

BOROUGH OF SEWICKLEY



AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANT

FOR THE YEAR ENDED DECEMBER 31, 2011

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

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BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

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Mark C. Turnley

Certified Public Accountant

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**Borough Council
Borough of Sewickley**

Independent Auditor's Report

I have audited the accompanying basic financial statements of the governmental activities, 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, 2011, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Sewickley, Pennsylvania's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley, Allegheny County, Pennsylvania as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined benefit trust funds' historical pension information on pages iii-xvi and 44-45 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Sewickley's financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark C. Turnley, CPA

March 31, 2012
Ambridge, Pennsylvania

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2011

INTRODUCTION

This discussion and analysis of the Borough of Sewickley's financial performance provide an overall review of the Borough's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2011. 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 new 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 2011 are as follows:

- The Borough's governmental activities net assets increased \$278,191 in 2011, or 5%.
- Unrestricted net assets were \$408,479 on December 31, 2011.
- The earned income tax increase of \$168,000 is accredited to the upcoming changes in earned income tax collection that began on January 1, 2012. The current collector will not be the collector for 2012. This was mandated by Act 32. The increase of tax revenue did increase collection fees by \$6,837.84.
- Costs associated with the Aleppo Sewickley Osborne (ASO) Joint Zoning Ordinance were \$16,380 higher than budgeted.

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

- Costs associated with the Borough of Sewickley Zoning Ordinance were \$85,030 higher than budget. The Zoning Ordinance was adopted in August, 2011, and again with an amendment in December 2011.
- Gasoline costs were \$38,888 higher than budget due to sharp increase of oil.
- The Borough of Sewickley saved \$26,000 on restructuring the employee health care from an HMO Plan to a High Deductible Health Savings Plan. Borough employees contributed 7.5% of each employee's total health care cost.
- The Borough of Sewickley refinanced bonds to save money and to continue the regionalization of sewer services in the Sewickley area with Glen Osborne, Aleppo and Haysville.
- The Borough of Sewickley Pension Funds received an additional \$80,875 in state pension aid, which was directly deposited to the Borough of Sewickley Employee Association Plan and the Borough of Sewickley Police Pension Plan. This is a one time event.
- The Borough of Sewickley Pennsylvania Foreign Fire Insurance payment was \$17,918 higher than expected. This was directly given to the Cochran House Fire Relief. This is a one time event.
- The Borough of Sewickley continued an aggressive program for the collection of delinquent real estate taxes which produced \$162,420 in additional revenues.
- The Borough of Sewickley completed the reconstruction of the Walnut Street Road Project and the rehabilitation of Church Way and Beaver Street, from Academy Avenue to Blackburn Road. The Borough is spending about \$700,000 per year for road improvements, but is below the Road Engineer's recommended annual funding level of \$1,200,000.
- The Borough of Sewickley had approximately 9 roads receive road resurface coating as part of the Borough's street opening permit requirements, adopted in 2010. The requirements specify curb to curb resurfacing when a street is opened.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2011

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 Assets and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

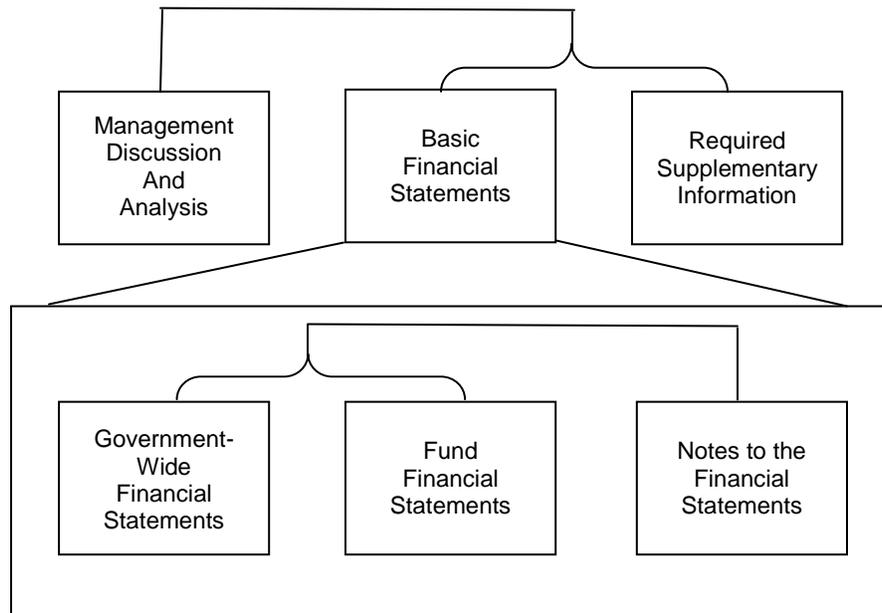
The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future 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, 2011

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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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 assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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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 assets 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 assets and how they have changed. Net assets, the difference between the Borough's assets and liabilities, are one way to measure the Borough's financial health or position. Over time, increases or decreases in the Borough's net assets are 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 help cover the costs of operating the sewer system.

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
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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 Assets 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 Assets and Changes in Fiduciary Net Assets 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 new 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

The Borough's net assets on December 31, 2011 are presented below:

Table A-1

Summary of Statement of Net Assets
Year Ended December 31, 2011

	----- DECEMBER 31, 2011 -----			-MEMO-
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2010 TOTAL
Current Assets	\$ 794,822	\$ 2,525,948	\$ 3,320,770	\$ 1,202,806
Non-Current Assets	6,535,309	11,287,673	17,822,982	14,521,331
TOTAL ASSETS	\$ 7,330,131	\$ 13,813,621	\$ 21,143,752	\$ 15,724,137
Current Liabilities	\$ 435,010	\$ 686,198	\$ 1,121,208	\$ 1,677,235
Long-term Liabilities	1,065,036	10,171,048	11,236,084	5,651,647
TOTAL LIABILITIES	\$ 1,500,046	\$ 10,857,246	\$ 12,357,292	\$ 7,328,882
Invested in Capital Assets, Net of Related Debt	\$ 5,421,606	\$ 316,866	\$ 5,738,472	\$ 8,375,842
Unrestricted (Deficit)	408,479	2,639,509	3,047,988	17,413
TOTAL NET ASSETS	\$ 5,830,085	\$ 2,956,375	\$ 8,786,460	\$ 8,393,255

Net assets of governmental activities increased \$278,191 in 2011, or 5% to \$5,830,085. Net assets of business-type activities increased \$113,014 in 2011, or 3.9% to \$2,956,375.

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.

BOROUGH OF SEWICKLEY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

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 assets for 2011.

Table A-2
Year ended December 31, 2011
Changes in Net Assets

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2011 TOTAL	2010 TOTAL
REVENUES				
Program Revenues:				
Charges for Services	\$ 866,343	\$ 1,534,790	\$ 2,401,133	\$ 2,416,482
Operating Grants and Contributions	408,178	-	408,178	332,356
Capital Grants	-	-	-	-
General Revenues:				
Property Taxes	2,331,783	-	2,331,783	2,155,253
Other Taxes	1,347,275	-	1,347,275	1,250,085
Cable Franchise Fees	50,562	-	50,562	48,162
Interest	994	4,391	5,385	1,046
Interfund Transfers	78,848	-	78,848	75,000
Refund of Prior Year Expenses	148,185	-	148,185	328,398
Sale of Fixed Assets	7,826	-	7,826	-
Miscellaneous	112,118	-	112,118	45,037
TOTAL REVENUES	\$ 5,352,112	\$ 1,539,181	\$ 6,891,293	\$ 6,651,819
EXPENSES				
General Government	\$ 967,890	\$ -	\$ 967,890	\$ 1,042,870
Public Safety - Police	1,581,388	-	1,581,388	1,543,357
Public Safety - Fire	231,642	-	231,642	177,308
Public Safety - Other	122,955	-	122,955	216,517
Public Works - Highways	1,907,310	-	1,907,310	1,619,471
Culture and Recreation	150,018	-	150,018	241,992
Interest on Debt	27,066	-	27,066	59,202
Refund of Prior Year Receipts	85,652	110,172	195,824	346,376
Interfund Transfers	-	78,848	78,848	75,000
Sewer Operations	-	1,237,147	1,237,147	1,050,556
TOTAL EXPENSES	\$ 5,073,921	\$ 1,426,167	\$ 6,500,088	\$ 6,372,649
CHANGE IN NET ASSETS	\$ 278,191	\$ 113,014	\$ 391,205	\$ 279,170

Total government-wide revenues of \$5,352,112 were derived primarily from property taxes representing 43.5% of the total. Other taxes made up the next largest source of revenue of 25.1%, followed by charges for services at 16.1%.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2011

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Table A-3
Year ended December 31, 2011
Governmental Activities

	2011	
	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES		
General Government	\$ 967,890	\$ (726,061)
Public Safety - Police	1,581,388	(1,111,461)
Public Safety - Fire	231,642	(119,968)
Public Safety - Other	122,955	102,412
Public Works - Highways	1,907,310	(1,695,041)
Culture and Recreation	150,018	(136,563)
Debt Service	27,066	(27,066)
	\$ 4,988,269	\$ (3,713,748)
TOTAL EXPENSES		
Less:		
Unrestricted Grants, Subsidies		-
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ (3,713,748)

Table A-4 reflects the activities of the Sewer Fund, the Business-type activities of the Borough for the year 2011.

Table A-4
Year ended December 31, 2011
Business-Type Activities

	SEWER FUND	
	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES		
Sewer Operations	\$ 1,237,147	\$ (297,643)
Interest		4,391
Refund Prior Year Receipt		(110,172)
Transfer to General Fund		(78,848)
TOTAL BUSINESS-TYPE ACTIVITIES NET INCOME		\$ 113,014

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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THE BOROUGH FUNDS

The following table compares the revenues, expenditures and change in fund balance of the Borough's General Fund for the years 2011 and 2010:

	<u>2011</u>	<u>2010</u>
REVENUES		
Taxes	\$ 3,609,932	\$ 3,218,046
Licenses and Permits	59,087	58,212
Fines and Forfeitures	128,428	138,536
Interest and Rents	13,697	4,235
Intergovernmental	365,493	266,699
Charges for Services	681,590	578,343
Miscellaneous	94,610	40,451
TOTAL REVENUES	<u>\$ 4,952,837</u>	<u>\$ 4,304,522</u>
EXPENSES		
General Government	\$ 943,965	\$ 1,016,586
Public Safety	1,881,874	1,826,960
Public Works	1,572,500	1,047,019
Culture and Recreation	146,392	163,134
Debt Service	267,679	108,799
TOTAL EXPENSES	<u>\$ 4,812,410</u>	<u>\$ 4,162,498</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	\$ 159,699	\$ 156,273
Refund of Prior Years Receipts/Expenses	(85,652)	38,584
Operating Transfers Out	(71,384)	(589,677)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>\$ 2,663</u>	<u>\$ (394,820)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 143,090</u>	<u>\$ (252,796)</u>

GENERAL FUND BUDGET

In December of 2010, the Borough of Sewickley adopted its annual budget for the General Fund in the amount of \$4,812,410. 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 assets of the Borough's Proprietary Fund for the year 2011 and 2010:

	SEWER FUND	
	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 1,534,790	\$ 1,623,140
Operating Expenses	(869,420)	(967,304)
OPERATING (LOSS)	<u>\$ 665,370</u>	<u>\$ 655,836</u>
Nonoperating Revenues (Expenses)	\$ (363,336)	\$ (82,884)
Other Financing Sources	(189,020)	(75,000)
CHANGE IN NET ASSETS	<u>\$ 113,014</u>	<u>\$ 497,952</u>

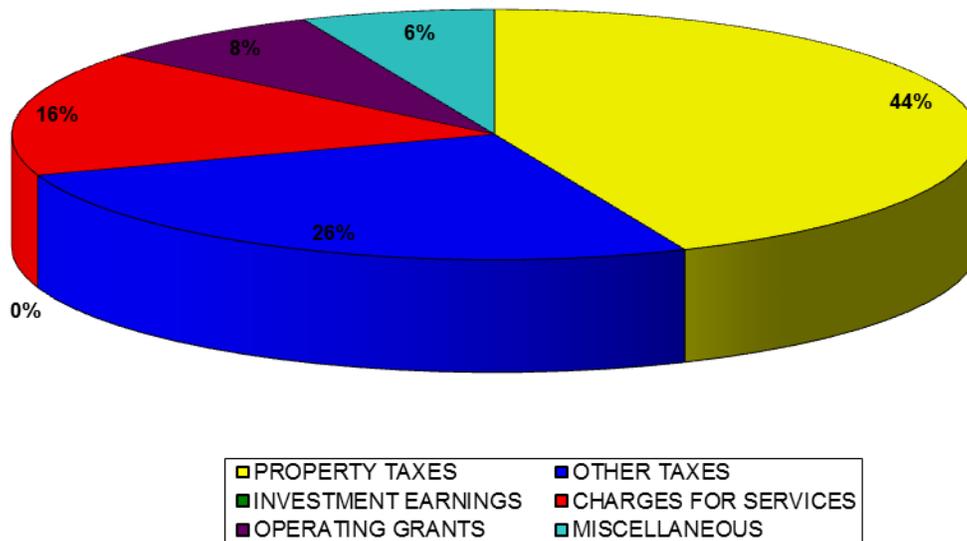
BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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PROGRAM REVENUE

Total government-wide revenues of \$5,352,112 were derived primarily from property taxes representing 43.5% of the total. Other taxes made up the next largest source of revenue of 25.1%, followed by charges for services at 16.1%.

The following chart graphically depicts the government-wide program revenues for the fiscal year ended December 31, 2011.

SOURCE OF REVENUES
TOTAL REVENUES: \$5,352,112



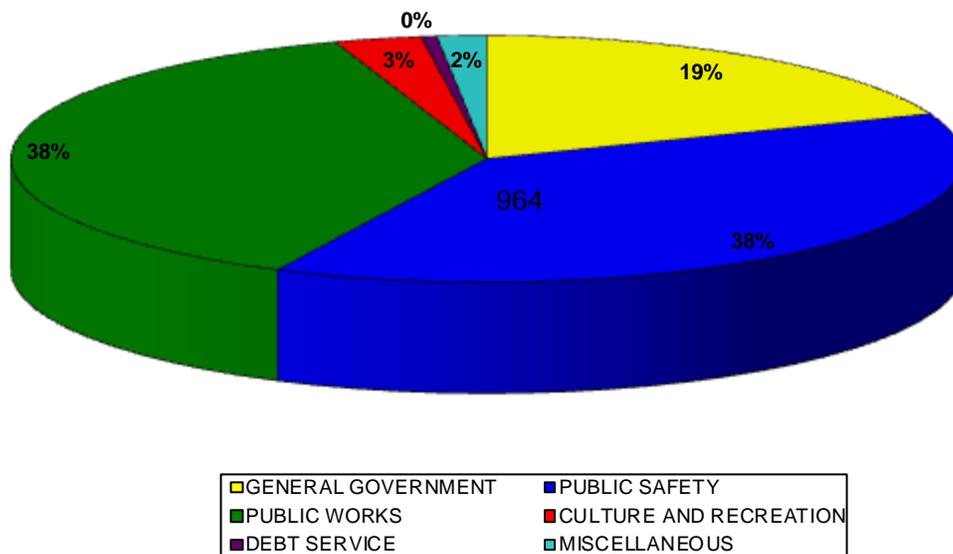
BOROUGH OF SEWICKLEY
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PROGRAM EXPENSE

Total expenses for all governmental activities in 2011 were \$5,073,921. The expenses reflect the delivery of a wide range of services, with the two largest areas being public safety at 38.1% and public works at 37.5%. General government expenses were 19% of total expenses.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2011.

PROGRAM EXPENSES
TOTAL EXPENSES: \$5,073,921



BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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DECEMBER 31, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2011, the Borough had \$6,489,808 invested in capital assets, including land, infrastructure, buildings, machinery and equipment and vehicles net of depreciation. This amount represents a net decrease (including additions, deletions and depreciation) of \$252,732, or approximately 3.7% from last year. The Borough had approximately \$188,924 in capital additions during the 2011 year, most of which was, equipment and vehicle purchases, and building improvements.

Long Term Debt

On December 31, 2011, the Borough has \$11,785,000 of debt outstanding. This represents an increase of 51.8% due to the Borough issuance of Series A, B and C General Obligation Bonds for a total of \$12,500,000 to refund all outstanding debt of the Borough and for ongoing capital projects in the Borough.

Pension Trust Fund

The Borough of Sewickley has two pension plans – general employees and police. On December 31, 2011, the assets of the plans were \$5,883,595.

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 ASSETS
DECEMBER 31, 2011

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 250,549	\$ 1,948,218	\$ 2,198,767
Investments	213	-	213
Due from other Governments	62,778	-	62,778
Internal Balances	(78,262)	78,262	-
Utilities Receivable	-	496,441	496,441
Taxes Receivable (Net)	507,703	-	507,703
Other Accounts Receivable	51,841	3,027	54,868
Total Current Assets	\$ 794,822	\$ 2,525,948	\$ 3,320,770
Noncurrent Assets:			
Land	\$ 285,326	\$ -	\$ 285,326
Infrastructure (net)	2,908,261	-	2,908,261
Site Improvements (net)	1,326,376	-	1,326,376
Buildings and Improvement (net)	582,648	2,442,901	3,025,549
Equipment (net)	1,246,401	500,967	1,747,368
Storm Sewers	-	771,641	771,641
Construction in Progress	140,796	7,266,591	7,407,387
Unamortized Bond Issue Costs	45,501	238,997	284,498
Unamortized Bond Discount	-	66,576	66,576
Total Noncurrent Assets	\$ 6,535,309	\$ 11,287,673	\$ 17,822,982
TOTAL ASSETS	\$ 7,330,131	\$ 13,813,621	\$ 21,143,752
LIABILITIES			
Current Liabilities:			
Accounts Payable - Bank Overdraft	\$ 29,330	\$ -	\$ 29,330
Payroll Deductions and Withholdings	6,562	-	6,562
Payroll Payable	24,088	3,449	27,537
Accounts Payable	108,528	93,141	201,669
Due to Other Governmental Units	-	14,199	14,199
Bonds Payable - Current Portion	257,250	567,750	825,000
Unamortized Bond Premium	7,352	7,659	15,011
Accrued Interest Payable	1,900	-	1,900
Total Current Liabilities	\$ 435,010	\$ 686,198	\$ 1,121,208
Noncurrent Liabilities:			
Bonds Payable - Long Term Portion	\$ 803,600	\$ 10,156,400	\$ 10,960,000
Accrued Compensated Absences	261,436	14,648	276,084
Total Noncurrent Liabilities	\$ 1,065,036	\$ 10,171,048	\$ 11,236,084
TOTAL LIABILITIES	\$ 1,500,046	\$ 10,857,246	\$ 12,357,292
NET ASSETS			
Invested in Capital Assets Net of Related Debt	\$ 5,421,606	\$ 316,866	\$ 5,738,472
Unrestricted (Deficit)	408,479	2,639,509	3,047,988
TOTAL NET ASSETS	\$ 5,830,085	\$ 2,956,375	\$ 8,786,460
TOTAL LIABILITIES AND NET ASSETS	\$ 7,330,131	\$ 13,813,621	\$ 21,143,752

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 967,890	\$ 45,954	\$ 195,875	\$ -	\$ (726,061)		\$ (726,061)
Public Safety - Police	1,581,388	443,927	26,000	-	(1,111,461)		(1,111,461)
Public Safety - Fire	231,642	59,756	51,918	-	(119,968)		(119,968)
Public Safety - Other	122,955	208,667	16,700	-	102,412		102,412
Public Works - Highways	1,907,310	94,584	117,685	-	(1,695,041)		(1,695,041)
Culture and Recreation	150,018	13,455	-	-	(136,563)		(136,563)
Debt Service	27,066	-	-	-	(27,066)		(27,066)
Total Governmental Activities	\$ 4,988,269	\$ 866,343	\$ 408,178	\$ -	\$ (3,713,748)		\$ (3,713,748)
Business-Type activities:							
Sewer	\$ 1,237,147	\$ 1,534,790	\$ -	\$ -		\$ 297,643	\$ 297,643
Total Business-Type Activities	\$ 1,237,147	\$ 1,534,790	\$ -	\$ -		\$ 297,643	\$ 297,643
Total Primary Government	\$ 6,225,416	\$ 2,401,133	\$ 408,178	\$ -	\$ (3,713,748)	\$ 297,643	\$ (3,416,105)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes (net)					\$ 2,331,783	\$ -	\$ 2,331,783
Act 511 Taxes					1,256,275	-	1,256,275
Sales Tax					84,027	-	84,027
Cable Franchise Fees					50,562	-	50,562
PURTA/Alcohol Beverage tax					6,973	-	6,973
Investment Earnings					994	4,391	5,385
Miscellaneous					112,119	-	112,119
Sale of Fixed Assets					7,825	-	7,825
Refund of Prior Year Receipts					(85,652)	(110,172)	(195,824)
Refund of Prior Year Expenses					148,185	-	148,185
Interfund transfers					78,848	(78,848)	-
Total General Revenues					\$ 3,991,939	\$ (184,629)	\$ 3,807,310
Change in Net Assets					\$ 278,191	\$ 113,014	\$ 391,205
Net Assets — January 1, 2011					5,551,894	2,843,361	8,395,255
Net Assets — December 31, 2011					\$ 5,830,085	\$ 2,956,375	\$ 8,786,460

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

EXHIBIT C

	GENERAL FUND	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$ 124,414	\$ 116,399	\$ 9,736	\$ 250,549
Investments	213	-	-	213
Due from Other Governmental Units	62,778	-	-	62,778
Due from Other Funds	-	-	-	-
Taxes Receivable (Net)	507,703	-	-	507,703
Other Accounts Receivable	51,841	-	-	51,841
TOTAL ASSETS	\$ 746,949	\$ 116,399	\$ 9,736	\$ 873,084
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable - Bank Overdraft	\$ 29,330	\$ -	\$ -	\$ 29,330
Payroll Deductions and Withholdings	6,562	-	-	6,562
Due To Other Funds	78,262	-	-	78,262
Payroll Payable	24,088	-	-	24,088
Accounts Payable	108,409	119	-	108,528
Deferred Revenue	341,725	-	-	341,725
TOTAL LIABILITIES	\$ 588,376	\$ 119	\$ -	\$ 588,495
FUND BALANCES:				
Assigned:				
General Fund - Road Improvements	\$ 124,414	\$ -	\$ -	\$ 124,414
Building Fund	-	15,520	-	15,520
Fire Fund	-	76,551	-	76,551
Capital Improvement Fund	-	24,209	-	24,209
Highway Aid Fund	-	-	9,643	9,643
Joint Municipal Planning Fund	-	-	93	93
Unassigned	34,159	-	-	34,159
TOTAL FUND BALANCES	\$ 158,573	\$ 116,280	\$ 9,736	\$ 284,589
TOTAL LIABILITIES AND FUND BALANCES	\$ 746,949	\$ 116,399	\$ 9,736	\$ 873,084

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 ASSETS
DECEMBER 31, 2011

Total Fund Balances - Governmental Funds \$ 212,903

Amounts reported for governmental activities in the statement of net assets (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 \$9,776,689, and the accumulated depreciation is \$3,286,881. 6,489,808

Bond issuance costs used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The unamortized portion of these costs is \$45,501. 45,501

Bond premium used in governmental activities are not financial uses, and therefore, are not reported as liabilities in governmental funds. The unamortized portion of this premium is \$7,352. (7,352)

Property taxes receivable in the statement of net assets, which will not be available soon enough to pay for the current period's expenditures (ie within 90 days of year-end), are deferred and not recognized as revenue in governmental funds. 341,725

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	\$ 1,060,850	
Accrued interest on the bonds	1,899	
Compensated absences	261,436	
	261,436	(1,324,185)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 5,758,400**

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, 2011

	GENERAL FUND	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 3,609,932	\$ -	\$ -	\$ 3,609,932
Licenses and Permits	59,087	-	-	59,087
Fines and Forfeitures	128,428	-	-	128,428
Interest and Rents	13,697	52	42	13,791
Intergovernmental	365,493	50,541	83,145	499,179
Contributions and Donations	-	35,000	-	35,000
Charges for Services	681,590	-	-	681,590
Miscellaneous	94,610	17,632	-	112,242
Total Revenue	\$ 4,952,837	\$ 103,225	\$ 83,187	\$ 5,139,249
EXPENDITURES				
General Government	\$ 943,965	\$ 40,000	\$ -	\$ 983,965
Public Safety	1,881,874	-	-	1,881,874
Public Works	1,572,500	81,155	-	1,653,655
Culture and Recreation	146,392	41,329	-	187,721
Debt Service	267,679	-	1,294,581	1,562,260
Total Expenditures	\$ 4,812,410	\$ 162,484	\$ 1,294,581	\$ 6,269,475
Excess (Deficiency) of Revenue over Expenditures	\$ 140,427	\$ (59,259)	\$ (1,211,394)	\$ (1,130,226)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 159,699	\$ 71,237	\$ -	\$ 230,936
Operating Transfers Out	(71,384)	-	(80,704)	(152,088)
Bond Proceeds	-	-	1,286,250	1,286,250
Original Issue Premium	-	-	8,331	8,331
Sale of Fixed Assets	-	7,826	-	7,826
Refund Prior Year Expenses (Due from write off)	206,342	257,095	45,400	508,837
Refund Prior Year Receipts (Due to write off)	(244,354)	(154,310)	-	(398,664)
Refund Prior Year Receipts (A/R write-off)	(38,487)	-	-	(38,487)
Refund Prior Year Receipts (Taxes)	(9,153)	-	-	(9,153)
Total Other Financing Sources (Uses)	\$ 2,663	\$ 181,848	\$ 1,259,277	\$ 1,443,788
NET CHANGE IN FUND BALANCES	\$ 143,090	\$ 122,589	\$ 47,883	\$ 313,562
FUND BALANCE - JANUARY 1, 2011 (Deficit)	15,483	(6,309)	(38,147)	(28,973)
FUND BALANCE - DECEMBER 31, 2011	\$ 158,573	\$ 116,280	\$ 9,736	\$ 284,589

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, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 313,562

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 depreciation expense (\$441,656) exceeds capital outlays (\$188,924) in the period. (252,732)

Bond issuance costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the bond issue as amortization expense. 20,277

Bond premiums are reported in governmental funds as revenues. However, in the statement of activities, these premiums are capitalized and amortized over the life of the bond issue as amortization expense. (7,352)

Proceeds from long-term debt obligations are recorded as revenues in the governmental funds. However, in the statement of net assets, these proceeds and related bond issue costs are recognized as long-term liabilities and contra-liabilities. (1,286,250)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,519,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,786

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 tax revenues, net of a provision for doubtful accounts, increased by \$21,873 (21,873)

In the statement of activities, certain operating expenses - compensated absences and retiree health benefits - 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 retiree health benefits and compensated absences earned, exceeded the amount paid in 2011. (9,227)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 278,191**

The accompanying notes are an integral part of these financial statements

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,430,750	\$ 3,430,750	\$ 3,609,932	\$ 179,182
Licenses and Permits	59,700	59,700	59,087	(613)
Fines and Forfeitures	144,000	144,000	128,428	(15,572)
Interest and Rents	6,130	6,130	13,697	7,567
Intergovernmental	230,200	230,200	365,493	135,293
Charges for Services	727,742	727,742	681,590	(46,152)
Miscellaneous	77,900	77,900	94,610	16,710
Total Revenues	\$ 4,676,422	\$ 4,676,422	\$ 4,952,837	\$ 276,415
EXPENDITURES				
General Government	\$ 917,753	\$ 917,753	\$ 943,965	\$ (26,212)
Public Safety	1,881,069	1,881,069	1,881,874	(805)
Public Works	1,653,257	1,653,257	1,572,500	80,757
Culture and Recreation	150,678	150,678	146,392	4,286
Debt Service	154,815	154,815	267,679	(112,864)
Total Expenditures	\$ 4,757,572	\$ 4,757,572	\$ 4,812,410	\$ (54,838)
Excess (Deficiency) of Revenues over Expenditures	\$ (81,150)	\$ (81,150)	\$ 140,427	\$ 221,577
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 156,150	\$ 156,150	\$ 159,699	\$ 3,549
Operating Transfers Out	(65,000)	(65,000)	(71,384)	(6,384)
Refund of Prior Year Receipts	(10,000)	(10,000)	(85,652)	(75,652)
Total Other Financing Sources (Uses)	\$ 81,150	\$ 81,150	\$ 2,663	\$ (78,487)
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ 143,090	\$ 143,090
FUND BALANCE - JANUARY 1, 2011 (Restated)	-	-	15,483	15,483
FUND BALANCE - DECEMBER 31, 2011	\$ -	\$ -	\$ 158,573	\$ 158,573

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
DECEMBER 31, 2011

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 1,948,218
Sewer Receivable	496,441
Due from Other Funds	78,262
Other Accounts Receivable	3,027
Total Current Assets	\$ 2,525,948

Noncurrent Assets:

Buildings	\$ 3,710,618
Equipment	1,780,751
Storm Sewers	834,877
Vehicles	79,471
Work in Progress	7,266,591
Bond Issue Costs	238,997
Bond Discount	66,576
Accumulated Depreciation	(2,690,208)
Total Noncurrent Assets	\$ 11,287,673

TOTAL ASSETS**\$ 13,813,621****LIABILITIES****Current Liabilities:**

Accounts Payable	\$ 93,141
Payroll Payable	3,449
Due to Other Governmental Units	14,199
Current Portion Long-Term Debt	567,750
Bond Premium	7,659
Total Current Liabilities	\$ 686,198

Noncurrent Liabilities:

Bonds Payable - Long term portion	\$ 10,156,400
Compensated Absences	14,648
Total Noncurrent Liabilities	\$ 10,171,048

TOTAL LIABILITIES**\$ 10,857,246****NET ASSETS**

Invested in Capital Assets Net of Related Debt	\$ 316,866
Unrestricted (Deficit)	2,639,509
TOTAL NET ASSETS	\$ 2,956,375

TOTAL LIABILITIES AND NET ASSETS**\$ 13,813,621**

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES:

Sewer Rentals	\$ 1,534,790
Total Operating Revenues	\$ 1,534,790

OPERATING EXPENSES:

Salaries and Wages	\$ 213,748
Employee Benefits	130,815
Materials and Supplies	20,132
Chemicals	23,382
Collection Fees - Sewickley Water Authority	33,726
Vehicle	4,455
Engineering	12,824
Insurance	32,340
Utilities	104,311
Uniforms	3,255
Repair and Maintenance	40,369
Contracted Services	13,140
Sludge Disposal	25,023
Depreciation	168,293
Miscellaneous	43,607
Total Operating Expenses	\$ 869,420

TOTAL OPERATING INCOME <LOSS>	\$ 665,370
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NON-OPERATING REVENUE <EXPENSE>:

Interest Income	\$ 4,391
Interest Expense	(339,061)
Refund Prior Year Receipts	(110,172)
Amortization	(28,666)
TOTAL NON-OPERATING REVENUE <EXPENSE>	\$ (473,508)

OTHER FINANCING SOURCES <USES>:

Transfer from General Fund	\$ 147
Transfer to General Fund	(78,995)
TOTAL OTHER FINANCING SOURCES <USES>	\$ (78,848)

CHANGE IN NET ASSETS	113,014
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NET ASSETS - JANUARY 1, 2011	2,843,361
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NET ASSETS - DECEMBER 31, 2011	\$ 2,956,375
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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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from user charges	\$ 1,553,450
Cash paid to employees for wages and benefits	(344,784)
Cash paid to vendors for goods and services	(983,219)
Net cash provided (used) by operating activities	<u>\$ 225,447</u>

CASH FLOWS FROM CAPITAL AND RELATED**FINANCIAL ACTIVITIES:**

Capital construction and purchases	\$ (3,409,776)
Bond issue proceeds	11,213,750
Bond principal payments	(1,007,550)
Note principal payments	(4,563,731)
Interest payments on debt	(339,061)
Net cash provided (used) by capital and related financing activities	<u>\$ 1,893,632</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 4,391
Net cash provided (used) by investing activities	<u>\$ 4,391</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Interfund transfers	\$ (78,848)
Net cash provided (used) by non-capital financing activities	<u>\$ (78,848)</u>

Net increase (decrease) in cash and cash equivalents 2,044,622

Cash and cash equivalents - January 1, 2011 (96,404)

Cash and cash equivalents - December 31, 2011 **\$ 1,948,218**

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 665,836
Adjustments to reconcile excess revenues over expenditures provided by (used in) operating activities:	
Depreciation	168,293
Changes in assets and liabilities:	
(Increase) decrease in water/sewer receivables	22,460
(Increase) decrease in other receivables	(800)
Increase (decrease) in accounts payable	(627,057)
Increase (decrease) in due to other governmental units	413
Increase (decrease) in payroll payable	118
Other adjustments	(3,816)
Net cash provided (used) by operating activities	<u>\$ 225,447</u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>POLICE PENSION FUND</u>	<u>NON-UNIFORM PENSION FUND</u>
ASSETS		
Cash and Cash Equivalents	\$ 32,885	\$ 57,291
Investments:		
Corporate/Municipal Obligations	1,199,353	903,739
Equity Securities	2,213,288	1,451,850
Accrued Interest	14,658	10,531
TOTAL ASSETS	<u>\$ 3,460,184</u>	<u>\$ 2,423,411</u>
LIABILITIES		
Other Current Liabilities	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Held in Trust for Pension Benefits	\$ 3,460,184	\$ 2,423,411
TOTAL NET ASSETS	<u>\$ 3,460,184</u>	<u>\$ 2,423,411</u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	POLICE PENSION FUND	NON-UNIFORM PENSION FUND
	<u> </u>	<u> </u>
ADDITIONS		
Interest/Dividends	\$ 106,428	\$ 71,865
Realized Gains/(Losses)	109,152	70,453
Employer Contributions	114,711	192,086
Other Cash Receipts	21,106	30
TOTAL ADDITIONS	<u>\$ 351,397</u>	<u>\$ 334,434</u>
 DEDUCTIONS		
Benefit Payments	\$ (107,314)	\$ (144,043)
Unrealized Depreciation	(19,947)	(8,965)
Administrative Expenses	(55,216)	(39,686)
TOTAL DEDUCTIONS	<u>\$ (182,477)</u>	<u>\$ (192,694)</u>
 CHANGE IN NET ASSETS	 \$ 168,920	 \$ 141,740
 NET ASSETS - JANUARY 1, 2011	 <u>3,291,264</u>	 <u>2,281,671</u>
 NET ASSETS - DECEMBER 31, 2011	 <u>\$ 3,460,184</u>	 <u>\$ 2,423,411</u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 – DESCRIPTION OF THE BOROUGH AND REPORTING ENTITY

DESCRIPTION

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.

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.

Component units are legally separate organizations for which the Borough is financially accountable. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves their budget, the issuance of their debt or the levying of their taxes. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", management has evaluated all potential component units for inclusion in the accompanying financial statements. In accordance with this guidance, the following criteria were used to determine which, if any, organizations should be reported as a component unit of the Borough:

- Whether the Borough would be considered financially accountable for an organization if it appoints a majority of the organization's governing board and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.

Based on the application of these criteria, the Borough of Sewickley has no component units.

The following entities that perform activities within the Borough's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the Borough is not financially accountable for these entities nor are they fiscally dependent on the Borough:

- Quaker Valley School District
- Sewickley Water Authority

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Borough also applies Financial Accounting Standards Board (FASB) (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Borough's accounting policies are as follows:

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS – The statement of net assets (Exhibit A) and the statement of activities (Exhibit B) display information about the Borough as a whole. In specific, these financial statements combine all of the financial activity of the Borough's major and non-major funds as described herein Note 2. The government-wide financial statements do not include the financial activity of the Borough's fiduciary funds, which cannot be used to finance general operations. GASB Statement No. 34 describes and distinguishes the financial activity in any fund as being either governmental or business-type.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues 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:

- 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) – Cable franchise fees, 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, 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 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 financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. In Exhibit C, non-major funds, if applicable, are segregated and combined 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.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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 assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

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.

JOINT MUNICIPAL PLANNING COMMITTEE (SPECIAL REVENUE) - Established to set up an intermunicipal planning committee between the Boroughs of Sewickley and Osborne and the Borough of Allepo, which will jointly engage in various projects to benefit all three communities.

SINKING FUND – (DEBT SERVICE FUND) – Established to account for proceeds of 2004 bond issue and subsequent debt service payments.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. 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, 2011 are **1)** delinquent real estate taxes earned by the Borough in the fourth quarter of 2011 **2)** deed transfer taxes and vehicle code violations earned by the Borough in December of 2011 **3)** certain taxpayer assessed Act 511 taxes, **4)** sewer fees billed to the Borough residents and collected in January 2012 **5)** cable franchise fees earned during the year, and **6)** other miscellaneous revenues estimable and available to the Borough for 2011 but not as yet collected at December 31, 2011.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)

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, 2011 are those for which the Borough's intention was to expense these items as budgeted for in the 2011 official budget, and for which the Borough has incurred an obligation during 2011, but has not paid as of December 31, 2011.

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 December of 2010, the Borough of Sewickley adopted its 2011 annual budget for its General Fund totaling \$4,832,572 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 2011. All appropriations lapse at the end of each calendar year.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Activities and the Governmental Funds Balance Sheet (Exhibit C), 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 or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits or 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 these governmental units.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

- V. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

The Borough of Sewickley's investment portfolio is in compliance with these provisions at December 31, 2011.

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.

RECEIVABLES

Sewage receivables are reflected at net realizable value as of December 31, 2011.

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 7 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 assets.

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 assets. 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>GOVERNMENTAL ACTIVITIES</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

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS AND DEPRECIATION (Continued)

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 assets 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 assets (Exhibit D) and the changes in fund balances to the changes in net assets (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 \$261,436 is shown as a long-term liability in the government-wide statement of net assets. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned.

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 assets 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 assets (Exhibit D) and the changes in fund balances to the changes in net assets (Exhibit F).

NET ASSETS

GASB Statement No. 34 requires equity in the government-wide statement of net assets to be reported as 'Net Assets' rather than 'fund balance'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Borough obligations. Net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets 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.
- Restricted-Nonexpendable – Net assets subject to externally imposed restrictions which are required to be maintained in perpetuity.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS (Continued)

- Restricted-Expendable – Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Borough or by the passage of time.
- Unrestricted – Consists of net assets that do not meet the definition of ‘restricted’ or ‘invested in capital assets, net of related debt’.

The Borough applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

FUND EQUITY

Beginning with fiscal year 2011, the Borough of Sewickley implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Unspendable 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
- 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 of Sewickley 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. Management has assigned \$124,414 of the General Fund balance for road repairs within the Borough.
- Unassigned fund balance – amount that are available for any purpose

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 assign fund balance to the Borough Manager.

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.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2011, the Borough of Sewickley had the following carrying values on its cash and cash equivalent accounts:

	<u>Bank Balance</u>	(Memo Only) <u>Book Balance</u>
General Fund	\$ 234,085	\$ 124,414
Capital Project Fund	122,650	116,399
Non-Major Funds	9,736	9,736
Sewer Fund	1,952,312	1,948,218
Fiduciary Funds	90,176	90,176
Total	<u>\$ 2,408,959</u>	<u>\$ 2,288,943</u>

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The first \$250,000 held in interest bearing accounts (time and savings deposits) at the Borough's depositories is insured through the Federal Deposit Insurance Corporation (FDIC). Non-interest bearing accounts (demand and checking accounts) are insured fully from December 31, 2010 to December 31, 2012.

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, 2011, \$1,818,858 of the Borough's bank balance total is exposed to custodial credit risk. Deposits over \$250,000 represent 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.

INVESTMENTS:

The fair value and maturity term of the Borough's investments as of December 31, 2011 is as follows:

	<u>Fair Value</u>	<u>No Stated Maturity</u>	<u>1-5 Years</u>
Governmental Funds:			
PLGIT	\$ 213	\$ 213	\$ -
Fiduciary Funds:			
Corporate & Municipal Obligations	\$ 2,103,092	\$ -	\$ 2,103,092
Equity Securities	3,665,138	3,665,138	-
	<u>\$ 5,768,230</u>	<u>\$ 3,665,138</u>	<u>\$ 2,103,092</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

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 assets 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.

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, 2011, investments in PLGIT have received a 'AAA' rating from Standards & Poors, an independent rating company. Ratings for the municipal obligations were 'BBB' or above as of the last rating date. Ratings were unavailable for the Borough's corporate obligations at December 31, 2011.

Interest Rate Risk:

Interest rate risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Borough places no limit on the amount it may invest in any one issuer.

NOTE 4 - 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, 2011	(Discount period)
May 1 – June 30, 2011	(Face period)
July 1 and after	(Penalty period)

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 - PROPERTY TAXES (Continued)

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, 2011, \$119,996 of 2011 real estate taxes are unpaid which represents 5.2% of the total assessed property taxes for 2011.

The tax millage assessment for the 2011 calendar year is 7.3 mills on the assessed value of land and buildings, which represents \$7.30 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.

NOTE 5 - RECEIVABLES

Receivables, as reflected in Exhibit C, consist of the following at December 31, 2011:

TAXES:

Delinquent real estate	\$ 364,390
Deed transfer taxes	6,495
EMS tax	20,214
Earned income tax	107,719
Business privilege	8,885
	<u>\$ 507,703</u>

OTHER:

Cable franchise fees	\$ 12,976
Municipal fines	1,164
Miscellaneous	37,701
	<u>\$ 51,841</u>

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS

The 'due from other governmental units' total of \$62,778, as reflected in Exhibit A & C, represents amounts earned by and due the Borough of Sewickley for 2011 from other governmental agencies as follows:

Commonwealth of PA - Act 77	\$ 7,143
Osborne Secretarial/Code services	5,212
Local Government Academy reimbursement	20,000
Police/Crossing Guard Reimbursement	22,270
Special Public Works Services	1,594
Rent	2,983
Fuel	3,576
	<u>\$ 62,778</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7 – INTER-FUND RECEIVABLES/PAYABLES

Internal balances as shown on the “Statement of Net Assets” (Exhibit A) and “Due to/from Other Funds” as reflected on Exhibits C and H reflects the amount due from the General Fund to the Sewer Fund of \$78,262 for debt payments made by the Sewer Fund on behalf of the General Fund during 2011.

NOTE 8 - CAPITAL ASSETS

A summary of the governmental and business-type fixed asset activity for the 2011 calendar year was as follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
Land	\$ 285,326	\$ -	\$ -	\$ 285,326
Infrastructure	3,857,879	13,428	-	3,871,307
Site Improvements	1,245,875	424,371	-	1,670,246
Buildings and Improvements	1,062,791	40,000	-	1,102,791
Machinery and Equipment	823,996	-	-	823,996
Vehicles	1,771,008	111,219	-	1,882,227
Construction in Progress	540,891	37,703	(437,798)	140,796
	<u>\$ 9,587,765</u>	<u>\$ 626,721</u>	<u>\$ (437,798)</u>	<u>\$ 9,776,689</u>
Less: Accumulated depreciation				
Infrastructure	\$ (884,151)	\$ (161,816)	\$ -	\$ (1,045,967)
Site Improvement	(279,813)	(56,908)	-	(336,721)
Buildings and Improvements	(474,345)	(29,238)	-	(503,583)
Machinery and Equipment	(540,578)	(41,026)	-	(581,604)
Vehicles	(666,338)	(152,668)	-	(819,006)
	<u>\$ (2,845,225)</u>	<u>\$ (441,656)</u>	<u>\$ -</u>	<u>\$ (3,286,881)</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,742,540</u>	<u>\$ 185,065</u>	<u>\$ (437,798)</u>	<u>\$ 6,489,808</u>
	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Business-Type Activities				
Buildings	\$ 3,710,618	\$ -	\$ -	\$ 3,710,618
Equipment	1,701,256	79,497	-	1,780,753
Storm Sewers	834,874	-	-	834,874
Vehicles	79,471	-	-	79,471
Construction in Progress	3,936,311	3,330,280	-	7,266,591
	10,262,530	3,409,777	-	13,672,307
Less: Accumulated Depreciation	(2,521,914)	(168,293)	-	(2,690,207)
Business-Type Activities Capital Assets, Net	<u>\$ 7,740,616</u>	<u>\$ 3,241,484</u>	<u>\$ -</u>	<u>\$ 10,982,100</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was allocated to governmental functions as follows:

General Administration	\$ 13,971
Police	41,076
Fire	62,861
Public Works	248,247
Culture and Recreation	75,501
	<u><u>\$ 441,656</u></u>

NOTE 9 - 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 The Copeland Companies. In accordance with Internal Revenue Code Section 457, assets in the plan remain the property of the Borough of Sewickley until paid or made available to the participants, subject only to the claims of the Borough's general creditors.

NOTE 10 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS

BONDS PAYABLE – SERIES A OF 2010

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series A of 2010 in the amount of \$2,625,000 to refund on a current refunding basis, the Borough's General Obligation Bonds, Series of 2004, currently refund outstanding bank loans, 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 .60 and 3.0%. The bonds provide for early redemption features on or after December 1, 2016. The Bonds are scheduled to mature on December 1, 2018 and are secured by the full faith and taxing power of the Borough. Management has determined that the General Fund is responsible for 49% of the debt service obligation and the Sewer Fund is responsible for 51% of the debt service obligation.

A schedule of the December 31, 2011 debt service requirement on the general obligation bonds are as follows:

Year End	Principal	Interest	Total
31-Dec			
2012	\$ 525,000	\$ 46,530	\$ 571,530
2013	405,000	36,030	441,030
2014	365,000	27,930	392,930
2015	340,000	20,630	360,630
2016	190,000	13,830	203,830
2017-2018	340,000	14,110	354,110
	<u><u>\$ 2,165,000</u></u>	<u><u>\$ 159,060</u></u>	<u><u>\$ 2,324,060</u></u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 11 – BUSINESS-TYPE ACTIVITY LONG-TERM DEBT OBLIGATIONS

BONDS PAYABLE – SERIES B OF 2010

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series B of 2010 in the amount of \$5,430,000 to provide the Borough with the funds required to pay off a December 2009 loan from the Pennsylvania Infrastructure Investment Authority, to complete the renovation, rebuilding and upgrade of the headwaters and dewatering facility at the Sewickley wastewater treatment plant, 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 .60 and 4.4%. The bonds provide for early redemption features on or after December 1, 2016. The Bonds are scheduled to mature on December 1, 2030 and are secured by the full faith and taxing power of the Borough.

BONDS PAYABLE – SERIES C OF 2010

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series C of 2010 in the amount of \$4,445,000 for engineering costs concerning the upgrade and rebuilding of, and to undertake a capital project to upgrade and rebuild, sewer interconnect lines and a pump station which is located in the Borough of Glen Osborne to establish a regional sewer collection system, and to fund change orders and delay construction charges incurred in connection with the renovation, rebuilding and upgrade of the headwaters and dewatering facility at the Sewickley wastewater treatment plant and to pay the cost to repair and rebuild the dystor at the Sewickley wastewater treatment plant, to pay capitalized interest on the bonds, 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 2.0 and 4.7%. The bonds provide for early redemption features on or after December 1, 2016. The Bonds are scheduled to mature on December 1, 2040 and are secured by the full faith and taxing power of the Borough.

A schedule of the December 31, 2011 debt service requirement on the business-type activity general obligation bonds are as follows:

Year End 31-Dec	Series B Principal	Series C Principal	Interest	Total
2012	\$ 210,000	\$ 90,000	\$ 363,855	\$ 663,855
2013	215,000	95,000	357,855	667,855
2014	215,000	95,000	351,655	661,655
2015	220,000	100,000	345,455	665,455
2016	225,000	100,000	339,055	664,055
2017-2021	1,220,000	540,000	1,557,305	3,317,305
2022-2026	1,460,000	650,000	1,217,948	3,327,948
2027-2031	1,410,000	795,000	732,178	2,937,178
2032-2036	-	1,000,000	375,000	1,375,000
2037-2040	-	980,000	117,500	1,097,500
	\$ 5,175,000	\$ 4,445,000	\$ 5,757,806	\$ 15,377,806

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 12 – CHANGES IN LONG-TERM DEBT OBLIGATIONS

The following represents the changes in the Borough's long-term liabilities during the 2011 calendar year:

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due Within</u> <u>One Year</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 987,050	\$ 1,286,250	\$ 1,212,450	\$ 1,060,850	\$ 257,250
General Obligation Notes	299,075	-	299,075	-	-
TAN	-	500,000	500,000	-	-
Leases Payable	7,475	-	7,475	-	-
Total long-term debt -					
Governmental activities	\$ 1,293,600	\$ 1,786,250	\$ 2,019,000	\$ 1,060,850	\$ 257,250
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 517,950	\$ 11,213,750	\$ 1,007,550	\$ 10,724,150	\$ 567,750
General Obligation Notes	4,295,725	268,008	4,563,733	-	-
Total long-term debt -					
Business-Type Activities	\$ 4,813,675	\$ 11,481,758	\$ 5,571,283	\$ 10,724,150	\$ 567,750

NOTE 13 - 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 Investments. Ameriserv Trust and Financial Services is the custodian of the funds.

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.
- 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 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. There Borough contributed \$114,711 to the plan in 2011.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 13 - BOROUGH PENSION PLANS (Continued)

NON-UNIFORMED PENSION PLAN - The Borough of Sewickley's non-uniformed 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 Investments. Ameriserv Trust and Financial Services 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 1.85% of the participant's average monthly salary earned during the final 36 months of employment at retirement multiplied by years of service.
- 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. The Borough contributed \$192,086 to the plan in 2011.

Plan membership as of January 1, 2011 was comprised of:

	POLICE	NON- UNIFORM
Active employees	9	17
Retirees and beneficiaries currently receiving benefits	4	13
Terminated employees entitled to benefits but not yet receiving them	2	8
Total	15	38

FUNDING REQUIREMENTS

On December 18, 1984, act 205 was passed into law, and is known as the "Municipal Pension Plan Funding Standard and Recovery Act." The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 13 - BOROUGH PENSION PLANS (Continued)

FUNDING REQUIREMENTS (Continued)

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability. For financially distressed pension plans, the act provides for delayed implementation of this funding standard over either 10 or 15 years. In addition, supplemental state aid is available to all eligible municipalities and will be paid from the supplemental state assistance account.

In addition to member contributions, the pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program. The entire proceeds of the insurance premium tax on foreign casualty insurance companies and any investment income earned on those proceeds, and the portion of the proceeds of the insurance premium tax on foreign fire insurance companies which represents the amount of the distributions applicable to paid firefighters, and any investment income earned on the amount of those distributions are specifically designated for municipal pension plans. Any remaining obligation with respect to the pension plan shall be paid by the municipality.

The plan's investment income was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2011. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

The percentage breakdown of individual investments to overall investments of the police and non-uniformed pension plan, held with Ameriserv Trust and Financial Services, are as follows at December 31, 2011:

	<u>POLICE</u>	<u>%</u>	<u>NONUNIFORM</u>	<u>%</u>
Money Market Funds	\$ 32,859	1.0%	\$ 57,056	2.4%
Municipal Obligations	831,052	24.1%	630,130	26.1%
Corporate Obligations	368,301	10.7%	273,609	11.3%
Equity Securities	2,213,288	64.2%	1,451,850	60.2%

Trend information regarding annual pension costs, percentage contributions and any net pension obligations (NPO) is as follows:

<u>YEAR ENDED</u> <u>DECEMBER 31</u>	<u>PENSION</u> <u>COST</u>	<u>PERCENTAGE</u> <u>CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
POLICE:			
2006	\$ 86,023	100%	-
2007	92,555	100%	-
2008	66,644	100%	-
2009	91,846	100%	-
2010	121,242	100%	-
2011	114,711	100%	-
NON-UNIFORM:			
2006	\$ 110,104	100%	-
2007	116,589	100%	-
2008	134,672	100%	-
2009	142,492	100%	-
2010	186,236	100%	-
2011	192,086	100%	-

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

In addition to the pension benefits as described in Note 13, the Borough of Sewickley provides life insurance benefits in the amount of \$1,000 to covered employees subsequent to their retirement. The cost of this benefit to the Borough of Sewickley for 2011 was approximately \$65.

NOTE 15 – 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 16 - CONTINGENT LIABILITIES

LEGAL MATTERS

The Borough, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2011, the Borough is unaware of any 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.

NOTE 17 – RESTATED FUND BALANCE

As a result of the implementation of GASB Statement No. 54, the January 1, 2010 General Fund balance has been restated to include the January 1, 2010 fund balance of the Road Improvement Fund in the amount of \$8,250.

NOTE 18– SUBSEQUENT EVENTS

On January 10, 2012, the Borough of Sewickley entered into a loan agreement in the form of a Tax Anticipation Note, with the Sewickley Water Authority, in the amount of \$500,000. The interest rate on the note is 2.25% and the maturity date is April 30, 2012.

The Borough is not aware of any other subsequent events after December 31, 2011 and through the date of the financial statements, March 31, 2012, that would require recognition or disclosure in the financial statements.

***SUPPLEMENTAL
SCHEDULES***

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>TAXES:</u>			
Real estate - current	\$ 2,220,000	\$ 2,168,977	\$ 2,040,652
Real estate - prior	10,000	22,260	3,945
Real estate - liened	80,000	162,420	123,425
Per capita tax	9,700	9,544	8,588
Real estate transfer tax	120,000	112,764	94,911
Earned income tax	785,000	829,972	859,427
EMS Tax	-	133,518	-
Business privilege tax	200,000	163,017	110,970
Penalties & interest on delinquent taxes	6,050	7,459	(23,872)
TOTAL TAXES	\$ 3,430,750	\$ 3,609,932	\$ 3,218,046
<u>LICENSES AND PERMITS:</u>			
Amusement licenses	\$ 7,500	\$ 4,250	\$ 4,250
Cable franchise license	45,000	50,562	48,162
Tree Expert License	200	25	50
Street permits	7,000	4,250	5,750
TOTAL LICENSES AND PERMITS	\$ 59,700	\$ 59,087	\$ 58,212
<u>FINES AND FORFEITURES:</u>			
Motor vehicle code violations	\$ 45,000	\$ 47,437	\$ 45,975
Parking violations	89,000	70,285	79,111
Non-Traffic Citations	10,000	10,706	13,450
TOTAL FINES AND FORFEITURES	\$ 144,000	\$ 128,428	\$ 138,536
<u>INTEREST AND RENTS:</u>			
Interest	\$ 2,500	\$ 898	\$ 496
Rents	3,630	12,800	3,739
TOTAL INTEREST AND RENTS	\$ 6,130	\$ 13,697	\$ 4,235
<u>INTERGOVERNMENTAL:</u>			
PURTA	\$ 4,400	\$ 4,573	\$ 4,635
Liquor licenses	2,800	2,400	2,400
Municipal pension state aid	115,000	195,875	116,454
Foreign fire insurance	34,000	51,918	34,404
State Grants - Canine Unit	-	10,000	3,551
State Grants - Map Upgrade Project	-	16,700	-
FEMA	-	-	24,604
Act 77 revenues	74,000	84,027	80,651
TOTAL INTERGOVERNMENTAL	\$ 230,200	\$ 365,493	\$ 266,699

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>CHARGES FOR SERVICES:</u>			
Osborne Borough secretary services	\$ 25,000	\$ 27,904	\$ 30,619
Osborne Crossing guard	4,500	4,080	5,084
Zoning permits	500	3,500	500
Engineering review	1,000	-	-
Zoning hearing fees	8,000	1,000	4,500
No lien Letter	4,000	5,250	3,660
Sale of maps	50	-	19
Sale of Code	50	-	-
Sale of ordinances	300	-	580
Sale of subdivision	50	-	-
Sale of street banner permits	6,000	5,700	6,900
Sale of recycling bins	250	419	310
Special police services	120,000	135,378	129,736
Fire protection services-Haysville	3,630	5,091	4,213
Fire protection services-Osborne	18,000	17,032	17,032
Fire equipment replacement fund	3,200	2,633	3,511
Code service fees	-	1,491	9,749
Building permits	220,000	198,426	49,397
Occupancy Permits	300	-	-
Parking meter revenues	220,000	175,439	187,735
Parking permits	1,500	602	827
Salt Reimbursement	35,000	20,611	28,963
Special public works services	2,000	8,818	1,447
Road project	5,000	-	19,990
Road project - Prior Year	-	-	19,990
Park shelter fees	10,500	10,080	10,980
Tree fund-license/permits/donations	4,000	3,350	4,570
QVSD Gas	22,312	39,265	25,286
BSWA Gas	12,600	15,521	12,744
TOTAL CHARGES FOR SERVICES	\$ 727,742	\$ 681,590	\$ 578,343
<u>MISCELLANEOUS:</u>			
Miscellaneous revenue	\$ 50,000	\$ 42,924	\$ 2,329
Contributions and Donations	-	9,263	3,186
Other income	2,000	-	-
Health Insurance Reimbursements	25,900	21,172	24,376
Refunds and Reimbursements	-	21,252	10,561
TOTAL MISCELLANEOUS	\$ 77,900	\$ 94,610	\$ 40,451

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY)</u> <u>PRIOR YEAR</u>
<u>OTHER FINANCIAL SOURCES:</u>			
Transfer from Liquid Fuels	\$ -	\$ 80,704	\$ 81,235
Transfer from Sewer Fund	75,000	78,995	75,000
Transfer from Road Construction	-	-	-
Transfer from Visioning Study	-	-	38
Refund of Prior Year Expenses	-	-	110,103
TOTAL OTHER FINANCIAL SOURCES	<u>\$ 75,000</u>	<u>\$ 159,699</u>	<u>\$ 266,375</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 4,751,422</u>	 <u>\$ 5,112,535</u>	 <u>\$ 4,570,896</u>

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

GENERAL GOVERNMENT:	BUDGET	ACTUAL	(MEMORANDUM ONLY)
LEGISLATIVE BODY:			PRIOR YEAR
Salary - manager	\$ 88,130	\$ 92,178	\$ 94,467
Salary - borough secretary	2,500	2,500	2,500
Salaries - staff	124,055	136,119	139,907
Life/accident insurance	4,500	3,283	4,723
Dental insurance	4,194	4,234	4,296
Long term disability insurance	3,500	2,287	2,413
Vision care	416	421	458
Keystone HMO	38,944	9,398	42,659
Health Savings Account	-	4,500	-
Pension	37,381	43,260	40,473
Social security(FICA)	16,250	22,471	18,150
Unemployment compensation	2,390	158	283
Workmans comp	1,171	10,737	10,795
Admin Overtime	5,500	487	2,166
Materials and supplies	9,000	8,721	10,512
Other expense	11,000	9,182	9,130
Computer maintenance	26,500	28,591	21,273
Computer services	12,500	6,217	18,685
Auditing services	8,500	7,447	7,370
Web Site	1,500	3,727	14,387
PEG Channel	6,000	6,638	-
Solicitor retainer	8,400	6,700	6,700
Other legal services	58,800	79,519	81,854
Engineer	25,000	21,649	38,463
Telephone	9,500	7,229	6,547
Postage	4,000	3,041	3,642
Equipment Lease	18,000	19,828	18,507
Auto allowance manager	2,000	1,803	1,773
Advertising	9,000	18,823	13,906
Annual report	5,600	-	-
Property and liability insurance	35,000	34,945	34,835
Dues/subscriptions and memberships	9,000	9,753	13,188
Meetings and conferences	8,000	8,028	5,934
Contingencies	77,538	95,258	130,614
Center Contribution	12,500	12,500	12,500
Depreciation	10,000	-	-
TOTAL LEGISLATIVE BODY	\$ 696,269	\$ 721,632	\$ 813,110

**BOROUGH OF SEWICKLEY
 DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY) PRIOR YEAR</u>
GENERAL GOVERNMENT: (continued)			
<u>TAX COLLECTION:</u>			
Salary	\$ 2,400	\$ 2,400	\$ 2,214
Social Security(FICA)	250	184	92
Unemployment insurance	600	102	42
Workers compensation	800	665	683
Other expense	12,000	21,185	21,475
Wage tax collection fees	18,000	22,875	16,037
LST collection fees	2,600	2,084	2,157
Business privilege collection fees	4,200	3,902	2,993
Telephone	450	368	325
TOTAL TAX COLLECTION	\$ 41,300	\$ 53,764	\$ 46,019
<u>MUNICIPAL BUILDING AND PLANT:</u>			
Salary staff	\$ 40,102	\$ 40,090	\$ 38,287
Life/accident insurance	475	592	583
Dental insurance	420	419	425
Long term disability insurance	390	375	382
Vision care	104	110	117
Keystone HMO	7,224	5,661	6,165
Health Savings Account	-	1,500	-
Pension	10,110	12,005	10,347
Social Security(FICA)	3,221	3,201	3,096
Unemployment insurance	900	334	256
Workers compensation	3,398	1,663	1,708
Overtime	2,000	1,808	2,226
Uniform maintenance	900	832	685
Materials and supplies	6,500	7,867	5,648
Other expenses	-	148	-
Property and liability insurance	7,200	6,227	6,012
Electricity	34,240	38,811	35,098
Gas	28,000	15,125	14,610
Repairs and maintenance	35,000	31,800	31,812
TOTAL MUNICIPAL BUILDING AND PLANT	\$ 180,184	\$ 168,569	\$ 157,457
TOTAL GENERAL GOVERNMENT	\$ 917,753	\$ 943,965	\$ 1,016,585

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

PUBLIC SAFETY:	BUDGET	ACTUAL	(MEMORANDUM ONLY)
POLICE PROTECTION:			PRIOR YEAR
Salary - chief	\$ 83,064	\$ 86,685	\$ 83,634
Salary - sargeants	228,135	226,367	76,738
Salary - full time patrolmen	335,418	313,804	408,128
Salary - part time patrolmen	46,000	126,228	113,673
Salary - Full time desk	37,195	37,730	35,513
Salary - meter patrol	31,200	24,231	26,622
Life/accident insurance	13,255	10,156	12,984
Dental insurance	11,742	8,517	10,343
Long term disability insurance	3,874	3,191	3,712
Vision care	1,040	810	955
Keystone HMO	166,664	106,348	132,750
Supplemental Retirement	2,400	2,200	2,600
Health Savings Account	-	16,500	-
Pension	125,550	147,792	131,589
Social Security(FICA)	66,405	77,087	66,032
Unemployment insurance	11,800	6,996	5,209
Workers compensation	62,621	57,763	64,914
Overtime	30,000	62,296	45,462
Longevity	22,568	19,112	17,500
OIC	6,000	3,129	4,568
Shift differential	3,129	4,355	4,130
Court fees	17,000	16,354	19,988
Holiday pay - ftp	25,265	25,768	27,324
Dare grant - expenses	4,500	-	2,303
Uniform maintenance	11,000	5,333	13,497
Material and supplies	3,200	4,314	3,174
Other expense	26,000	47,106	29,663
Computer Maintenance	15,000	6,460	10,322
Computer services	10,000	35	9,386
Gasoline and oil	16,000	18,520	15,963
Vehicle operating expense	10,000	12,390	10,822
Tires	4,000	1,588	2,974
Training rifle range	8,000	3,412	1,257
Telephone	12,000	18,965	14,915
Postage	2,500	1,948	2,908
Radio maintenance	20,000	1,707	632
Auto expense/chief	250	-	286
Property and liability insurance	17,500	13,878	13,663
Dues, subscriptions and memberships	750	-	905
Meetings and conferences	2,000	4,957	1,040
New police car	42,500	38,034	32,801
Quaker Valley Ambulance Authority	38,000	30,616	35,118
TOTAL POLICE PROTECTION	\$ 1,573,525	\$ 1,592,682	\$ 1,495,996

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
PUBLIC SAFETY: (continued)			
<u>FIRE PROTECTION:</u>			
Workers Comp	\$ 10,242	\$ 5,955	\$ -
Materials and supplies	1,200	1,652	1,094
Other expense	2,000	2,265	1,966
Fire hose and couplings	6,000	3,482	4,606
Vehicle operating expense	25,000	35,847	20,435
Telephone and radio expense	15,000	7,314	6,378
Foreign casualty premium	35,500	51,918	34,404
Contracted services	40,000	40,000	43,333
Training	3,000	3,849	2,229
Hydrant Fee	20,000	16,500	-
TOTAL FIRE PROTECTION	\$ 157,942	\$ 168,782	\$ 114,447
<u>PROTECTIVE INSPECTION:</u>			
Salary code enforcement officer	\$ 55,566	\$ 55,543	\$ 53,051
Life insurance/accident	700	722	720
Long term disability	400	394	388
Keystone	4,000	4,000	3,000
Pension	10,110	12,005	10,347
FICA	4,251	4,246	4,045
Unemployment comp	900	334	256
Workers comp	1,825	1,663	1,708
Materials and supplies	2,500	509	1,313
DCED-UCC Training	-	-	128
Zoning hearing board - legal service	18,000	5,223	4,890
Zoning hearing board - steno service	3,000	1,875	1,176
Telephone	1,600	1,207	1,345
Postage and advertising	1,250	1,751	1,801
Historic review commission	500	-	-
Planning commission	35,000	6,314	22,695
Zoning ordinance update	10,000	24,624	109,655
TOTAL PROTECTIVE INSPECTION	\$ 149,602	\$ 120,410	\$ 216,517
TOTAL PUBLIC SAFETY	\$ 1,881,069	\$ 1,881,874	\$ 1,826,960
<u>PUBLIC WORKS:</u>			
Salary foreman	\$ 54,246	\$ 54,233	\$ 52,694
Salaries	305,500	239,611	250,704
Life/accident insurance	4,400	4,724	4,872
Dental insurance	7,961	7,252	7,030
Long term disability	2,702	2,607	2,604
Vision care	728	750	747
Keystone HMO	112,234	94,045	102,468
Health Savings Account	-	18,000	-
Pension	70,770	84,038	72,423
Social Security(FICA)	31,588	32,826	33,654
Unemployment insurance	9,370	3,593	2,872
Workers compensation	31,709	42,583	43,731
Overtime	42,000	68,741	69,645

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>PUBLIC WORKS: (continued)</u>			
Uniform maintenance	6,500	6,341	8,055
Snow and ice materials	55,000	52,172	90,238
Gasoline and oil	45,749	85,034	60,948
Vehicle operation maintenance	24,000	34,962	30,066
Vehicle operating expense	26,000	38,798	41,366
Asphalt products	-	-	2,085
Street signs and markings	12,000	10,863	9,632
Other highway care expenses	25,000	45,383	23,171
Water	-	305	-
Tools and minor equipment	10,000	6,448	6,920
Telephone and radio	2,800	2,188	2,552
Property and liability insurance	14,000	12,238	12,023
Meter repair	10,000	12,209	13,946
Equipment rental	1,000	-	45
Depreciation	15,000	-	-
Sinkhole Chestnut	-	9,170	-
2011 Road Project	620,000	468,961	-
Street repairs and maintenance	-	3,702	-
Traffic signals	18,000	17,572	12,244
Street lighting	95,000	113,152	90,282
TOTAL PUBLIC WORKS	\$ 1,653,257	\$ 1,572,500	\$ 1,047,019
<u>CULTURE AND RECREATION:</u>			
<u>PARKS AND RECREATION:</u>			
Salaries	\$ 35,000	\$ 32,267	\$ 36,622
FICA (SS)	2,678	-	-
Unemployment insurance	1,000	3	6
Workers compensation	4,500	5,323	5,467
Materials and supplies	8,000	9,318	7,468
Repairs	12,500	17,340	18,432
Property and liability	7,000	6,227	6,012
TOTAL PARKS AND RECREATION	\$ 70,678	\$ 70,477	\$ 74,006
<u>SHADE TREES:</u>			
Tree trimming and removal	\$ 45,000	\$ 53,313	\$ 61,090
Tree maintenance and spraying	10,000	13,980	8,735
Sidewalk Repair	10,000	-	3,195
Plantings	15,000	8,622	16,109
TOTAL SHADE TREES	\$ 80,000	\$ 75,915	\$ 89,128
TOTAL CULTURE AND RECREATION	\$ 150,678	\$ 146,392	\$ 163,134

**BOROUGH OF SEWICKLEY
 DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY) PRIOR YEAR</u>
<u>DEBT SERVICE:</u>			
TAN Interest	\$ -	\$ 3,606	\$ 3,960
Debt Fees	-	1,192	-
Debt Principal	154,815	152,294	91,152
Debt Interest	-	110,587	13,688
TOTAL DEBT SERVICE	<u>\$ 154,815</u>	<u>\$ 267,679</u>	<u>\$ 108,799</u>
<u>OTHER FINANCING USES:</u>			
Tax Refund Assessment	\$ 10,000	\$ 6,385	\$ 21,858
Refund Prior Year Receipts	-	79,267	49,660
Transfer to Sewer Fund	-	147	-
Transfer to Capital Reserves #3	-	-	25,000
Transfer to Capital Reserves #4	25,000	29,564	5,343
Transfer to Capital Reserves #6	40,000	41,673	89,100
Transfer to Road Construction & Maintenance	-	-	311,000
TOTAL OTHER FINANCING USES	<u>\$ 75,000</u>	<u>\$ 157,036</u>	<u>\$ 501,961</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,832,572</u>	<u>\$ 4,969,446</u>	<u>\$ 4,664,458</u>

**BOROUGH OF SEWICKLEY
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2011**

	<u>HIGHWAY AID</u>	<u>JOINT MUNICIPAL PLANNING COMMITTEE</u>	<u>TOTAL</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 9,643	\$ 93	\$ 9,736
TOTAL ASSETS	<u>\$ 9,643</u>	<u>\$ 93</u>	<u>\$ 9,736</u>
 <u>LIABILITIES AND FUND EQUITY:</u>			
LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 FUND EQUITY:			
Fund Balance	\$ 9,643	\$ 93	\$ 9,736
TOTAL FUND BALANCES (Deficit)	<u>\$ 9,643</u>	<u>\$ 93</u>	<u>\$ 9,736</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,643</u>	<u>\$ 93</u>	<u>\$ 9,736</u>

BOROUGH OF SEWICKLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>HIGHWAY AID</u>	<u>JOINT MUNICIPAL PLANNING COMMITTEE</u>	<u>SINKING FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>				
Interest	\$ 42	\$ -	\$ -	\$ 42
Intergovernmental	83,145	-	-	83,145
TOTAL REVENUES	\$ 83,187	\$ -	\$ -	\$ 83,187
<u>OTHER FINANCING SOURCES:</u>				
Bond Proceeds	\$ -	\$ -	\$ 1,286,250	\$ 1,286,250
Original Issue Premium	-	-	8,331	8,331
Refund of Prior Year Expenses	-	45,400	-	45,400
TOTAL OTHER FINANCING SOURCES	\$ -	\$ 45,400	\$ 1,294,581	\$ 1,339,981
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 83,187	\$ 45,400	\$ 1,294,581	\$ 1,423,168
<u>EXPENDITURES:</u>				
Debt Service	\$ -	\$ -	\$ 1,294,581	\$ 1,294,581
TOTAL EXPENDITURES	\$ -	\$ -	\$ 1,294,581	\$ 1,294,581
<u>OTHER FINANCING USES:</u>				
Interfund Transfers	\$ 80,704	\$ -	\$ -	\$ 80,704
TOTAL OTHER FINANCING USES	\$ 80,704	\$ -	\$ -	\$ 80,704
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 80,704	\$ -	\$ 1,294,581	\$ 1,375,285
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 2,483	\$ 45,400	\$ -	\$ 47,883
FUND BALANCE - January 1, 2011	7,160	(45,307)	-	(38,147)
FUND BALANCE December 31, 2011	\$ 9,643	\$ 93	\$ -	\$ 9,736

BOROUGH OF SEWICKLEY
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
DECEMBER 31, 2011

	<u>BUILDING FUND</u>	<u>FIRE FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 15,520	\$ 76,551	\$ 24,328	\$ 116,399
TOTAL ASSETS	<u>\$ 15,520</u>	<u>\$ 76,551</u>	<u>\$ 24,328</u>	<u>\$ 116,399</u>
<u>LIABILITIES AND FUND EQUITY:</u>				
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ 119	\$ 119
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 119</u>
FUND EQUITY:				
Fund Balance	\$ 15,520	\$ 76,551	\$ 24,209	\$ 116,280
TOTAL FUND BALANCES (Deficit)	<u>\$ 15,520</u>	<u>\$ 76,551</u>	<u>\$ 24,209</u>	<u>\$ 116,280</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,520</u>	<u>\$ 76,551</u>	<u>\$ 24,328</u>	<u>\$ 116,399</u>

BOROUGH OF SEWICKLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>BUILDING FUND</u>	<u>FIRE FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>				
Interest	\$ 10	\$ 25	\$ 17	\$ 52
Intergovernmental	-	-	50,541	50,541
Contributions and Donations	-	35,000	-	35,000
Miscellaneous	15,481	2,151	-	17,632
TOTAL REVENUES	\$ 15,491	\$ 37,176	\$ 50,558	\$ 103,225
<u>OTHER FINANCING SOURCES:</u>				
Interfund Transfers	\$ -	\$ 29,564	\$ 41,673	\$ 71,237
Sale of Fixed Assets	-	-	7,826	7,826
Refund of Prior Year Expenses	-	-	257,095	257,095
TOTAL OTHER FINANCING SOURCES	\$ -	\$ 29,564	\$ 306,594	\$ 336,158
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 15,491	\$ 66,740	\$ 357,152	\$ 439,383
<u>EXPENDITURES:</u>				
General Government	\$ -	\$ -	\$ 40,000	\$ 40,000
Public Works	-	-	81,155	81,155
Culture and Recreation	-	-	41,329	41,329
TOTAL EXPENDITURES	\$ -	\$ -	\$ 162,484	\$ 162,484
<u>OTHER FINANCING USES:</u>				
Refund of Prior Year Receipts	\$ 8,000	\$ 146,310	\$ -	\$ 154,310
TOTAL OTHER FINANCING USES	\$ 8,000	\$ 146,310	\$ -	\$ 154,310
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 8,000	\$ 146,310	\$ 162,484	\$ 316,794
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 7,491	\$ (79,570)	\$ 194,668	\$ 122,589
FUND BALANCE - January 1, 2011	8,029	156,121	(170,459)	(6,309)
FUND BALANCE December 31, 2011	\$ 15,520	\$ 76,551	\$ 24,209	\$ 116,280

***REQUIRED SUPPLEMENTARY
INFORMATION***

BOROUGH OF SEWICKLEY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
DECEMBER 31, 2011

SCHEDULES OF FUNDING PROGRESS:

POLICE PENSION PLAN:

	(A)	(B)	(B-A) (UAAL) UNFUNDED	(A/B)	(C)	(B-A)/C
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
1/1/2003	\$ 2,203,112	\$ 1,931,035	\$ (272,077)	114%	\$ 490,197	-55.5%
1/1/2005	2,259,677	2,203,391	(56,286)	103%	511,019	-11.0%
1/1/2007	2,809,523	2,596,123	(213,400)	108%	553,502	-38.6%
1/1/2009	3,030,980	2,977,795	(53,185)	102%	655,685	-8.1%
1/1/2011	3,270,706	3,667,830	397,124	89%	748,750	53.0%

NON-UNIFORMED PENSION PLAN:

	(A)	(B)	(B-A) (UAAL) UNFUNDED	(A/B)	(C)	(B-A)/C
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
1/1/2003	\$ 1,482,799	\$ 1,489,826	\$ 7,027	100%	\$ 587,105	1.2%
1/1/2005	1,522,770	1,798,555	275,785	85%	594,180	46.4%
1/1/2007	1,889,623	2,201,742	312,119	86%	677,171	46.0%
1/1/2009	2,086,916	2,558,471	471,555	82%	779,265	53.7%
1/1/2011	2,276,947	2,994,762	717,815	76%	881,052	81.5%

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS:

YEAR ENDED DECEMBER 31	POLICE		NON-UNIFORM	
	ANNUAL REQ. CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQ. CONTRIBUTION	PERCENTAGE CONTRIBUTED
2002	\$ 23,351	189%	\$ 46,657	100%
2003	29,208	159%	52,961	105%
2004	33,584	147%	54,344	86%
2005	69,168	0%	72,477	100%
2006	86,023	100%	110,104	100%
2007	92,555	100%	116,569	100%
2008	66,644	100%	134,672	100%
2009	91,486	100%	142,492	100%
2010	121,242	100%	186,236	100%
2011	114,711	100%	192,086	100%

BOROUGH OF SEWICKLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

NOTE 1 - TREND INFORMATION

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

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

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

NOTE 2 - ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuations dated January 1, 2011. Additional information included as part of these valuations applicable to both the police and non-uniformed pension plans is as follows:

Actuarial Cost Method - Entry Age Normal

Amortization Method – Funding adjustment is 10% of the unfunded actuarial accrued liability

Remaining Amortization Period - N/A

Asset Valuation Method - Market Value

Investment Rate of return - 7.0% per annum

Salary Increase - 5.0% per annum

Disability Rates - None

Employee Termination - None

Mortality - 1994 Group Annuity Mortality Table