

**BOROUGH OF SEWICKLEY**

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

**BOROUGH OF SEWICKLEY**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORTS BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**

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**Borough Council  
Borough of Sewickley**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, I 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley, Allegheny County, Pennsylvania as of December 31, 2016 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

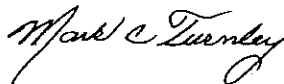
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xvi and the other required supplementary information on pages 52-57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Sewickley's basic financial statements. The other supplementary information (Schedules 1 through 6) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The memorandum only prior year information for the year ended December 31, 2015 (Schedules 1-2) were audited by me, and I expressed an unqualified opinion on them in my report dated March 31, 2016, but I have not performed any auditing procedures since that date on these statements.



Mark C. Turnley, CPA

April 11, 2017  
New Brighton, Pennsylvania

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**INTRODUCTION**

This discussion and analysis of the Borough of Sewickley's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2016. The intent of Management's Discussion and Analysis (MD&A) is to provide readers with an appreciation for the financial status of the Borough, the challenges faced and accomplishments achieved. The reader should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2016 are as follows:

- The Borough's governmental activities net position decreased \$56,503 in 2016.
- Unrestricted net position was \$381,405 on December 31, 2016.
- The Borough of Sewickley completed the 2016 Road Construction Project, which was the paving of Broad Street and Straight Street, with new catch basins, new sidewalks and curbs, ADA compliant intersections and rebuilt road surface. The project also removed old trees and replanted new trees. Total cost was \$660,000.00.
- The Borough of Sewickley continued to work with Columbia Gas as 1,700 lineal feet of gas line was replaced in 2016, bringing the total restoration to over 74,700 lineal feet since 1995, representing an \$8,000,000 reinvestment into the Borough of Sewickley infrastructure rehabilitation program. This represents replacement of 86% of the gas line distribution system in Sewickley.
- The Borough of Sewickley did continue to actively pursue the Delinquent Real Estate Taxes and produced \$114,984 in receipts.

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
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**FINANCIAL HIGHLIGHTS (Continued)**

- The Borough of Sewickley spent \$150,000 for the MS4 Municipal Separate Storm Sewer System. The expenditure increased significantly due to an increased enforcement and compliance program by the PA Department of Environmental Protection and the federal EPA, including NPDES Permit Renewal.
- The Borough of Sewickley spent over \$500,000.00 in emergency infrastructure repairs approved by Borough Council. These repairs include a main storm sewer/sanitary sewer overflow pipe that was buried underneath railroad tracks, to street storm pipes that were broken, to crushed catch basins. Council voted to use Capital Reserve monies to pay for these repairs and to repay the reserve funds back in 2017 and 2018. Council specifically did not want to increase real estate taxes or incur additional debt.
- The Borough of Sewickley paid all Sanitary Sewer Service debt due in 2016. The Borough of Sewickley has covered, in 2015 and 2016, approximately \$290,000.00 of expenses. The Borough of Sewickley did increase rates for a member municipality of the Intergovernmental Agreement. This was due to operational problems with the original payment calculation formula.
- The Borough of Sewickley entered into a contract for a seventh year with Village Green Partners/Explore Sewickley to assist the Business District in recruitment, marketing and retention. Explore Sewickley did receive a Pennsylvania Main Street Designation.
- The Borough of Sewickley maintains its AA bond rating.
- The Borough of Sewickley replaced 80 traffic signs in Year 2 of a six-year project to meet the MUTCD Reflectivity Standards for signage.
- The Borough of Sewickley participated, for the third year in a row, in the Duquesne Light LED Program to replace high pressure sodium street lights with white LED street lights.
- The Borough of Sewickley was named a "Banner Community" by the Allegheny League of Municipalities and Allegheny County for the 4<sup>th</sup> straight year.



**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Borough of Sewickley as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The police pension and non-uniform pension funds comprise the Borough's fiduciary funds.

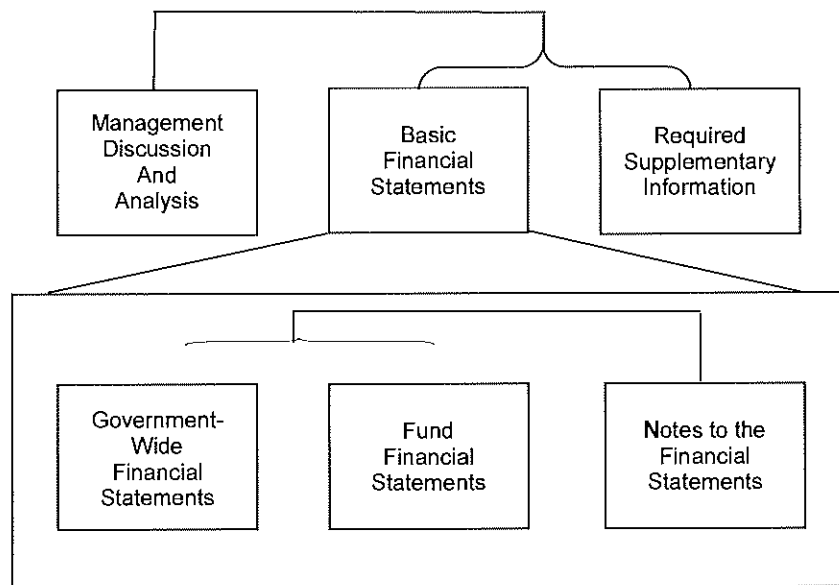
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**BOROUGH OF SEWICKLEY  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2016**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (continued)**

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1  
Required Components of  
Borough of Sewickley's Financial Report**



**BOROUGH OF SEWICKLEY  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
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DECEMBER 31, 2016**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (continued)**

Figure A-2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2  
Major Features of the Borough of Sewickley  
Government-wide and Fund Financial Statements**

|                                        | GOVERNMENT-WIDE STATEMENTS                                                           | FUND STATEMENTS                                                                                                                                                                            |                                                                                                    |
|----------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
|                                        |                                                                                      | GOVERNMENTAL FUNDS                                                                                                                                                                         | FIDUCIARY FUNDS                                                                                    |
| SCOPE                                  | Entire Borough (except fiduciary funds)                                              | The activities of the Borough that are not proprietary or fiduciary, such as public safety, public works and general administration                                                        | Instances in which the Borough is the trustee or agent to someone else's resources – Pension Funds |
| REQUIRED FINANCIAL STATEMENTS          | Statement of net position<br>Statement of activities                                 | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balance                                                                                                          | Statement of fiduciary net position<br>Statement of changes in fiduciary net position              |
| ACCOUNTING BASIS AND MEASUREMENT FOCUS | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus                                                                                                                          | Accrual accounting and economic resources focus                                                    |
| TYPE OF ASSET/LIABILITY INFORMATION    | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included                                                            | All assets and liabilities, both short-term and long-term                                          |
| TYPE OF INFLOW-OUTFLOW INFORMATION     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid                 |

**BOROUGH OF SEWICKLEY  
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DECEMBER 31, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE STATEMENTS**

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

The two government-wide statements report the Borough's net position and how they have changed. Net position, the difference between the Borough's assets and liabilities, are one way to measure the Borough's financial health. Over time, increases or decreases in the Borough's net position is an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Borough, you need to consider additional non-financial factors, such as changes in the Borough's property tax base and the condition of the Borough's infrastructure (roads and sewers).

The government-wide financial statements of the Borough consist of the following category:

- Governmental activities – All of the Borough's basic services are included here, such as general administration, public safety and public works. Property and Act 511 taxes and state grants finance most of these activities.
- Business-type activities – The Borough operates a sewer fund and charges user fees to cover the costs of operating the sewer system and debt fees for the repayment of debt.

**FUND FINANCIAL STATEMENTS**

The Borough's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the Borough as a whole. The general and highway aid funds are required by state law.

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Governmental Funds** – Most of the Borough's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Borough's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** – The Borough is the trustee, or fiduciary, for the police and non-uniform pension funds. All of the Borough's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Pages 11 and 12. We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations.

**Enterprise Funds** – The Borough operates a wastewater treatment facility.

**FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE**

The Borough has presented its financial statements using the reporting model required by Government Accounting Standards Board Statement No. 34 (GASB Statement #34), "Basic Financial Statements and Management's Discussion and Analysis (MD&A) for State and Local Governments for several years. Comparative information from the prior year is shown as reflected below.

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)**

The Borough's net position on December 31, 2016 and 2015 is presented below:

Table A-1

**Summary of Statement of Net Position**  
**Year Ended December 31, 2016 and 2015**

|                                               | ----- DECEMBER 31, 2016 ----- |                      |                      | -MEMO-               |
|-----------------------------------------------|-------------------------------|----------------------|----------------------|----------------------|
|                                               | GOVERNMENTAL                  | BUSINESS-TYPE        | 2016                 | 2015                 |
|                                               | ACTIVITIES                    | ACTIVITIES           | TOTAL                | TOTAL                |
| Current Assets                                | \$ 813,245                    | \$ 294,067           | \$ 1,107,312         | \$ 1,428,418         |
| Non-Current Assets                            | 6,443,837                     | 15,288,436           | 21,732,273           | 21,801,378           |
| Deferred Outflows                             | 344,998                       | 392,321              | 737,319              | 842,429              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>     | <b>\$ 7,602,080</b>           | <b>\$ 15,974,824</b> | <b>\$ 23,576,904</b> | <b>\$ 24,072,225</b> |
| Current Liabilities                           | \$ 21,502                     | \$ 1,636,085         | \$ 1,657,587         | \$ 1,244,750         |
| Long-term Liabilities                         | 1,341,836                     | 12,200,905           | 13,542,741           | 14,866,224           |
| Deferred Inflows                              | 478,754                       | 16,928               | 495,682              | 137,067              |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b> | <b>\$ 1,842,092</b>           | <b>\$ 13,853,918</b> | <b>\$ 15,696,010</b> | <b>\$ 16,248,041</b> |
| Net Investment in                             |                               |                      |                      |                      |
| Capital Assets                                | \$ 5,286,082                  | \$ 2,729,176         | \$ 8,015,258         | \$ 7,445,145         |
| Restricted - Highways/Streets                 | 92,501                        | -                    | 92,501               | 54,102               |
| Unrestricted (Deficit)                        | 381,405                       | (608,270)            | (226,865)            | 324,937              |
| <b>TOTAL NET POSITION</b>                     | <b>\$ 5,759,988</b>           | <b>\$ 2,120,906</b>  | <b>\$ 7,880,894</b>  | <b>\$ 7,824,184</b>  |

The reduction in current assets is mainly attributable to a decline in cash and cash equivalents of approximately \$383,191. This decline represents short term transfers from the Borough's capital project and sinking funds to pay the operating costs of the General Fund and Sewer Fund. Current liabilities increased mainly in the area of 'trade payables' due to vendors at year-end. This represented basically a timing difference between the 12/31/2015 and 12/31/2016 calendar year-ends as to when final bills were actual paid. The change in noncurrent assets, long-term liabilities, and the net investment in capital assets represents the excess of depreciation expense over capital outlays during the calendar year 2016, combined with the Borough's continued pay down on its long-term debt obligations. The change in deferred outflows and deferred inflows is directly related to the updated actuarial valuation received by the Borough related to its pension plan obligations as of 12/31/2016.

**BOROUGH OF SEWICKLEY  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
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DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)**

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Borough's activities that are supported by other general revenues. The largest general revenues are local taxes assessed to and derived from community taxpayers.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for 2016 and 2015.

Table A-2  
Year ended December 31, 2016 and 2015  
Changes in Net Position

|                                       | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>2016<br/>TOTAL</u> | <u>2015<br/>TOTAL</u> |
|---------------------------------------|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                       |                                    |                                     |                       |                       |
| <b>Program Revenues:</b>              |                                    |                                     |                       |                       |
| Charges for Services                  | \$ 590,417                         | \$ 1,713,347                        | \$ 2,303,764          | \$ 2,484,047          |
| Operating Grants and Contributions    | 296,013                            | -                                   | 296,013               | 255,092               |
| <b>General Revenues:</b>              |                                    |                                     |                       |                       |
| Property Taxes                        | 2,762,468                          | -                                   | 2,762,468             | 2,851,689             |
| Other Taxes                           | 1,874,864                          | -                                   | 1,874,864             | 1,689,029             |
| Cable Franchise Fees                  | 80,592                             | -                                   | 80,592                | 78,720                |
| Interest                              | 2,131                              | 5                                   | 2,136                 | 1,739                 |
| Interfund Transfers                   | 29,285                             | (29,285)                            | -                     | 621,893               |
| Parking Authority Lease               | 150,000                            | -                                   | 150,000               | 250,000               |
| Miscellaneous                         | 173,163                            | 1,000                               | 174,163               | 143,485               |
| <b>TOTAL REVENUES</b>                 | <b>\$ 5,958,933</b>                | <b>\$ 1,685,067</b>                 | <b>\$ 7,644,000</b>   | <b>\$ 8,375,694</b>   |
| <b>EXPENSES</b>                       |                                    |                                     |                       |                       |
| General Government                    | \$ 1,077,620                       | \$ -                                | \$ 1,077,620          | \$ 1,178,701          |
| Public Safety - Police                | 1,704,107                          | -                                   | 1,704,107             | 1,718,928             |
| Public Safety - Fire                  | 244,982                            | -                                   | 244,982               | 246,254               |
| Public Safety - Other                 | 126,503                            | -                                   | 126,503               | 113,793               |
| Public Works - Highways               | 2,168,774                          | -                                   | 2,168,774             | 2,769,490             |
| Culture and Recreation                | 263,774                            | -                                   | 263,774               | 283,186               |
| Interest on Debt/Refunds/Transfers    | 429,676                            | -                                   | 429,676               | 799,359               |
| Sewer Operations - Operating Expenses | -                                  | 1,571,854                           | 1,571,854             | 1,701,385             |
| Sewer Bond Refinancing Costs          | -                                  | -                                   | -                     | 344,021               |
| <b>TOTAL EXPENSES</b>                 | <b>\$ 6,015,436</b>                | <b>\$ 1,571,854</b>                 | <b>\$ 7,587,290</b>   | <b>\$ 9,155,117</b>   |
| <b>CHANGE IN NET POSITION</b>         | <b>\$ (56,503)</b>                 | <b>\$ 113,213</b>                   | <b>\$ 56,710</b>      | <b>\$ (779,423)</b>   |

**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
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**FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)**

Total governmental activities revenues of \$5,958,933 were derived primarily from property taxes representing 46.40% of the total. Other taxes made up the next largest source of revenue of 31.50%, followed by charges for services at 9.90%.

Table A-3  
Year ended December 31, 2016 and 2015  
Governmental Activities

|                                                            | 2016                             |                                | 2015                             |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| General Government                                         | \$ 1,077,620                     | \$ 818,962                     | \$ 1,178,701                     | \$ 986,052                     |
| Public Safety - Police                                     | 1,704,107                        | 1,465,963                      | 1,718,928                        | 1,300,982                      |
| Public Safety - Fire                                       | 244,982                          | 126,693                        | 246,254                          | 128,145                        |
| Public Safety - Other                                      | 126,503                          | 38,048                         | 113,793                          | (17,950)                       |
| Public Works - Highways                                    | 2,168,774                        | 2,004,787                      | 2,769,490                        | 2,598,584                      |
| Culture and Recreation                                     | 263,774                          | 244,877                        | 283,186                          | 266,681                        |
| Debt Service/Refunds/Transfers                             | 429,676                          | 429,676                        | 354,711                          | 354,711                        |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 6,015,436</b>              | <b>\$ 5,129,006</b>            | <b>\$ 6,665,063</b>              | <b>\$ 5,617,205</b>            |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | -                              |                                  | -                              |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b><u>\$ 5,129,006</u></b>     |                                  | <b><u>\$ 5,617,205</u></b>     |

Table A-4 reflects the activities of the Sewer Fund, the business-type activities of the Borough for the year 2016 and 2015.

Table A-4  
Year ended December 31, 2016 and 2015  
Business-Type Activities

|                                                | 2016                             |                                | 2015                             |                                |
|------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                |                                  |                                |                                  |                                |
| Sewer Operations                               | \$ 1,571,854                     | \$ (141,493)                   | \$ 1,701,385                     | \$ 10,104                      |
| Interest/Miscellaneous                         |                                  | (1,005)                        |                                  | (20,413)                       |
| Debt Service/Transfers/Refinancing Costs       |                                  | 29,285                         |                                  | 788,669                        |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES NET LOSS</b> |                                  | <b><u>\$ (113,213)</u></b>     |                                  | <b><u>\$ 778,360</u></b>       |



**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**THE BOROUGH FUNDS**

The following table compares the revenues, expenditures and change in fund balance of the Borough's General Fund for the years 2016 and 2015:

|                                                 | <u>2016</u>         | <u>2015</u>         |
|-------------------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                                 |                     |                     |
| Taxes                                           | \$ 4,504,603        | \$ 4,377,288        |
| Licenses and Permits                            | 86,292              | 84,420              |
| Fines and Forfeitures                           | 69,474              | 110,446             |
| Interest and Rents                              | 206,509             | 16,666              |
| Intergovernmental                               | 301,569             | 278,221             |
| Charges for Services                            | 405,497             | 606,354             |
| Miscellaneous                                   | 112,145             | 116,148             |
| <b>TOTAL REVENUES</b>                           | <u>\$ 5,686,090</u> | <u>\$ 5,589,543</u> |
| <b>EXPENSES</b>                                 |                     |                     |
| General Government                              | \$ 980,719          | \$ 1,080,516        |
| Public Safety                                   | 2,068,771           | 2,043,981           |
| Public Works                                    | 2,295,235           | 2,310,247           |
| Culture and Recreation                          | 179,690             | 197,668             |
| Debt Service                                    | 101,386             | 110,603             |
| <b>TOTAL EXPENSES</b>                           | <u>\$ 5,625,800</u> | <u>\$ 5,743,015</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                     |
| Operating Transfers In                          | \$ 73,558           | \$ 74,690           |
| Refund of Prior Years Receipts/Expenses         | 23,356              | (25,362)            |
| Operating Transfers Out                         | (337,517)           | (461,335)           |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b> | <u>\$ (240,602)</u> | <u>\$ (412,007)</u> |
| <b>NET CHANGE IN FUND BALANCE</b>               | <u>\$ (180,311)</u> | <u>\$ (565,479)</u> |

**GENERAL FUND BUDGET**

In November of 2015, the Borough of Sewickley adopted its annual budget for the General Fund in the amount of \$5,644,645. A schedule showing the Borough's original and final budget amounts compared with amounts actually paid and received is provided on Page 7.

**PROPRIETARY FUND (SEWER FUND)**

The following table compares the revenues, expenses and change in net position of the Borough's Proprietary Fund for the year 2016 and 2015:

|                                  | <b>SEWER FUND</b> |                     |
|----------------------------------|-------------------|---------------------|
|                                  | <u>2016</u>       | <u>2015</u>         |
| Operating Revenues               | \$ 1,713,347      | \$ 1,691,281        |
| Operating Expenses               | (1,556,049)       | (1,701,385)         |
| <b>OPERATING INCOME (LOSS)</b>   | <u>\$ 157,298</u> | <u>\$ (10,104)</u>  |
| Nonoperating Revenues (Expenses) | \$ (44,085)       | \$ (788,256)        |
| <b>CHANGE IN NET POSITION</b>    | <u>\$ 113,213</u> | <u>\$ (778,360)</u> |

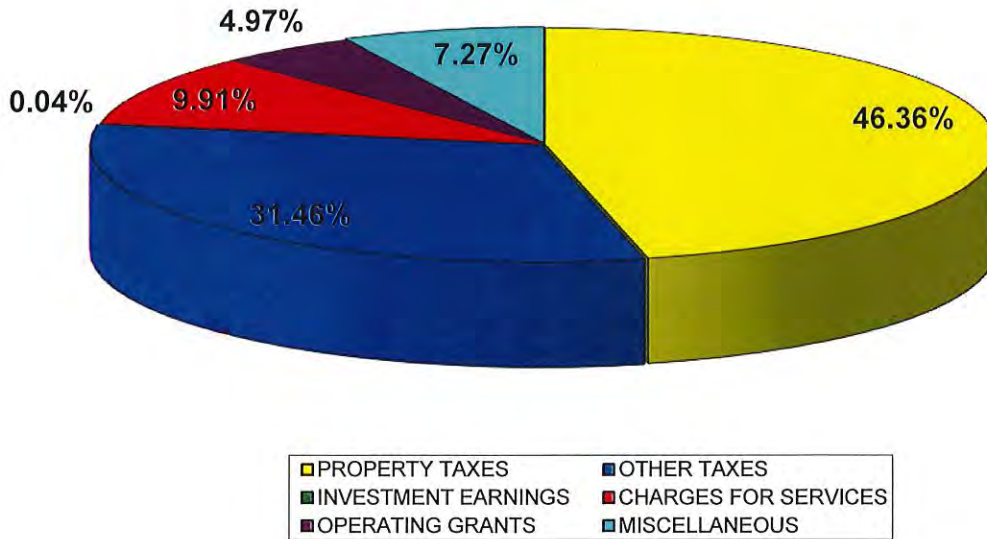
**BOROUGH OF SEWICKLEY  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2016**

**PROGRAM REVENUE**

The following chart graphically depicts the government-wide program revenues for the fiscal year ended December 31, 2016.

**SOURCE OF REVENUES**

**TOTAL REVENUES: \$5,958,933**



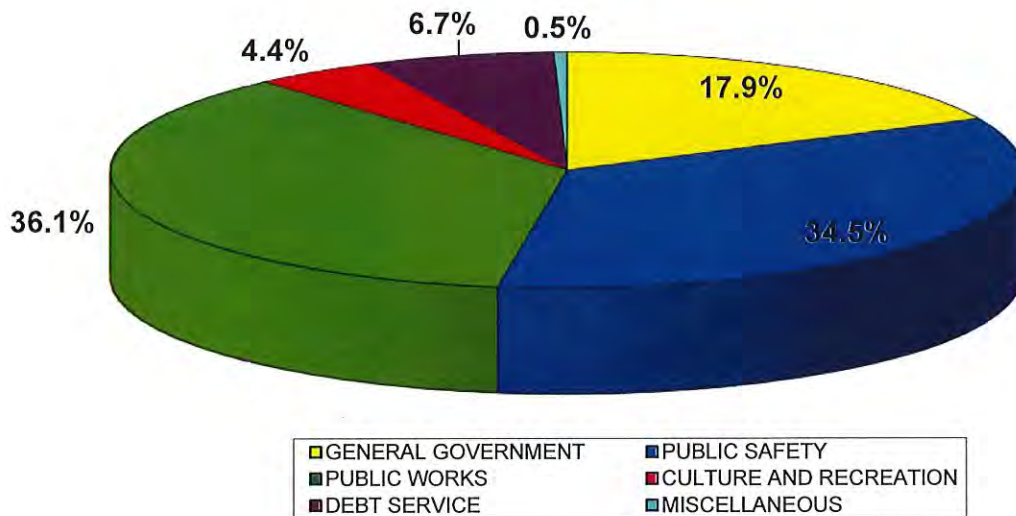
**BOROUGH OF SEWICKLEY  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2016**

**PROGRAM EXPENSE**

Total expenses for all governmental activities in 2016 were \$6,015,436. The expenses reflect the delivery of a wide range of services, with the two largest areas being public works at 36.1% and public safety at 34.5%. General government expenses were 17.9% of total expenses.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2016.

**PROGRAM EXPENSES  
TOTAL EXPENSES: \$6,015,436**



**BOROUGH OF SEWICKLEY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2016, the Borough had \$6,208,105 invested in capital assets, including land, infrastructure, buildings, machinery and equipment and vehicles net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$51,369 or approximately .8% from last year. The Borough had approximately \$489,276 in capital additions during the 2016 year which is comprised mainly of \$351,643 in construction in progress expenditures related to the Norfolk Southern/Maple Lane Project, \$80,913 for the purchase of a F550 public works vehicle, \$17,498 for the McDonald Street Storm Sewer Project, and \$17,275 for tunnel lighting.

**Long Term Debt**

On December 31, 2016, the Borough had \$13,749,447 of long-term debt outstanding. This represents a decrease of 6% from December 31, 2015. During calendar year 2016, the Borough entered into a lease agreement with Ford Motor Credit for a Ford F550 in the amount of \$80,913.

**Pension Trust Fund**

The Borough of Sewickley has two pension plans – general employees and police. On December 31, 2016, the assets of the plans were \$9,216,068. During calendar year 2015, the Borough implemented Governmental Accounting Standards Board (GASB) Statements No. 67 and 68. An actuarial valuation of both plans determined that the net pension (asset)/obligation for the police and general employee pension plans was (\$235,732) and \$463,997 respectively as of December 31, 2016.

**Contacting the Borough**

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

Kevin M. Flannery, Borough Manager/Secretary  
Borough of Sewickley  
601 Thorn Street  
Sewickley, PA 15143

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

**EXHIBIT A**

|                                                                              | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|------------------------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                                                                |                            |                             |                      |
| <b>Current Assets:</b>                                                       |                            |                             |                      |
| Cash and Cash Equivalents                                                    | \$ 215,726                 | \$ 30,398                   | \$ 246,124           |
| Investments                                                                  | 214                        | -                           | 214                  |
| Due from other Governments                                                   | 29,714                     | -                           | 29,714               |
| Utilities Receivable                                                         | -                          | 243,475                     | 243,475              |
| Taxes Receivable (Net)                                                       | 521,805                    | -                           | 521,805              |
| Other Accounts Receivable                                                    | 45,786                     | 20,194                      | 65,980               |
| <b>Total Current Assets</b>                                                  | <b>\$ 813,245</b>          | <b>\$ 294,067</b>           | <b>\$ 1,107,312</b>  |
| <b>Noncurrent Assets:</b>                                                    |                            |                             |                      |
| Land                                                                         | \$ 1,237,904               | \$ -                        | \$ 1,237,904         |
| Infrastructure (net)                                                         | 2,113,708                  | -                           | 2,113,708            |
| Site Improvements (net)                                                      | 1,103,652                  | -                           | 1,103,652            |
| Buildings and Improvement (net)                                              | 440,721                    | 1,916,911                   | 2,357,632            |
| Vehicles and Equipment (net)                                                 | 960,477                    | 651,215                     | 1,611,692            |
| Storm Sewers (net)                                                           | -                          | 6,064,127                   | 6,064,127            |
| Headworks Dewatering Project                                                 | -                          | 5,878,659                   | 5,878,659            |
| Boundary Street Pump Station                                                 | -                          | 626,989                     | 626,989              |
| Construction in Progress                                                     | 351,643                    | 150,535                     | 502,178              |
| Net Pension Asset - Police                                                   | 235,732                    | -                           | 235,732              |
| <b>Total Noncurrent Assets</b>                                               | <b>\$ 6,443,837</b>        | <b>\$ 15,288,436</b>        | <b>\$ 21,732,273</b> |
| <b>TOTAL ASSETS</b>                                                          | <b>\$ 7,257,082</b>        | <b>\$ 15,582,503</b>        | <b>\$ 22,839,585</b> |
| <b>Deferred Outflow of Resources:</b>                                        |                            |                             |                      |
| Deferred Interest on Refunding                                               | \$ -                       | \$ 345,635                  | \$ 345,635           |
| Deferred Outflows Related to Pensions                                        | 344,998                    | 46,686                      | 391,684              |
| <b>Total Deferred Outflow of Resources</b>                                   | <b>\$ 344,998</b>          | <b>\$ 392,321</b>           | <b>\$ 737,319</b>    |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOW OF RESOURCES</b>                    | <b>\$ 7,602,080</b>        | <b>\$ 15,974,824</b>        | <b>\$ 23,576,904</b> |
| <b>LIABILITIES</b>                                                           |                            |                             |                      |
| <b>Current Liabilities:</b>                                                  |                            |                             |                      |
| Payroll Deductions and Withholdings                                          | \$ 16,164                  | \$ -                        | \$ 16,164            |
| Payroll Payable                                                              | 72,159                     | 10,765                      | 82,924               |
| Internal Balances                                                            | (701,285)                  | 701,285                     | -                    |
| Accounts Payable                                                             | 419,436                    | 64,339                      | 483,775              |
| Due to Other Governmental Units                                              | -                          | 6,662                       | 6,662                |
| Current Portion Long-Term Debt                                               | 215,028                    | 853,034                     | 1,068,062            |
| <b>Total Current Liabilities</b>                                             | <b>\$ 21,502</b>           | <b>\$ 1,636,085</b>         | <b>\$ 1,657,587</b>  |
| <b>Noncurrent Liabilities:</b>                                               |                            |                             |                      |
| Bonds Payable - Long Term Portion (Net)                                      | \$ 82,276                  | \$ 10,010,195               | \$ 10,092,471        |
| Notes Payable - Long Term Portion                                            | 597,761                    | 2,041,666                   | 2,639,427            |
| Lease Payable - Long Term Portion                                            | 26,958                     | -                           | 26,958               |
| Net Pension Liability                                                        | 341,373                    | 122,624                     | 463,997              |
| Accrued Compensated Absences                                                 | 293,468                    | 26,420                      | 319,888              |
| <b>Total Noncurrent Liabilities</b>                                          | <b>\$ 1,341,836</b>        | <b>\$ 12,200,905</b>        | <b>\$ 13,542,741</b> |
| <b>TOTAL LIABILITIES</b>                                                     | <b>\$ 1,363,338</b>        | <b>\$ 13,836,990</b>        | <b>\$ 15,200,328</b> |
| <b>Deferred Inflow of Resources:</b>                                         |                            |                             |                      |
| Deferred Inflows Related to Pensions                                         | \$ 478,754                 | \$ 16,928                   | \$ 495,682           |
| <b>Total Deferred Inflow of Resources</b>                                    | <b>\$ 478,754</b>          | <b>\$ 16,928</b>            | <b>\$ 495,682</b>    |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOW OF RESOURCES</b>                | <b>\$ 1,842,092</b>        | <b>\$ 13,853,918</b>        | <b>\$ 15,696,010</b> |
| <b>NET POSITION</b>                                                          |                            |                             |                      |
| Net Investment in Capital Assets                                             | \$ 5,286,082               | \$ 2,729,176                | \$ 8,015,258         |
| Restricted for Highways and Streets                                          | 92,501                     | -                           | 92,501               |
| Unrestricted (Deficit)                                                       | 381,405                    | (608,270)                   | (226,865)            |
| <b>TOTAL NET POSITION</b>                                                    | <b>\$ 5,769,988</b>        | <b>\$ 2,120,906</b>         | <b>\$ 7,890,894</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW<br/>OF RESOURCES, AND NET POSITION</b> | <b>\$ 7,602,080</b>        | <b>\$ 15,974,824</b>        | <b>\$ 23,576,904</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| Functions/Programs                                | Expenses            | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       |
|---------------------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|-----------------------|
|                                                   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                 |
| <b>Governmental Activities:</b>                   |                     |                         |                                          |                                        |                                                      |                             |                       |
| General Government                                | \$ 1,077,620        | \$ 109,920              | \$ 148,738                               | \$ -                                   | \$ (818,962)                                         |                             | \$ (818,962)          |
| Public Safety - Police                            | 1,704,107           | 238,144                 | -                                        | -                                      | (1,465,963)                                          |                             | (1,465,963)           |
| Public Safety - Fire                              | 244,982             | 86,120                  | 32,169                                   | -                                      | (126,693)                                            |                             | (126,693)             |
| Public Safety - Other                             | 126,503             | 88,455                  | -                                        | -                                      | (38,048)                                             |                             | (38,048)              |
| Public Works - Highways                           | 2,168,774           | 48,881                  | 115,106                                  | -                                      | (2,004,787)                                          |                             | (2,004,787)           |
| Culture and Recreation                            | 263,774             | 18,897                  | -                                        | -                                      | (244,877)                                            |                             | (244,877)             |
| Debt Service/Refunds                              | 429,676             | -                       | -                                        | -                                      | (429,676)                                            |                             | (429,676)             |
| <b>Total Governmental Activities</b>              | <b>\$ 6,015,436</b> | <b>\$ 590,417</b>       | <b>\$ 296,013</b>                        | <b>\$ -</b>                            | <b>\$ (5,129,006)</b>                                |                             | <b>\$ (5,129,006)</b> |
| <b>Business-Type activities:</b>                  |                     |                         |                                          |                                        |                                                      |                             |                       |
| Sewer                                             | \$ 1,571,854        | \$ 1,713,347            | \$ -                                     | \$ -                                   |                                                      | \$ 141,493                  | \$ 141,493            |
| <b>Total Business-Type Activities</b>             | <b>\$ 1,571,854</b> | <b>\$ 1,713,347</b>     | <b>\$ -</b>                              | <b>\$ -</b>                            |                                                      | <b>\$ 141,493</b>           | <b>\$ 141,493</b>     |
| <b>Total Primary Government</b>                   | <b>\$ 7,587,290</b> | <b>\$ 2,303,764</b>     | <b>\$ 296,013</b>                        | <b>\$ -</b>                            | <b>\$ (5,129,006)</b>                                | <b>\$ 141,493</b>           | <b>\$ (4,987,513)</b> |
| <b>General Revenues:</b>                          |                     |                         |                                          |                                        |                                                      |                             |                       |
| <b>Taxes:</b>                                     |                     |                         |                                          |                                        |                                                      |                             |                       |
| Property Taxes, Levied for General Purposes (net) |                     |                         |                                          |                                        | \$ 2,762,468                                         | \$ -                        | \$ 2,762,468          |
| Act 511 Taxes                                     |                     |                         |                                          |                                        | 1,755,869                                            | -                           | 1,755,869             |
| Sales Tax                                         |                     |                         |                                          |                                        | 115,195                                              | -                           | 115,195               |
| Cable Franchise Fees                              |                     |                         |                                          |                                        | 80,592                                               | -                           | 80,592                |
| Alcohol Beverage tax                              |                     |                         |                                          |                                        | 3,800                                                | -                           | 3,800                 |
| Investment Earnings                               |                     |                         |                                          |                                        | 2,131                                                | 5                           | 2,136                 |
| Parking Authority Lease                           |                     |                         |                                          |                                        | 150,000                                              | -                           | 150,000               |
| Miscellaneous                                     |                     |                         |                                          |                                        | 173,163                                              | 1,000                       | 174,163               |
| Interfund transfers                               |                     |                         |                                          |                                        | 29,285                                               | (29,285)                    | -                     |
| <b>Total General Revenues</b>                     |                     |                         |                                          |                                        | <b>\$ 5,072,503</b>                                  | <b>\$ (28,280)</b>          | <b>\$ 5,044,223</b>   |
| <b>Change in Net Position</b>                     |                     |                         |                                          |                                        | <b>\$ (56,503)</b>                                   | <b>\$ 113,213</b>           | <b>\$ 56,710</b>      |
| Net Position — January 1, 2016                    |                     |                         |                                          |                                        | 5,816,491                                            | 2,007,693                   | 7,824,184             |
| <b>Net Position — December 31, 2016</b>           |                     |                         |                                          |                                        | <b>\$ 5,759,988</b>                                  | <b>\$ 2,120,906</b>         | <b>\$ 7,880,894</b>   |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

**EXHIBIT C**

|                                                                                   | <b>GENERAL<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUNDS</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|-----------------------------------------------------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                    |                         |                                      |                                             |                                         |
| Cash and Cash Equivalents                                                         | \$ 27,552               | \$ 70,368                            | \$ 117,806                                  | \$ 215,726                              |
| Investments                                                                       | 214                     | -                                    | -                                           | 214                                     |
| Due from Other Governmental Units                                                 | 29,714                  | -                                    | -                                           | 29,714                                  |
| Due from Other Funds                                                              | 494,766                 | 631,166                              | 217,879                                     | 1,343,811                               |
| Taxes Receivable (Net)                                                            | 521,805                 | -                                    | -                                           | 521,805                                 |
| Other Accounts Receivable                                                         | 37,036                  | 8,750                                | -                                           | 45,786                                  |
| <b>TOTAL ASSETS</b>                                                               | <b>\$ 1,111,087</b>     | <b>\$ 710,284</b>                    | <b>\$ 335,685</b>                           | <b>\$ 2,157,056</b>                     |
| <br><b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>           |                         |                                      |                                             |                                         |
| <b>LIABILITIES:</b>                                                               |                         |                                      |                                             |                                         |
| Accounts Payable                                                                  | \$ 410,706              | \$ 8,730                             | \$ -                                        | \$ 419,436                              |
| Payroll Payable                                                                   | 72,159                  | -                                    | -                                           | 72,159                                  |
| Payroll Deductions and Withholdings                                               | 16,164                  | -                                    | -                                           | 16,164                                  |
| Due To Other Funds                                                                | 358,222                 | 41,364                               | 242,940                                     | 642,526                                 |
| <b>TOTAL LIABILITIES</b>                                                          | <b>\$ 857,251</b>       | <b>\$ 50,094</b>                     | <b>\$ 242,940</b>                           | <b>\$ 1,150,285</b>                     |
| <br><b>DEFERRED INFLOW OF RESOURCES:</b>                                          |                         |                                      |                                             |                                         |
| Delinquent Real Estate Taxes                                                      | \$ 390,857              | \$ -                                 | \$ -                                        | \$ 390,857                              |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                         | <b>\$ 390,857</b>       | <b>\$ -</b>                          | <b>\$ -</b>                                 | <b>\$ 390,857</b>                       |
| <br><b>FUND BALANCES:</b>                                                         |                         |                                      |                                             |                                         |
| Restricted:                                                                       |                         |                                      |                                             |                                         |
| Highway Aid Fund                                                                  | \$ -                    | \$ -                                 | \$ 92,501                                   | \$ 92,501                               |
| Assigned:                                                                         |                         |                                      |                                             |                                         |
| Building Fund                                                                     | -                       | 5,665                                | -                                           | 5,665                                   |
| Fire Fund                                                                         | -                       | 439,527                              | -                                           | 439,527                                 |
| Capital Improvement Fund                                                          | -                       | 214,998                              | -                                           | 214,998                                 |
| Real Estate Tax Refund Fund                                                       | -                       | -                                    | 244                                         | 244                                     |
| Unassigned (Deficit)                                                              | (137,021)               | -                                    | -                                           | (137,021)                               |
| <b>TOTAL FUND BALANCES (Deficit)</b>                                              | <b>\$ (137,021)</b>     | <b>\$ 660,190</b>                    | <b>\$ 92,745</b>                            | <b>\$ 615,914</b>                       |
| <br><b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 1,111,087</b>     | <b>\$ 710,284</b>                    | <b>\$ 335,685</b>                           | <b>\$ 2,157,056</b>                     |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

**Total Fund Balances - Governmental Funds** \$ 615,914

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from amounts reported for governmental funds on the balance sheet (Exhibit C) because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$11,685,259, and the accumulated depreciation is \$5,477,154. 6,208,105

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures (i.e., within 90 days of year-end), are deferred and not recognized as revenue in governmental funds. 390,857

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

Deferred outflows of resources related to pensions 344,998

Deferred inflows of resources related to pensions (478,754)

Long term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

|                       |            |             |
|-----------------------|------------|-------------|
| Bonds payable - (net) | \$ 180,909 |             |
| Notes payable         | 688,179    |             |
| Leases payable        | 52,935     |             |
| Net pension liability | (235,732)  |             |
| Net pension liability | 341,373    |             |
| Compensated absences  | 293,468    |             |
|                       |            | (1,321,132) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 5,759,988**

The accompanying notes are an integral part of these financial statements



**BOROUGH OF SEWICKLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                              | GENERAL FUND        | CAPITAL<br>PROJECT<br>FUNDS | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|---------------------|-----------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                     |                             |                                    |                                |
| Taxes                                                        | \$ 4,504,603        | \$ -                        | \$ -                               | \$ 4,504,603                   |
| Licenses and Permits                                         | 86,292              | -                           | -                                  | 86,292                         |
| Fines and Forfeitures                                        | 69,474              | -                           | -                                  | 69,474                         |
| Interest and Rents                                           | 206,509             | 784                         | 584                                | 207,877                        |
| Intergovernmental                                            | 301,569             | -                           | 113,438                            | 415,007                        |
| Contributions and Donations                                  | -                   | 55,000                      | -                                  | 55,000                         |
| Charges for Services                                         | 405,497             | 19,000                      | -                                  | 424,497                        |
| Miscellaneous                                                | 112,145             | -                           | -                                  | 112,145                        |
| <b>Total Revenue</b>                                         | <b>\$ 5,686,090</b> | <b>\$ 74,784</b>            | <b>\$ 114,022</b>                  | <b>\$ 5,874,895</b>            |
| <b>EXPENDITURES</b>                                          |                     |                             |                                    |                                |
| General Government                                           | \$ 980,719          | \$ 7,734                    | \$ -                               | \$ 988,453                     |
| Public Safety                                                | 2,068,771           | 3,434                       | -                                  | 2,072,205                      |
| Public Works                                                 | 2,295,235           | 45,639                      | 3,706                              | 2,344,580                      |
| Culture and Recreation                                       | 179,690             | 80,000                      | -                                  | 259,690                        |
| Debt Service                                                 | 101,386             | 47,582                      | 440,675                            | 589,643                        |
| <b>Total Expenditures</b>                                    | <b>\$ 5,625,800</b> | <b>\$ 184,389</b>           | <b>\$ 444,381</b>                  | <b>\$ 6,254,571</b>            |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 60,291</b>    | <b>\$ (109,605)</b>         | <b>\$ (330,359)</b>                | <b>\$ (379,676)</b>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                             |                                    |                                |
| Operating Transfers In                                       | \$ 73,558           | \$ 275,497                  | \$ 89,399                          | \$ 438,454                     |
| Refund of Prior Year Expenses                                | 40,774              | -                           | 244                                | 41,018                         |
| Operating Transfers Out                                      | (337,517)           | -                           | (71,652)                           | (409,169)                      |
| Refund Prior Year Receipts                                   | (17,418)            | -                           | -                                  | (17,418)                       |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (240,602)</b> | <b>\$ 275,497</b>           | <b>\$ 17,991</b>                   | <b>\$ 52,885</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (180,311)</b> | <b>\$ 165,892</b>           | <b>\$ (312,368)</b>                | <b>\$ (326,787)</b>            |
| FUND BALANCE - JANUARY 1, 2016                               | 43,290              | 494,298                     | 405,113                            | 942,701                        |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                      | <b>\$ (137,021)</b> | <b>\$ 660,190</b>           | <b>\$ 92,745</b>                   | <b>\$ 615,914</b>              |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (326,787)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$489,275) exceeds depreciation expense (\$426,462) and prior year construction in progress for MS4 project of \$11,444 in the period. 51,369

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. 69,611

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (80,913)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 188,829

Because certain property and wage taxes will not be collected for several months after the Borough's year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflow of resources increased during the calendar year 2016. 13,733

In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences earned exceeded the amount paid. 27,655

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (56,503)**

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                               | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|---------------------|---------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original            | Final               |                             |                                                         |
| <b>REVENUES</b>                                               |                     |                     |                             |                                                         |
| Taxes                                                         | \$ 4,210,500        | \$ 4,210,500        | \$ 4,504,603                | \$ 294,103                                              |
| Licenses and Permits                                          | 95,700              | 95,700              | 86,292                      | (9,408)                                                 |
| Fines and Forfeitures                                         | 49,000              | 49,000              | 69,474                      | 20,474                                                  |
| Interest and Rents                                            | 166,000             | 166,000             | 206,509                     | 40,509                                                  |
| Intergovernmental                                             | 275,100             | 275,100             | 301,569                     | 26,469                                                  |
| Charges for Services                                          | 473,330             | 473,330             | 405,497                     | (67,833)                                                |
| Miscellaneous                                                 | 64,500              | 64,500              | 112,145                     | 47,645                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 5,334,130</b> | <b>\$ 5,334,130</b> | <b>\$ 5,686,090</b>         | <b>\$ 351,958</b>                                       |
| <b>EXPENDITURES</b>                                           |                     |                     |                             |                                                         |
| General Government                                            | \$ 1,053,247        | \$ 1,053,247        | \$ 980,719                  | \$ 72,528                                               |
| Public Safety                                                 | 2,102,161           | 2,102,161           | 2,068,771                   | 33,390                                                  |
| Public Works                                                  | 2,091,233           | 2,091,233           | 2,295,235                   | (204,002)                                               |
| Culture and Recreation                                        | 204,553             | 204,553             | 179,690                     | 24,863                                                  |
| Debt Service                                                  | 110,951             | 110,951             | 101,386                     | 9,565                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 5,562,145</b> | <b>\$ 5,562,145</b> | <b>\$ 5,625,800</b>         | <b>\$ (63,657)</b>                                      |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (228,015)</b> | <b>\$ (228,015)</b> | <b>\$ 60,291</b>            | <b>\$ 288,301</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                             |                                                         |
| Operating Transfers In                                        | \$ -                | \$ -                | \$ 73,558                   | \$ 73,558                                               |
| Refund of Prior Year Expenses                                 | -                   | -                   | 40,774                      | 40,774                                                  |
| Operating Transfers Out                                       | (75,000)            | (75,000)            | (337,517)                   | (262,517)                                               |
| Refund of Prior Year Receipts                                 | (7,500)             | (7,500)             | (17,418)                    | (9,918)                                                 |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (82,500)</b>  | <b>\$ (82,500)</b>  | <b>\$ (240,602)</b>         | <b>\$ (158,103)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (310,515)</b> | <b>\$ (310,515)</b> | <b>\$ (180,311)</b>         | <b>\$ 130,198</b>                                       |
| FUND BALANCE - JANUARY 1, 2016                                | 200,000             | 200,000             | 43,290                      | (156,710)                                               |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                       | <b>\$ (110,515)</b> | <b>\$ (110,515)</b> | <b>\$ (137,021)</b>         | <b>\$ (26,512)</b>                                      |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

|                                                                          | <b>SEWER FUND</b>    |
|--------------------------------------------------------------------------|----------------------|
| <b>ASSETS</b>                                                            |                      |
| <b>Current Assets:</b>                                                   |                      |
| Cash and Cash Equivalents                                                | \$ 30,398            |
| Sewer Receivable                                                         | 243,475              |
| Due from Other Funds                                                     | 15,904               |
| Other Accounts Receivable                                                | 20,194               |
| <b>Total Current Assets</b>                                              | <b>\$ 309,971</b>    |
| <b>Noncurrent Assets:</b>                                                |                      |
| Buildings                                                                | \$ 3,710,618         |
| Equipment                                                                | 2,206,801            |
| Storm Sewers                                                             | 6,434,453            |
| Headworks Dewatering Project                                             | 6,253,893            |
| Boundary Street Pump Station                                             | 667,009              |
| Vehicles                                                                 | 163,499              |
| Work in Progress                                                         | 150,535              |
| Accumulated Depreciation                                                 | (4,298,372)          |
| <b>Total Noncurrent Assets</b>                                           | <b>\$ 15,288,436</b> |
| <b>TOTAL ASSETS</b>                                                      | <b>\$ 15,598,407</b> |
| <b>Deferred Outflow of Resources:</b>                                    |                      |
| Deferred Interest on Refunding                                           | \$ 345,635           |
| Deferred Outflows Related to Pensions                                    | 46,686               |
| <b>Total Deferred Outflow of Resources</b>                               | <b>\$ 392,321</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>                    | <b>\$ 15,990,728</b> |
| <b>LIABILITIES</b>                                                       |                      |
| <b>Current Liabilities:</b>                                              |                      |
| Accounts Payable                                                         | \$ 64,339            |
| Payroll Payable                                                          | 10,765               |
| Due to Other Governmental Units                                          | 6,662                |
| Due to Other Funds                                                       | 717,189              |
| Current Portion Long-Term Debt                                           | 853,034              |
| <b>Total Current Liabilities</b>                                         | <b>\$ 1,651,989</b>  |
| <b>Noncurrent Liabilities:</b>                                           |                      |
| Bonds Payable - Long term portion (Net)                                  | \$ 10,010,195        |
| Notes Payable - Long term portion                                        | 2,041,666            |
| Net Pension Liability                                                    | 122,624              |
| Compensated Absences                                                     | 26,420               |
| <b>Total Noncurrent Liabilities</b>                                      | <b>\$ 12,200,905</b> |
| <b>TOTAL LIABILITIES</b>                                                 | <b>\$ 13,852,894</b> |
| <b>Deferred Inflow of Resources:</b>                                     |                      |
| Deferred Inflows Related to Pensions                                     | \$ 16,928            |
| <b>Total Deferred Inflow of Resources</b>                                | <b>\$ 16,928</b>     |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>                | <b>\$ 13,869,822</b> |
| <b>NET POSITION</b>                                                      |                      |
| Net Investment in Capital Assets                                         | \$ 2,729,176         |
| Unrestricted (Deficit)                                                   | (608,270)            |
| <b>TOTAL NET POSITION</b>                                                | <b>\$ 2,120,906</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b> | <b>\$ 15,990,728</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND - SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                      |                            |
|------------------------------------------------------|----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                    |                            |
| Sewer Rentals                                        | \$ 1,713,347               |
| <b>Total Operating Revenues</b>                      | <b><u>\$ 1,713,347</u></b> |
| <b><u>OPERATING EXPENSES:</u></b>                    |                            |
| Salaries and Wages                                   | \$ 262,681                 |
| Employee Benefits                                    | 129,929                    |
| Materials and Supplies                               | 14,947                     |
| Chemicals                                            | 63,740                     |
| Collection Fees - Sewickley Water Authority          | 51,673                     |
| Vehicle                                              | 1,638                      |
| Engineering                                          | 4,489                      |
| Insurance                                            | 60,228                     |
| Utilities                                            | 255,701                    |
| Uniforms                                             | 4,965                      |
| Repair and Maintenance                               | 70,956                     |
| Contracted Services                                  | 19,389                     |
| Sludge Disposal                                      | 27,344                     |
| Sewer Rehab.                                         | 98,691                     |
| Depreciation                                         | 447,028                    |
| Miscellaneous                                        | 42,650                     |
| <b>Total Operating Expenses</b>                      | <b><u>\$ 1,556,049</u></b> |
| <b>TOTAL OPERATING INCOME &lt;LOSS&gt;</b>           | <b><u>\$ 157,298</u></b>   |
| <b><u>NON-OPERATING REVENUE &lt;EXPENSE&gt;:</u></b> |                            |
| Interest Income                                      | \$ 5                       |
| Sale of Fixed Assets                                 | 1,000                      |
| Interest Expense                                     | (15,805)                   |
| <b>TOTAL NON-OPERATING REVENUE &lt;EXPENSE&gt;</b>   | <b><u>\$ (14,800)</u></b>  |
| <b><u>OTHER FINANCING SOURCES &lt;USES&gt;:</u></b>  |                            |
| Transfers                                            | \$ (29,285)                |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>    | <b><u>\$ (29,285)</u></b>  |
| <b>CHANGES IN NET POSITION</b>                       | <b>113,213</b>             |
| NET POSITION - JANUARY 1, 2016                       | <u>2,007,693</u>           |
| <b>NET POSITION - DECEMBER 31, 2016</b>              | <b><u>\$ 2,120,906</u></b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                                                                            |                            |
|------------------------------------------------------------------------------------------------------------|----------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>                                                        |                            |
| Cash received from user charges                                                                            | \$ 1,718,146               |
| Cash paid to employees for wages and benefits                                                              | (397,703)                  |
| Cash paid to vendors for goods and services                                                                | (733,498)                  |
| <b>Net cash provided (used) by operating activities</b>                                                    | <b><u>\$ 586,945</u></b>   |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:</u></b>                                    |                            |
| Capital construction and purchases                                                                         | \$ (91,364)                |
| Bond and note principal payments                                                                           | (704,647)                  |
| <b>Net cash provided (used) by capital and related financing activities</b>                                | <b><u>\$ (796,011)</u></b> |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>                                                        |                            |
| Interest income                                                                                            | \$ 5                       |
| <b>Net cash provided (used) by investing activities</b>                                                    | <b><u>\$ 5</u></b>         |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>                                            |                            |
| Interfund transfers                                                                                        | \$ 116,494                 |
| <b>Net cash provided (used) by non-capital financing activities</b>                                        | <b><u>\$ 116,494</u></b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                | <b>(92,567)</b>            |
| Cash and cash equivalents - January 1, 2016                                                                | <u>122,965</u>             |
| Cash and cash equivalents - December 31, 2016                                                              | <b><u>\$ 30,398</u></b>    |
| <b><u>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES:</u></b> |                            |
| Operating Income (Loss)                                                                                    | \$ 157,298                 |
| Adjustments to reconcile excess revenues over expenditures provided by (used in) operating activities:     |                            |
| Depreciation                                                                                               | 447,028                    |
| Accrual of GASB 68 Pension Expense                                                                         | (5,409)                    |
| Changes in assets and liabilities:                                                                         |                            |
| (Increase) decrease in sewer receivables                                                                   | 3,471                      |
| (Increase) decrease in other receivables                                                                   | 1,328                      |
| Increase (decrease) in accounts payable                                                                    | (17,087)                   |
| Increase (decrease) in payroll payable                                                                     | 316                        |
| <b>Net cash provided (used) by operating activities</b>                                                    | <b><u>\$ 586,945</u></b>   |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016**

|                                           | <u>POLICE<br/>PENSION<br/>FUND</u> | <u>NON-UNIFORM<br/>PENSION<br/>FUND</u> |
|-------------------------------------------|------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                             |                                    |                                         |
| Cash and Cash Equivalents                 | \$ 425,401                         | \$ 456,880                              |
| Investments:                              |                                    |                                         |
| Corporate/Municipal Obligations           | 1,663,871                          | 1,272,559                               |
| Equity Securities                         | 3,027,418                          | 2,343,532                               |
| Accrued Interest                          | 14,544                             | 11,863                                  |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 5,131,234</u></u>         | <u><u>\$ 4,084,834</u></u>              |
| <b>LIABILITIES AND NET POSITION</b>       |                                    |                                         |
| <b>LIABILITIES</b>                        |                                    |                                         |
| Other Current Liabilities                 | <u>\$ -</u>                        | <u>\$ -</u>                             |
| <b>TOTAL LIABILITIES</b>                  | <u><u>\$ -</u></u>                 | <u><u>\$ -</u></u>                      |
| <b>NET POSITION</b>                       |                                    |                                         |
| Restricted for Pension Benefits           | <u>\$ 5,131,234</u>                | <u>\$ 4,084,834</u>                     |
| <b>TOTAL NET POSITION</b>                 | <u><u>\$ 5,131,234</u></u>         | <u><u>\$ 4,084,834</u></u>              |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 5,131,234</u></u>         | <u><u>\$ 4,084,834</u></u>              |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF SEWICKLEY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                         | <b>POLICE<br/>PENSION<br/>FUND</b> | <b>NON-UNIFORM<br/>PENSION<br/>FUND</b> |
|-----------------------------------------|------------------------------------|-----------------------------------------|
|                                         | <u>          </u>                  | <u>          </u>                       |
| <b>ADDITIONS</b>                        |                                    |                                         |
| Interest/Dividends                      | \$ 108,444                         | \$ 87,483                               |
| Realized Gains/(Losses)                 | (102,416)                          | (74,527)                                |
| Unrealized Depreciation                 | 303,934                            | 230,754                                 |
| Employer Contributions                  | 176,326                            | 270,930                                 |
| <b>TOTAL ADDITIONS</b>                  | <u>\$ 486,288</u>                  | <u>\$ 514,640</u>                       |
| <br>                                    |                                    |                                         |
| <b>DEDUCTIONS</b>                       |                                    |                                         |
| Benefit Payments                        | \$ (153,971)                       | \$ (150,268)                            |
| Administrative Expenses                 | (21,368)                           | (18,336)                                |
| <b>TOTAL DEDUCTIONS</b>                 | <u>\$ (175,339)</u>                | <u>\$ (168,604)</u>                     |
| <br>                                    |                                    |                                         |
| <b>CHANGES IN NET POSITION</b>          | <b>\$ 310,949</b>                  | <b>\$ 346,036</b>                       |
| <br>                                    |                                    |                                         |
| <b>NET POSITION - JANUARY 1, 2016</b>   | <u>4,820,285</u>                   | <u>3,738,798</u>                        |
| <br>                                    |                                    |                                         |
| <b>NET POSITION - DECEMBER 31, 2016</b> | <u><u>\$ 5,131,234</u></u>         | <u><u>\$ 4,084,834</u></u>              |

The accompanying notes are an integral part of these financial statements



**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Borough of Sewickley was incorporated under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. Members of Borough Council are elected by the voting public. These Council members have complete authority over the operations and administration of the Borough's activities. The major functions of the Borough include public safety, maintenance of Borough infrastructure (roads), maintenance of parks and other recreational facilities for use by Borough residents and general administrative functions necessary to facilitate Borough resident needs and responsibilities.

The financial statements of the Borough of Sewickley have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During the 2016 calendar year, the Borough adopted the provisions of GASB Statement No. 72 '*Fair Value Measurement and Application*', GASB Statement No. 76, '*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*', GASB Statement No. 77, '*Tax Abatement Disclosures*, and GASB Statement No. 79 '*Certain External Investments Pools and Pool Participates*'. The most significant of the Borough's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Borough of Sewickley consists of all funds, departments, boards and agencies that are not legally separate from the Borough. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Borough's reporting entity because of the significance of their operating or financial relationships with the Borough. Based on the application of these criteria, the Borough of Sewickley has no component units.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibits D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the Borough's business-type activities (sewage fund operations) and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Borough allocates the following program revenues under the column 'charges for services' to each functional disbursement category as follows:

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

- General Government – Licenses and permits, rents, lien letters, and miscellaneous sales of reports and maps, secretarial services
- Public Safety (Police) – Fines and forfeitures, police services, parking meter revenue
- Public Safety (Fire) – Fire protection services
- Public Safety (Other) – Building permits, zoning hearing fees
- Public Works (Highways) – Salt and other reimbursements, sewer rehabilitation fees, gasoline reimbursements
- Culture and Recreation – Donations, park permit fees

Revenues which are not classified as program revenues are presented as general revenues of the Borough. General revenue consists mainly of taxes, cable franchise fees, unrestricted grants, and other miscellaneous receipts not earmarked for a specific function. The comparison of direct disbursements with program receipts identifies the extent to which the business-type activity or government function is self-financing or draws from the general receipts of the Borough.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Borough. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Major funds represent the Borough's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. Each major fund is presented in a separate column. In Exhibit C, non-major funds, if applicable, are segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the source (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING**

The Borough uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Borough functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Borough's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - Established under 'The Borough Code' of the Commonwealth of Pennsylvania and is used for the general operations of the Borough. Income in this fund is derived mainly from assessed revenues such as real estate taxes, local taxes established under Act 511, sewer rehab fees, parking meter revenues and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, general administration of the Borough and other miscellaneous operating expenses.

**CAPITAL PROJECT FUND (CAPITAL PROJECT)** – Established by Borough Council to provide for capital projects related to the Borough.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**HIGHWAY AID FUND (SPECIAL REVENUE)** - Established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets and bridges for which the Borough is responsible.

**REAL ESTATE TAX REFUND FUND (SPECIAL REVENUE)** - Established to be used for real estate tax refunds.

**SINKING FUND** – (DEBT SERVICE FUND) – Established to account for debt service requirements on the Borough's general obligation bond and note issues.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the Borough (internal service funds). The Borough maintains the Sewage Fund which is its only proprietary fund. Based on the criteria for determining major funds as set forth in GASB Statement No. 34, the Borough's proprietary fund is considered a major fund.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Borough has two pension trust funds (police pension and non-uniform pension). The Borough does not maintain any other type of fiduciary fund.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Business-type activities in the government-wide financial statements and proprietary fund financial statements are prepared using the accrual basis of accounting. Governmental activities in the government-wide financial statements and government funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenue for business-type activities resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Borough, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the Borough receives value without directly giving equal value in return, includes property taxes, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' (as previously defined) before it can be recognized.

The management of the Borough of Sewickley has determined that the revenues most susceptible to accrual at December 31, 2016 are 1) delinquent real estate taxes earned by the Borough in the fourth quarter of 2016 2) deed transfer taxes and vehicle code violations earned by the Borough in December of 2016 3) certain taxpayer assessed Act 511 taxes, 4) sewer fees billed to the Borough residents and collected in January 2017 5) cable franchise fees earned during the year, and 6) other miscellaneous revenues estimable and available to the Borough for 2016 but not as yet collected at December 31, 2016. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflow of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2016 are those for which the Borough's intention was to expense these items as budgeted for in the 2016 official budget, and for which the Borough has incurred an obligation during 2016, but has not paid as of December 31, 2016.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ESTIMATES**

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

**BUDGETS**

In November of 2015, the Borough of Sewickley adopted its 2016 annual budget for its General Fund totaling \$5,644,645 in accordance with the provisions of the Commonwealth of Pennsylvania Borough Code. The budget is prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed as approved by Borough Council. The adjusted budgetary amounts, if any, are reflected in these financial statements (Exhibit G). Actual General Fund expenditures exceeded budgeted amounts for 2016. All appropriations lapse at the end of each calendar year.

**CASH AND CASH EQUIVALENTS**

For purposes of the accompanying financial statements, cash and cash equivalents include amounts in demand deposit accounts and all highly liquid short-term investments with original maturity terms of less than three months.

**INVESTMENTS**

Provisions of the Borough Code authorize the following investments:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government of its agencies or instrumentalities
- III. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Governmental and proprietary fund type investments funds pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT). Fiduciary fund type investments include money market funds, equity securities, corporate bonds and debt securities invested by the Borough's designated asset managers. Investments are recorded at fair value.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RECEIVABLES**

Sewage receivables are reflected at net realizable value as of December 31, 2016.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the balance sheet. Please see Note 6 for further details.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported as part of governmental activities on the government-wide statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Borough maintains a tiered capitalization dollar threshold with a minimum of \$1,500. The cost of infrastructure is included in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <u>CATEGORY</u>            | <u>USEFUL<br/>LIFE</u> |
|----------------------------|------------------------|
| Site Improvements          | 20 years               |
| Buildings and Improvements | 7-30 years             |
| Machinery and Equipment    | 3-10 years             |
| Vehicles                   | 3-20 years             |
| Infrastructure             | 10-40 Years            |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**COMPENSATED ABSENCES (Vacation/Sick Leave)**

The Borough reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Unused vacation, sick and personal days for the Borough employees are accrued at their respective hourly rates of pay per each bargaining contract. The entire compensated absences liability of \$319,888 is shown as a long-term liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, the non-current portion of compensated absences and retiree health benefit liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Notes and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Borough's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Borough of Sewickley, these revenues are sewer usage charges and other miscellaneous revenues directly related to the operations of the Borough's Sewer Fund. Operating expenses are the necessary costs incurred to operate the Borough's sewer system. Non-operating revenues of the Boroughs sewer fund consist mainly of investment earnings. Non-operating expenses consist of interest expense and issuance costs related to the Borough's bond and loan obligations.

**UNEARNED REVENUE**

Unearned revenue arises when the Borough receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental or proprietary fund financial statements in the year paid. During the 2016 calendar year, the Borough did not incur any bond issuance and other financing costs.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Borough obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The Borough's Sewer Fund has an unrestricted deficit net position balance of \$608,270 as of December 31, 2016.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expenses/expenditure or income/revenue) in the current period.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Restricted fund balance represents the balance of funds in the Borough's Highway Aid Fund restricted under Act 655 of the Commonwealth of Pennsylvania.
- Committed fund balance – amount constrained to specific purposes by the Borough itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Borough intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amount that are available for any purpose. The Borough's General Fund has a deficit fund balance of \$137,021 as of December 31, 2016.



**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

The Borough of Sewickley establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget.

A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Council has given authority to the Borough Manager to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Borough's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At December 31, 2016, the Borough of Sewickley had the following carrying values on its cash and cash equivalent accounts:

|                      | <u>Bank Balance</u>        | <u>(Memo Only)<br/>Book Balance</u> |
|----------------------|----------------------------|-------------------------------------|
| General Fund         | \$ 38,489                  | \$ 27,552                           |
| Capital Project Fund | 78,082                     | 70,368                              |
| Non-Major Funds      | 117,796                    | 117,806                             |
| Sewer Fund           | 85,550                     | 30,398                              |
| Fiduciary Funds      | 882,281                    | 882,281                             |
| <b>Total</b>         | <b><u>\$ 1,202,198</u></b> | <b><u>\$ 1,128,405</u></b>          |

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government account \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a separate policy for custodial credit risk in addition to the requirements of the Borough Code. As of December 31, 2016, \$952,198 of the Borough's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Borough's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

The fair value and maturity term of the Borough's investments as of December 31, 2016 is as follows:

|                            | <u>Fair Value</u>   | <u>No Stated<br/>Maturity</u> | <u>1-5 Years</u>    | <u>6-10 Years</u> |
|----------------------------|---------------------|-------------------------------|---------------------|-------------------|
| <b>Governmental Funds:</b> |                     |                               |                     |                   |
| PLGIT                      | \$ 214              | \$ 214                        | \$ -                | \$ -              |
| <b>Fiduciary Funds:</b>    |                     |                               |                     |                   |
| Common Stocks              | \$ 2,765,944        | \$ 2,765,944                  | \$ -                | \$ -              |
| Equity Funds               | 2,605,006           | 2,605,006                     | -                   | -                 |
| Fixed Income               | 2,936,430           | 1,026,198                     | 1,278,242           | 631,990           |
|                            | <u>\$ 8,307,380</u> | <u>\$ 6,397,148</u>           | <u>\$ 1,278,242</u> | <u>\$ 631,990</u> |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. These funds are rated by a nationally recognized statistical rating organization.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough fiduciary fund investments in equity securities and mutual funds, and governmental fund investments in PLGIT, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Borough does not have a specific policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

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

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough has no formal investment policy, in addition to the requirements of the Borough Code and the Intergovernmental Cooperation Act, that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of December 31, 2016, PLGIT was rated AAAM by the Standards & Poors nationally recognized statistical rating organization. Ratings were unavailable for the Borough's corporate obligations at December 31, 2016.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued):**

**Fair Value Measurements:**

The Borough of Sewickley's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

**Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

**Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following schedule presents the Investments of the Borough by level within the fair value hierarchy:

|              | Value<br>at 12/31/16 | Fair Value Measurements |             |             |
|--------------|----------------------|-------------------------|-------------|-------------|
|              |                      | Level 1                 | Level 2     | Level 3     |
| Common Stock | \$ 2,765,944         | \$ 2,765,944            | \$ -        | \$ -        |
| Equity Funds | 2,605,006            | 2,605,006               | -           | -           |
| Fixed Income | 2,936,430            | 2,936,430               | -           | -           |
|              | <u>\$ 8,307,380</u>  | <u>\$ 8,307,380</u>     | <u>\$ -</u> | <u>\$ -</u> |

Investments held in external investment pools such as PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Borough of Sewickley levies property taxes March 1st of each calendar year. The calendar dates for payment of these taxes is as follows:

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| March 1 – April 30, 2016 | (Discount period) |
| May 1 – June 30, 2016    | (Face period)     |
| July 1 and after         | (Penalty period)  |

Taxpayers are entitled to a 2% discount if taxes are paid prior to May 1st. Collections after June 30th are assessed a 10% penalty. Taxes unpaid as of December of the year following levy are liened through Allegheny County and collected by Jordan Tax Service. As of December 31, 2016, \$116,059 of 2016 real estate taxes are unpaid which represents 4.2% of the total assessed property taxes for 2016.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3 - PROPERTY TAXES (Continued)**

The tax millage assessment for the 2015 calendar year is 6.25 mills on the assessed value of land and buildings, which represents \$6.25 of revenue for every \$1,000 of assessed value.

Delinquent real estate taxes receivable (Note 4) is reduced by a 25% allowance for uncollectable amounts as deemed appropriate by Borough management. This 25% allowance is set up as an estimate of amounts due for real estate taxes that date back to decades ago which management believes may not be collected or will be collected years into the future. For purposes of the governmental fund financial statements, a portion of the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount of \$390,857 is equally off-set as a credit to 'deferred inflow of resources' in the fund financial statements (Exhibit C).

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position and the changes in fund balances to the changes in net position. Taxes receivable are comprised of the following at December 31, 2016:

|                        |                   |
|------------------------|-------------------|
| Delinquent real estate | \$ 393,824        |
| Deed transfer taxes    | 31,956            |
| Local service tax      | 2,059             |
| Act 77 sales tax       | 9,173             |
| Earned income tax      | 78,277            |
| Business privilege     | 6,516             |
|                        | <b>\$ 521,805</b> |

**NOTE 4 – OTHER RECEIVABLES**

Other receivables, as reflected in Exhibits A and C, consist of the following at December 31, 2016:

|                                  | <b>Governmental</b> | <b>Business-Type</b> |
|----------------------------------|---------------------|----------------------|
| Cable franchise fees             | \$ 20,537           | \$ -                 |
| Municipal fines                  | 1,497               | -                    |
| Miscellaneous/Sewer Service Fees | 23,752              | 20,194               |
|                                  | <b>\$ 45,786</b>    | <b>\$ 20,194</b>     |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

The 'due from other governmental units' total of \$29,714, as reflected in Exhibits A and C, represents amounts earned by and due the Borough of Sewickley for 2016 from other governmental agencies as follows:

|                                            |                  |
|--------------------------------------------|------------------|
| Osborne Secretarial/Code services          | \$ 11,725        |
| Police Reimbursement                       | 8,467            |
| Sewickley Parking Authority Reimbursements | 5,338            |
| Rent                                       | 2,983            |
| Fuel                                       | 1,201            |
|                                            | <u>\$ 29,714</u> |

**NOTE 6 – INTER-FUND RECEIVABLES/PAYABLES**

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) and proprietary fund statement of net position (Exhibit H) are comprised of the following:

|                       | <u>Receivable</u>   | <u>Payable</u>      |
|-----------------------|---------------------|---------------------|
| General Fund          | \$ 494,766          | \$ 358,222          |
| Capital Project Funds | 631,166             | 41,364              |
| Sinking Fund          | 217,879             | 242,940             |
| Proprietary Fund      | 15,904              | 717,189             |
|                       | <u>\$ 1,359,715</u> | <u>\$ 1,359,715</u> |

During the 2016 calendar year, the General Fund transferred \$276,497 and \$62,020 to the Capital Project Fund and Sinking Fund respectively for capital projects and long-term debt obligations. The Highway Aid Fund and Sewer Fund transferred \$71,652 and \$1,907 respectively to the General Fund. The Sewer Fund transferred \$27,379 to the Sinking Fund for long-term debt obligations.

**NOTE 7 - DEFERRED COMPENSATION PLAN**

The Borough of Sewickley participates in a voluntary Deferred Compensation Plan for all employees who wish to enroll to be administered by John Hancock. In accordance with Internal Revenue Code Section 457, assets in the plan are held in trust for each employee, but remain the property of the Borough of Sewickley until paid to or made available to the participants, subject only to the claims of the Borough's general creditors.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 - CAPITAL ASSETS**

A summary of the governmental and business-type fixed asset activity for the 2015 calendar year was as follows:

|                                       | Balance<br>1/1/2016         | Additions                  | Deletions                 | Balance<br>12/31/2016       |
|---------------------------------------|-----------------------------|----------------------------|---------------------------|-----------------------------|
| <b>Governmental Activities</b>        |                             |                            |                           |                             |
| Land                                  | \$ 1,237,904                | \$ -                       | \$ -                      | \$ 1,237,904                |
| Infrastructure                        | 3,871,020                   | 17,498                     | -                         | 3,888,518                   |
| Site Improvements                     | 1,812,980                   | 17,275                     | -                         | 1,830,255                   |
| Buildings and Improvements            | 1,112,291                   | -                          | -                         | 1,112,291                   |
| Machinery and Equipment               | 917,941                     | 21,946                     | -                         | 939,887                     |
| Vehicles                              | 2,243,848                   | 80,913                     | -                         | 2,324,761                   |
| Construction in Progress              | 11,444                      | 351,643                    | (11,444)                  | 351,643                     |
|                                       | <u>\$ 11,207,428</u>        | <u>\$ 489,275</u>          | <u>\$ (11,444)</u>        | <u>\$ 11,685,259</u>        |
| <b>Less: Accumulated depreciation</b> |                             |                            |                           |                             |
| Infrastructure                        | \$ (1,612,457)              | \$ (162,353)               | \$ -                      | \$ (1,774,810)              |
| Site Improvement                      | (648,301)                   | (78,302)                   | -                         | (726,603)                   |
| Buildings and Improvements            | (643,651)                   | (27,919)                   | -                         | (671,570)                   |
| Machinery and Equipment               | (747,619)                   | (33,797)                   | -                         | (781,416)                   |
| Vehicles                              | (1,398,664)                 | (124,091)                  | -                         | (1,522,755)                 |
|                                       | <u>\$ (5,050,692)</u>       | <u>\$ (426,462)</u>        | <u>\$ -</u>               | <u>\$ (5,477,154)</u>       |
| <b>Governmental Activities</b>        |                             |                            |                           |                             |
| <b>Capital Assets, Net</b>            | <u><b>\$ 6,156,736</b></u>  | <u><b>\$ 62,813</b></u>    | <u><b>\$ (11,444)</b></u> | <u><b>\$ 6,208,105</b></u>  |
| <b>Business-Type Activities</b>       |                             |                            |                           |                             |
|                                       | Balance<br>1/1/2016         | Additions                  | Deletions                 | Balance<br>12/31/2016       |
| Buildings                             | \$ 3,710,618                | \$ -                       | \$ -                      | \$ 3,710,618                |
| Equipment                             | 2,202,629                   | 4,172                      | -                         | 2,206,801                   |
| Storm Sewers                          | 6,415,385                   | 19,068                     | -                         | 6,434,453                   |
| Headworks Dewatering Project          | 6,253,893                   | -                          | -                         | 6,253,893                   |
| Boundary Street Pump Station          | 667,009                     | -                          | -                         | 667,009                     |
| Vehicles                              | 163,499                     | -                          | -                         | 163,499                     |
| Construction in Progress              | 82,952                      | 67,583                     | -                         | 150,535                     |
|                                       | <u>\$ 19,495,985</u>        | <u>\$ 90,823</u>           | <u>\$ -</u>               | <u>\$ 19,586,808</u>        |
| Less: Accumulated Depreciation        | <u>(3,851,344)</u>          | <u>(447,028)</u>           | <u>-</u>                  | <u>(4,298,372)</u>          |
| <b>Business-Type Activities</b>       |                             |                            |                           |                             |
| <b>Capital Assets, Net</b>            | <u><b>\$ 15,644,641</b></u> | <u><b>\$ (356,205)</b></u> | <u><b>\$ -</b></u>        | <u><b>\$ 15,288,436</b></u> |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was allocated to governmental functions as follows:

|                        |                   |
|------------------------|-------------------|
| General Administration | \$ 14,487         |
| Police                 | 23,023            |
| Fire                   | 61,411            |
| Public Works           | 243,456           |
| Culture and Recreation | 84,085            |
|                        | <u>\$ 426,462</u> |

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL FUNDS**

**BONDS PAYABLE – SERIES OF 2015**

In November of 2015, the Borough of Sewickley issued General Obligation Bonds – Series of 2015 in the amount of \$9,880,000 to advance refund the outstanding principal amount due on the Borough’s General Obligation Bonds - Series A, B, and C of 2011, and to pay all costs incurred with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually on June 1 and December 1 at rates ranging between .45 and 4.0%. The bonds provide for early redemption features on or after December 1, 2020. The Bonds are scheduled to mature on December 1, 2040 and are secured by the full faith and taxing power of the Borough. Management has determined that the General Fund is responsible for approximately \$242,929 of the debt service obligation and the Sewer Fund is responsible for remaining balance of \$9,637,071.

**NOTES PAYABLE – SERIES OF 2013**

In November of 2013, the Borough of Sewickley issued General Obligation Note – Series of 2013, with First National Bank in the amount of \$950,000 for the acquisition of 418 Walnut Street, Sewickley, Pennsylvania. The terms of the note call for 120 monthly principal and interest payments totaling \$9,216.91 with an interest rate of 3.12%. The loan is scheduled to expire on November 1, 2023.

A schedule of the December 31, 2016 debt service requirements on the General Fund’s general obligation bonds and notes are as follows:

| <u>Year End<br/>31-Dec</u> | <u>2015 GOB<br/>Principal</u> | <u>2013 GON<br/>Principal</u> | <u>2013 GON<br/>Interest</u> | <u>Total</u>      |
|----------------------------|-------------------------------|-------------------------------|------------------------------|-------------------|
| 2017                       | \$ 98,633                     | \$ 90,418                     | \$ 20,185                    | \$ 209,236        |
| 2018                       | 82,276                        | 93,279                        | 17,324                       | 192,879           |
| 2019                       | -                             | 96,232                        | 14,371                       | 110,603           |
| 2020                       | -                             | 99,277                        | 11,326                       | 110,603           |
| 2021                       | -                             | 102,419                       | 8,184                        | 110,603           |
| 2022-2023                  | -                             | 206,554                       | 6,540                        | 213,094           |
|                            | <u>\$ 180,909</u>             | <u>\$ 688,179</u>             | <u>\$ 77,930</u>             | <u>\$ 947,018</u> |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL FUNDS (Continued)**

**LEASE PURCHASE OBLIGATION**

On December 19, 2016, the Borough entered into a lease agreement with Ford Motor Credit Company in the amount of \$80,913 for the purchase of a Ford F-550 truck. The lease calls for three (3) annual principal and interest payments of \$27,978. The interest rate is 3.78% and the lease obligation is scheduled to mature on December 20, 2018.

| <b>Year End</b> |                         |                        |                         |  |
|-----------------|-------------------------|------------------------|-------------------------|--|
| <b>31-Dec</b>   | <b>Principal</b>        | <b>Interest</b>        | <b>Total</b>            |  |
| 2017            | \$ 25,977               | \$ 2,001               | \$ 27,978               |  |
| 2018            | 26,958                  | 1,020                  | 27,978                  |  |
|                 | <b><u>\$ 52,935</u></b> | <b><u>\$ 3,021</u></b> | <b><u>\$ 55,956</u></b> |  |

**NOTE 10 – LONG-TERM DEBT OBLIGATIONS - PROPRIETARY FUNDS**

In addition to the Proprietary Fund's (Sewer Fund) share of the General Obligation Bonds – Series of 2015 described in Note 9, the following represents the additional long-term debt obligations of the Borough Proprietary Fund:

**BONDS PAYABLE – SERIES A AND B OF 2014**

In May of 2014, the Borough of Sewickley issued General Obligation Bonds – Series A and B of 2014 in the amount of \$1,270,000 to provide permanent financing of the completed Glen Osborne Interconnect Project, to complete various sanitary sewer improvements in the Borough Of Glen Osborne, and to pay all costs incurred with the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually on June 1 and December 1 at rates ranging between 1.033 and 3.365%. The bonds provide for early redemption features on or after June 1, 2022. The Series A 2014 Bonds are scheduled to mature on June 1, 2022, and the Series B 2014 Bonds are scheduled to mature on June 1, 2023 and are secured by the full faith and taxing power of the Borough.

**NOTES PAYABLE – SERIES OF 2012**

In July of 2012, the Borough of Sewickley issued General Obligation Note – Series of 2012 in the amount of \$3,500,000 for certain capital improvements to the Borough of Sewickley Wastewater Treatment System, other capital and equipment projects as determined by Borough Council, interest during the construction period, and to pay all costs incurred with the issuance of the Note. Interest is payable semi-annually on June 1 and December 1 at a rate of 3%. The Note is to mature on December 1, 2024 and is secured by the full faith and taxing power of the Borough.



**BOROUGH OF SEWICKLEY**  
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**DECEMBER 31, 2016**

**NOTE 10 – LONG-TERM DEBT OBLIGATIONS - PROPRIETARY FUNDS (Continued)**

A schedule of the December 31, 2016 debt service requirements on the Sewer Fund's general obligation bonds and notes are as follows:

| Year End<br>31-Dec | 2014A<br>Principal | 2014B<br>Principal | 2015<br>Principal   | 2012<br>Principal   | Interest            |
|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| 2017               | \$ 75,000          | \$ -               | \$ 486,367          | \$ 291,667          | \$ 366,378          |
| 2018               | 100,000            | -                  | 482,724             | 291,667             | 344,268             |
| 2019               | 190,000            | -                  | 435,000             | 291,667             | 309,464             |
| 2020               | 210,000            | -                  | 440,000             | 291,667             | 277,969             |
| 2021               | 220,000            | -                  | 465,000             | 291,667             | 245,303             |
| 2022-2026          | 130,000            | 290,000            | 2,475,000           | 874,998             | 904,992             |
| 2027-2031          | -                  | -                  | 2,395,000           | -                   | 541,020             |
| 2032-2036          | -                  | -                  | 1,090,000           | -                   | 284,214             |
| 2037-2040          | -                  | -                  | 1,010,000           | -                   | 89,775              |
|                    | <u>\$ 925,000</u>  | <u>\$ 290,000</u>  | <u>\$ 9,279,091</u> | <u>\$ 2,333,333</u> | <u>\$ 3,363,383</u> |

**NOTE 11 – CHANGES IN LONG-TERM DEBT OBLIGATIONS**

The following represents the changes in the Borough's long-term liabilities during the 2016 calendar year:

|                                                            | Balance<br>1/1/2016  | Additions        | Reductions        | Balance<br>12/31/2016 | Due Within<br>One Year |
|------------------------------------------------------------|----------------------|------------------|-------------------|-----------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                             |                      |                  |                   |                       |                        |
| General Obligation Bonds                                   | \$ 242,929           | \$ -             | \$ 62,020         | \$ 180,909            | \$ 98,633              |
| General Obligation Notes                                   | 768,385              | -                | 80,206            | 688,179               | 90,418                 |
| Lease Purchase Obligations                                 | 18,626               | 80,913           | 46,604            | 52,935                | 25,977                 |
| <b>Total long-term debt -<br/>Governmental activities</b>  | <u>\$ 1,029,940</u>  | <u>\$ 80,913</u> | <u>\$ 188,830</u> | <u>\$ 922,023</u>     | <u>\$ 215,028</u>      |
| <b>BUSINESS-TYPE ACTIVITIES</b>                            |                      |                  |                   |                       |                        |
| General Obligation Bonds                                   | \$ 10,907,071        | \$ -             | \$ 412,980        | \$ 10,494,091         | \$ 561,367             |
| General Obligation Notes                                   | 2,625,000            | -                | 291,667           | 2,333,333             | 291,667                |
| <b>Total long-term debt -<br/>Business-Type Activities</b> | <u>\$ 13,532,071</u> | <u>\$ -</u>      | <u>\$ 704,647</u> | <u>\$ 12,827,424</u>  | <u>\$ 853,034</u>      |

**NOTE 12 - BOROUGH PENSION PLANS**

The following is a summary of the Borough of Sewickley's defined benefit pension plans:

**POLICE PENSION PLAN** - The Borough of Sewickley's police pension plan, established on January 1, 1950, is a single-employer defined benefit pension plan established to provide retirement and death benefits to qualified police department employees under the provisions governing pension plans in the Commonwealth of Pennsylvania and Borough Council ordinances. The plan is governed by the members of Borough Council who are responsible for the management of plan assets. Council has delegated the authority to manage certain plan assets to Guyasuta Investment Advisors. FNB Wealth Management is the custodian of the funds.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

A summary of the plan's provisions are as follows:

- PARTICIPANTS** - All permanent members of the Borough of Sewickley police department.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have completed 25 years of aggregate service as a full-time Borough employee and have attained the age of 50.
- EARLY RETIREMENT** 20 years of service
- EARLY RETIREMENT PENSION** Accrued benefit actuarially determined
- BENEFITS** - Based on one-half of the participant's average monthly salary earned during the final 36 months of employment at retirement.
- VESTING** - Participants are entitled to a vested deferred benefit after 12
- POST RETIREMENT DEATH BENEFITS** - 50% of pension participant was receiving or would have been receiving had he/she been retired at death, payable to spouse until death or to children under age 18 or age 23 if attending college.
- PRE-RETIREMENT DEATH BENEFITS** - Prior to retirement eligibility, a lump sum equal to the accumulated contributions of such participant is payable to spouse or other designated beneficiary. After attaining retirement eligibility, a survivor benefit is payable to a spouse or other designated beneficiary.
- SERVICE RELATED TOTAL AND PERMANENT DISABILITY** - 50% of salary at disability less social security disability benefits.
- POST RETIREMENT COLA BENEFIT** - For active participants retiring on or after January 1, 2001, the monthly benefit after retirement will be increased annually based on the CPI to a maximum of 10% of the original monthly benefit.
- FUNDING** - Employee contributions are currently not required. Borough contributions are determined by the Actuary. Annual contributions are received from the Commonwealth as provided by Act 205, the General Municipal Pension System State Aid Program.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**GENERAL EMPLOYEES' PENSION PLAN** - The Borough of Sewickley's general employees' pension plan, established on March 1, 1974, is a single-employer defined benefit pension plan established to provide retirement benefits to qualified non-uniformed employees under the provisions governing pension plans in the Commonwealth of Pennsylvania and Borough Council ordinances. The plan is governed by the members of Borough Council who are responsible for the management of plan assets. Council has delegated the authority to manage certain plan assets to Guyasuta Investment Advisors. FNB Wealth Management is the custodian of the funds.

A summary of the plan's provisions are as follows:

- PARTICIPANTS** - All full-time employees of the Borough of Sewickley other than police and the Borough manager.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have completed 5 years of aggregate service as a Borough employee and have attained the age of 65.
- BENEFITS** - Based on 1.95% of the participant's average monthly salary earned during the final 36 months of employment at retirement multiplied by years of service.
- EARLY RETIREMENT** Age 55 and 10 years of service
- EARLY RETIREMENT PENSION** Accrued benefit unreduced for early commencement
- TOTAL AND PERMANENT DISABILITY** - Accrued benefit at disablement date
- TERMINATION** - The plan provides terminated employees with a return of their contribution plus interest.
- VESTING** - Participants are entitled to a vested deferred benefit (100%) after 5 years of service.
- FUNDING** - Employee contributions are currently not required. Borough contributions are determined by the actuary. Annual contributions are received from the Commonwealth as provided by Act 205, the General Municipal Pension System State Aid Program.

Plan membership as of January 1, 2017 was comprised of:

|                                                                      | <b><u>POLICE</u></b> | <b><u>GENERAL</u></b> |
|----------------------------------------------------------------------|----------------------|-----------------------|
| Active employees                                                     | 8                    | 14                    |
| Retirees and beneficiaries currently receiving benefits              | 8                    | 14                    |
| Terminated employees entitled to benefits but not yet receiving them | 1                    | 3                     |
| Total                                                                | 17                   | 31                    |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**Pension Plan Investment Policy:**

The purpose of the Investment Policy Statement (IPS) is to set forth the objectives, policies, and guidelines for the investment of the assets of the Borough's Police and General Employees' Pension Plans. Borough Council reserves the right to establish or amend any or all portions of the IPS. The IPS defines target allocations for the plan assets as reflected under the Long-Term Expected Rate of Return on Investments. As of the current year, the investment manager's stated allocations are as follows:

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> |
|--------------------|------------------------------|
| Fixed Income       | 35.0%                        |
| Equities           | 60.0%                        |
| Cash               | 5.0%                         |

Additional information on the Investment Policy of the fund, including allowable asset classes, concentrations, and risk control measures can be found in the formal IPS which may be requested from the Borough or Investment Consultant.

**NET PENSION LIABILITY**

The Borough of Sewickley's net pension liability for both the police and general employees' pension plans was measured as of December 31, 2016. Total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement based on census data as of January 1, 2017:

- Actuarial Cost Method – Entry Age Normal
- Investment Rate of Return – 7%
- Projected Salary Increases – 5%
- Underlying Inflation Rate – 2%
- Cost of Living Adjustments – 4% (Police) N/A (General Employees)
- Mortality Table – RP 2000 Mortality Table Projected to the Valuation Date
- Employee Termination – None
- Retirement (Police) – 100% at age 54 with 25 years of service (Police)
- Retirement (General) - 100% at earlier of age 60 and 10 years of service or age 65 and 5 years of service
- Disability - None

**Long-Term Expected Rate of Return on Investments:**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future real rates of return is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation were provided through a poll of major investment advisory firms and are summarized as follows:

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**NET PENSION LIABILITY (Continued)**

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u>       | <u>Weighted Return<br/>By Asset Class</u> |
|--------------------|------------------------------|---------------------------------------------------------|-------------------------------------------|
| Fixed Income       | 35%                          | 2.00%                                                   | 0.70%                                     |
| Domestic Equity    | 60%                          | 6.50%                                                   | 3.90%                                     |
| Cash               | 5%                           | 0.00%                                                   | 0%                                        |
|                    |                              | Total                                                   | 4.60%                                     |
|                    |                              | Plus Inflation                                          | 2.75%                                     |
|                    |                              | Implied Long-term Rate of Return                        | 7.35%                                     |
|                    |                              | Long-term Rate of Return on Investments Assumption Used | 7.00%                                     |

There has been no change to the long-term rate of return on investments since the last report.

**Discount Rate:**

The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions would continue at the current rates, expenses would continue at their current level, and that the employer would contribute the Minimum Municipal Obligation in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the lifetime of the plan.

The long-term expected rate of return on pension plan investments is applied to all periods of projected benefit payments where assets are available. For periods of projected benefit payments where assets are insufficient to meet the benefit payments, an average 20 year municipal bond rate for bonds rated Aa and above as of December 31, 2016 of 3.5% is applied. A single-level discount rate is determined that is equivalent to the two individual rates used to discount cash flows. Since assets are projected to cover all future benefit payments, the long-term expected rate of return on pension plan investments of 7% is used as the discount rate. The rate used to discount liabilities has not changed since the last report.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**CHANGES IN THE NET PENSION LIABILITY – POLICE PENSION PLAN**

|                                   | Total Pension<br>Liability<br>( a ) | Plan Fiduciary<br>Net Position<br>( b ) | Net Pension<br>Liability<br>( c ) |
|-----------------------------------|-------------------------------------|-----------------------------------------|-----------------------------------|
| <b>Balance, beginning of year</b> | \$ 4,999,271                        | \$ 4,820,258                            | \$ 179,013                        |
| Changes for the year:             |                                     |                                         |                                   |
| Service cost                      | 110,407                             | -                                       | 110,407                           |
| Interest                          | 348,424                             | -                                       | 348,424                           |
| Experience (gain)/loss            | (408,661)                           | -                                       | (408,661)                         |
| Assumption (gain)/loss            | -                                   | -                                       | -                                 |
| Plan change                       | -                                   | -                                       | -                                 |
| Contributions-employer            | -                                   | 176,326                                 | (176,326)                         |
| Contributions-employee            | -                                   | -                                       | -                                 |
| Net investment income             | -                                   | 309,737                                 | (309,737)                         |
| Benefit payments                  | (153,971)                           | (153,971)                               | -                                 |
| Actuarial costs                   | -                                   | (3,035)                                 | 3,035                             |
| Other                             | -                                   | (18,113)                                | 18,113                            |
| Net changes                       | <u>(103,801)</u>                    | <u>310,944</u>                          | <u>(414,745)</u>                  |
| <b>Balance, End of Year</b>       | <u>\$ 4,895,470</u>                 | <u>\$ 5,131,202</u>                     | <u>\$ (235,732)</u>               |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**CHANGES IN THE NET PENSION LIABILITY – GENERAL EMPLOYEES' PENSION PLAN**

|                                   | Total Pension<br>Liability<br>( a ) | Plan Fiduciary<br>Net Position<br>( b ) | Net Pension<br>Liability<br>( c ) |
|-----------------------------------|-------------------------------------|-----------------------------------------|-----------------------------------|
| <b>Balance, beginning of year</b> | \$ 4,312,148                        | \$ 3,738,553                            | \$ 573,595                        |
| Changes for the year:             |                                     |                                         |                                   |
| Service cost                      | 155,251                             | -                                       | 155,251                           |
| Interest                          | 302,137                             | -                                       | 302,137                           |
| Experience (gain)/loss            | (73,902)                            | -                                       | (73,902)                          |
| Assumption (gain)/loss            | -                                   | -                                       | -                                 |
| Plan change                       | -                                   | -                                       | -                                 |
| Contributions-employer            | -                                   | 270,930                                 | (270,930)                         |
| Contributions-employee            | -                                   | -                                       | -                                 |
| Net investment income             | -                                   | 240,320                                 | (240,320)                         |
| Benefit payments                  | (147,056)                           | (147,056)                               | -                                 |
| Actuarial costs                   | -                                   | (3,875)                                 | 3,875                             |
| Other                             | -                                   | (14,292)                                | 14,292                            |
| Net changes                       | 236,429                             | 346,027                                 | (109,598)                         |
| <b>Balance, End of Year</b>       | <u>\$ 4,548,577</u>                 | <u>\$ 4,084,580</u>                     | <u>\$ 463,997</u>                 |

**Sensitivity of the net pension liability to changes in the discount rate:**

The following presents the net pension liability of the Borough of Sewickley's police and general employees' pension plans, calculated using the discount rate of 7%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

|                                 | 1% Decrease<br>(6%) | Current<br>Discount Rate<br>(7%) | 1% Increase<br>(8%) |
|---------------------------------|---------------------|----------------------------------|---------------------|
| Police Pension Plan             | \$ 296,883          | \$ (235,732)                     | \$ (687,043)        |
| General Employees' Pension Plan | \$ 936,644          | \$ 463,997                       | \$ 61,014           |

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED**  
**INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended December 31, 2016, total reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

|                                                                                        | ----POLICE PENSION ----              |                                     | -- GENERAL EMPLOYEES --              |                                     |
|----------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                        | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected<br>and actual experience                                  | \$ -                                 | \$ (422,970)                        | \$ 13,566                            | \$ -                                |
| Changes of assumptions                                                                 | -                                    | -                                   | -                                    | -                                   |
| Net difference between<br>projected and actual earnings<br>on pension plan investments | 215,030                              | (8,658)                             | 163,088                              | (9,248)                             |
| TOTAL                                                                                  | <u>\$ 215,030</u>                    | <u>\$ (431,628)</u>                 | <u>\$ 176,654</u>                    | <u>\$ (9,248)</u>                   |

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

| Year ended<br>December 31, | POLICE<br>PENSION<br>PLAN | Year ended<br>December 31, | GENERAL<br>EMPLOYEES<br>PENSION<br>PLAN |
|----------------------------|---------------------------|----------------------------|-----------------------------------------|
| 2016                       | \$ (30,134)               | 2016                       | \$ 39,580                               |
| 2017                       | (30,134)                  | 2017                       | 39,580                                  |
| 2018                       | (30,134)                  | 2018                       | 32,746                                  |
| 2019                       | (25,804)                  | 2019                       | 36,486                                  |
| 2020                       | (79,713)                  | 2020                       | 3,787                                   |
| 2021                       | (50,814)                  | 2021+                      | -                                       |
| 2022+                      | -                         |                            |                                         |



**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - BOROUGH PENSION PLANS (Continued)**

The percentage breakdown of individual investments to overall investments, representing concentrations in excess of 5% of the police and general employees' pension plan held with FNB Wealth Management, are as follows at December 31, 2015:

|                                 | <u>POLICE</u> | <u>%</u> | <u>GENERAL</u> | <u>%</u> |
|---------------------------------|---------------|----------|----------------|----------|
| Money Market Funds              | \$ 425,369    | 8.3%     | \$ 456,626     | 11.2%    |
| Municipal/Corporate Obligations | 1,663,871     | 32.5%    | 1,272,559      | 31.3%    |
| Equity Securities               | 3,027,418     | 59.2%    | 2,343,532      | 57.5%    |

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

In addition to the pension benefits as described in Note 12, the Borough of Sewickley provides life insurance benefits in the amount of \$1,000 to covered employees subsequent to their retirement.

**NOTE 14 - RISK MANAGEMENT**

The Borough of Sewickley is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks, if applicable, have not exceeded commercial insurance coverage for the past three years.

**NOTE 15 - CONTINGENT LIABILITIES**

**LEGAL MATTERS**

In March of 2016, the Pennsylvania Department of Environmental Protection contacted the Borough with allegations relating to unauthorized discharges of sewage into the Ohio River during the Glen Osborne Interconnect System Construction Project. The Department assessed the Borough fines in the amount of \$22,000 which were paid during calendar year 2016. As of December 31, 2016, the Borough is unaware of any additional pending litigation that would be material to the financial position of the Borough of Sewickley.

**STATE FUNDING**

The Borough of Sewickley's state funded programs are subject to audit by various governmental agencies. The Borough is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**BOROUGH OF SEWICKLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 16 – PENDING GASB PRONOUNCEMENTS**

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the Borough of Sewickley's December 31, 2017 financial statements.

In November of 2016, the GASB issued Statement No. 83, 'Certain Asset Retirement Obligations'. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addresses in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the Borough of Sewickley's December 31, 2018 financial statements.

The effects of implementing the aforementioned GASB Statements on the Borough of Sewickley's financial statements have not yet been determined.

**NOTE 17 – SUBSEQUENT EVENTS**

In January of 2017, the Borough of Sewickley entered into a lease agreement with JCB Finance in the amount of \$95,987.69. The purpose of the lease is to finance the purchase of a backhoe loader over a period of five years. The terms of the lease call for the monthly payments of \$496.55. The interest rate on the lease is 2.70%.

The Borough is not aware of any other subsequent events after December 31, 2016 and through the date of the financial statements, April 11, 2017, that would require recognition or disclosure in the financial statements.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                          | BUDGET              | ACTUAL              | (MEMORANDUM ONLY)<br>PRIOR YEAR |
|------------------------------------------|---------------------|---------------------|---------------------------------|
| <b>TAXES:</b>                            |                     |                     |                                 |
| Real estate - current                    | \$ 2,655,000        | \$ 2,604,261        | \$ 2,685,834                    |
| Real estate - prior                      | 25,000              | 20,328              | 21,110                          |
| Real estate - liened                     | 100,000             | 114,984             | 92,274                          |
| Per capita tax                           | 9,500               | 9,137               | 9,305                           |
| Real estate transfer tax                 | -                   | 270,880             | 242,218                         |
| Earned income tax                        | 1,212,000           | 1,146,501           | 1,003,853                       |
| LST                                      | -                   | 145,419             | 137,508                         |
| Business privilege tax                   | 203,000             | 186,484             | 176,420                         |
| Penalties & interest on delinquent taxes | 6,000               | 6,612               | 8,765                           |
| <b>TOTAL TAXES</b>                       | <b>\$ 4,210,500</b> | <b>\$ 4,504,603</b> | <b>\$ 4,377,288</b>             |
| <b>LICENSES AND PERMITS:</b>             |                     |                     |                                 |
| Amusement licenses                       | \$ 4,500            | \$ 2,500            | \$ 1,550                        |
| Cable franchise license                  | 85,000              | 80,592              | 78,720                          |
| Tree expert License                      | 200                 | 200                 | 150                             |
| Street permits                           | 6,000               | 3,000               | 4,000                           |
| <b>TOTAL LICENSES AND PERMITS</b>        | <b>\$ 95,700</b>    | <b>\$ 86,292</b>    | <b>\$ 84,420</b>                |
| <b>FINES AND FORFEITURES:</b>            |                     |                     |                                 |
| Motor vehicle code violations            | \$ 35,000           | \$ 26,069           | \$ 22,304                       |
| Parking violations                       | -                   | 31,845              | 74,765                          |
| Non-Traffic Citations                    | 14,000              | 11,560              | 13,377                          |
| <b>TOTAL FINES AND FORFEITURES</b>       | <b>\$ 49,000</b>    | <b>\$ 69,474</b>    | <b>\$ 110,446</b>               |
| <b>INTEREST AND RENTS:</b>               |                     |                     |                                 |
| Interest                                 | \$ -                | \$ 763              | \$ 401                          |
| Rents                                    | 16,000              | 55,746              | 16,266                          |
| Parking Authority                        | 150,000             | 150,000             | -                               |
| <b>TOTAL INTEREST AND RENTS</b>          | <b>\$ 166,000</b>   | <b>\$ 206,509</b>   | <b>\$ 16,666</b>                |
| <b>INTERGOVERNMENTAL:</b>                |                     |                     |                                 |
| PURTA                                    | \$ 5,200            | \$ -                | \$ 4,843                        |
| Liquor licenses                          | 2,400               | 3,800               | 2,200                           |
| Municipal pension state aid              | 130,000             | 148,738             | 125,467                         |
| Foreign fire insurance                   | 32,000              | 32,169              | 31,989                          |
| Act 13 gas                               | 500                 | 1,668               | 477                             |
| Act 77 revenues                          | 105,000             | 115,195             | 113,245                         |
| <b>TOTAL INTERGOVERNMENTAL</b>           | <b>\$ 275,100</b>   | <b>\$ 301,569</b>   | <b>\$ 278,221</b>               |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                     | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>(MEMORANDUM ONLY)</u><br><u>PRIOR YEAR</u> |
|-------------------------------------|-------------------|-------------------|-----------------------------------------------|
| <b><u>CHARGES FOR SERVICES:</u></b> |                   |                   |                                               |
| Osborne Borough secretary services  | \$ 42,500         | \$ 49,204         | 46,126                                        |
| Zoning permits                      | 4,500             | 500               | 2,500                                         |
| Engineering review                  | 500               | -                 | -                                             |
| Zoning hearing fees                 | 4,000             | 4,950             | 2,500                                         |
| Sale of Ordinances                  | -                 | 110               | -                                             |
| No lien letter                      | 4,500             | 4,860             | 4,790                                         |
| Sale of street banner permits       | 7,000             | 7,350             | 5,550                                         |
| Sale of recycling bins              | 600               | 605               | 473                                           |
| NSF Redeposit                       | 1,000             | -                 | -                                             |
| Special police services             | 144,600           | 108,282           | 127,140                                       |
| Parking Auth Reimbursements         | -                 | 53,601            | -                                             |
| Fire protection services-Haysville  | 3,630             | 4,213             | 4,213                                         |
| Fire protection services-Osborne    | 20,000            | 24,343            | 24,343                                        |
| Fire equipment replacement fund     | 3,200             | 3,564             | 3,564                                         |
| Building permits                    | 130,000           | 83,005            | 126,743                                       |
| Occupancy permits                   | 300               | -                 | -                                             |
| Parking meter revenues              | -                 | -                 | 174,248                                       |
| Parking permits                     | 1,000             | 4,287             | 4,562                                         |
| Salt Reimbursement                  | 40,000            | 16,154            | 42,232                                        |
| Special public works services       | 2,000             | 4,721             | -                                             |
| Road project                        | 20,000            | -                 | -                                             |
| Road project - Prior Year           | 2,500             | -                 | 1,124                                         |
| Park shelter fees                   | 13,000            | 12,300            | 12,975                                        |
| Tree fund-license/permits/donations | 6,000             | 6,397             | 3,380                                         |
| QVSD Gas                            | 5,000             | 7,925             | 9,001                                         |
| BSWA Gas                            | 17,500            | 9,126             | 10,890                                        |
| <b>TOTAL CHARGES FOR SERVICES</b>   | <b>\$ 473,330</b> | <b>\$ 405,497</b> | <b>\$ 606,354</b>                             |
| <b><u>MISCELLANEOUS:</u></b>        |                   |                   |                                               |
| Miscellaneous revenue               | \$ 33,000         | \$ 9,549          | \$ 15,609                                     |
| Contributions and donations         | 7,500             | 5,059             | 16,503                                        |
| MRM Dividends                       | -                 | 64,685            | 54,057                                        |
| Health insurance reimbursements     | 24,000            | 32,852            | 29,980                                        |
| <b>TOTAL MISCELLANEOUS</b>          | <b>\$ 64,500</b>  | <b>\$ 112,145</b> | <b>\$ 116,149</b>                             |

BOROUGH OF SEWICKLEY  
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

|                                                       | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(MEMORANDUM ONLY)</u><br><u>PRIOR YEAR</u> |
|-------------------------------------------------------|---------------------|---------------------|-----------------------------------------------|
| <b><u>OTHER FINANCIAL SOURCES:</u></b>                |                     |                     |                                               |
| Transfer from Liquid Fuels                            | \$ -                | \$ 71,652           | \$ 71,959                                     |
| Transfer from Real Estate Tax Refund                  | -                   | -                   | 2,731                                         |
| Transfer from Sewer Fund                              | -                   | 1,906               | -                                             |
| Refund of prior year expenses                         | -                   | 40,774              | 6,727                                         |
| <b>TOTAL OTHER FINANCIAL SOURCES</b>                  | <b>\$ -</b>         | <b>\$ 114,333</b>   | <b>\$ 81,417</b>                              |
| <br>                                                  |                     |                     |                                               |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCING SOURCES</b> | <b>\$ 5,334,130</b> | <b>\$ 5,800,423</b> | <b>\$ 5,670,961</b>                           |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| <u>GENERAL GOVERNMENT:</u>         | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>(MEMORANDUM ONLY)</u><br><u>PRIOR YEAR</u> |
|------------------------------------|-------------------|-------------------|-----------------------------------------------|
| <u>LEGISLATIVE BODY:</u>           |                   |                   |                                               |
| Salary - manager                   | \$ 102,120        | \$ 102,671        | \$ 99,892                                     |
| Salary - borough secretary         | 14,500            | 11,691            | 10,470                                        |
| Salaries - staff                   | 139,906           | 162,365           | 150,692                                       |
| Life/accident insurance            | 3,500             | 4,999             | 4,983                                         |
| Dental insurance                   | 3,872             | 3,880             | 3,897                                         |
| Long term disability insurance     | 3,110             | 2,236             | 2,217                                         |
| Vision care                        | 524               | 433               | 368                                           |
| Medical                            | 39,608            | 39,859            | 47,155                                        |
| Health savings account             | 7,500             | 7,500             | 7,500                                         |
| Pension                            | 59,980            | 59,898            | 63,183                                        |
| Social security(FICA)              | 19,269            | 21,912            | 21,023                                        |
| Unemployment compensation          | 4,450             | 481               | 458                                           |
| Workmans comp                      | 10,694            | 9,524             | 9,527                                         |
| Admin overtime                     | 2,000             | 535               | 1,759                                         |
| Materials and supplies             | 8,500             | 7,517             | 5,806                                         |
| Other expense                      | 10,000            | 18,942            | 6,017                                         |
| Computer maintenance               | 22,500            | 25,548            | 20,558                                        |
| Computer services                  | 12,500            | 13,376            | 12,679                                        |
| Auditing services                  | 8,500             | 6,700             | 6,300                                         |
| Special Audit Service              | -                 | -                 | 23                                            |
| Website                            | 5,000             | 2,312             | 2,032                                         |
| PEG channel                        | 6,000             | 5,988             | 5,489                                         |
| Solicitor retainer                 | 8,400             | 8,400             | 8,400                                         |
| Other legal services               | 77,500            | 55,654            | 111,954                                       |
| Engineer                           | 25,000            | 34,040            | 77,459                                        |
| Telephone                          | 7,200             | 8,973             | 13,024                                        |
| Postage                            | 2,500             | 2,880             | 2,602                                         |
| Equipment lease                    | 16,000            | 12,655            | 13,897                                        |
| Auto allowance manager             | 2,500             | 2,551             | 1,899                                         |
| Advertising                        | 11,000            | 14,917            | 11,613                                        |
| Property and liability insurance   | 46,000            | 46,575            | 45,230                                        |
| Dues/subscriptions and memberships | 10,000            | 8,102             | 11,064                                        |
| Meetings and conferences           | 10,000            | 9,109             | 10,945                                        |
| Contingencies                      | 134,537           | 53,718            | 64,179                                        |
| Center contribution                | 15,000            | 15,000            | 15,000                                        |
| <b>TOTAL LEGISLATIVE BODY</b>      | <b>\$ 849,670</b> | <b>\$ 780,938</b> | <b>\$ 869,295</b>                             |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                               | <u>BUDGET</u>       | <u>ACTUAL</u>     | <u>(MEMORANDUM ONLY)</u><br><u>PRIOR YEAR</u> |
|-----------------------------------------------|---------------------|-------------------|-----------------------------------------------|
| <b><u>GENERAL GOVERNMENT: (continued)</u></b> |                     |                   |                                               |
| <b><u>TAX COLLECTION:</u></b>                 |                     |                   |                                               |
| Salary                                        | \$ 2,400            | \$ 2,429          | \$ 2,414                                      |
| Social Security(FICA)                         | 250                 | 186               | 185                                           |
| Unemployment insurance                        | 1,700               | 118               | 135                                           |
| Workers compensation                          | 700                 | 412               | 472                                           |
| Other expense                                 | 20,000              | 21,147            | 20,746                                        |
| Wage tax collection fees                      | 500                 | -                 | 238                                           |
| LST collection fees                           | 2,900               | 2,900             | 2,739                                         |
| Business privilege collection fees            | 4,200               | 3,711             | 3,507                                         |
| Telephone                                     | 380                 | 428               | 397                                           |
| <b>TOTAL TAX COLLECTION</b>                   | <b>\$ 33,030</b>    | <b>\$ 31,330</b>  | <b>\$ 30,835</b>                              |
| <br>                                          |                     |                   |                                               |
| <b><u>MUNICIPAL BUILDING AND PLANT:</u></b>   |                     |                   |                                               |
| Salary staff                                  | \$ 47,640           | \$ 45,261         | \$ 45,462                                     |
| Life/accident insurance                       | 550                 | 460               | 690                                           |
| Dental insurance                              | 372                 | 220               | 366                                           |
| Long term disability insurance                | 370                 | 219               | 356                                           |
| Vision care                                   | 131                 | 63                | 99                                            |
| Medical                                       | 5,170               | 3,020             | 5,068                                         |
| Health savings account                        | 1,500               | 1,500             | 1,500                                         |
| Pension                                       | 15,052              | 16,933            | 18,127                                        |
| Social Security(FICA)                         | 3,798               | 3,545             | 3,602                                         |
| Unemployment insurance                        | 1,266               | 898               | 459                                           |
| Workers compensation                          | 3,598               | 2,800             | 2,948                                         |
| Overtime                                      | 2,000               | 1,085             | 1,619                                         |
| Uniform maintenance                           | 900                 | 512               | 654                                           |
| Materials and supplies                        | 7,500               | 5,639             | 8,798                                         |
| Other expenses                                | 2,000               | 810               | 242                                           |
| Property and liability insurance              | 7,700               | 7,700             | 7,500                                         |
| Electricity                                   | 23,000              | 29,775            | 23,977                                        |
| Gas                                           | 16,000              | 13,265            | 12,028                                        |
| Repairs and maintenance                       | 32,000              | 34,743            | 46,892                                        |
| <b>TOTAL MUNICIPAL BUILDING AND PLANT</b>     | <b>\$ 170,547</b>   | <b>\$ 168,450</b> | <b>\$ 180,387</b>                             |
| <br>                                          |                     |                   |                                               |
| <b>TOTAL GENERAL GOVERNMENT</b>               | <b>\$ 1,053,247</b> | <b>\$ 980,719</b> | <b>\$ 1,080,516</b>                           |



**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b><u>PUBLIC SAFETY:</u></b>        | <b><u>BUDGET</u></b> | <b><u>ACTUAL</u></b> | <b>(MEMORANDUM ONLY)</b> |
|-------------------------------------|----------------------|----------------------|--------------------------|
| <b><u>POLICE PROTECTION:</u></b>    |                      |                      | <b><u>PRIOR YEAR</u></b> |
| Salary - chief                      | \$ 100,067           | \$ 120,944           | \$ 101,761               |
| Salary - sergeants                  | 274,464              | 287,199              | 278,451                  |
| Salary - full time patrolmen        | 392,350              | 397,380              | 376,729                  |
| Salary - part time patrolmen        | 84,000               | 89,960               | 96,016                   |
| Salary - full time desk             | 42,277               | 42,511               | 39,133                   |
| Salary - meter patrol               | 36,772               | 20,538               | 20,123                   |
| Life/accident insurance             | 12,983               | 13,952               | 13,971                   |
| Dental insurance                    | 9,596                | 9,602                | 9,865                    |
| Long term disability insurance      | 3,720                | 3,650                | 3,695                    |
| Vision care                         | 1,179                | 969                  | 850                      |
| Medical                             | 119,044              | 131,176              | 114,855                  |
| Supplemental retirement             | 2,400                | 2,400                | 2,400                    |
| Health savings account              | 22,500               | 22,500               | 22,500                   |
| Pension                             | 191,380              | 193,259              | 224,191                  |
| Social Security(FICA)               | 76,327               | 83,902               | 81,780                   |
| Unemployment insurance              | 15,450               | 8,117                | 7,897                    |
| Workers compensation                | 59,250               | 58,151               | 55,842                   |
| Overtime                            | 35,000               | 52,269               | 55,294                   |
| Longevity                           | 23,695               | 23,695               | 22,328                   |
| OIC                                 | 4,000                | 3,616                | 4,003                    |
| Shift differential                  | 6,180                | 6,736                | 6,208                    |
| Court fees                          | 18,000               | 17,610               | 19,030                   |
| Holiday pay - ftp                   | 29,554               | 38,128               | 38,147                   |
| DARE grant xexpense                 | 3,000                | -                    | -                        |
| Uniform allowance                   | 9,850                | 15,133               | 7,277                    |
| Material and supplies               | 3,500                | 4,003                | 2,712                    |
| Other expense                       | 15,000               | 15,321               | 20,823                   |
| Computer maintenance                | 12,500               | 5,321                | 4,307                    |
| Computer services                   | 3,000                | 2,866                | 5,601                    |
| Gasoline and oil                    | 17,500               | 12,701               | 14,469                   |
| Vehicle operating expense           | 16,000               | 6,563                | 12,624                   |
| Tires                               | 2,000                | 1,239                | 975                      |
| Training rifle range                | 8,000                | 2,631                | 1,779                    |
| Telephone                           | 12,500               | 10,123               | 11,226                   |
| Postage                             | 2,000                | 2,503                | 2,256                    |
| Radio maintenance                   | 5,000                | -                    | 674                      |
| Property and liability insurance    | 27,500               | 27,500               | 26,730                   |
| Dues, subscriptions and memberships | 750                  | 330                  | 630                      |
| Meetings and conferences            | 2,500                | 1,031                | 5,993                    |
| Quaker Valley Ambulance Authority   | 27,174               | 26,789               | 30,616                   |
| <b>TOTAL POLICE PROTECTION</b>      | <b>\$ 1,727,962</b>  | <b>\$ 1,762,319</b>  | <b>\$ 1,743,763</b>      |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                      | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(MEMORANDUM ONLY)</u><br><u>PRIOR YEAR</u> |
|--------------------------------------|---------------------|---------------------|-----------------------------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>    |                     |                     |                                               |
| <b><u>FIRE PROTECTION:</u></b>       |                     |                     |                                               |
| Workers compensation                 | \$ 17,695           | \$ 18,774           | \$ 17,257                                     |
| Materials and supplies               | 1,200               | 1,018               | 394                                           |
| Other expense                        | 2,000               | 2,758               | 2,783                                         |
| Fire hose and couplings              | 6,000               | 6,832               | 1,080                                         |
| Vehicle operating expense            | 50,000              | 27,376              | 37,463                                        |
| Telephone and radio expense          | 12,000              | 11,491              | 10,503                                        |
| Insurance                            | 12,000              | 10,600              | 10,885                                        |
| Foreign casualty premium             | 32,000              | 32,169              | 31,989                                        |
| Contracted services                  | 54,000              | 54,000              | 54,000                                        |
| Training                             | 3,000               | 2,160               | 1,000                                         |
| Transfer                             | 40,000              | -                   | -                                             |
| Hydrant fee                          | 16,400              | 16,393              | 16,393                                        |
| <b>TOTAL FIRE PROTECTION</b>         | <b>\$ 246,295</b>   | <b>\$ 183,571</b>   | <b>\$ 183,749</b>                             |
| <b><u>PROTECTIVE INSPECTION:</u></b> |                     |                     |                                               |
| Salary code enforcement officer      | \$ 64,403           | \$ 64,760           | \$ 63,001                                     |
| Life insurance/accident              | 700                 | 752                 | 752                                           |
| Dental insurance                     | 372                 | 1,169               | 1,192                                         |
| Long term disability                 | 400                 | 374                 | 386                                           |
| Vision insurance                     | 131                 | 110                 | 106                                           |
| Medical                              | 14,219              | 14,325              | 13,923                                        |
| Health savings account               | 3,000               | 3,000               | 3,000                                         |
| Pension                              | 15,052              | 16,934              | 18,127                                        |
| FICA                                 | 4,927               | 4,954               | 4,820                                         |
| Unemployment compensation            | 1,400               | 466                 | 459                                           |
| Workers compensation                 | 1,200               | 797                 | 936                                           |
| Materials and supplies               | 2,000               | 887                 | 507                                           |
| DCED-UCC training                    | 500                 | -                   | 548                                           |
| Zoning hearing board - legal service | 3,000               | -                   | -                                             |
| Zoning hearing board - steno service | 3,000               | 940                 | 615                                           |
| Telephone                            | 1,800               | 1,469               | 1,842                                         |
| Postage and advertising              | 1,800               | 1,273               | 1,196                                         |
| Historic review commission           | 2,500               | 8,758               | 2,544                                         |
| Planning commission                  | 5,000               | 195                 | 1,428                                         |
| Zoning ordinance update              | 2,500               | 1,719               | 1,089                                         |
| <b>TOTAL PROTECTIVE INSPECTION</b>   | <b>\$ 127,904</b>   | <b>\$ 122,881</b>   | <b>\$ 116,470</b>                             |
| <b>TOTAL PUBLIC SAFETY</b>           | <b>\$ 2,102,161</b> | <b>\$ 2,068,771</b> | <b>\$ 2,043,981</b>                           |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                       | BUDGET              | ACTUAL              | (MEMORANDUM ONLY)<br>PRIOR YEAR |
|---------------------------------------|---------------------|---------------------|---------------------------------|
| <b><u>PUBLIC WORKS:</u></b>           |                     |                     |                                 |
| Salary foreman                        | \$ 62,852           | \$ 78,860           | \$ 63,779                       |
| Salaries                              | 354,000             | 303,534             | 299,843                         |
| Life/accident insurance               | 5,562               | 5,916               | 6,238                           |
| Dental insurance                      | 6,881               | 6,315               | 7,015                           |
| Long term disability                  | 2,976               | 2,778               | 2,958                           |
| Vision care                           | 1,048               | 807                 | 751                             |
| Medical                               | 91,848              | 76,857              | 89,467                          |
| Health savings account                | 19,500              | 19,500              | 19,500                          |
| Pension                               | 110,364             | 118,897             | 127,321                         |
| Social Security(FICA)                 | 39,235              | 40,717              | 40,042                          |
| Unemployment insurance                | 12,632              | 4,659               | 3,649                           |
| Workers compensation                  | 43,235              | 39,856              | 39,120                          |
| Overtime                              | 60,000              | 76,212              | 89,705                          |
| Uniform maintenance                   | 8,100               | 10,661              | 9,103                           |
| Snow and ice materials                | 75,000              | 55,630              | 114,780                         |
| Gasoline and oil                      | 46,000              | 37,198              | 37,951                          |
| Vehicle operation maintenance         | 35,000              | 42,516              | 37,927                          |
| Vehicle operating expense             | 45,000              | 27,750              | 34,762                          |
| Storm Sewers/MS4                      | 100,000             | 438,309             | 33,583                          |
| Street signs and markings             | 8,500               | 7,203               | 12,157                          |
| Other highway care expenses           | 40,000              | 36,199              | 38,897                          |
| Water                                 | 800                 | 652                 | 524                             |
| Tools and minor equipment             | 6,000               | 4,416               | 936                             |
| Telephone and radio                   | 5,000               | 2,402               | 5,250                           |
| Property and liability insurance      | 17,200              | 17,200              | 16,500                          |
| Meter repair                          | -                   | -                   | 3,844                           |
| Patching and sealing                  | -                   | 3,358               | 2,951                           |
| Engineering - road                    | -                   | 57,618              | 68,593                          |
| Engineering - other                   | -                   | -                   | 1,331                           |
| Hoey's Storm Culvert                  | -                   | -                   | 13,381                          |
| Tree Removal                          | -                   | 19,105              | 37,306                          |
| Handicap                              | -                   | 7,500               | -                               |
| 2016 Road Project                     | 793,000             | 659,909             | -                               |
| 2015 Road Project                     | -                   | 3,195               | 896,224                         |
| 2014 Road Project                     | -                   | 4,050               | 942                             |
| Paving - Columbia Gas Project         | -                   | -                   | 54,941                          |
| Traffic signals                       | 16,000              | 9,031               | 12,443                          |
| Street lighting                       | 85,500              | 76,426              | 86,539                          |
| <b>TOTAL PUBLIC WORKS</b>             | <b>\$ 2,091,233</b> | <b>\$ 2,295,235</b> | <b>\$ 2,310,247</b>             |
| <b><u>CULTURE AND RECREATION:</u></b> |                     |                     |                                 |
| <b><u>PARKS AND RECREATION:</u></b>   |                     |                     |                                 |
| Salaries                              | \$ 35,000           | \$ 22,976           | \$ 32,165                       |
| FICA (SS)                             | 2,677               | -                   | -                               |
| Unemployment insurance                | 1,800               | 0                   | 22                              |
| Workers compensation                  | 2,876               | 3,246               | 3,719                           |
| Materials and supplies                | 10,000              | 1,866               | 8,626                           |
| Memorial day expenses                 | 21,000              | 25,000              | 20,500                          |
| Repairs                               | 24,000              | 29,312              | 24,998                          |
| Property and liability                | 7,200               | 7,200               | 7,000                           |
| Special Project                       | -                   | 1,203               | -                               |
| <b>TOTAL PARKS AND RECREATION</b>     | <b>\$ 104,553</b>   | <b>\$ 90,803</b>    | <b>\$ 97,030</b>                |

**BOROUGH OF SEWICKLEY**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                    | BUDGET              | ACTUAL              | (MEMORANDUM ONLY)<br>PRIOR YEAR |
|----------------------------------------------------|---------------------|---------------------|---------------------------------|
| <b><u>CULTURE AND RECREATION: (Continued)</u></b>  |                     |                     |                                 |
| <b><u>SHADE TREES:</u></b>                         |                     |                     |                                 |
| Tree trimming and removal                          | \$ 65,000           | \$ 35,485           | \$ 43,357                       |
| Tree maintenance and spraying                      | 12,500              | 28,113              | 38,205                          |
| Plantings                                          | 15,000              | 19,968              | 19,075                          |
| Arborist Services                                  | 6,000               | 5,200               | -                               |
| Advertising/Mailings                               | 1,500               | 122                 | -                               |
| <b>TOTAL SHADE TREES</b>                           | <b>\$ 100,000</b>   | <b>\$ 88,886</b>    | <b>\$ 100,637</b>               |
| <b>TOTAL CULTURE AND RECREATION</b>                | <b>\$ 204,553</b>   | <b>\$ 179,690</b>   | <b>\$ 197,667</b>               |
| <b><u>DEBT SERVICE:</u></b>                        |                     |                     |                                 |
| Debt principal                                     | \$ 110,951          | \$ 80,206           | \$ 82,597                       |
| Debt interest                                      | -                   | 21,180              | 28,006                          |
| <b>TOTAL DEBT SERVICE</b>                          | <b>\$ 110,951</b>   | <b>\$ 101,386</b>   | <b>\$ 110,603</b>               |
| <b><u>OTHER FINANCING USES:</u></b>                |                     |                     |                                 |
| Tax refund assessment                              | \$ 7,500            | \$ 15,918           | \$ 32,089                       |
| Refund Prior Year Receipts                         | -                   | 1,500               | -                               |
| Transfer to Capital Reserves #4                    | -                   | 4,617               | 42,117                          |
| Transfer to Capital Reserve #6                     | -                   | 270,880             | 242,218                         |
| Transfer to Sinking Fund                           | 75,000              | 62,020              | 177,000                         |
| <b>TOTAL OTHER FINANCING USES</b>                  | <b>\$ 82,500</b>    | <b>\$ 354,934</b>   | <b>\$ 493,424</b>               |
| <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b> | <b>\$ 5,644,645</b> | <b>\$ 5,980,734</b> | <b>\$ 6,236,440</b>             |

**BOROUGH OF SEWICKLEY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

|                                                  | <u>HIGHWAY AID<br/>FUND</u>  | <u>REAL ESTATE<br/>TAX REFUND<br/>FUND</u> | <u>SINKING<br/>FUND</u>      | <u>TOTAL</u>                 |
|--------------------------------------------------|------------------------------|--------------------------------------------|------------------------------|------------------------------|
| <b><u>ASSETS:</u></b>                            |                              |                                            |                              |                              |
| Cash and Cash Equivalents                        | \$ 110,152                   | \$ 244                                     | \$ 7,410                     | \$ 117,806                   |
| Due from Other Funds                             | -                            | -                                          | 217,879                      | 217,879                      |
| <b>TOTAL ASSETS</b>                              | <b><u>\$ 110,152</u></b>     | <b><u>\$ 244</u></b>                       | <b><u>\$ 225,289</u></b>     | <b><u>\$ 335,685</u></b>     |
| <br><b><u>LIABILITIES AND FUND BALANCES:</u></b> |                              |                                            |                              |                              |
| <b>LIABILITIES:</b>                              |                              |                                            |                              |                              |
| Due to Other Funds                               | \$ 17,651                    | \$ -                                       | \$ 225,289                   | \$ 242,940                   |
| <b>TOTAL LIABILITIES</b>                         | <b><u>\$ 17,651</u></b>      | <b><u>\$ -</u></b>                         | <b><u>\$ 225,289</u></b>     | <b><u>\$ 242,940</u></b>     |
| <b>FUND BALANCES:</b>                            |                              |                                            |                              |                              |
| Restricted                                       | \$ 92,501                    | \$ -                                       | \$ -                         | \$ 92,501                    |
| Assigned                                         | -                            | 244                                        | -                            | 244                          |
| <b>TOTAL FUND BALANCES</b>                       | <b><u>\$ 92,501</u></b>      | <b><u>\$ 244</u></b>                       | <b><u>\$ -</u></b>           | <b><u>\$ 92,745</u></b>      |
| <br><b>TOTAL LIABILITIES AND FUND BALANCES</b>   | <br><b><u>\$ 110,152</u></b> | <br><b><u>\$ 244</u></b>                   | <br><b><u>\$ 225,289</u></b> | <br><b><u>\$ 335,685</u></b> |

**BOROUGH OF SEWICKLEY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                        | <u>HIGHWAY AID<br/>FUND</u> | <u>REAL ESTATE<br/>TAX REFUND<br/>FUND</u> | <u>SINKING FUND</u> | <u>TOTAL</u>      |
|--------------------------------------------------------|-----------------------------|--------------------------------------------|---------------------|-------------------|
| <b>REVENUES:</b>                                       |                             |                                            |                     |                   |
| Intergovernmental                                      | \$ 113,438                  | \$ -                                       | \$ -                | \$ 113,438        |
| Interest                                               | 319                         | -                                          | 265                 | 584               |
| <b>TOTAL REVENUES</b>                                  | <b>\$ 113,757</b>           | <b>\$ -</b>                                | <b>\$ 265</b>       | <b>\$ 114,022</b> |
| <b>OTHER FINANCING SOURCES:</b>                        |                             |                                            |                     |                   |
| Interfund Transfers                                    | \$ -                        | \$ -                                       | \$ 89,399           | \$ 89,399         |
| Refund Prior Year Expenses                             | -                           | 244                                        | -                   | 244               |
| <b>TOTAL OTHER FINANCING SOURCES</b>                   | <b>\$ -</b>                 | <b>\$ 244</b>                              | <b>\$ 89,399</b>    | <b>\$ 89,643</b>  |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>  | <b>\$ 113,757</b>           | <b>\$ 244</b>                              | <b>\$ 89,664</b>    | <b>\$ 203,665</b> |
| <b>EXPENDITURES:</b>                                   |                             |                                            |                     |                   |
| Public Works                                           | \$ 3,706                    | \$ -                                       | \$ -                | \$ 3,706          |
| Debt Service                                           | -                           | -                                          | 440,675             | 440,675           |
| <b>TOTAL EXPENDITURES</b>                              | <b>\$ 3,706</b>             | <b>\$ -</b>                                | <b>\$ 440,675</b>   | <b>\$ 444,381</b> |
| <b>OTHER FINANCING USES:</b>                           |                             |                                            |                     |                   |
| Interfund Transfers                                    | \$ 71,652                   | \$ -                                       | \$ -                | \$ 71,652         |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b>\$ 71,652</b>            | <b>\$ -</b>                                | <b>\$ -</b>         | <b>\$ 71,652</b>  |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>\$ 75,358</b>            | <b>\$ -</b>                                | <b>\$ 440,675</b>   | <b>\$ 516,033</b> |
| EXCESS REVENUES OVER<br>(UNDER) EXPENDITURES           | \$ 38,399                   | \$ 244                                     | \$ (351,011)        | \$ (312,368)      |
| FUND BALANCE - January 1, 2016                         | 54,102                      | -                                          | 351,011             | 405,113           |
| <b>FUND BALANCE December 31, 2016</b>                  | <b>\$ 92,501</b>            | <b>\$ 244</b>                              | <b>\$ -</b>         | <b>\$ 92,745</b>  |

**BOROUGH OF SEWICKLEY**  
**COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS**  
**DECEMBER 31, 2016**

|                                                  | <u>BUILDING<br/>FUND</u> | <u>FIRE<br/>FUND</u>     | <u>CAPITAL<br/>IMPROVEMENT<br/>FUND</u> | <u>TOTAL</u>             |
|--------------------------------------------------|--------------------------|--------------------------|-----------------------------------------|--------------------------|
| <b><u>ASSETS:</u></b>                            |                          |                          |                                         |                          |
| Cash and Cash Equivalents                        | \$ 665                   | \$ 30,066                | \$ 39,637                               | \$ 70,368                |
| Due from Other Funds                             | 5,000                    | 400,711                  | 225,455                                 | 631,166                  |
| Accounts Receivable                              | -                        | 8,750                    | -                                       | 8,750                    |
| <b>TOTAL ASSETS</b>                              | <b><u>\$ 5,665</u></b>   | <b><u>\$ 439,527</u></b> | <b><u>\$ 265,092</u></b>                | <b><u>\$ 710,284</u></b> |
| <br><b><u>LIABILITIES AND FUND BALANCES:</u></b> |                          |                          |                                         |                          |
| <b>LIABILITIES:</b>                              |                          |                          |                                         |                          |
| Due to Other Funds                               | \$ -                     | \$ -                     | \$ 41,364                               | \$ 41,364                |
| Accounts Payable                                 | -                        | -                        | 8,730                                   | 8,730                    |
| <b>TOTAL LIABILITIES</b>                         | <b><u>\$ -</u></b>       | <b><u>\$ -</u></b>       | <b><u>\$ 50,094</u></b>                 | <b><u>\$ 50,094</u></b>  |
| <br><b>FUND BALANCES:</b>                        |                          |                          |                                         |                          |
| Assigned                                         | \$ 5,665                 | \$ 439,527               | \$ 214,998                              | \$ 660,190               |
| <b>TOTAL FUND BALANCES</b>                       | <b><u>\$ 5,665</u></b>   | <b><u>\$ 439,527</u></b> | <b><u>\$ 214,998</u></b>                | <b><u>\$ 660,190</u></b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>       | <b><u>\$ 5,665</u></b>   | <b><u>\$ 439,527</u></b> | <b><u>\$ 265,092</u></b>                | <b><u>\$ 710,284</u></b> |

**BOROUGH OF SEWICKLEY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES  
 CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                        | <b>BUILDING<br/>FUND</b> | <b>FIRE<br/>FUND</b> | <b>CAPITAL<br/>IMPROVEMENT<br/>FUND</b> | <b>TOTAL</b>      |
|--------------------------------------------------------|--------------------------|----------------------|-----------------------------------------|-------------------|
| <b>REVENUES:</b>                                       |                          |                      |                                         |                   |
| Taxes                                                  | \$ -                     | \$ -                 | \$ -                                    | \$ -              |
| Interest                                               | 2                        | 626                  | 156                                     | 784               |
| Contributions and Donations                            | -                        | 35,000               | 20,000                                  | 55,000            |
| Charges for Services                                   | -                        | 19,000               | -                                       | 19,000            |
| <b>TOTAL REVENUES</b>                                  | <b>\$ 2</b>              | <b>\$ 54,626</b>     | <b>\$ 20,156</b>                        | <b>\$ 74,784</b>  |
| <b>OTHER FINANCING SOURCES:</b>                        |                          |                      |                                         |                   |
| Interfund Transfers                                    | \$ -                     | \$ 4,617             | \$ 270,880                              | \$ 275,497        |
| <b>TOTAL OTHER FINANCING SOURCES</b>                   | <b>\$ -</b>              | <b>\$ 4,617</b>      | <b>\$ 270,880</b>                       | <b>\$ 275,497</b> |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>  | <b>\$ 2</b>              | <b>\$ 59,243</b>     | <b>\$ 291,036</b>                       | <b>\$ 350,281</b> |
| <b>EXPENDITURES:</b>                                   |                          |                      |                                         |                   |
| General Government                                     | \$ 20                    | \$ -                 | \$ 7,714                                | \$ 7,734          |
| Public Safety                                          | -                        | 3,434                | -                                       | 3,434             |
| Public Works                                           | -                        | -                    | 45,639                                  | 45,639            |
| Culture and Recreation                                 | -                        | -                    | 80,000                                  | 80,000            |
| Debt Service                                           | -                        | -                    | 47,582                                  | 47,582            |
| <b>TOTAL EXPENDITURES</b>                              | <b>\$ 20</b>             | <b>\$ 3,434</b>      | <b>\$ 180,935</b>                       | <b>\$ 184,389</b> |
| <b>OTHER FINANCING USES:</b>                           |                          |                      |                                         |                   |
| Interfund Transfers                                    | \$ -                     | \$ -                 | \$ -                                    | \$ -              |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b>\$ -</b>              | <b>\$ -</b>          | <b>\$ -</b>                             | <b>\$ -</b>       |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>\$ 20</b>             | <b>\$ 3,434</b>      | <b>\$ 180,935</b>                       | <b>\$ 184,389</b> |
| <b>EXCESS REVENUES OVER<br/>(UNDER) EXPENDITURES</b>   | <b>\$ (18)</b>           | <b>\$ 55,809</b>     | <b>\$ 110,101</b>                       | <b>\$ 165,892</b> |
| FUND BALANCE - January 1, 2016                         | 5,683                    | 383,718              | 104,897                                 | 494,298           |
| <b>FUND BALANCE December 31, 2016</b>                  | <b>\$ 5,665</b>          | <b>\$ 439,527</b>    | <b>\$ 214,998</b>                       | <b>\$ 660,190</b> |



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

|                                                                        | -- POLICE PENSION PLAN -- |                     | GENERAL EMPLOYEES<br>---- PENSION PLAN ---- |                     |
|------------------------------------------------------------------------|---------------------------|---------------------|---------------------------------------------|---------------------|
|                                                                        | <u>12/31/2016</u>         | <u>12/31/2015</u>   | <u>12/31/2016</u>                           | <u>12/31/2015</u>   |
| <b>Total pension liability-beginning</b>                               | \$ 4,999,271              | \$ 4,718,569        | \$ 4,312,148                                | \$ 4,041,299        |
| Service Cost                                                           | 110,407                   | 103,184             | 155,251                                     | 145,094             |
| Interest                                                               | 348,424                   | 328,623             | 302,137                                     | 282,484             |
| Actual (gain)/loss                                                     | (408,661)                 | -                   | (73,902)                                    | -                   |
| Assumption (gain)/loss                                                 | -                         | -                   | -                                           | -                   |
| Plan changes                                                           | -                         | -                   | -                                           | -                   |
| Benefit payments                                                       | (153,971)                 | (151,105)           | (147,056)                                   | (156,729)           |
| <b>Net change in total pension liability</b>                           | <u>\$ (103,801)</u>       | <u>\$ 280,702</u>   | <u>\$ 236,429</u>                           | <u>\$ 270,849</u>   |
| <b>Total pension liability-ending</b>                                  | <u>\$ 4,895,470</u>       | <u>\$ 4,999,271</u> | <u>\$ 4,548,577</u>                         | <u>\$ 4,312,148</u> |
| <br>                                                                   |                           |                     |                                             |                     |
| Plan fiduciary net position-beginning                                  | \$ 4,820,258              | \$ 4,770,088        | \$ 3,738,553                                | \$ 3,610,879        |
| Contributions-employer                                                 | 176,326                   | 206,064             | 270,930                                     | 290,032             |
| Contributions-member                                                   | -                         | -                   | -                                           | -                   |
| Net investment income                                                  | 309,737                   | 5,379               | 240,320                                     | 4,956               |
| Benefit payments                                                       | (153,971)                 | (151,105)           | (147,056)                                   | (156,729)           |
| Actuarial costs                                                        | (3,035)                   | (9,590)             | (3,875)                                     | (9,815)             |
| Other                                                                  | (18,113)                  | (578)               | (14,292)                                    | (770)               |
| <b>Change in plan fiduciary net position</b>                           | <u>\$ 310,944</u>         | <u>\$ 50,170</u>    | <u>\$ 346,027</u>                           | <u>\$ 127,674</u>   |
| <b>Plan fiduciary net position-ending</b>                              | <u>\$ 5,131,202</u>       | <u>\$ 4,820,258</u> | <u>\$ 4,084,580</u>                         | <u>\$ 3,738,553</u> |
| <br>                                                                   |                           |                     |                                             |                     |
| <b>Net pension liability-beginning</b>                                 | <u>\$ 179,013</u>         | <u>\$ (51,519)</u>  | <u>\$ 573,595</u>                           | <u>\$ 430,420</u>   |
| <b>Net pension liability-ending</b>                                    | <u>\$ (235,732)</u>       | <u>\$ 179,013</u>   | <u>\$ 463,997</u>                           | <u>\$ 573,595</u>   |
| <br>                                                                   |                           |                     |                                             |                     |
| <b>RATIOS:</b>                                                         |                           |                     |                                             |                     |
| Plan fiduciary net position as a percentage of total pension liability | 104.82%                   | 96.42%              | 89.80%                                      | 86.70%              |
| <br>                                                                   |                           |                     |                                             |                     |
| Covered-employee payroll                                               | \$ 772,365                | \$ 720,851          | \$ 914,467                                  | \$ 915,453          |
| <br>                                                                   |                           |                     |                                             |                     |
| Net pension liability as a percentage of covered-employee payroll      | -30.52%                   | 24.83%              | 50.74%                                      | 62.66%              |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for two most recent years.

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

|                                                           | -- POLICE PENSION PLAN -- |                | GENERAL EMPLOYEES<br>---- PENSION PLAN ---- |                |
|-----------------------------------------------------------|---------------------------|----------------|---------------------------------------------|----------------|
|                                                           | 12/31/2016                | 12/31/2015     | 12/31/2016                                  | 12/31/2015     |
| Actuarially determined contribution                       | \$ 176,326                | \$ 206,061     | \$ 270,930                                  | \$ 290,026     |
| Contributions                                             | <u>176,326</u>            | <u>206,064</u> | <u>270,930</u>                              | <u>290,032</u> |
| Contribution deficiency (excess)                          | <u>\$ -</u>               | <u>\$ (3)</u>  | <u>\$ -</u>                                 | <u>\$ (6)</u>  |
| <b>RATIOS:</b>                                            |                           |                |                                             |                |
| Covered-employee payroll                                  | \$ 772,365                | \$ 720,851     | \$ 914,467                                  | \$ 915,453     |
| Contributions as a percentage of covered-employee payroll | 22.83%                    | 28.59%         | 29.63%                                      | 31.68%         |

**NOTES TO SCHEDULE:**

Valuation Date - January 1, 2017

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

|                               | --POLICE--                                                                     | --GENERAL EMPLOYEES--                                                              |
|-------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Actuarial cost method         | Entry Age Normal                                                               | Entry Age Normal                                                                   |
| Amortization method           | Funding adjustment is equal to 10% of the unfunded actuarial accrued liability | Level-closed period                                                                |
| Remaining amortization period | Funding adjustment required                                                    | 8 years - Closed Period                                                            |
| Asset valuation method        | Adjusted market value                                                          | Adjusted market value                                                              |
| Inflation                     | 2.75%                                                                          | 2.75%                                                                              |
| Salary increases              | 5%                                                                             | 5%                                                                                 |
| Investment rate of return     | 7%                                                                             | 7%                                                                                 |
| Retirement age                | 100% at age 54 with 25 years of experience                                     | 100% at earlier of age 60 and 10 years of service or age 65 and 5 years of service |
| Mortality                     | RP 2000 Mortality Table                                                        | RP 2000 Mortality Table                                                            |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for two most recent years.

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE**  
**POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

|                                                                   | <u>12/31/2016</u> | <u>12/31/2015</u> |
|-------------------------------------------------------------------|-------------------|-------------------|
| Annual money-weighted rate of return<br>net of investment expense | 6.49%             | 11.00%            |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for two most recent years.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. A detailed calculation of the money-weighted rate of return, including net cash flows, as follows:

|                         | Plan<br>Investments<br>( a ) | Periods<br>Invested<br>( b ) | Period Weight<br>( c ) = ( b ) / 12 | ( d ) = ( a ) x ( 1 + r ) ( c )   |
|-------------------------|------------------------------|------------------------------|-------------------------------------|-----------------------------------|
| Beginning value         | \$ 4,820,258                 | 12                           | 1.00                                | $4,820,258 \times (1 + r) (1.00)$ |
| Monthly net cash flows: |                              |                              |                                     |                                   |
| January                 | (12,592)                     | 11                           | 0.92                                | $(12,592) \times (1 + r) (0.92)$  |
| February                | (12,655)                     | 10                           | 0.83                                | $(12,655) \times (1 + r) (0.83)$  |
| March                   | (18,580)                     | 9                            | 0.75                                | $(18,580) \times (1 + r) (0.75)$  |
| April                   | (12,592)                     | 8                            | 0.67                                | $(12,592) \times (1 + r) (0.67)$  |
| May                     | (12,655)                     | 7                            | 0.58                                | $(12,655) \times (1 + r) (0.58)$  |
| June                    | (18,452)                     | 6                            | 0.50                                | $(18,452) \times (1 + r) (0.50)$  |
| July                    | (12,592)                     | 5                            | 0.42                                | $(12,592) \times (1 + r) (0.42)$  |
| August                  | (12,655)                     | 4                            | 0.33                                | $(12,655) \times (1 + r) (0.33)$  |
| September               | (18,606)                     | 3                            | 0.25                                | $(18,606) \times (1 + r) (0.25)$  |
| October                 | 160,699                      | 2                            | 0.17                                | $160,699 \times (1 + r) (0.17)$   |
| November                | (12,655)                     | 1                            | 0.08                                | $(12,655) \times (1 + r) (0.08)$  |
| December                | (15,458)                     | 0                            | 0.00                                | $(15,458) \times (1 + r) (0.00)$  |
| Unrealized Gain/(Loss)  | 309,737                      |                              |                                     |                                   |
| Ending value            | \$ 5,131,202                 |                              |                                     |                                   |

Money-weighted rate of return ( r ) 6.49%

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE**  
**GENERAL EMPLOYEES PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2016**

|                                                                   | <u>12/31/2016</u> | <u>12/31/2015</u> |
|-------------------------------------------------------------------|-------------------|-------------------|
| Annual money-weighted rate of return<br>net of investment expense | 6.48%             | -0.15%            |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for two most recent years.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. A detailed calculation of the money-weighted rate of return, including net cash flows, as follows:

|                         | <u>Plan<br/>Investments<br/>(a)</u> | <u>Periods<br/>Invested<br/>(b)</u> | <u>Period Weight<br/>(c) = (b) / 12</u> | <u>(d) = (a) x (1 + r) (c)</u>    |
|-------------------------|-------------------------------------|-------------------------------------|-----------------------------------------|-----------------------------------|
| Beginning value         | \$ 3,738,553                        | 12                                  | 1.00                                    | $3,738,553 \times (1 + r) (1.00)$ |
| Monthly net cash flows: |                                     |                                     |                                         |                                   |
| January                 | (13,052)                            | 11                                  | 0.92                                    | $(13,052) \times (1 + r) (0.92)$  |
| February                | (13,175)                            | 10                                  | 0.83                                    | $(13,175) \times (1 + r) (0.83)$  |
| March                   | (17,700)                            | 9                                   | 0.75                                    | $(17,700) \times (1 + r) (0.75)$  |
| April                   | (11,503)                            | 8                                   | 0.67                                    | $(11,503) \times (1 + r) (0.67)$  |
| May                     | (9,954)                             | 7                                   | 0.58                                    | $(9,954) \times (1 + r) (0.58)$   |
| June                    | (14,385)                            | 6                                   | 0.50                                    | $(14,385) \times (1 + r) (0.50)$  |
| July                    | (6,211)                             | 5                                   | 0.42                                    | $(6,211) \times (1 + r) (0.42)$   |
| August                  | (14,233)                            | 4                                   | 0.33                                    | $(14,233) \times (1 + r) (0.33)$  |
| September               | (19,744)                            | 3                                   | 0.25                                    | $(19,744) \times (1 + r) (0.25)$  |
| October                 | 254,172                             | 2                                   | 0.17                                    | $254,172 \times (1 + r) (0.17)$   |
| November                | (14,018)                            | 1                                   | 0.08                                    | $(14,018) \times (1 + r) (0.08)$  |
| December                | (14,490)                            | 0                                   | 0.00                                    | $(14,490) \times (1 + r) (0.00)$  |
| Unrealized Gain/(Loss)  | 240,320                             |                                     |                                         |                                   |
| Ending value            | \$ 4,084,580                        |                                     |                                         |                                   |

Money-weighted rate of return ( r ) 6.48%

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM EMPLOYER**  
**POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS:**

| <u>ACTUARIAL VALUATION DATE</u> | <u>ACTUARIAL VALUE OF ASSETS</u> | <u>ACTUARIAL ACCRUED LIABILITY</u> | <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u> | <u>FUNDED RATIO</u> | <u>COVERED PAYROLL</u> | <u>UAAL AS A % OF COVERED PAYROLL</u> |
|---------------------------------|----------------------------------|------------------------------------|---------------------------------------------|---------------------|------------------------|---------------------------------------|
| 1/1/2009                        | \$ 3,030,980                     | \$ 2,977,795                       | \$ (53,185)                                 | 101.8%              | \$ 655,685             | -8.1%                                 |
| 1/1/2011                        | 3,270,706                        | 3,667,830                          | 397,124                                     | 89.2%               | 748,750                | 53.0%                                 |
| 1/1/2013                        | 3,647,222                        | 4,350,850                          | 703,628                                     | 83.8%               | 730,196                | 96.4%                                 |
| 1/1/2015                        | 4,487,423                        | 4,718,569                          | 231,146                                     | 95.1%               | 791,978                | 29.2%                                 |
| 1/1/2017                        | 5,306,455                        | 4,895,470                          | (410,985)                                   | 108.4%              | 772,365                | -53.2%                                |

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER:**

| <u>YEAR ENDED DECEMBER 31</u> | <u>ANNUAL REQUIRED CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTED</u> |
|-------------------------------|-------------------------------------|-------------------------------|
| 2011                          | \$ 114,711                          | 100%                          |
| 2012                          | 109,973                             | 100%                          |
| 2013                          | 166,979                             | 100%                          |
| 2014                          | 163,494                             | 100%                          |
| 2015                          | 206,061                             | 100%                          |
| 2016                          | 176,326                             | 100%                          |

**ACTUARIAL ASSUMPTIONS:**

|                                  |                                                 |
|----------------------------------|-------------------------------------------------|
| Rate of Investment Return        | 7% Per Year                                     |
| Salary Scale                     | 5% Per Year                                     |
| Consumer Price Index             | 4% Per Year                                     |
| Rates of Withdrawal:             |                                                 |
| Mortality                        | Post-retirement: RP-2000 Mortality Table        |
| Employee Termination             | None                                            |
| Retirement                       | 100% at age 54 and 25 years of service          |
| Disability                       | None                                            |
| Marital Status                   | 80% of the actives are married at retirement    |
| Expenses                         | Incurred expenses                               |
| Methods:                         |                                                 |
| Asset Valuation                  | Adjusted market value                           |
| Actuarial Cost Method            | Entry age normal                                |
| Amortization Method              | 10% of the unfunded actuarial accrued liability |
| Changes in Actuarial Assumptions | None                                            |

**BOROUGH OF SEWICKLEY**  
**SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM EMPLOYER**  
**NON-UNIFORM PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS:**

| <u>ACTUARIAL VALUATION DATE</u> | <u>ACTUARIAL VALUE OF ASSETS</u> | <u>ACTUARIAL ACCRUED LIABILITY</u> | <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u> | <u>FUNDED RATIO</u> | <u>COVERED PAYROLL</u> | <u>UAAL AS A % OF COVERED PAYROLL</u> |
|---------------------------------|----------------------------------|------------------------------------|---------------------------------------------|---------------------|------------------------|---------------------------------------|
| 1/1/2009                        | \$ 2,086,916                     | \$ 2,558,471                       | \$ 471,555                                  | 81.6%               | \$ 779,265             | 60.5%                                 |
| 1/1/2011                        | 2,276,947                        | 2,994,762                          | 717,815                                     | 76.0%               | 881,052                | 81.5%                                 |
| 1/1/2013                        | 2,627,830                        | 3,487,080                          | 859,250                                     | 75.4%               | 977,051                | 87.9%                                 |
| 1/1/2015                        | 3,417,586                        | 4,041,299                          | 623,713                                     | 84.6%               | 979,041                | 63.7%                                 |
| 1/1/2017                        | 4,215,850                        | 4,548,577                          | 332,727                                     | 92.7%               | 914,467                | 36.4%                                 |

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER:**

| <u>YEAR ENDED DECEMBER 31</u> | <u>ANNUAL REQUIRED CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTED</u> |
|-------------------------------|-------------------------------------|-------------------------------|
| 2011                          | \$ 192,086                          | 100%                          |
| 2012                          | 194,346                             | 100%                          |
| 2013                          | 253,377                             | 100%                          |
| 2014                          | 251,073                             | 100%                          |
| 2015                          | 290,032                             | 100%                          |
| 2016                          | 270,930                             | 100%                          |

**ACTUARIAL ASSUMPTIONS:**

|                                  |                                                           |
|----------------------------------|-----------------------------------------------------------|
| Rate of Investment Return        | 7% Per Year                                               |
| Salary Scale                     | 5% Per Year                                               |
| Rates of Withdrawal:             |                                                           |
| Mortality                        | Post-retirement: RP-2000 Mortality Table                  |
| Employee Termination             | None                                                      |
| Retirement                       | 100% at age 60 and 10 years of service, at 65 and 5 years |
| Disability                       | None                                                      |
| Marital Status                   | 80% of the actives are married at retirement              |
| Expenses                         | Incurred expenses                                         |
| Methods:                         |                                                           |
| Asset Valuation                  | Adjusted market value                                     |
| Actuarial Cost Method            | Entry age normal                                          |
| Amortization Method              | Level - closed period                                     |
| Changes in Actuarial Assumptions | None                                                      |