
Solid Waste	-	-	712	481	712	481
Total Expenses	<u>5,150</u>	<u>5,395</u>	<u>899</u>	<u>707</u>	<u>6,049</u>	<u>6,102</u>
Change in Net Position	(508)	112	(53)	42	(561)	154
Net Position - Beginning of Year	<u>911</u>	<u>799</u>	<u>724</u>	<u>682</u>	<u>1,635</u>	<u>1,481</u>
Net Position - End of Year	<u>\$ 403</u>	<u>\$ 911</u>	<u>\$ 671</u>	<u>\$ 724</u>	<u>\$ 1,074</u>	<u>\$ 1,635</u>

As indicated in this Summary of Changes in Net Position, the Borough is heavily dependent upon Real Estate Tax revenues. Real Estate Tax revenues comprised 56% and 48% of governmental revenues in fiscal years 2020 and 2019, respectively.

BOROUGH OF NARBERTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

Governmental Funds are reported in the Fund Statements with a short term focus on the inflow and outflow of financial resources. This information is valuable in assessing resources available for upcoming financial requirements. Governmental Funds reported ending fund balances of \$2,266,577. Total fund balances are classified in accordance with GASB 54 as follows: non-spendable (prepaid assets) fund balance of \$39,455, restricted (highways and streets) fund balance of \$172,904, assigned for (capital additions) of \$1,402,504, and unassigned fund balance of \$651,714.

The General Fund is the Borough's primary operating fund. The fund balance of the General Fund as of December 31, 2020, was \$691,169 which increased by \$338,161 from the 2019 ending fund balance of \$353,008. The major 2020 revenue source of the General Fund is real estate taxes which totaled \$3,056,032 of total General Fund revenues of \$4,733,126, before other financing sources. The most significant General Fund expenditure categories are public safety, public works, and general government. These significant expenditure categories amounted to \$2,314,959, \$535,693 and \$1,189,045, respectively, during 2020 of total General Fund expenditures of \$4,434,270, before other financing uses.

The Capital Projects Funds are reserve funds for the purchase and construction of capital assets. The ending fund balance at fiscal year-end for the Capital Projects Funds was \$1,402,504. The fund balance increased from the ending fund balance for 2019 of \$1,198,684. Annual appropriations are made to the Capital Projects Fund from the General Fund based on a capital replacement schedule.

Proprietary Funds

The Borough's Proprietary Funds (the Sewer Fund and Solid Waste Fund) were discussed previously under business-type activities.

BOROUGH OF NARBERTH
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

- General Fund revenues of \$4,319,989, before other financing sources, exceeded budget of \$4,319,989 by \$413,137.
- General Fund expenditures of \$4,434,270 exceeded budget of \$4,342,563 by \$91,707.
- Borough Council, at year-end, passes a budget variance resolution, including both revenues and expenditures, which permits the transfer of appropriations between budgetary categories. Borough Council utilizes the standard resolution suggested by the Pennsylvania State Association of Boroughs to end a budget year.

CAPITAL ASSETS NET OF DEPRECIATION

Capital assets, net of accumulated depreciation, detailed between governmental and business-type activities, totaled \$6,727,634 as of December 31, 2020, as compared to \$6,915,844 as of December 31, 2019.

During 2020, capital additions totaled \$345,525 (including both governmental and business-type activities) and depreciation expense amounted to \$413,019.

Capital Assets, Net of Accumulated Depreciation
(In Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 44	\$ 38	\$ -	\$ -	\$ 44	\$ 38
Construction in Progress	1,449	1,763	6	-	1,455	1,763
Land Improvements	1,170	1,260	-	-	1,170	1,260
Building and Building Improvements	2,797	2,502	-	-	2,797	2,502
Vehicles	777	852	-	-	777	852
Equipment	131	144	105	113	236	257
Playground and Fieldhouse	167	181	-	-	167	181
Infrastructure, Storm Sewer System	-	-	81	63	81	63
Total Capital Assets, Net	<u>\$ 6,535</u>	<u>\$ 6,740</u>	<u>\$ 192</u>	<u>\$ 176</u>	<u>\$ 6,727</u>	<u>\$ 6,916</u>

Note 1: The Borough as permitted by accounting standards, has elected not to retroactively recognize infrastructure (sewer lines) assets but will recognize any current and future infrastructure and other capital assets, if applicable.

BOROUGH OF NARBERTH
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

LONG-TERM DEBT

Long-term debt consists entirely of debt incurred for capital purchases/construction.

Outstanding Long-Term Debt
(In Thousands of Dollars)

Year of Issue	Outstanding 1/1/20	New Debt	Refundings/ Retirements	Outstanding 12/31/20
2014	\$ 308	\$ -	\$ (62)	\$ 246
2015	45	-	(45)	-
2019	106	-	(35)	71
2019A	469	31	-	500
2019B	-	620	-	620
	<u>\$ 928</u>	<u>\$ 651</u>	<u>\$ (142)</u>	<u>\$ 1,437</u>

ECONOMIC ENVIRONMENT AND NEXT YEAR’S BUDGETS AND RATES

2020 was a tumultuous environment due to the financial impacts of Covid-19. From declines in parking revenue to rent deferrals at 201 Sabine, to tax deadline extensions, it impacted Borough finances in various ways. Many services were reduced or scaled back in response. Thanks to these measures, and an expected impact to revenue that did not materialize, the Borough ended 2020 with an operating surplus in the General Fund. The Borough will need to continue to be cautious with its spending in 2021 and to monitor the impact of Covid-19 on revenue.

Most of the Borough’s operating income comes from a levy on real property. Since the Borough is built out, the tax base grows at a rate of only 0.3% per year. Minor redevelopment and the expansion and updating of existing residential housing stock accounts for most of this activity. Recently however, the Borough received applications for 3 major land developments in its downtown which will bring a little more than 75 residential units and 4,500 sq. ft. of new commercial space to this neighborhood. These projects were delayed by Covid, but are expected to be completed in 2021. Additional tax revenue from these sites will help cover growth in General Fund costs largely due to increasing wages, insurance, and benefits. In mid-2020, the Borough also received a significant proposal to redevelop a commercial lot on Montgomery Avenue into a mixed-use building with multifamily housing and ground floor retail that was ultimately approved. Property values remain very high for the metropolitan area and the market for residential units remains active with a steady amount of property transactions, high prices, and building permit activity. Narberth remains a popular location to live and invest in real property.

The Borough Manager leaving for another municipality at the end of 2020 opens up the potential for staffing and operation changes to the Borough in 2021. The Borough also has the uncertainty of an arbitration with the police labor union that could impact the Borough’s finances in the future. No other staffing impacts are expected in 2021.

BOROUGH OF NARBERTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

YEAR ENDED DECEMBER 31, 2020

In 2020, the Borough limited capital outlays as a result of Covid-19. New borrowing is proposed in future years to fund the Borough's capital plan which should resume its schedule of improvements in 2021. The plan calls for improvements to roads, parks, and borough owned buildings and is available on the Borough website at www.narberthpa.gov.

After many years of tax increases, the Borough passed its second consecutive budget with no tax increase in 2021. With natural inflation and other cost pressures, the Borough will in the future have to consider raising taxes unless other revenues materialize to maintain its services and infrastructure.

The Borough's Solid Waste Fund assessment increased in 2020 due to a new collection and disposal contract with Republic Services. With changes to the global recycling market, the Borough expects to pay significantly more to dispose of these items.

While the condition of sewer pipes remains a concern, and the Borough cannot control the fees charged by Lower Merion Township to allow sewage to flow there, the Borough will continue to keep sewage rates as low as possible.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Borough's finances, comply with finance-related laws and regulations and demonstrate the Borough's commitment to accountability. If you have any questions about this report or need additional information, please contact the Borough office at 100 Conway Avenue, Narberth, PA 19072.

NARBERTH BOROUGH
STATEMENT OF NET POSITION

December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,184,942	\$ 539,642	\$ 2,724,584
Receivables	273,366	31,493	304,859
Prepaid expenses	39,455	-	39,455
Unamortized charges	-	98,010	98,010
Capital assets			
Nondepreciable assets	1,492,498	6,081	1,498,579
Depreciable assets, net	5,042,685	186,370	5,229,055
Total Assets	<u>9,032,946</u>	<u>861,596</u>	<u>9,894,542</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	667,877	-	667,877
Deferred outflows related to OPEB	707,920	-	707,920
Total Deferred Outflows of Resources	<u>\$ 1,375,797</u>	<u>\$ -</u>	<u>\$ 1,375,797</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 129,122	\$ 164,386	\$ 293,508
Security deposit	8,464	26,536	35,000
Long-term liabilities			
Notes payable, current maturity	112,701	-	112,701
Portion due or payable after one year			
Notes payable, net of current maturity	1,324,827	-	1,324,827
Net pension liability	3,002,668	-	3,002,668
Other post-employment benefits liability	4,069,198	-	4,069,198
Total Liabilities	<u>8,646,980</u>	<u>190,922</u>	<u>8,837,902</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	637,548	-	637,548
Deferred inflows related to OPEB	721,258	-	721,258
Total Deferred Inflows of Resources	<u>1,358,806</u>	<u>-</u>	<u>1,358,806</u>
<u>NET POSITION</u>			
Net investment in capital assets	5,097,655	192,451	5,290,106
Restricted for highways and streets	172,904	-	172,904
Unrestricted	(4,867,602)	478,223	(4,389,379)
Total Net Position	<u>\$ 402,957</u>	<u>\$ 670,674</u>	<u>\$ 1,073,631</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 1,213,001	\$ 5,512	\$ 4,288	\$ -
Public safety	2,650,692	265,618	139,121	-
Public works	946,440	93	114,827	34,072
Culture and recreation	296,801	-	-	-
Community development	6,000	-	-	-
Miscellaneous	5,368	-	-	-
Debt service interest	32,824	-	-	-
Total Governmental Activities	5,151,126	271,223	258,236	34,072
Business - Type Activities				
Sewer	186,838	259,338	-	-
Solid Waste	711,570	590,723	-	-
Total Business - Type Activities	898,408	850,061	-	-
Total Primary Government	\$ 6,049,534	\$ 1,121,284	\$ 258,236	\$ 34,072

General Revenues

Taxes

 Real estate taxes

 Real estate transfer tax

 Business privilege taxes

Franchise fees

Interest and rents

Miscellaneous revenues

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,203,201)	\$ -	\$ (1,203,201)
(2,245,953)	-	(2,245,953)
(797,448)	-	(797,448)
(296,801)	-	(296,801)
(6,000)	-	(6,000)
(5,368)	-	(5,368)
(32,824)	-	(32,824)
<u>(4,587,595)</u>	<u>-</u>	<u>(4,587,595)</u>
-	72,500	72,500
-	(120,847)	(120,847)
<u>-</u>	<u>(48,347)</u>	<u>(48,347)</u>
<u>(4,587,595)</u>	<u>(48,347)</u>	<u>(4,635,942)</u>
3,079,191	-	3,079,191
173,302	-	173,302
169,143	-	169,143
79,614	-	79,614
625,269	4,180	629,449
64,505	-	64,505
(120,716)	-	(120,716)
9,000	(9,000)	-
<u>4,079,308</u>	<u>(4,820)</u>	<u>4,074,488</u>
(508,287)	(53,167)	(561,454)
<u>911,244</u>	<u>723,841</u>	<u>1,635,085</u>
<u>\$ 402,957</u>	<u>\$ 670,674</u>	<u>\$ 1,073,631</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH
BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2020

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 621,637	\$ 1,383,748	\$ 179,557	\$ 2,184,942
Receivables	207,481	6,736	-	214,217
Prepaid items	39,455	-	-	39,455
Due from other funds	6,081	20,455	-	26,536
Total Assets	<u>\$ 874,654</u>	<u>\$ 1,410,939</u>	<u>\$ 179,557</u>	<u>\$ 2,465,150</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 114,034	\$ 8,435	\$ 6,653	\$ 129,122
Security deposit	35,000	-	-	35,000
Total Liabilities	<u>149,034</u>	<u>8,435</u>	<u>6,653</u>	<u>164,122</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	34,451	-	-	34,451
Total Deferred Inflows of Resources	<u>34,451</u>	<u>-</u>	<u>-</u>	<u>34,451</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid items	39,455	-	-	39,455
Restricted for highways and streets	-	-	172,904	172,904
Assigned to capital additions	-	1,402,504	-	1,402,504
Unassigned	651,714	-	-	651,714
Total Fund Balances	<u>691,169</u>	<u>1,402,504</u>	<u>172,904</u>	<u>2,266,577</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 874,654</u>	<u>\$ 1,410,939</u>	<u>\$ 179,557</u>	<u>\$ 2,465,150</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2020

TOTAL GOVERNMENTAL FUND BALANCES \$ 2,266,577

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

Cost of capital assets	\$ 13,140,649	
Accumulated depreciation	<u>(6,605,466)</u>	6,535,183

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Property tax receivables		54,505
Rent receivables		39,095

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows and inflows related to pensions	30,329	
Deferred outflows and inflows related to OPEB	<u>(13,338)</u>	16,991

Long term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:

Notes payable	(1,437,528)	
Net pension liability	(3,002,668)	
Other post employment benefits liability	<u>(4,069,198)</u>	<u>(8,509,394)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 402,957

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	General	Capital Reserve	Nonmajor Fund Highway Aid	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 3,056,032	\$ -	\$ -	\$ 3,056,032
Real estate transfer	173,302	-	-	173,302
Business privilege tax	169,143	-	-	169,143
Fees, licenses and permits	84,726	-	-	84,726
Fines and forfeitures	68,770	-	-	68,770
Investment income and rent	578,796	5,732	1,646	586,174
Intergovernmental revenues	341,511	-	114,827	456,338
Charges for services	197,341	-	-	197,341
Other	63,505	1,000	-	64,505
Total Revenues	4,733,126	6,732	116,473	4,856,331
Expenditures				
Current:				
General government	1,189,045	21,245	-	1,210,290
Public safety	2,314,959	-	-	2,314,959
Public works	535,693	352,197	147,458	1,035,348
Culture and recreation	244,616	13,736	-	258,352
Community development	6,000	-	-	6,000
Employee benefits and insurance	5,368	-	-	5,368
Debt service:				
Principal	107,393	34,800	-	142,193
Interest	31,196	1,629	-	32,825
Total Expenditures	4,434,270	423,607	147,458	5,005,335
Excess (Deficiency) of Revenues Over Expenditures	298,856	(416,875)	(30,985)	(149,004)
Other Financing Sources (Uses)				
Issuance of long term notes	-	651,000	-	651,000
Transfers in	39,305	-	-	39,305
Transfers out	-	(30,305)	-	(30,305)
Total Other Financing Sources (Uses)	39,305	620,695	-	660,000
Net Change in Fund Balance	338,161	203,820	(30,985)	510,996
Fund Balance - Beginning	353,008	1,198,684	203,889	1,755,581
Fund Balance - Ending	\$ 691,169	\$ 1,402,504	\$ 172,904	\$ 2,266,577

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$	510,996
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	318,989	
Depreciation expense		<u>(403,344)</u>	(84,355)
The effect of sale of capital assets is to decrease Net Position			(120,716)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(101,776)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Issuance of long term notes		(651,000)	
Repayment of debt		<u>142,194</u>	(508,806)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Net pension liability and deferred items		(95,553)	
Net OPEB liability and deferred items		<u>(108,077)</u>	<u>(203,630)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ (508,287)</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	<u>GENERAL FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate taxes	\$ 3,089,639	\$ 3,089,639	\$ 3,056,032	\$ (33,607)
Real estate transfer	180,000	180,000	173,302	(6,698)
Business privilege taxes	160,000	160,000	169,143	9,143
Fees, licenses and permits	87,350	87,350	84,726	(2,624)
Fines and forfeitures	109,200	109,200	68,770	(40,430)
Investment income and rent	279,700	279,700	578,796	299,096
Intergovernmental revenues	229,800	229,800	341,511	111,711
Charges for services	140,300	140,300	197,341	57,041
Other	44,000	44,000	63,505	19,505
Total Revenues	<u>4,319,989</u>	<u>4,319,989</u>	<u>4,733,126</u>	<u>413,137</u>
Expenditures				
Current:				
General government	852,030	852,030	1,189,045	(337,015)
Public safety	2,316,000	2,316,000	2,314,959	1,041
Public works	657,074	657,074	535,693	121,381
Culture and recreation	341,328	341,328	244,616	96,712
Community development	22,000	22,000	6,000	16,000
Employee benefits and insurance	5,000	5,000	5,368	(368)
Debt service	149,131	149,131	138,589	10,542
Total Expenditures	<u>4,342,563</u>	<u>4,342,563</u>	<u>4,434,270</u>	<u>(91,707)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(22,574)</u>	<u>(22,574)</u>	<u>298,856</u>	<u>321,430</u>
Other Financing Sources (Uses)				
Transfers in	61,305	61,305	39,305	(22,000)
Total Other Financing Sources (Uses)	<u>61,305</u>	<u>61,305</u>	<u>39,305</u>	<u>(22,000)</u>
Net Change in Fund Balance	38,731	38,731	338,161	299,430
Fund Balance - Beginning	-	-	353,008	353,008
Fund Balance - Ending	<u>\$ 38,731</u>	<u>\$ 38,731</u>	<u>\$ 691,169</u>	<u>\$ 652,438</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2020

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 354,079	\$ 185,563	\$ 539,642
Accounts receivable	11,432	20,061	31,493
Unamortized expense, current portion	14,493	-	14,493
Total Current Assets	<u>380,004</u>	<u>205,624</u>	<u>585,628</u>
Noncurrent			
Unamortized expense, net of current	83,517	-	83,517
Capital assets			
Nondepreciable, construction in progress	6,081	-	6,081
Storm sewer system	101,439	-	101,439
Equipment and furniture	-	202,387	202,387
Less accumulated depreciation	<u>(20,685)</u>	<u>(96,771)</u>	<u>(117,456)</u>
Total capital assets (net of accumulated depreciation)	<u>86,835</u>	<u>105,616</u>	<u>192,451</u>
Total Assets	<u>\$ 550,356</u>	<u>\$ 311,240</u>	<u>\$ 861,596</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 28,914	\$ 135,472	\$ 164,386
Due to other funds	26,536	-	26,536
Total Current Liabilities	<u>55,450</u>	<u>135,472</u>	<u>190,922</u>
<u>NET POSITION</u>			
Net investment in capital assets	86,835	105,616	192,451
Unrestricted	<u>408,071</u>	<u>70,152</u>	<u>478,223</u>
Total Net Position	<u>494,906</u>	<u>175,768</u>	<u>670,674</u>
Total Liabilities and Net Position	<u>\$ 550,356</u>	<u>\$ 311,240</u>	<u>\$ 861,596</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2020

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Charges for services	\$ 259,338	\$ 590,723	\$ 850,061
Total Operating Revenues	<u>259,338</u>	<u>590,723</u>	<u>850,061</u>
Operating Expenses			
Labor and administrative costs	1,249	20,996	22,245
Contracted services	-	671,416	671,416
Sewer rentals	164,309	-	164,309
Other maintenance	4,425	11,845	16,270
Depreciation	2,362	7,313	9,675
Amortization	14,493	-	14,493
Total Operating Expenses	<u>186,838</u>	<u>711,570</u>	<u>898,408</u>
Operating Income (Loss)	<u>72,500</u>	<u>(120,847)</u>	<u>(48,347)</u>
Nonoperating Revenues (Expense)			
Interest income	<u>2,596</u>	<u>1,584</u>	<u>4,180</u>
Total Nonoperating Revenues (Expense)	<u>2,596</u>	<u>1,584</u>	<u>4,180</u>
Income (Loss) before Transfers	75,096	(119,263)	(44,167)
Transfers out	<u>(4,500)</u>	<u>(4,500)</u>	<u>(9,000)</u>
Changes in Net Position	70,596	(123,763)	(53,167)
Total Net Position - Beginning	<u>424,310</u>	<u>299,531</u>	<u>723,841</u>
Total Net Position - Ending	<u>\$ 494,906</u>	<u>\$ 175,768</u>	<u>\$ 670,674</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2020

	<u>Proprietary Fund Types</u>		
	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 256,678	\$ 585,800	\$ 842,478
Cash paid to suppliers	(143,970)	(630,670)	(774,640)
Net cash provided by (used in) operating activities	<u>112,708</u>	<u>(44,870)</u>	<u>67,838</u>
Cash flows from noncapital financing activities			
Transfers (to)/from other funds	(4,500)	(4,500)	(9,000)
Net cash provided by (used in) noncapital financing activities	<u>(4,500)</u>	<u>(4,500)</u>	<u>(9,000)</u>
Cash flows from capital and related financing activities			
Capital expenditures	(26,536)	-	(26,536)
Net cash provided by (used in) capital and related financing activities	<u>(26,536)</u>	<u>-</u>	<u>(26,536)</u>
Cash flows from investing activities			
Earnings on investments	2,596	1,584	4,180
Net cash provided by (used in) investing activities	<u>2,596</u>	<u>1,584</u>	<u>4,180</u>
Net increase (decrease) in cash and cash equivalents	84,268	(47,786)	36,482
Beginning cash and cash equivalents	269,811	233,349	503,160
Ending cash and cash equivalents	<u>\$ 354,079</u>	<u>\$ 185,563</u>	<u>\$ 539,642</u>

**Reconciliation of Net Operating Income (Loss)
to Net Cash Provided (Used) by Operating Activities**

Net operating income (loss)	\$ 72,500	\$ (120,847)	\$ (48,347)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation/Amortization	16,855	7,313	24,168
Changes in assets and liabilities			
(Increase) decrease in receivables	(2,660)	(4,923)	(7,583)
Increase (decrease) in payables	(523)	73,587	73,064
Increase (decrease) in due to other funds	26,536	-	26,536
Net adjustments	<u>40,208</u>	<u>75,977</u>	<u>116,185</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2020

	<u>Pension</u> <u>Trust Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 65,168
Contributions receivables	8,384
Investments, at fair value:	
Exchange traded	417,144
Fixed income	24,093
Mutual funds	<u>3,198,983</u>
Total investments	<u>3,640,220</u>
Total Assets	<u>\$ 3,713,772</u>
 <u>NET POSITION</u>	
Net Position - Restricted for:	
Pension benefits	<u>\$ 3,713,772</u>
Total Net Position	<u>\$ 3,713,772</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2020

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee contributions	\$ 37,961
Employer contributions	490,186
State aid	<u>-</u>
Total Contributions	<u>528,147</u>
Investment Income	
Net appreciation (depreciation) in fair value of investments	175,322
Interest and dividend income	<u>133,854</u>
Total Investment Earnings	<u>309,176</u>
Total Additions	<u>837,323</u>
Deductions	
Benefits	<u>370,416</u>
Total Deductions	<u>370,416</u>
Change in Net Position	466,907
Net Position - Restricted for Pension Benefits:	
Beginning of Year	<u>3,246,865</u>
End of Year	<u>\$ 3,713,772</u>

The notes to the financial statements are an integral part of this statement.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

The Borough of Narberth (the “Borough”), located in Montgomery County, Pennsylvania, is classified as a “Borough” under the laws of the Commonwealth of Pennsylvania. The major services provided by the Borough include public safety, roads, parks and recreation and general administration. The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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. These policies should be recognized by the reader as integral to the preparation and use of the accompanying basic financial statements.

Reporting Entity

The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization’s board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Excluded from the reporting entity are the Narberth Library, Narberth Fire Company and the Narberth Industrial Development Authority. These organizations have separately elected and/or appointed governing bodies. These entities provide services to residents, generally within the geographic boundaries of the Borough, but are excluded from the reporting entity of the Borough because the Borough does not have controlling influence over daily operations, cannot establish their budgets, or appoint management staff or officers.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities, such as Pension and Agency Funds.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under Proprietary Funds below. 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. Therefore, Governmental Funds financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements of Governmental Funds.

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the Governmental Funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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. The two major Governmental Funds are each presented in a single column on the Governmental Funds financial statements. Fiduciary Funds financial statements are presented by fund type.

The Borough reports the following major Governmental Funds:

The *General Fund* is the general operating fund of the Borough. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

The *Capital Reserve Fund* is used to account for financial resources to be used for planned capital improvements.

The Borough reports the following major proprietary funds:

The *Sewer Fund* accounts for the financial resources to provide sewer services to the Borough residents.

The *Solid Waste Fund* accounts for the financial resources to provide waste management services to Borough residents.

Other Fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Trust Funds are used to account for assets held by the Borough in a trustee capacity or as agent. A trust fund is used when the period of custody is lengthy, and the governmental unit invests or otherwise manages the resources during that period. The Borough maintains a Pension Trust Fund for the Police Pension plan. Pension Trust Funds use the economic resources measurement focus in essentially the same manner as Proprietary Funds.

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Borough include the General Fund and the Capital Reserve Fund. All other Governmental Funds are grouped together and presented in a separate column as Total Nonmajor Funds. The Highway Aid Fund is reported as nonmajor.

Revenue Recognition - In applying the “susceptible to accrual concept” under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds - Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds. The Borough's only Proprietary Funds are the Sewer and Solid Waste Funds.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

These 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' principal ongoing operations. The principal operating revenues of the Borough's Proprietary Funds are user fees. Operating expenses for the Borough's Proprietary Funds include sewer disposal, salaries, recycling, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds - Trust Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Funds. The Pension Funds account for the activities of the Police Pension Fund. Pension Funds are accounted for in essentially the same manner as Proprietary Funds since the measurement of the economic resources is critical.

Budgets and Budgetary Accounting - The Borough follows these procedures in establishing the budgetary data reflected in the financial statements. The Borough Manager submits to the Borough Council a proposed operating budget for the fiscal year commencing the following:

1. Through November, the operating budget is prepared, including proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments after two weeks' notice is given in some newspaper(s) having a general circulation within the Borough.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance.
4. The budget ordinance becomes effective January 1, and provides spending authority for the operating of the Borough governments.
5. Transfers and appropriations between functions require approval of the Borough Council.
6. At year-end, as permitted by Borough Code, a budget variance resolution is passed which may transfer unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues may be appropriated to cover exhausted funds.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds, which are budgeted together as the General Fund budget. This budgeting method results in a non-GAAP presentation.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Budgetary control is maintained at the fund and department level. As permitted by the Borough Code, Borough Council passed a budget variance resolution which authorized the transfer of unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. The result is that there are no budgetary violations.

Excess of expenditures over appropriations: For the year ended December 31, 2020, expenditures exceeded budget in the General Fund in the categories of general government and employee benefits and insurance in the amounts of \$337,015, and \$368, respectively. The excess expenditures were funded by greater than anticipated revenues and fund balance.

Cash and Cash Equivalents - The Borough considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents. All investments of the Borough are stated at fair value.

Receivables and Payables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as “internal balances.”

At December 31, 2020, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is insignificant and therefore is not included in outstanding property taxes at December 31, 2020.

Real Estate Tax, Sewer and Solid Waste Assessments - Real estate taxes and sewer and solid waste assessments attach as an enforceable lien on property as of January 1, are levied on approximately February 1, and are payable under the following terms: 2% discount first 60 days, face amount next 60 days and a 10% penalty after 120 days. The elected Borough tax collector, in accordance with state law governing boroughs, collects and remits real estate tax and sewer and solid waste receipts to the Borough. A lien is attached on property in January of the following year for unpaid real estate taxes and assessments.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets used in governmental and business-type activities, including infrastructure, are stated at cost net of accumulated depreciation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The Borough defines capital assets as those which have an individual acquisition cost or donated value of at least \$2,500 and an estimated useful life of at least one year. Repairs and maintenance are recorded as expenses; renewals and betterments, including infrastructure, are capitalized. Depreciation is calculated over the estimated useful lives of the individual assets using straight-line methods. Land is determined to have an inexhaustible life and is not subject to depreciation.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Estimated useful lives are as follows:

	<u>Years</u>
Land improvements	20-50
Buildings and improvements	20-50
Equipment	5-20
Vehicles	3-30
Playground and fieldhouse	5-50
Infrastructure, storm sewer system	20-50

Compensated Absences - Full-time permanent employees are granted vacation benefits in varying amounts depending on tenure with the Borough. All full-time permanent employees are also entitled to sick leave benefits. Vacation and sick benefits earned for the current year may be carried over from year to year. The amount of carried over vacation days may not exceed 10 days. The amount of carried over sick leave may not exceed 10 days. Vacation and sick benefits carried over will not be paid out at the time of separation or retirement.

Unamortized Charge - Capital Contribution - The Borough reported unamortized charges for business-type activities on the statement of net position. Unamortized charges consist of the unamortized balance of a capital contribution to the City of Philadelphia's sewage treatment facility capital improvement program. The Borough is amortizing the balance to expense over a period of 34.5 years. The amortization period represented the remaining time to the expiration of the sewer rental agreement with the City of Philadelphia at the time of the capital contribution.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial 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 the following items that qualify for reporting in this category:

1. *Differences between expected and actual experience on plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
2. *Change in assumptions* is reported in the government-wide statement of net position. A net difference results when actuarial assumptions are changed. This amount is deferred and amortized over a five-year period.
3. *Contribution by employer after measurement date* is reported in the government-wide-statement of net position for the Non-Uniformed Pension Plan. These amounts are deferred and recognized as an outflow of resources in the next period.

In addition to liabilities, the statement of financial 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.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (continued)

The Borough has the following types of items that qualify for reporting in this category:

1. *Differences between expected and actual experience on plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Change in assumptions* is reported in the government-wide statement of net position. A net difference results when actuarial assumptions are changed. This amount is deferred and amortized over a five-year period.
3. *Net difference between projected and actual earnings on plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five-year period.
4. *Unavailable revenue - property taxes* are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position - In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

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 needed.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Fund Balance - Governmental funds report fund balance in classifications based primarily on the extent to which the Borough is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Borough’s highest level of decision-making authority, Borough Council. Commitments may be changed or lifted only by the Borough taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned Fund Balance - includes amounts intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Borough Council, has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Program Revenues - Amounts reported as program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segments and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses - 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 a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund and the Solid Waste Fund are charges to customers for services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Borough's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transfers - In connection with its operations, the Borough affects a variety of transactions among funds to finance operations. The basic financial statements reflect such transactions as transfers, both in the fund receiving the subsidy as revenue and the fund paying the subsidy as an expenditure.

Subsequent Events - The Borough has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. Deposits and Investments

As stated in the Commonwealth of Pennsylvania Borough Code P.L. 1656, No. 581, Section 1316, the Borough may invest operating funds in the following instruments:

- Short-term obligations of the U.S. government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits.
- Obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, or of the Commonwealth of Pennsylvania or any of the agencies.
- Certificates of deposit purchased from institutions that meet requirements set forth under Pennsylvania law (Act 72 of 1971).
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for Borough funds (mutual funds).

The Borough may also invest with trusts and other entities set up to specifically invest funds for Pennsylvania municipalities and legally restricted to allowable investment instruments under Pennsylvania law.

Investments for the Borough are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

Custodial Credit Risk – Deposits: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk policy generally permits investing in cash, debt obligations of the U.S. Treasury, agencies of the federal government, investment grade corporate securities, mutual funds of various risk levels and equities. The Borough does not have a deposit policy for custodial credit risk. For disclosure purposes, deposits include checking, savings, demand and time deposits, and money market accounts at financial institutions. As of December 31, 2020, the Borough's bank balance was \$2,916,534. Of that balance, \$1,567,230 was held in an investment pool that is not subject to custodial credit risk, and \$422,817 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. Deposits and Investments (Continued)

Investment Pool - The Borough has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. The Borough can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Borough policy provides that investment collateral is held by the third-party custodian, with whom the Borough has a custodial agreement, in the Borough's name. The plan addresses custodial credit risk with a policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income as authorized, collects principal of sold, matured, or called items; and provides a periodic accounting to the Borough and the plan's trustees. Also, the Borough pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the Borough does business with related to investment decisions. The investment portfolio is diversified so that potential losses on individual securities will be minimized. The ratings for investments are as follows:

	<u>Amount</u>	<u>Average Rating</u>	<u>Average Maturity</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 1,567,230	AAAM	30 days
FIDUCIARY FUNDS			
Exchange Traded	\$ 417,144	Not Rated	
Fixed income	24,093	Not Rated	13 years
Mutual Funds	3,198,983	Not Rated	
	<u>\$ 3,640,220</u>		

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. Deposits and Investments (Continued)

Fair Value Measurements - The Borough categorizes its fair value measurements within the 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 significant unobservable inputs. The Borough has the following recurring fair value measurements as of December 31, 2020:

GOVERNMENTAL ACTIVITIES	<u>Fair Value</u>	<u>Level 1</u>
Externally Pooled Investments (PLGIT)	\$ 1,567,230	\$ 1,567,230
	<u>\$ 1,567,230</u>	<u>\$ 1,567,230</u>
FIDUCIARY FUNDS		
Exchange Traded	\$ 417,144	\$ 417,144
Fixed income	24,093	24,093
Mutual Funds	<u>3,198,983</u>	<u>3,198,983</u>
	<u>\$ 3,640,220</u>	<u>\$ 3,640,220</u>

Interest Rate Risk - is the risk that changes in interest rates will adversely affect an investment's value. In accordance with its investment policy, the Borough invests operating funds primarily in short-term securities, money market mutual funds or similar investments. Also, the Borough structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturities are disclosed in the chart on the previous page.

Concentration of Credit Risk - is the concentration of investments in anyone single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Borough's policy is to diversify the investment portfolio by security type and institution. No more than 50% of the Borough's total investment portfolio managed by one investment manager will be invested in a single security type or with a single financial institution with the exception of US. Treasury Securities and authorized pools. At December 31, 2020, the Borough had no investments that individually each exceeded 5% of the total investments.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

C. Receivables

Receivables as of year-end in the aggregate are as follows:

	<u>General</u>	<u>Capital Reserve</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Receivables:					
Taxes receivable	\$ 86,372	\$ -	\$ -	\$ -	\$ 86,372
Accounts receivable	<u>121,109</u>	<u>6,736</u>	<u>11,432</u>	<u>20,061</u>	<u>159,338</u>
Total	<u>\$ 207,481</u>	<u>\$ 6,736</u>	<u>\$ 11,432</u>	<u>\$ 20,061</u>	<u>\$ 245,710</u>

Borough management has determined that all receivables are fully collectible. The governmental activities receivables consist of real estate taxes collected by the due date of December 31, and remitted to the Borough by the tax collector within days of year-end (in January). Accounts receivable of the governmental activities also include net rental income due from the Narberth School building property manager as of December 31, 2020, and remitted to the Borough by the tax collector in January. These receivables also include lien accounts. Due to the lien process, Borough management has determined that all receivables are fully collectible. Intergovernmental receivable consist of grant revenues that are due from other governmental agencies.

D. Interfund Receivables, Payables and Transfers

Interfund activity for the year ended December 31, 2020 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 6,081	\$ -
Capital Reserve	20,455	-
Sewer Fund	<u>-</u>	<u>26,536</u>
Total	<u>\$ 26,536</u>	<u>\$ 26,536</u>

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 39,305	\$ -
Capital Reserve	-	30,305
Sewer	-	4,500
Solid Waste	<u>-</u>	<u>4,500</u>
Total	<u>\$ 39,305</u>	<u>\$ 39,305</u>

Interfund activity is primarily the result of reimbursement of expenses, and for internal financing of special projects or transfers for future capital acquisitions.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

E. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 37,817	\$ 6,060	\$ -	\$ 43,877
Construction in progress	<u>1,763,459</u>	<u>51,496</u>	<u>(366,334)</u>	<u>1,448,621</u>
Total capital assets, not being depreciated	<u>1,801,276</u>	<u>57,556</u>	<u>(366,334)</u>	<u>1,492,498</u>
Capital assets, being depreciated:				
Land improvements	3,582,416	51,900	-	3,634,316
Building and building improvements	4,668,394	558,317	(268,103)	4,958,608
Vehicles	2,074,410	-	-	2,074,410
Equipment	388,041	17,550	-	405,591
Playground and fieldhouse	<u>581,143</u>	<u>-</u>	<u>(5,917)</u>	<u>575,226</u>
Total capital assets being depreciated	<u>11,294,404</u>	<u>627,767</u>	<u>(274,020)</u>	<u>11,648,151</u>
Less accumulated depreciation for:				
Land improvements	2,321,624	142,720	-	2,464,344
Building and building improvements	2,166,719	140,478	(147,387)	2,159,810
Vehicles	1,221,929	75,899	-	1,297,828
Equipment	244,527	30,450	-	274,977
Playground and fieldhouse	<u>400,627</u>	<u>13,797</u>	<u>(5,917)</u>	<u>408,507</u>
Total accumulated depreciation	<u>6,355,426</u>	<u>403,344</u>	<u>(153,304)</u>	<u>6,605,466</u>
Total capital assets, being depreciated, net	<u>4,938,978</u>	<u>224,423</u>	<u>(120,716)</u>	<u>5,042,685</u>
Governmental activities capital assets, net	<u>\$ 6,740,254</u>	<u>\$ 281,979</u>	<u>\$ (487,050)</u>	<u>\$ 6,535,183</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 6,081	\$ -	\$ 6,081
Total capital assets, not being depreciated	<u>-</u>	<u>6,081</u>	<u>-</u>	<u>6,081</u>
Capital assets, being depreciated:				
Equipment	\$ 202,387	\$ -	\$ -	\$ 202,387
Infrastructure, storm sewer system	<u>80,984</u>	<u>20,455</u>	<u>-</u>	<u>101,439</u>
Total capital assets being depreciated	<u>283,371</u>	<u>20,455</u>	<u>-</u>	<u>303,826</u>
Less accumulated depreciation for:				
Equipment	89,458	7,313	-	96,771
Infrastructure, storm sewer system	<u>18,323</u>	<u>2,362</u>	<u>-</u>	<u>20,685</u>
Total accumulated depreciation	<u>107,781</u>	<u>9,675</u>	<u>-</u>	<u>117,456</u>
Total capital assets, being depreciated, net	<u>175,590</u>	<u>10,780</u>	<u>-</u>	<u>186,370</u>
Business-type activities capital assets, net	<u>\$ 175,590</u>	<u>\$ 16,861</u>	<u>\$ -</u>	<u>\$ 192,451</u>

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

E. Capital Assets (Continued)

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

Governmental activities:		
General government	\$	270,993
Public safety		73,354
Public works		20,548
Parks and recreation		38,449
Total depreciation expense-governmental activities	\$	<u>403,344</u>
Business-type activities:		
Sewer	\$	2,362
Solid Waste		7,313
Total depreciation expense-business-type activities	\$	<u>9,675</u>

F. Long-Term Debt

The Borough obtains general obligation notes to provide funds for the acquisition and construction of major capital facilities, the purchase of land, and other capital projects.

The original amount of general obligation notes issued in prior years was \$1,426,000. In 2019, there were draw-downs in the amounts of \$31,000 and \$620,000. Also in 2020, the Series of 2015 note was paid off.

General obligation notes are direct obligations and pledge the full faith and credit of the Borough. These notes are generally issued as 3-15 year serial notes with varying amounts of principal maturing each year.

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Government-type activities	1.57% - 5.5%	\$ <u>1,437,528</u>

NARBERTH BOROUGH
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

F. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2020 is as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Notes					
Series of 2014	\$ 308,311	\$ -	\$ (61,983)	\$ 246,328	\$ 63,598
Series of 2015	45,411	-	(45,411)	-	-
Series of 2019	106,000	-	(34,800)	71,200	35,300
Series of 2019A	469,000	31,000	-	500,000	6,689
Series of 2019B	-	<u>620,000</u>	-	<u>620,000</u>	<u>7,114</u>
Subtotal	928,722	651,000	(142,194)	1,437,528	112,701
Net pension liability	3,304,772	803,586	(1,105,690)	3,002,668	-
Net OPEB obligation	<u>3,690,458</u>	<u>866,627</u>	<u>(487,887)</u>	<u>4,069,198</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 6,995,230</u>	<u>\$ 1,670,213</u>	<u>\$ (1,593,577)</u>	<u>\$ 7,071,866</u>	<u>\$ -</u>

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities.

Annual debt service requirements to maturity for bonds, loans and notes outstanding are as follows:

Year Ending December 31	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 112,701	\$ 56,628
2022	143,758	53,133
2023	111,348	49,078
2024	97,140	46,046
2025	47,446	44,274
2026-2030	272,733	185,830
2031-2035	343,763	114,728
2036-2039	<u>308,639</u>	<u>27,779</u>
Total	<u>\$ 1,437,528</u>	<u>\$ 577,496</u>

G. Defined Benefit Pension Plans

Plan Description and Membership

Narberth Borough sponsors two single-employer defined benefit pension plans the Police Pension Plan and the Non-Uniformed Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Borough.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time uniformed police officers of the Borough. An employee enters the plan on the date of hire.

Non-Uniformed Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time non-uniformed employees of the Borough who have met the eligibility requirements. A non-uniformed employee of the Borough enters the plan on the date of hire.

The Police Pension Plans is administered by the Borough and governed by Borough Council.

The Borough's Non-Uniformed Pension Plan is administered by the Pennsylvania Municipal Retirement System ("PMRS"), a statewide local government system. PMRS is an agent, multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. PMRS consists of over 900 participating employer plans. Responsibility for the organization and administration of the system is vested in the eleven member Pennsylvania Municipal Retirement Board - including the State Treasurer and Secretary of the Commonwealth by virtue of statute, and eight other members appointed by the Governor based on their respective organizations. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, PA 17108-1165. The Plan is governed by Borough Council.

The most recent valuation was as of January 1, 2019 for the Police Pension Plan and January 1, 2017 for the Non-Uniformed Pension Plan. Details below are from the valuation.

Benefits and Contribution provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

At December 31, 2020, membership for Narberth Borough Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-Uniform</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits (1)	10	8
Inactive employees entitled to benefits		
but not yet receiving them	0	0
Active employees	<u>6</u>	<u>10</u>
	<u>16</u>	<u>18</u>

(1) DROP members in plan 0

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Benefits Provided - Police Pension Plan

The Police Pension Plan benefit provisions are as follows:

- ***Retirement Benefit*** - All full-time members of the Police Force join the plan upon employment. Employees who retire at or after age 53 with 25 years of continuous service are eligible for normal retirement. Participants are entitled to monthly pension payments equal to 50% of average monthly compensation for the 36 months immediately preceding the retirement date.
- ***Vested Benefit*** - A member shall have the option to vest their benefit if they terminate employment after 12 years of total service. Their benefit will be equal to their normal retirement benefit multiplied by a percentage of their actual years of service over years of service the member would have rendered if they had continued working until their normal retirement date. This benefit is payable at their normal retirement date.
- ***Cost of Living*** - All officers retiring on or after January 1, 2011, shall receive an annual cost of living increase to their pension provided, however, that such cost-of-living increase shall not exceed the percentage increase in the Philadelphia Area Consumer Price Index from the year in which the police officer last worked; provided that in no case should the total police pension benefit exceed 75% of the salary for computing retirement benefits; and provided further, that the total cost-of-living increase shall not exceed 30%.
- ***Survivor Benefit*** - For any police officer eligible for retirement that dies prior to actual retirement, their spouse or child shall receive 50% of the pension they would have received had they retired at the time of their death. The survivor's benefit ceases at the spouse's remarriage and the child's attainment of age 18 (or 23 if attending college).
- ***Disability Retirement Benefit*** - In the event that a police officer shall suffer a permanent service-connected disability, they shall receive a monthly pension for life equal to 70% of their base salary as of the date such disability is incurred, less any amounts awarded for workers' compensation and social security.

A Deferred Retirement Option Plan ("DROP") is available to the Borough's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Borough up to a maximum of 2 years. At December 31, 2020, there were no amounts held in the DROP.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Benefits Provided - Non-Uniformed Pension Plan

The Non-Uniformed Pension Plan benefit provisions are as follows:

- ***Eligibility Requirements*** - A member is eligible for normal retirement upon attainment of age 60. A member becomes 100% vested in the benefit accrued upon completion of 12 years of service. A member is eligible for early retirement after 20 years of service.
- ***Retirement Benefit*** - Benefits equal .01667 times years of credited service times the final average salary (FAS). The FAS is based upon the highest three consecutive years annualized salary. There is no social security offset.
- ***Survivor Benefit*** - If an employee is eligible to retire or if retired at time of death, their spouse receives 50% of member's benefits.
- ***Disability Benefit*** - Service-related disability benefits are 50% of final salary for inability to perform gainful employment. Benefit is offset by workers' compensation benefits. Non-service related disability benefits are 30% of final salary for inability to perform gainful employment. Ten years of service is required for eligibility.
- ***Postretirement Adjustments*** - PMRS law provides for municipality to optionally award postretirement adjustments based on system's investment performance.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred.

The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

Method Used to Value Investments: Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Contributions

Police Pension Plan - Officers who are members in the Plan are required to contribute 5% of their annual covered payroll to the Plan. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

Non-Uniformed Pension Plan - Employees who are members in the Plan are required to contribute 5% of their salaries to the Plan. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Borough is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Borough's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Borough funds. The Borough received state aid, which is recognized as revenue and expenses, in the amount of \$103,400 for the pension for the year ended December 31, 2020.

Investments

Investment Policy: The Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The Pension 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.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Rate of Return: For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of investment expense was 9.08% for Police. For the measurement date of December 31, 2019, the annual money-weighted rate of return of Plan investments, net of investment expenses was 20.10% for Non-Uniformed. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2020 for the Police Pension Plan, and at the measurement date of December 31, 2019 for the Non-Uniformed Pension Plan, were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 6,696,141	\$ 3,600,921
Plan fiduciary net position	<u>(3,705,388)</u>	<u>(3,589,006)</u>
Net pension liability	<u>\$ 2,990,753</u>	<u>\$ 11,915</u>
Plan fiduciary net position as a percentage of the total pension liability	55%	100%

Actuarial Assumptions: The total pension liability in the January 1, 2019 actuarial valuation for the Police Pension Plan, and January 1, 2017 for the Non-Uniformed Pension Plan, was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>	
Inflation	3.0%	2.8%	
Salary increases	3.0%	Age related	(with merit, including inflation)
Postretirement cost of living increase	3.0%	2.8%	
Investment rate of return	5.0%	5.25%	(net of pension plan investment expense, including inflation)

Mortality rates for the Police Pension Plan were based on Pub-2010 Safety Amount-Weighted Mortality Tables projected from 2010 with Mortality Improvement Scale MP-2020. Mortality rates for the Non-Uniformed Pension Plan were based on the RP-2000 Healthy Annuitant Mortality Table for males and females. This table does not include projected mortality improvements.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

The net pension liability for the Police Pension Plan was measured as of December 31, 2019 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. Due to the size of the plan, there have been no experience studies used to determine plan assumptions. There were no changes to pension benefits during the year, however, the mortality tables were updated during 2020.

The net pension liability for the Non-Uniformed Pension Plan was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial study as of January 1, 2017. The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2013. There were no changes to pension benefits or assumptions since January 1, 2017.

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

For the Police Pension Plan - The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation have not been calculated. An overall estimate of arithmetic real rate of return for all the asset classes combined was calculated as 5%.

<u>Asset Class</u>	Target <u>Allocation</u>	Long-term Expected Rate <u>of Return</u>
Equities	60.00%	
Fixed Income	30.00%	
Other assets and Cash	<u>10.00%</u>	
	<u>100.00%</u>	

For the Non-Uniformed Pension Plan - PMRS has not performed a formal cash flow projection but has applied an alternative method to confirm the sufficiency of the pension plan's projected Net Position. The result would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	Long-term <u>Expected Rate of Return</u>
US equity	47%	6.6%
International Equity	20%	8.6%
Fixed Income	25%	3.0%
Real Estate	8%	6.9%
Cash	<u>0%</u>	1.0%
	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 5% for the Police Pension Plan and 5.25% for the Non-Uniformed. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. 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.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2019	\$ 6,554,466	\$ 3,246,765	\$ 3,307,701
Changes for the year:			
Service cost	225,404	-	225,404
Interest	318,463	-	318,463
Change of benefit terms	-	-	-
Differences between expected and actual experience	928	-	928
Change of assumptions	(32,704)	-	(32,704)
Contributions - employer	-	490,186	(490,186)
Contributions - employee	-	29,576	(29,576)
Net investment income	-	309,277	(309,277)
Benefit payments, including refunds of employee contributions	(370,416)	(370,416)	-
Administrative expense	-	-	-
Net Changes	<u>141,675</u>	<u>458,623</u>	<u>(316,948)</u>
Balance at December 31, 2020	<u>\$ 6,696,141</u>	<u>\$ 3,705,388</u>	<u>\$ 2,990,753</u>

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2018 - Measurement Date	\$ 3,538,774	\$ 3,072,896	\$ 465,878
Changes for the year:			
Service cost	75,110	-	75,110
Interest	184,609	-	184,609
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	54,477	(54,477)
Contributions - employee	-	33,162	(33,162)
Net investment income	-	632,161	(632,161)
Benefit payments, including refunds of employee contributions	(197,572)	(197,572)	-
Administrative expense	-	(6,118)	6,118
Net Changes	62,147	516,110	(453,963)
Balance at December 31, 2019 - Measurement Date	\$ 3,600,921	\$ 3,589,006	\$ 11,915

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

	1% Decrease (4%)	Current Discount Rate (5%)	1% Increase (6%)
Net pension liability			
Police	\$ 3,920,333	\$ 2,990,753	\$ 2,228,724
	<u>(4.25%)</u>	<u>Rate (5.25%)</u>	<u>(6.25%)</u>
Non-Uniformed	419,023	11,915	(336,020)

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

G. Defined Benefit Pension Plans (Continued)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the Borough recognized pension expense of \$635,134 for Police Pension and \$31,586 for Non-Uniformed Pension. At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 779	\$ 123,903
Change in assumptions	523,924	27,488
Net difference between projected and actual earnings on pension plan investments	-	124,262
Total	<u>\$ 524,703</u>	<u>\$ 275,653</u>
<u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ 69,619	\$ -
Change in assumptions	17,428	-
Net difference between projected and actual earnings on pension plan investments	-	361,895
Contributions subsequent to the measurement date	56,127	-
Total	<u>\$ 143,174</u>	<u>\$ 361,895</u>

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

Year Ended December 31:	<u>Police</u>	<u>Non-Uniformed</u>
2020	\$ 203,530	\$ (78,316)
2021	22,633	(94,153)
2022	(15,032)	(24,102)
2023	14,128	(78,277)
2024	25,165	-
Thereafter	(1,374)	-
Total	<u>\$ 249,050</u>	<u>\$ (274,848)</u>

Payable to the Pension Plan: For the year ended December 31, 2020, there was no amount payable for contributions to the pension plan.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

H. Other Post-Employment Benefits

The Borough sponsors two single-employer defined benefit post-employment plan (the Plan, OPEB) for eligible employees of the Borough. The Plans do not issue a separate financial statement.

The Police OPEB Plan was established and is governed by the provisions of the collective bargaining agreement between the Borough and the police officers, to provide continuation of the Borough's group health and life insurance for employees who retire. The Plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the Plan.

The Non-Uniformed OPEB Plan was established and is governed by Borough Council.

The most recent valuation was as of January 1, 2018. Membership of the Plan consisted of the following at December 31, 2020 (the date of the latest actuarial valuation):

	<u>Police</u>	<u>Non-Uniform</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits	0	0
Inactive employees entitled to benefits		
but not yet receiving them	13	1
Active employees	<u>6</u>	<u>2</u>
	<u>19</u>	<u>3</u>

Eligibility: Police retirees must have reached age 53 with 25 years of service. The healthcare and health benefits are provided at no cost to the retiree.

Benefits Provided: The Plan for police retirees allows for spousal coverage at a cost to the retiree of 50% of the premium difference between single coverage and husband/wife coverage. Medicare eligible retirees and dependents are required to enroll in Medicare Parts B and D. Upon eligibility for Medicare, retirees receive coverage through a Medicare Supplement Plan. Effective January 1, 2013, the post-Medicare plan changed as Medicare supplement plans were established. This change reduced the actuarial accrued liability (AAL) by approximately \$1.8 million. In addition, the contracts provide that each eligible retiree will receive a fully paid-up life insurance policy of \$10,000.

Funding: Employees do not contribute to the Plan during their active service. The contribution requirements are established, and may be amended, by the collective bargaining agreement. The Borough currently follows a pay-as-you-go policy for retiree healthcare and death benefits. These anticipated retiree premiums are included in each annual budget in the "Insurance and Benefits" category and "Hospitalization - Blue Cross/Blue Shield" line-item. During 2013, police officers were required to contribute 3% of the premium for their selected coverage type through a payroll deduction.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

H. Other Post Employment Benefits (Continued)

Net OPEB Liability

The Borough's net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

	<u>Police</u>	<u>Non-Uniform</u>
Total OPEB liability	\$ 3,976,863	\$ 92,335
Plan fiduciary net position	-	-
Net OPEB liability	<u>\$ 3,976,863</u>	<u>\$ 92,335</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
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Actuarial Assumptions: The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	3.0% (including inflation)
Investment Rate of Return	1.93% (net of OPEB plan investment expense, including inflation)
Healthcare Cost Trend Rates	7.0% in 2021, decreasing by .5% per year to an ultimate of 4.5%.

Mortality rates were based on the RP-2010 Public Safety Headcount-Weighted Mortality Tables, with generational projection using Scale MP-2019. The actuarial assumptions used in the January 1, 2018 valuation were based on the actuary's experience with plans of a similar size, plan design, workforce composition, and discussions with the Borough. No experience study was conducted.

The net OPEB liability was measured as of December 31, 2020 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2018. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Discount Rate: The discount rate used to measure the total OPEB liability was 1.93%, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

H. Other Post-Employment Benefits (Continued)

Change in Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>Police OPEB Plan</u>			
Balance at December 31, 2019	\$ 3,866,832	\$ -	\$ 3,866,832
Changes for the year:			
Service cost	116,425	-	116,425
Interest	106,509	-	106,509
Change of benefit terms	30,338	-	30,338
Differences between expected and actual experience	(625,460)	-	(625,460)
Change of assumptions	607,803	-	607,803
Contributions - employer	-	125,584	(125,584)
Benefit payments			
including refunds of employee contributions	(125,584)	(125,584)	-
Net Changes	110,031	-	110,031
Balance at December 31, 2020	\$ 3,976,863	\$ -	\$ 3,976,863
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>Non-Uniform OPEB Plan</u>			
Balance at December 31, 2019	\$ 111,239	\$ -	\$ 111,239
Changes for the year:			
Service cost	1,573	-	1,573
Interest	3,076	-	3,076
Change of benefit terms	-	-	-
Differences between expected and actual experience	(10,860)	-	(10,860)
Change of assumptions	903	-	903
Contributions - employer	-	13,596	(13,596)
Benefit payments			
including refunds of employee contributions	(13,596)	(13,596)	-
Net Changes	(18,904)	-	(18,904)
Balance at December 31, 2020	\$ 92,335	\$ -	\$ 92,335

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 4 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
Net OPEB liability	(.93%)	Rate (1.93%)	(2.93%)
Police	\$ 4,791,097	\$ 3,976,863	\$ 3,351,742
Non-Uniform	\$ 97,270	\$ 92,335	\$ 88,174

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

H. Other Post Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease Valuation <u>Rates</u>	Healthcare Cost Trend <u>Valuation Rates</u>	1% Increase Valuation <u>Rates</u>
Net OPEB liability			
Police	\$ 3,288,890	\$ 3,976,863	\$ 4,894,160
Non-Uniform	89,549	92,335	95,230

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the Borough recognized OPEB expense of \$243,115 for the Police Plan and \$4,142 for the Non-Uniformed Plan. At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police OPEB Plan</u>		
Differences between expected and actual experience	\$ -	\$ 552,221
Changes in assumptions	701,145	159,595
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 701,145	\$ 711,816
<u>Non-Uniform OPEB Plan</u>		
Differences between expected and actual experience	\$ -	\$ 9,442
Changes in assumptions	6,775	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 6,775	\$ 9,442

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

H. Other Post Employment Benefits (Continued)

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

Year Ended December 31:	Police OPEB	Non-Uniform OPEB	Total
2020	\$ (10,157)	\$ (507)	\$ (10,664)
2021	(10,157)	(507)	(10,664)
2022	(10,157)	(507)	(10,664)
2023	2,316	(507)	1,809
2024	22,733	(507)	22,226
Thereafter	(5,249)	(132)	(5,381)
Total	<u>\$ (10,671)</u>	<u>\$ (2,667)</u>	<u>\$ (13,338)</u>

I. Other Information

Deferred Expenses - Capital Contribution: The Borough recorded the 1993 capital contribution of approximately \$500,000 to the City of Philadelphia's sewage treatment facility Capital Improvement Program, through its agreement with Lower Merion Township, in the Sewer Fund (a Proprietary Fund) as a deferred expense. The balance of the deferred expense as of December 31, 2020, totals \$98,010 and is reported as an asset on the statement of net position, Proprietary Fund Types. The Borough is amortizing the balance to expense over a period of 34.5 years. The amortization period represented the then remaining time to the expiration of the agreement between Lower Merion Township and the Borough of Narberth (2027). Amortization expense was to \$14,493 in 2020.

Reimbursable Contracts - Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by the Borough under some of these grants and contracts are subject to audit. To date, the Borough has not been notified of any significant unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

Repurchase Option Agreement - In 2001, the Borough obtained a deed for a property from Daniel K. Cook. Under the Repurchase Option Agreement dated June 29, 2001 the Borough of Narberth has granted an Optionee (Daniel K. Cook and/or his successors in title) the right to give notice to exercise the option to repurchase between April 30, 2022 and May 30, 2022. Between June 1, 2021 and December 31, 2021, the Borough gave written acknowledgement to the Optionee of the Repurchase Option. The Repurchase date is May 30, 2024.

NARBERTH BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

J. Risk Management

The Borough is exposed to various risks of loss related to torts; destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The Borough purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded this coverage for the past three fiscal years.

K. New Accounting Pronouncements

GASB Codification Section L20, Leases (GASB 87): GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use ("ROU") model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal year ending December 15, 2022.

REQUIRED

SUPPLEMENTARY INFORMATION

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 225,404	\$ 219,740	\$ 172,938	\$ 167,901	\$ 126,816	\$ 113,312	\$ 108,954
Interest	318,463	310,608	289,981	284,261	327,612	293,822	283,368
Changes of benefit terms	-	-	-	(86,323)	-	-	-
Differences between expected and actual experience	928	(105,033)	-	(267,740)	-	357,529	-
Changes of assumptions	(32,704)	418,645	-	1,226,541	-	-	-
Benefit payments							
including refunds of employee contributions	<u>(370,416)</u>	<u>(376,073)</u>	<u>(351,904)</u>	<u>(323,642)</u>	<u>(320,074)</u>	<u>(243,823)</u>	<u>(242,123)</u>
Net change in total pension liability	141,675	467,887	111,015	1,000,998	134,354	520,840	150,199
Total pension liability - beginning	<u>6,554,466</u>	<u>6,086,579</u>	<u>5,975,564</u>	<u>4,974,566</u>	<u>4,840,212</u>	<u>4,319,372</u>	<u>4,169,173</u>
Total pension liability - ending (a)	<u>\$ 6,696,141</u>	<u>\$ 6,554,466</u>	<u>\$ 6,086,579</u>	<u>\$ 5,975,564</u>	<u>\$ 4,974,566</u>	<u>\$ 4,840,212</u>	<u>\$ 4,319,372</u>
Plan fiduciary net position							
Contributions - employer	\$ 490,186	\$ 463,062	\$ 482,080	\$ 415,214	\$ 317,575	\$ 234,300	\$ 104,847
Contributions - employee	29,576	45,267	21,176	25,881	24,446	23,309	26,312
Net investment income	309,277	293,380	(47,529)	122,997	52,723	114	111,808
Benefit payments							
including refunds of employee contributions	(370,416)	(376,073)	(351,904)	(323,642)	(320,074)	(243,823)	(242,123)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,093)</u>	<u>100</u>	<u>(21,645)</u>
Net change in plan fiduciary net position	458,623	425,636	103,823	240,450	41,577	14,000	(20,801)
Plan fiduciary net position - beginning	<u>3,246,765</u>	<u>2,821,129</u>	<u>2,717,306</u>	<u>2,476,856</u>	<u>2,435,279</u>	<u>2,421,279</u>	<u>2,442,080</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,705,388</u>	<u>\$ 3,246,765</u>	<u>\$ 2,821,129</u>	<u>\$ 2,717,306</u>	<u>\$ 2,476,856</u>	<u>\$ 2,435,279</u>	<u>\$ 2,421,279</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 2,990,753</u>	<u>\$ 3,307,701</u>	<u>\$ 3,265,450</u>	<u>\$ 3,258,258</u>	<u>\$ 2,497,710</u>	<u>\$ 2,404,933</u>	<u>\$ 1,898,093</u>
Plan fiduciary net position as a percentage of the total pension liability	55.3%	49.5%	46.3%	45.5%	49.8%	50.3%	56.1%
Covered payroll	\$ 635,573	\$ 621,699	\$ 478,315	\$ 518,000	\$ 517,098	\$ 471,170	\$ 431,319
Net pension liability as a percentage of covered payroll	470.6%	532.0%	682.7%	629.0%	483.0%	510.4%	440.1%
Annual money-weighted return net of investment expenses	9.08%	9.85%	-1.72%	4.73%	2.15%	0.00%	7.75%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019
Change in assumptions: The mortality improvement scale was updated in 2020

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2011	\$ 117,935	\$ 117,935	\$ -	\$ 437,846	26.94%
2012	116,899	116,899	-	426,645	27.40%
2013	109,940	110,140	(200)	403,766	27.28%
2014	104,847	104,847	-	431,319	24.31%
2015	181,107	234,300	(53,193)	471,170	49.73%
2016	265,690	317,575	(51,885)	517,098	61.41%
2017	289,614	415,214	(125,600)	518,000	80.16%
2018	481,930	482,080	(150)	478,315	100.79%
2019	463,062	463,062	-	621,699	74.48%
2020	486,786	490,186	(3,400)	635,573	77.13%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	11 years
Asset valuation method	Adjusted market value
Inflation	3%
Salary increases	3%
COLA increases	3%
Investment rate of return	5%
Retirement age	Normal Retirement Age, or on the valuation date if later
Mortality	Pub-2010 Safety Amount-Weighted Mortality Tables projected from 2010 with Mortality Improvement Scale MP-2020

Notes to Schedule:

Change in benefit terms:	None since 1/1/2019
Change in assumptions:	The mortality improvement scale was updated in 2020

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
NON-UNIFORM PENSION PLAN

	Measurement Date:					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 75,110	\$ 71,953	\$ 68,392	\$ 60,501	\$ 64,397	\$ 64,401
Interest	184,609	174,735	170,623	166,933	158,392	148,332
Changes of benefit terms	-	34,564	-	-	-	-
Differences between expected and actual experience	-	89,736	-	48,967	-	64,353
Changes of assumptions	-	-	-	87,140	66,737	-
Benefit payments						
including refunds of employee contributions	<u>(197,572)</u>	<u>(174,864)</u>	<u>(153,888)</u>	<u>(159,211)</u>	<u>(102,218)</u>	<u>(86,325)</u>
Net change in total pension liability	62,147	196,124	85,127	204,330	187,308	190,761
Total pension liability - beginning	<u>3,538,774</u>	<u>3,342,650</u>	<u>3,257,523</u>	<u>3,053,193</u>	<u>2,865,885</u>	<u>2,675,124</u>
Total pension liability - ending (a)	<u>\$ 3,600,921</u>	<u>\$ 3,538,774</u>	<u>\$ 3,342,650</u>	<u>\$ 3,257,523</u>	<u>\$ 3,053,193</u>	<u>\$ 2,865,885</u>
 Plan fiduciary net position						
Contributions - employer	\$ 54,477	\$ 29,783	\$ 29,313	\$ 27,302	\$ 21,981	\$ 24,574
Contributions - employee	33,162	31,865	30,288	29,445	29,657	28,021
Net investment income	632,161	(109,704)	508,007	201,923	8,689	163,482
Benefit payments						
including refunds of employee contributions	(197,572)	(174,864)	(153,888)	(159,211)	(102,218)	(86,325)
Administrative expense	<u>(6,118)</u>	<u>(7,512)</u>	<u>(7,596)</u>	<u>(7,423)</u>	<u>(6,910)</u>	<u>(6,151)</u>
Net change in plan fiduciary net position	516,110	(230,432)	406,124	92,036	(48,801)	123,601
Plan fiduciary net position - beginning	<u>3,072,896</u>	<u>3,303,328</u>	<u>2,897,204</u>	<u>2,805,168</u>	<u>2,853,969</u>	<u>2,730,368</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,589,006</u>	<u>\$ 3,072,896</u>	<u>\$ 3,303,328</u>	<u>\$ 2,897,204</u>	<u>\$ 2,805,168</u>	<u>\$ 2,853,969</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 11,915</u>	<u>\$ 465,878</u>	<u>\$ 39,322</u>	<u>\$ 360,319</u>	<u>\$ 248,025</u>	<u>\$ 11,916</u>
 Plan fiduciary net position as a percentage of the total pension liability	99.7%	86.8%	98.8%	88.9%	91.9%	99.6%
 Covered payroll	\$ 663,262	\$ 637,321	\$ 605,785	\$ 588,899	\$ 593,141	\$ 590,163
 Net pension liability as a percentage of covered payroll	1.8%	73.1%	6.5%	61.2%	41.8%	2.0%
 Annual money-weighted return net of investment expenses	20.10%	-4.57%	17.84%	8.23%	-27.00%	5.20%
 Notes to Schedule:						
Change in benefit terms:	None since 1/1/2019					
Change in assumptions:	None since 1/1/2019					

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORM PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2014	\$ 24,547	\$ 24,574	\$ (27)	\$ 590,163	4.16%
2015	21,824	21,981	(157)	593,141	3.71%
2016	27,276	27,302	(26)	588,899	4.64%
2017	29,293	29,313	(20)	605,785	4.84%
2018	29,723	29,783	(60)	637,321	4.67%
2019	54,437	54,477	(40)	663,262	8.21%
2020	56,127	56,127	-	653,192	8.59%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2017
Actuarial cost method	Entry Age
Amortization period	Level Dollar based on the amortization periods in Act 205
Remaining amortization period	Based on the amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Inflation	2.8%
Salary increases	Age related scale with merit and inflation component
COLA increases	2.8% for these eligible for COLA
Investment rate of return	5.25%
Retirement age	Normal Retirement Age, or on the valuation date if later
Mortality Pre-Retirement	RP2000 Non-Annuitant: Male table projected 15 years with Scale AA, Female table projected 15 years with Scale AA and setback five years
Mortality Post-Retirement	RP2000 Non-Annuitant: Male table projected 5 years with Scale AA, Female table projected 10 years with Scale AA

Notes to Schedule:

Change in benefit terms:	None since 1/1/2019
Change in assumptions:	None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
POLICE OTHER POST-EMPLOYMENT BENEFITS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 116,425	\$ 80,332	\$ 89,031
Interest	106,509	128,918	120,874
Changes of benefit terms	30,338	-	-
Differences between expected and actual experience	(625,460)	-	-
Changes of assumptions	607,803	234,369	(288,646)
Benefit payments (including premium subsidies)	<u>(125,584)</u>	<u>(156,659)</u>	<u>(148,373)</u>
Net change in total OPEB liability	110,031	286,960	(227,114)
Total OPEB liability - beginning	<u>3,866,832</u>	<u>3,579,872</u>	<u>3,806,986</u>
Total OPEB liability - ending (a)	<u>\$ 3,976,863</u>	<u>\$ 3,866,832</u>	<u>\$ 3,579,872</u>
 Plan fiduciary net position			
Contributions - employer (including premium subsidies)	\$ 125,584	\$ 156,659	\$ 148,373
Benefit payments (including premium subsidies)	<u>(125,584)</u>	<u>(156,659)</u>	<u>(148,373)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Township's net OPEB liability - ending (a)-(b)	<u>\$ 3,976,863</u>	<u>\$ 3,866,832</u>	<u>\$ 3,579,872</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
 Covered payroll	\$ 635,080	\$ 465,032	\$ 451,487
 Net OPEB liability as a percentage of covered payroll	626.2%	831.5%	792.9%
 Annual money-weighted return, net of investment expenses	Not Applicable	Not Applicable	Not Applicable
 Notes to Schedule:			
Change in assumptions and benefit terms:		The discount rate decreased from 3.26% to 1.93%	
		The Mortality Tables were updated	
		The healthcare cost trend was updated	

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NARBERTH BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
NON-UNIFORM OTHER POST-EMPLOYMENT BENEFITS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 1,573	\$ 2,843	\$ 23,247
Interest	3,076	3,830	40,962
Changes of benefit terms	-	-	(1,209,761)
Differences between expected and actual experience	(10,860)	-	-
Changes of assumptions	903	7,576	(2,332)
Benefit payments (including premium subsidies)	<u>(13,596)</u>	<u>(13,596)</u>	<u>(19,903)</u>
Net change in total OPEB liability	(18,904)	653	(1,167,787)
Total OPEB liability - beginning	<u>111,239</u>	<u>110,586</u>	<u>1,278,373</u>
Total OPEB liability - ending (a)	<u>\$ 92,335</u>	<u>\$ 111,239</u>	<u>\$ 110,586</u>
 Plan fiduciary net position			
Contributions - employer (including premium subsidies)	\$ 13,596	\$ 13,596	\$ 19,903
Benefit payments (including premium subsidies)	<u>(13,596)</u>	<u>(13,596)</u>	<u>(19,903)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Township's net OPEB liability - ending (a)-(b)	<u>\$ 92,335</u>	<u>\$ 111,239</u>	<u>\$ 110,586</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
 Covered payroll	\$ 135,189	\$ 252,712	\$ 164,142
 Net OPEB liability as a percentage of covered payroll	68.3%	44.0%	67.4%
 Annual money-weighted return, net of investment expenses	Not Applicable	Not Applicable	Not Applicable

Notes to Schedule:

Change in assumptions and benefit terms:	The discount rate decreased from 3.26% to 1.93% The Mortality Tables were updated The healthcare cost trend was updated
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This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.



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December 20, 2021

Borough Council
Narberth Borough
Narberth, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Narberth Borough for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Narberth Borough are described in Note 1 to the financial statements. There were no new accounting standards implemented during the fiscal year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of accumulated depreciation and depreciation expense is based on original cost and estimated useful lives of the capital assets.
- Management's estimate of the end of year liability for compensated absences is calculated based on vested time accumulated.
- Management's estimate of the minimum municipal obligation, net pension liability, net OPEB liability, and deferred inflows and outflows related to the plans are based on actuarial valuations.
- Management's estimate of the fair value of investments is based on market values as of the financial statement date.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management, however, there was a delay in receiving accounting records from the Borough that in turn delayed the completion of the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

- Reclassify expenses related to 201 Sabine \$396,137
- Record capital additions \$26,536

Because Narberth Borough's general ledger is maintained for each fund according to the modified accrual basis of accounting, we recommended adjustment to allow for the presentation of the government-wide financial statements on the full accrual basis since generally accepted accounting principles require that both presentations be made in the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Narberth Borough's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

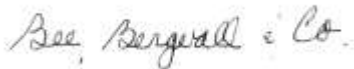
At the conclusion of our audit, we issued a Schedule of Findings that discusses internal control related and other matters that existed for the year ended December 31, 2020.

Other Matters

We applied certain limited procedures to Management Discussion and Analysis and the historical trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Borough Council and management of Narberth Borough and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Bee, Bergvall & Co.".

Bee, Bergvall & Co., P.C.
Certified Public Accountants

NARBERTH BOROUGH
SCHEDULE OF FINDINGS
DECEMBER 31, 2020



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Borough Council
Narberth Borough
Narberth, Pennsylvania

Dear Board Members:

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Narberth Borough as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider all of the findings to be material weaknesses in internal control.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do not consider any comments to be significant deficiencies in Narberth Borough's internal control.

This communication is intended solely for the information and use of management, Borough Council, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
December 20, 2021

FINDING #1 - RECONCILIATIONS

Bank Reconciliations - The bank statements are reconciled monthly, however, there is no approval process. We recommend that the reconciliations be reviewed monthly and initialed as proof of review.

Fund Balance - The fund balance accounts did not agree to the ending balances on the 2019 financial statement. The balance on the books were not reconciled to the report. Prior year accrual entries should have been reversed. The result was that the fund balance accounts were incorrectly stated on the books.

Timely Reconciliations - Timely month-end and year-end reconciliations should be performed timely. The delay in performing reconciliations caused a significant delay in issuance of the 2020 financial statements.

The potential effect of the above is that material misstatements could go undetected and management could be making decisions based on inaccurate information.

FINDING #2 - DISBURSEMENTS

Credit Card Receipts - We selected two month's credit card statements for testing. We found that 24 out of 38 charges did not have supporting receipts.

Invoice Approval - As part of the approval process, invoices are stamped with a check box labeled MGR for approval. We recommend that instead the Manager initials the invoice as proof of approval.

Bills List Approval - As part of the approval process of disbursements, a bills list is provided monthly to the board for review and approval. The total dollar amount of the bill list is not noted in the board minutes, therefore, we were unable to determine if the amounts that we selected for testing were board approved. We recommend that the total approved be noted in the board minutes.

The potential effect of the above is that material misstatements could go undetected and management could be making decisions based on inaccurate information.

FINDING #3 - PENSION CENSUS

The Borough was unable to provide a census for the Non-Uniformed Pension Plan for 2020 due to delays in issuing reports by PMRS, therefore, we were unable to test the accuracy of the census. The potential effect is that inaccurate information could be included in the pension census that is provided to the actuary.

FINDING #4 - MISSING ADJUSTMENTS

Account balances should be carefully reviewed for proper reporting. The following adjustments were required:

- Record accrual of pension contributions \$8,384
- Reclassify rental expenses to expense accounts \$396,137
- Record capital additions to Proprietary type funds \$26,536

FINDING #5 - WRITTEN POLICIES AND PROCEDURES

Currently, the Borough has no formal written policies or procedures to ensure adequate internal controls in the following areas:

- Accounting Policies and Procedures
- Parking Meter Coin Collection - Compensating Controls
- Credit Card Policy
- Capital Asset and Depreciation Policy
- Whistleblower Policy
- Conflict of Interest Policy
- Digital Retention and Data Security Policy

A formal manual over accounting procedures will provide assurance that all tasks are being followed according to an accepted procedures developed by management. An operations manual provides guidance as to how transactions are processed; how duties are segregated; and details the internal controls that are in place. It does not have to be voluminous. A list of the financial functions of the Organization with a brief description of what is done how often; and due dates provides a good starting framework.



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To the Board Members
Narberth Borough
Narberth, Pennsylvania

We have compiled the accompanying condensed balance sheet of Narberth Borough as of December 31, 2020 and the related condensed statement of fund equity/retained earnings, and statement of operations for the year then ended, in accordance with standards established by the Borough Code.

The condensation represents a summary of the audited financial statements and as such we do not express an opinion on it and all disclosures have been omitted.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
December 20, 2021

NARBERTH BOROUGH
CONCISE FINANCIAL STATEMENT
DECEMBER 31, 2020

NARBERTH BOROUGH
CONCISE BALANCE SHEET - COMBINED FUNDS
December 31, 2020

ASSETS

Current Assets	\$	3,134,295
Fixed Assets		<u>6,727,634</u>
	\$	<u>9,861,929</u>

LIABILITIES AND FUND BALANCES

Current Liabilities and Deferred Inflows	\$	2,882,674
Long-Term Debt (Last Maturity 2039)		21,410,470
Investment in Capital Assets		32,598,066
Fund Balances		<u>(47,029,281)</u>
	\$	<u>9,861,929</u>

CONDENSED STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

Balance, January 1, 2020	\$	2,479,422
Add: Excess Revenues (Expenses)		<u>457,829</u>
Balance, December 31, 2020	\$	<u>2,937,251</u>

CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUES

Taxes, Assessments, and Charges	\$	3,398,477
Fees, licenses and permits		84,726
Fines and forfeitures		68,770
Investment income and rent		586,174
Intergovernmental revenues		456,338
Charges for services		1,047,402
Other		<u>64,505</u>
Total Revenues		<u>5,706,392</u>

EXPENDITURES

General Government	1,210,290
Public Safety	2,314,959
Public Works	1,035,348
Culture and Recreation	258,352
Community Development	6,000
Miscellaneous Expenditures	5,368
Sewer and Solid Waste	898,408
Debt Service	<u>175,018</u>
Total Expenditures	<u>5,903,743</u>

Excess Revenues (Expenses) Before Non Operating Items	(197,351)
Non Operating Income (Expense)	<u>655,180</u>
Excess Revenues (Expenses)	<u>\$ 457,829</u>

Assessed Valuation of Real Estate	\$	<u>316,442,980</u>
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The audit report by an independent certified public accountant is available for inspection at the office of the Borough during regular business hours.