

BOROUGH OF SEWICKLEY



AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANT

FOR THE YEAR ENDED DECEMBER 31, 2012

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

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BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA

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**Borough Council
Borough of Sewickley**

Independent Auditor's Report

Report on Financial Statements

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley, Allegheny County, Pennsylvania as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii-xvi and defined benefit trust funds' historical pension information on pages 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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



Mark C. Turnley, CPA

March 11, 2013
Ambridge, Pennsylvania

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

INTRODUCTION

This discussion and analysis of the Borough of Sewickley's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- The Borough's governmental activities net position increased \$45,976 in 2012, or .79%.
- Unrestricted net position was \$467,380 on December 31, 2012.
- The Borough continued a progressive program for the collection of delinquent real estate taxes which produced \$153,436 in additional revenues.
- The Borough of Sewickley completed the 2012 Road Construction Projects, which included the second phase of Beaver Street, from Blackburn Road to Straight Street, and the complete reconstruction of Nevin Avenue, from approximately 844 Nevin Avenue to Hopkins Street. This included the installation of catch basins for storm water control (which did not exist previously), new curbs, new sidewalks and the planting of new trees.
- The Borough of Sewickley provided red brick inlay crosswalks on Beaver Street and within the Business District, to highlight safety for both pedestrian and motor vehicle traffic, at a cost of approximately \$100,000.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
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REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

FINANCIAL HIGHLIGHTS (Continued)

- The Borough of Sewickley purchased two fire trucks from the Borough of Edgeworth as part of the Service Agreement to provide fire services to the Borough of Edgeworth. In return, the Borough of Sewickley sold a 1991 Pierce Fire Truck to the City of Pittsburgh for \$60,000.
- The Borough of Sewickley borrowed additional money for the complete rehabilitation of the Boundary Street Pump Station. This is the last Pump Station within the Borough of Sewickley to be rehabilitated. All five Pump Stations were built in 1957. The Borough of Sewickley continues to have an increase in repairs, with the purchase of parts and facilities, as the Borough increases its responsibility for these projects. Whether they are existing or have been provided by a third party source and donated to the Borough, the Borough is maintaining the cost.
- In 2012, the Borough of Sewickley started the Glen Osborne Interconnect Project in which the Borough of Sewickley will completely rebuild Pump Station No. 1 on Railroad Street and the Pump Station will become the responsibility of the Borough of Sewickley upon completion. In addition, the project provides for the installation of new forced main sewer lines, as well as providing specific repairs to the Borough of Glen Osborne sewer system. This project is part of the development of a regional sewer system; and in 2013, the Township of Aleppo will begin sending sewage to the Sewickley Wastewater Treatment Plant, as well as sewage services will now be made available to the Boroughs of Haysville and Glenfield. It should be noted that in planning the Glen Osborne Interconnect Project, the three municipalities of Sewickley, Glen Osborne and Aleppo completed a Comprehensive Plan which indicated that there would be substantial growth in the Township of Aleppo.
- The Borough of Sewickley completed the Subdivision and Land Development Ordinance under budget. The Subdivision and Land Development Ordinance was adopted in August of 2012.
- The Borough of Sewickley entered into a contract for the second year with the Village Green Partners to assist the Business District in recruitment, marketing and retention. Village Green Partners has proven to be a very good partner and in 2012, 11 new businesses were opened in the Borough of Sewickley.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

USING THE ANNUAL FINANCIAL REPORT (GASB 34)

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

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

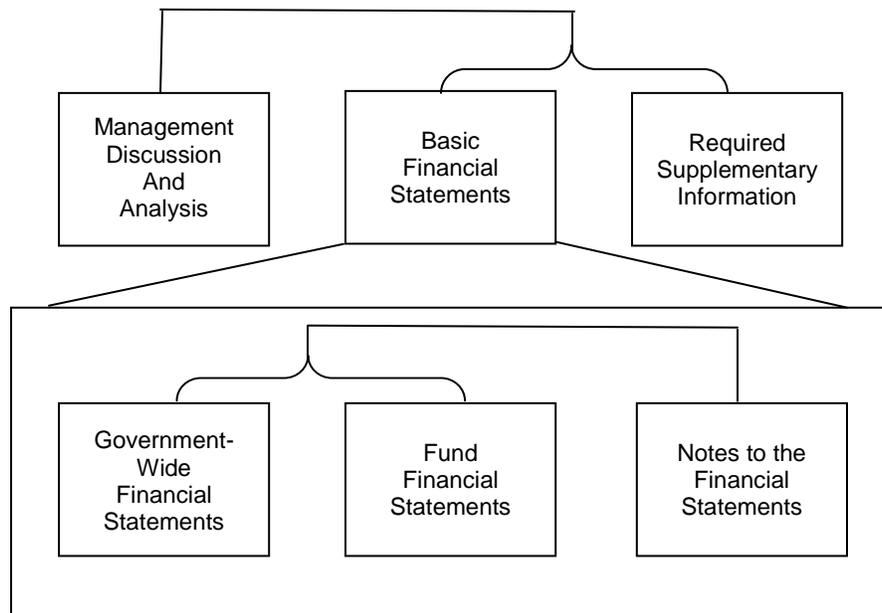
The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future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

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

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

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)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

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

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

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

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

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

OVERVIEW OF FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
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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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Enterprise Funds – The Borough operates a wastewater treatment facility.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough has presented its financial statements using the 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
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

The Borough's net position on December 31, 2012 is presented below:

Table A-1

Summary of Statement of Net position
Year Ended December 31, 2012

	----- DECEMBER 31, 2012 -----			-MEMO-
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2011 TOTAL
Current Assets	\$ 995,264	\$ 4,697,340	\$ 5,692,604	\$ 3,320,770
Non-Current Assets	6,071,615	12,674,381	18,745,996	17,822,982
TOTAL ASSETS	\$ 7,066,879	\$ 17,371,721	\$ 24,438,600	\$ 21,143,752
Current Liabilities	\$ 304,882	\$ 1,568,989	\$ 1,873,871	\$ 1,121,208
Long-term Liabilities	885,936	12,869,266	13,755,202	11,236,084
TOTAL LIABILITIES	\$ 1,190,818	\$ 14,438,255	\$ 15,629,073	\$ 12,357,292
Invested in Capital Assets, Net of Related Debt	\$ 5,408,681	\$ (1,227,007)	\$ 4,181,674	\$ 5,738,472
Unrestricted (Deficit)	467,380	4,160,473	4,627,853	3,047,988
TOTAL NET POSITION	\$ 5,876,061	\$ 2,933,466	\$ 8,809,527	\$ 8,786,460

Net position of governmental activities increased \$45,976 in 2012, or .79% to \$5,876,061. Net position of business-type activities decreased \$22,909 in 2012, or .78% to \$2,933,466.

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
ALLEGHENY COUNTY, PENNSYLVANIA
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 position for 2012.

Table A-2
Year ended December 31, 2012
Changes in Net position

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2012 TOTAL	2011 TOTAL
REVENUES				
Program Revenues:				
Charges for Services	\$ 784,465	\$ 1,507,685	\$ 2,292,150	\$ 2,401,133
Operating Grants and Contributions	256,013	-	256,013	408,178
General Revenues:				
Property Taxes	2,385,142	-	2,385,142	2,331,783
Other Taxes	1,649,703	-	1,649,703	1,347,275
Cable Franchise Fees	64,078	-	64,078	50,562
Interest	1	2,084	2,085	5,385
Interfund Transfers	74,362	-	74,362	78,848
Refund of Prior Year Expenses	5,075	-	5,075	148,185
Sale of Fixed Assets	60,000	-	60,000	7,826
Miscellaneous	96,433	-	96,433	112,118
TOTAL REVENUES	\$ 5,375,272	\$ 1,509,769	\$ 6,885,041	\$ 6,891,293
EXPENSES				
General Government	\$ 998,883	\$ -	\$ 998,883	\$ 967,890
Public Safety - Police	1,541,024	-	1,541,024	1,581,388
Public Safety - Fire	253,340	-	253,340	231,642
Public Safety - Other	121,570	-	121,570	122,955
Public Works - Highways	2,005,224	-	2,005,224	1,907,310
Culture and Recreation	325,735	-	325,735	150,018
Interest on Debt	32,098	-	32,098	27,066
Refund of Prior Year Receipts	51,422	-	51,422	195,824
Interfund Transfers	-	74,362	74,362	78,848
Sewer Operations	-	1,458,316	1,458,316	1,237,147
TOTAL EXPENSES	\$ 5,329,296	\$ 1,532,678	\$ 6,861,974	\$ 6,500,088
CHANGE IN NET ASSETS	\$ 45,976	\$ (22,909)	\$ 23,067	\$ 279,170

Total government-wide revenues of \$5,375,272 were derived primarily from property taxes representing 44.4% of the total. Other taxes made up the next largest source of revenue of 30.7%, followed by charges for services at 14.6%.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE (Continued)

Table A-3
Year ended December 31, 2012
Governmental Activities

	2012	
	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES		
General Government	\$ 998,883	\$ (773,308)
Public Safety - Police	1,541,024	(1,085,790)
Public Safety - Fire	253,340	(145,136)
Public Safety - Other	121,570	(7,928)
Public Works - Highways	2,005,224	(1,891,961)
Culture and Recreation	325,735	(301,175)
Debt Service	32,098	(32,098)
	\$ 5,277,874	\$ (4,237,396)
Less:		
Unrestricted Grants, Subsidies		-
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ (4,237,396)

Table A-4 reflects the activities of the Sewer Fund, the Business-type activities of the Borough for the year 2012.

Table A-4
Year ended December 31, 2012
Business-Type Activities

	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES		
Sewer Operations	\$ 1,458,316	\$ (49,369)
Interest		2,084
Transfer to General Fund		(74,362)
TOTAL BUSINESS-TYPE ACTIVITIES NET INCOME		\$ (22,909)

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 2012 and 2011:

	<u>2012</u>	<u>2011</u>
REVENUES		
Taxes	\$ 3,976,120	\$ 3,609,932
Licenses and Permits	75,628	59,087
Fines and Forfeitures	121,524	128,428
Interest and Rents	15,898	13,697
Intergovernmental	257,767	365,493
Charges for Services	581,391	681,590
Miscellaneous	70,021	94,610
TOTAL REVENUES	<u>\$ 5,098,349</u>	<u>\$ 4,952,837</u>
EXPENSES		
General Government	\$ 958,824	\$ 943,965
Public Safety	1,781,346	1,881,874
Public Works	1,753,896	1,572,500
Culture and Recreation	190,117	146,392
Debt Service	284,268	267,679
TOTAL EXPENSES	<u>\$ 4,968,451</u>	<u>\$ 4,812,410</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	\$ 156,247	\$ 159,699
Refund of Prior Years Receipts/Expenses	(46,347)	(85,652)
Operating Transfers Out	(21,809)	(71,384)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>\$ 88,091</u>	<u>\$ 2,663</u>
NET CHANGE IN FUND BALANCE	<u>\$ 217,989</u>	<u>\$ 143,090</u>

GENERAL FUND BUDGET

In December of 2011, the Borough of Sewickley adopted its annual budget for the General Fund in the amount of \$4,808,883. A schedule showing the Borough's original and final budget amounts compared with amounts actually paid and received is provided on Page 7.

PROPRIETARY FUND (SEWER FUND)

The following table compares the revenues, expenses and change in net position of the Borough's Proprietary Fund for the year 2012 and 2011:

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012

	SEWER FUND	
	2012	2011
Operating Revenues	\$ 1,507,685	\$ 1,534,790
Operating Expenses	(1,001,216)	(869,420)
OPERATING (LOSS)	\$ 506,469	\$ 665,370
Nonoperating Revenues (Expenses)	\$ (455,016)	\$ (363,336)
Other Financing Uses/Sources	(74,362)	(189,020)
CHANGE IN NET POSITION	\$ (22,909)	\$ 113,014

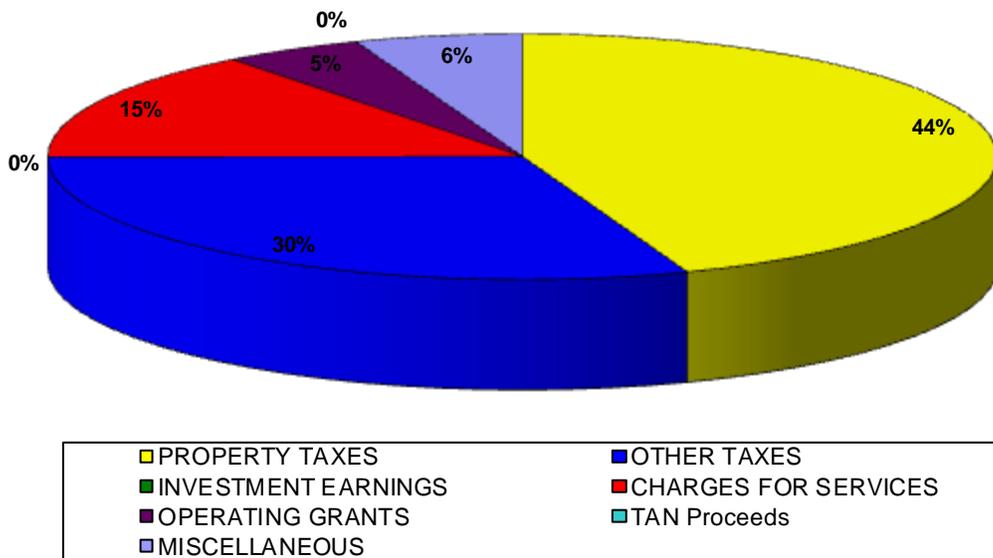
PROGRAM REVENUE

Total government-wide revenues of \$5,375,272 were derived primarily from property taxes which represented 44.8% of the total. Other taxes made up the next largest source of revenue of 30.6%, followed by charges for services at 14.6%.

The following chart graphically depicts the government-wide program revenues for the fiscal year ended December 31, 2012.

SOURCE OF REVENUES
TOTAL REVENUES: \$5,375,272

**BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DECEMBER 31, 2012**



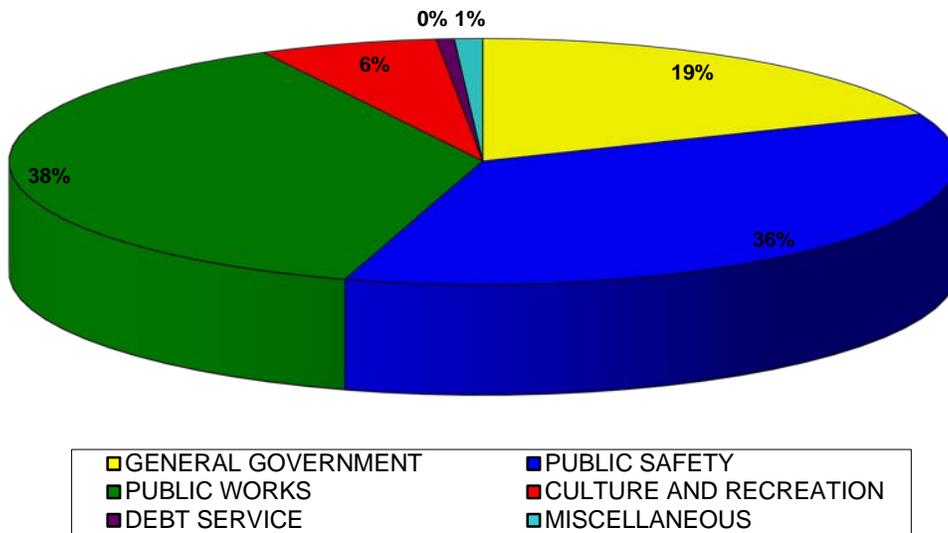
PROGRAM EXPENSE

Total expenses for all governmental activities in 2012 were \$5,329,296. The expenses reflect the delivery of a wide range of services, with the two largest areas being public safety at 35.9% and public works at 37.6%. General government expenses were 18.7% of total expenses.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2012.

**BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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DECEMBER 31, 2012**

**PROGRAM EXPENSES
TOTAL EXPENSES: \$5,329,296**



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2012, the Borough had \$6,032,690 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 \$457,418, or approximately 7.0% from last year. The Borough had approximately \$40,000 in capital additions during the 2012 year related to the Village Green Project.

BOROUGH OF SEWICKLEY
ALLEGHENY COUNTY, PENNSYLVANIA
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DECEMBER 31, 2012

Long Term Debt

On December 31, 2012, the Borough had \$14,460,000 of debt outstanding. This represents an increase of 22.7% due to the Borough issuance of Series of 2012 General Obligation Note for a total of \$3,500,000 to fund the cost of certain capital improvements to the Borough of Sewickley Wastewater Treatment and other capital and equipment projects as determined by Borough Council.

Pension Trust Fund

The Borough of Sewickley has two pension plans – general employees and police. On December 31, 2012, the assets of the plans were \$6,387,173.

Contacting the Borough

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

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

BOROUGH OF SEWICKLEY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 353,152	\$ 4,225,237	\$ 4,578,389
Investments	213	-	213
Due from other Governments	31,269	-	31,269
Internal Balances	4,987	(4,987)	-
Utilities Receivable	-	473,538	473,538
Taxes Receivable (Net)	579,377	-	579,377
Other Accounts Receivable	26,266	3,552	29,818
Total Current Assets	\$ 995,264	\$ 4,697,340	\$ 5,692,604
Noncurrent Assets:			
Land	\$ 285,326	\$ -	\$ 285,326
Infrastructure (net)	2,745,910	-	2,745,910
Site Improvements (net)	1,252,493	-	1,252,493
Buildings and Improvement (net)	551,727	2,338,184	2,889,911
Equipment (net)	1,057,562	527,848	1,585,410
Storm Sewers	-	754,943	754,943
Construction in Progress	139,672	8,755,119	8,894,791
Unamortized Bond Issue and Note Costs	38,925	238,431	277,356
Unamortized Bond Discount	-	59,856	59,856
Total Noncurrent Assets	\$ 6,071,615	\$ 12,674,381	\$ 18,745,996
TOTAL ASSETS	\$ 7,066,879	\$ 17,371,721	\$ 24,438,600
LIABILITIES			
Current Liabilities:			
Payroll Deductions and Withholdings	\$ 8,002	\$ -	\$ 8,002
Payroll Payable	34,164	5,174	39,338
Accounts Payable	56,511	627,821	684,332
Retainage Payable	-	106,597	106,597
Due to Other Governmental Units	-	14,625	14,625
Current Portion Long-Term Debt	198,450	808,217	1,006,667
Unamortized Bond Premium	6,284	6,555	12,839
Accrued Interest Payable	1,471	-	1,471
Total Current Liabilities	\$ 304,882	\$ 1,568,989	\$ 1,873,871
Noncurrent Liabilities:			
Bonds Payable - Long Term Portion	\$ 605,150	\$ 9,348,183	\$ 9,953,333
Notes Payable - Long Term Portion	-	3,500,000	3,500,000
Accrued Compensated Absences	280,786	21,083	301,869
Total Noncurrent Liabilities	\$ 885,936	\$ 12,869,266	\$ 13,755,202
TOTAL LIABILITIES	\$ 1,190,818	\$ 14,438,255	\$ 15,629,073
NET POSITION			
Investment in Capital Assets	\$ 5,408,681	\$ (1,227,007)	\$ 4,181,674
Unrestricted (Deficit)	467,380	4,160,473	4,627,853
TOTAL NET POSITION	\$ 5,876,061	\$ 2,933,466	\$ 8,809,527
TOTAL LIABILITIES AND NET POSITION	\$ 7,066,879	\$ 17,371,721	\$ 24,438,600

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

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	\$ 998,883	\$ 114,716	\$ 110,859	\$ -	\$ (773,308)		\$ (773,308)
Public Safety - Police	1,541,024	435,234	20,000	-	(1,085,790)		(1,085,790)
Public Safety - Fire	253,340	78,756	29,448	-	(145,136)		(145,136)
Public Safety - Other	121,570	113,642	-	-	(7,928)		(7,928)
Public Works - Highways	2,005,224	30,057	83,206	-	(1,891,961)		(1,891,961)
Culture and Recreation	325,735	12,060	12,500	-	(301,175)		(301,175)
Debt Service	32,098	-	-	-	(32,098)		(32,098)
Total Governmental Activities	\$ 5,277,874	\$ 784,465	\$ 256,013	\$ -	\$ (4,237,396)		\$ (4,237,396)
Business-Type activities:							
Sewer	\$ 1,458,316	\$ 1,507,685	\$ -	\$ -		\$ 49,369	\$ 49,369
Total Business-Type Activities	\$ 1,458,316	\$ 1,507,685	\$ -	\$ -		\$ 49,369	\$ 49,369
Total Primary Government	\$ 6,736,190	\$ 2,292,150	\$ 256,013	\$ -	\$ (4,237,396)	\$ 49,369	\$ (4,188,027)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes (net)					\$ 2,385,142	\$ -	\$ 2,385,142
Act 511 Taxes					1,552,344	-	1,552,344
Sales Tax					90,283	-	90,283
Cable Franchise Fees					64,078	-	64,078
PURTA/Alcohol Beverage tax					7,076	-	7,076
Investment Earnings					1	2,084	2,085
Miscellaneous					96,433	-	96,433
Sale of Fixed Assets					60,000	-	60,000
Refund of Prior Year Receipts					(51,422)	-	(51,422)
Refund of Prior Year Expenses					5,075	-	5,075
Interfund transfers					74,362	(74,362)	-
Total General Revenues					\$ 4,283,372	\$ (72,278)	\$ 4,211,094
Change in Net Position					\$ 45,976	\$ (22,909)	\$ 23,067
Net Position — January 1, 2012					5,830,085	2,956,375	8,786,460
Net Position — December 31, 2012					\$ 5,876,061	\$ 2,933,466	\$ 8,809,527

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

EXHIBIT C

	GENERAL FUND	CAPITAL PROJECT FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$ 126,218	\$ 195,875	\$ 31,059	\$ 353,152
Investments	213	-	-	213
Due from Other Governmental Units	31,269	-	-	31,269
Due from Other Funds	11,886	-	-	11,886
Taxes Receivable (Net)	579,377	-	-	579,377
Other Accounts Receivable	26,266	-	-	26,266
TOTAL ASSETS	\$ 775,229	\$ 195,875	\$ 31,059	\$ 1,002,163
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 8,002	\$ -	\$ -	\$ 8,002
Due To Other Funds	6,899	-	-	6,899
Payroll Payable	34,164	-	-	34,164
Accounts Payable	46,511	10,000	-	56,511
Deferred Revenue	303,091	-	-	303,091
TOTAL LIABILITIES	\$ 398,667	\$ 10,000	\$ -	\$ 408,667
FUND BALANCES:				
Assigned:				
General Fund - Road Improvements	\$ 17,923	\$ -	\$ -	\$ 17,923
Building Fund	-	8,775	-	8,775
Fire Fund	-	178,436	-	178,436
Capital Improvement Fund	-	(1,336)	-	(1,336)
Highway Aid Fund	-	-	13,048	13,048
Sinking Fund	-	-	18,011	18,011
Unassigned	358,639	-	-	358,639
TOTAL FUND BALANCES	\$ 376,562	\$ 185,875	\$ 31,059	\$ 593,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 775,229	\$ 195,875	\$ 31,059	\$ 1,002,163

BOROUGH OF SEWICKLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total Fund Balances - Governmental Funds \$ 593,496

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 \$9,775,567, and the accumulated depreciation is \$3,742,877. 6,032,690

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 \$38,925. 38,925

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 \$6,284. (6,284)

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. 303,091

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	\$ 803,600	
Accrued interest on the bonds	1,471	
Compensated absences	280,786	
		(1,085,857)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 5,876,061**

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, 2012

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 3,976,120	\$ -	\$ -	\$ 3,976,120
Licenses and Permits	75,628	-	-	75,628
Fines and Forfeitures	121,524	-	-	121,524
Interest and Rents	15,898	-	-	15,898
Intergovernmental	257,767	12,500	83,205	353,472
Contributions and Donations	-	35,000	-	35,000
Charges for Services	581,391	19,000	-	600,391
Miscellaneous	70,021	26,413	-	96,434
Total Revenue	\$ 5,098,349	\$ 92,913	\$ 83,205	\$ 5,274,467
EXPENDITURES				
General Government	\$ 958,824	\$ 13,986	\$ -	\$ 972,810
Public Safety	1,781,346	30,456	-	1,811,802
Public Works	1,753,896	-	-	1,753,896
Culture and Recreation	190,117	40,682	-	230,799
Debt Service	284,268	-	-	284,268
Total Expenditures	\$ 4,968,451	\$ 85,124	\$ -	\$ 5,053,575
Excess (Deficiency) of Revenue over Expenditures	\$ 129,898	\$ 7,789	\$ 83,205	\$ 220,892
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 156,247	\$ 3,253	\$ 18,011	\$ 177,511
Operating Transfers Out	(21,809)	(1,447)	(79,893)	(103,149)
Sale of Fixed Assets	-	60,000	-	60,000
Refund Prior Year Expenses	5,075	-	-	5,075
Refund Prior Year Receipts	(51,422)	-	-	(51,422)
Total Other Financing Sources (Uses)	\$ 88,091	\$ 61,806	\$ (61,882)	\$ 88,015
NET CHANGE IN FUND BALANCES	\$ 217,989	\$ 69,595	\$ 21,323	\$ 308,907
FUND BALANCE - JANUARY 1, 2012	158,573	116,280	9,736	284,589
FUND BALANCE - DECEMBER 31, 2012	\$ 376,562	\$ 185,875	\$ 31,059	\$ 593,496

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, 2012

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 308,907

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 (\$455,996) exceeds capital outlays (\$40,000) in the period.	(415,996)
Adjustment for abandoned projects.	(41,122)
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.	(6,576)
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.	1,068
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	257,250
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.	429
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 \$36,634.	(38,634)
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 2012.	(19,350)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 45,976**

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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,428,250	\$ 3,428,250	\$ 3,976,120	\$ 547,870
Licenses and Permits	62,700	62,700	75,628	12,928
Fines and Forfeitures	149,000	149,000	121,524	(27,476)
Interest and Rents	8,000	8,000	15,898	7,898
Intergovernmental	230,200	230,200	257,767	27,567
Charges for Services	601,683	601,683	581,391	(20,292)
Miscellaneous	82,900	82,900	70,021	(12,879)
Total Revenues	\$ 4,562,733	\$ 4,562,733	\$ 5,098,349	\$ 535,616
EXPENDITURES				
General Government	\$ 981,883	\$ 981,883	\$ 958,824	\$ 23,059
Public Safety	1,753,298	1,753,298	1,781,346	(28,048)
Public Works	1,716,910	1,716,910	1,753,896	(36,986)
Culture and Recreation	172,977	172,977	190,117	(17,140)
Debt Service	154,815	154,815	284,268	(129,453)
Total Expenditures	\$ 4,779,883	\$ 4,779,883	\$ 4,968,451	\$ (188,568)
Excess (Deficiency) of Revenues over Expenditures	\$ (217,150)	\$ (217,150)	\$ 129,898	\$ 347,048
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 156,150	\$ 156,150	\$ 156,247	\$ 97
Refund of Prior Year Expenses	-	-	5,075	5,075
Operating Transfers Out	(25,000)	(25,000)	(21,809)	3,191
Refund of Prior Year Receipts	(4,000)	(4,000)	(51,422)	(47,422)
Total Other Financing Sources (Uses)	\$ 127,150	\$ 127,150	\$ 88,091	\$ (39,059)
NET CHANGE IN FUND BALANCES	\$ (90,000)	\$ (90,000)	\$ 217,989	\$ 307,989
FUND BALANCE - JANUARY 1, 2012	90,000	90,000	158,573	68,573
FUND BALANCE - DECEMBER 31, 2012	\$ -	\$ -	\$ 376,562	\$ 376,562

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF PROPRIETARY NET POSITION
DECEMBER 31, 2012

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 4,225,237
Sewer Receivable	473,538
Due from Other Funds	6,899
Other Accounts Receivable	3,552
Total Current Assets	<u>\$ 4,709,226</u>

Noncurrent Assets:

Buildings	\$ 3,710,618
Equipment	1,780,751
Storm Sewers	834,877
Vehicles	163,499
Work in Progress	8,755,119
Bond Issue Costs	238,431
Bond Discount	59,856
Accumulated Depreciation	(2,868,770)
Total Noncurrent Assets	<u>\$ 12,674,381</u>

TOTAL ASSETS **\$ 17,383,607**

LIABILITIES**Current Liabilities:**

Accounts Payable	\$ 627,821
Retainage Payable	106,597
Payroll Payable	5,174
Due to Other Governmental Units	14,625
Due to Other Funds	11,886
Current Portion Long-Term Debt	808,217
Bond Premium	6,555
Total Current Liabilities	<u>\$ 1,580,875</u>

Noncurrent Liabilities:

Bonds Payable - Long term portion	\$ 9,348,183
Notes Payable - Long term portion	3,500,000
Compensated Absences	21,083
Total Noncurrent Liabilities	<u>\$ 12,869,266</u>

TOTAL LIABILITIES **\$ 14,450,141**

NET POSITION

Invested in Capital Assets Net of Related Debt	\$ (1,227,007)
Unrestricted (Deficit)	4,160,473
TOTAL NET POSITION	<u>\$ 2,933,466</u>

TOTAL LIABILITIES AND NET POSITION **\$ 17,383,607**

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES:

Sewer Rentals	\$ 1,507,685
Total Operating Revenues	\$ 1,507,685

OPERATING EXPENSES:

Salaries and Wages	\$ 255,420
Employee Benefits	145,647
Materials and Supplies	34,666
Chemicals	29,366
Collection Fees - Sewickley Water Authority	35,066
Vehicle	16,829
Engineering	14,089
Insurance	34,574
Utilities	78,751
Uniforms	4,710
Repair and Maintenance	94,408
Contracted Services	13,354
Sludge Disposal	25,342
Depreciation	178,562
Miscellaneous	40,432
Total Operating Expenses	\$ 1,001,216

TOTAL OPERATING INCOME <LOSS>	\$ 506,469
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NON-OPERATING REVENUE <EXPENSE>:

Interest Income	\$ 2,084
Interest Expense	(424,918)
Amortization	(32,182)
TOTAL NON-OPERATING REVENUE <EXPENSE>	\$ (455,016)

OTHER FINANCING SOURCES <USES>:

Transfer from General Fund	\$ 638
Transfer to General Fund	(75,000)
TOTAL OTHER FINANCING SOURCES <USES>	\$ (74,362)

CHANGES IN NET POSITION	(22,909)
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NET POSITION - JANUARY 1, 2012	2,956,375
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NET POSITION - DECEMBER 31, 2012	\$ 2,933,466
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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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from user charges	\$ 1,530,062
Cash paid to employees for wages and benefits	(413,426)
Cash paid to vendors for goods and services	(200,045)
Net cash provided (used) by operating activities	<u>\$ 916,591</u>

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

Capital construction and purchases	\$ (1,074,625)
Note proceeds	3,500,000
Bond principal payments	(567,750)
Interest payments on debt	(424,918)
Net cash provided (used) by capital and related financing activities	<u>\$ 1,432,707</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 2,084
Net cash provided (used) by investing activities	<u>\$ 2,084</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Interfund transfers	\$ (74,363)
Net cash provided (used) by non-capital financing activities	<u>\$ (74,363)</u>

Net increase (decrease) in cash and cash equivalents 2,277,019

Cash and cash equivalents - January 1, 2012 1,948,218

Cash and cash equivalents - December 31, 2012 **\$ 4,225,237**

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

Operating Income (Loss)	\$ 506,895
Adjustments to reconcile excess revenues over expenditures provided by (used in) operating activities:	
Depreciation	178,562
Changes in assets and liabilities:	
(Increase) decrease in water/sewer receivables	22,605
(Increase) decrease in other receivables	(526)
Increase (decrease) in accounts payable	200,469
Increase (decrease) in due to other governmental units	426
Increase (decrease) in payroll payable	8,160
Net cash provided (used) by operating activities	<u>\$ 916,591</u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

	POLICE PENSION FUND	NON-UNIFORM PENSION FUND
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 190,223	\$ 257,325
Investments:		
Corporate/Municipal Obligations	1,027,220	781,790
Equity Securities	2,474,183	1,635,900
Accrued Interest	11,931	8,601
TOTAL ASSETS	<u>\$ 3,703,557</u>	<u>\$ 2,683,616</u>
LIABILITIES		
Other Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Held in Trust for Pension Benefits	<u>\$ 3,703,557</u>	<u>\$ 2,683,616</u>
TOTAL NET POSITION	<u><u>\$ 3,703,557</u></u>	<u><u>\$ 2,683,616</u></u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

	POLICE PENSION FUND	NON-UNIFORM PENSION FUND
	<u> </u>	<u> </u>
ADDITIONS		
Interest/Dividends	\$ 107,232	\$ 74,807
Realized Gains/(Losses)	2,276	2,329
Unrealized Appreciation	230,685	156,869
Employer Contributions	97,760	194,346
TOTAL ADDITIONS	<u>\$ 437,953</u>	<u>\$ 428,351</u>
 DEDUCTIONS		
Benefit Payments	\$ (150,469)	\$ (138,554)
Administrative Expenses	(44,111)	(29,592)
TOTAL DEDUCTIONS	<u>\$ (194,580)</u>	<u>\$ (168,146)</u>
 CHANGES IN NET POSITION	 \$ 243,373	 \$ 260,205
 NET POSITION - JANUARY 1, 2012	 <u>3,460,184</u>	 <u>2,423,411</u>
 NET POSITION - DECEMBER 31, 2012	 <u>\$ 3,703,557</u>	 <u>\$ 2,683,616</u>

The accompanying notes are an integral part of these financial statements

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Borough as a whole. 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, 2012

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 position. The statement of changes in fund net position 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, 2012

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

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

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

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

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

The management of the Borough of Sewickley has determined that the revenues most susceptible to accrual at December 31, 2012 are **1)** delinquent real estate taxes earned by the Borough in the fourth quarter of 2012 **2)** deed transfer taxes and vehicle code violations earned by the Borough in December of 2012 **3)** certain taxpayer assessed Act 511 taxes, **4)** sewer fees billed to the Borough residents and collected in January 2013 **5)** cable franchise fees earned during the year, and **6)** other miscellaneous revenues estimable and available to the Borough for 2012 but not as yet collected at December 31, 2012.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012 are those for which the Borough's intention was to expense these items as budgeted for in the 2012 official budget, and for which the Borough has incurred an obligation during 2012, but has not paid as of December 31, 2012.

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 2011, the Borough of Sewickley adopted its 2012 annual budget for its General Fund totaling \$4,808,883 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 2012. 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, 2012

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, 2012.

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, 2012.

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 position.

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

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

<u>CATEGORY</u>	<u>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, 2012

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 position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

COMPENSATED ABSENCES (Vacation/Sick Leave)

The Borough reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Unused vacation, sick and personal days for the Borough employees are accrued at their respective hourly rates of pay per each bargaining contract. The entire compensated absences liability of \$280,786 is shown as a long-term liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

NET POSITION

GASB Statement No. 63 requires equity in the government-wide statement of net position to be reported as 'Net Position' rather than 'Net position'. Net Position is classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Borough obligations. Net position is classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.
- Restricted-Nonexpendable – Net position subject to externally imposed restrictions which are required to be maintained in perpetuity.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (Continued)

- Restricted-Expendable – Net position 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 position 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 \$17,923 of the General Fund balance for road repairs within the Borough. GASB 54 requires all other funds to reflect their fund balances as assigned for the purpose that the fund was set up.
- 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 the Borough Manager to assign fund balance.

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

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2012, 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	\$ 149,586	\$ 126,218
Capital Project Fund	195,875	195,875
Non-Major Funds	31,059	31,059
Sewer Fund	4,228,545	4,225,237
Fiduciary Funds	447,548	447,548
Total	<u>\$ 5,052,613</u>	<u>\$ 5,025,937</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, 2012, \$1,431,173 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, 2012 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	\$ 1,809,010	\$ -	\$ 1,809,010
Equity Securities	4,110,083	4,110,083	-
	<u>\$ 5,919,093</u>	<u>\$ 4,110,083</u>	<u>\$ 1,809,010</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. These funds are rated by a nationally recognized statistical rating organization.

Custodial Credit Risk:

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

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, 2012, 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, 2012.

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, 2012	(Discount period)
May 1 – June 30, 2012	(Face period)
July 1 and after	(Penalty period)

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, \$87,081 of 2012 real estate taxes are unpaid which represents 4.3% of the total assessed property taxes for 2011.

The tax millage assessment for the 2012 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. This 25% allowance is set up to as an estimate of amounts due for real estate taxes that date back to decades ago which management believes may not be collected or will be collected years into the future.

NOTE 5 - RECEIVABLES

Receivables, as reflected in Exhibit C, consist of the following at December 31, 2012:

TAXES:

Delinquent real estate	\$ 344,975
Deed transfer taxes	21,743
EMS tax	20,778
Earned income tax	185,073
Business privilege	6,808
	<u>\$ 579,377</u>

OTHER:

Cable franchise fees	\$ 13,896
Municipal fines	3,416
Miscellaneous	8,954
	<u>\$ 26,266</u>

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS

The 'due from other governmental units' total of \$31,269, as reflected in Exhibit A & C, represents amounts earned by and due the Borough of Sewickley for 2012 from other governmental agencies as follows:

Commonwealth of PA - Act 77	\$ 7,366
Osborne Secretarial/Code services	8,222
Police/Crossing Guard Reimbursement	8,132
Rent	2,983
Fuel	4,566
	<u>\$ 31,269</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 – INTER-FUND RECEIVABLES/PAYABLES

Internal balances as shown on the “Statement of Net Position” (Exhibit A) and “Due to/from Other Funds” as reflected on Exhibits C and H reflects the amount due to the General Fund from the Sewer Fund of \$4,987 for payments made by the General Fund on behalf of the Sewer Fund during 2012.

NOTE 8 - CAPITAL ASSETS

A summary of the governmental and business-type fixed asset activity for the 2012 calendar year was as follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Governmental Activities				
Land	\$ 285,326	\$ -	\$ -	\$ 285,326
Infrastructure	3,871,307	-	-	3,871,307
Site Improvements	1,670,246	-	-	1,670,246
Buildings and Improvements	1,102,791	-	-	1,102,791
Machinery and Equipment	823,996	-	-	823,996
Vehicles	1,882,229	-	-	1,882,229
Construction in Progress	140,794	40,000	(41,122)	139,672
	<u>\$ 9,776,689</u>	<u>\$ 40,000</u>	<u>\$ (41,122)</u>	<u>\$ 9,775,567</u>
Less: Accumulated depreciation				
Infrastructure	\$ (1,045,967)	\$ (162,353)	\$ -	\$ (1,208,320)
Site Improvement	(336,721)	(73,883)	-	(410,604)
Buildings and Improvements	(503,583)	(30,921)	-	(534,504)
Machinery and Equipment	(581,604)	(38,415)	-	(620,019)
Vehicles	(819,006)	(150,424)	-	(969,430)
	<u>\$ (3,286,881)</u>	<u>\$ (455,996)</u>	<u>\$ -</u>	<u>\$ (3,742,877)</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,489,808</u>	<u>\$ (415,996)</u>	<u>\$ (41,122)</u>	<u>\$ 6,032,690</u>

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 - CAPITAL ASSETS (Continued)

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2012</u>
Business-Type Activities				
Buildings	\$ 3,710,618	\$ -	\$ -	\$ 3,710,618
Equipment	1,780,753	-	-	1,780,753
Storm Sewers	834,874	-	-	834,874
Vehicles	79,471	84,028	-	163,499
Construction in Progress	7,266,591	1,488,526	-	8,755,117
	<u>\$ 13,672,307</u>	<u>\$ 1,572,554</u>	<u>\$ -</u>	<u>\$ 15,244,861</u>
Less: Accumulated Depreciation	<u>(2,690,207)</u>	<u>(178,562)</u>	<u>-</u>	<u>(2,868,769)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,982,100</u>	<u>\$ 1,393,992</u>	<u>\$ -</u>	<u>\$ 12,376,092</u>

Depreciation expense was allocated to governmental functions as follows:

General Administration	\$ 15,290
Police	42,078
Fire	62,329
Public Works	242,485
Culture and Recreation	93,814
	<u><u>\$ 455,996</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 John Hancock. In accordance with Internal Revenue Code Section 457, assets in the plan are held in trust for each employee, but remain the property of the Borough of Sewickley until paid to or made available to the participants, subject only to the claims of the Borough's general creditors.

NOTE 10 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS

BONDS PAYABLE – SERIES A OF 2011

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series A of 2011 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.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS

A schedule of the December 31, 2012 debt service requirement on the general obligation bonds are as follows:

Year End 31-Dec	Principal	Interest	Total
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	185,000	9,460	194,460
2018	155,000	4,650	159,650
	<u>\$ 1,640,000</u>	<u>\$ 112,530</u>	<u>\$ 1,752,530</u>

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

BONDS PAYABLE – SERIES B OF 2011

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series B of 2011 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 2011

In January of 2011, the Borough of Sewickley issued General Obligation Bonds – Series C of 2011 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.

NOTES PAYABLE – SERIES OF 2012

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

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

A schedule of the December 31, 2012 debt service requirement on the business-type activity general obligation bonds are as follows:

Year End 31-Dec	Series B Principal	Series C Principal	Series 2012 Principal	Interest
2013	\$ 215,000	\$ 95,000	\$ 291,667	\$ 458,480
2014	215,000	95,000	291,667	443,530
2015	220,000	100,000	291,667	428,580
2016	225,000	100,000	291,667	413,430
2017	230,000	100,000	291,667	397,205
2018-2022	1,260,000	560,000	1,458,332	1,699,763
2023-2027	1,520,000	675,000	583,333	1,150,413
2028-2032	1,080,000	830,000	-	-
2033-2037	-	1,050,000	-	-
2038-2040	-	750,000	-	-
	<u>\$ 4,965,000</u>	<u>\$ 4,355,000</u>	<u>\$ 3,500,000</u>	<u>\$ 4,991,401</u>

NOTE 12 – CHANGES IN LONG-TERM DEBT OBLIGATIONS

The following represents the changes in the Borough's long-term liabilities during the 2012 calendar year:

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 1,060,850	\$ -	\$ 257,250	\$ 803,600	\$ 198,450
Total long-term debt - Governmental activities	\$ 1,060,850	\$ -	\$ 257,250	\$ 803,600	\$ 198,450
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 10,724,150	\$ -	\$ 567,750	\$ 10,156,400	\$ 206,550
General Obligation Notes	-	3,500,000	-	3,500,000	291,667
Total long-term debt - Business-Type Activities	\$ 4,813,675	\$ 3,500,000	\$ 567,750	\$ 13,656,400	\$ 498,217

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 Investment Advisors. Ameriserv Trust and Financial Services is the custodian of the funds.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13 - BOROUGH PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

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

- PARTICIPANTS** - All permanent members of the Borough of Sewickley police department.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have completed 25 years of aggregate service as a full-time Borough employee and have attained the age of 50.
- 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. The Borough contributed \$97,760 to the plan in 2012. The balance of the MMO due for 2012 of \$12,213 was paid into the plan in January of 2013.

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 Investment Advisors. 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.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13 - BOROUGH PENSION PLANS (Continued)

NON-UNIFORMED PENSION PLAN (Continued)

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 \$194,436 to the plan in 2012.

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

	<u>POLICE</u>	<u>NON- UNIFORM</u>
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.

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, 2012. 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, 2012:

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13 - BOROUGH PENSION PLANS (Continued)

FUNDING REQUIREMENTS (Continued)

	<u>POLICE</u>	<u>%</u>	<u>NONUNIFORM</u>	<u>%</u>
Money Market Funds	\$ 190,197	5.2%	\$ 257,089	9.6%
Municipal Obligations	773,887	21.0%	591,140	22.1%
Corporate Obligations	253,333	6.8%	190,650	7.1%
Equity Securities	2,474,183	67.0%	1,635,900	61.2%

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>
<u>POLICE:</u>			
2006	\$ 86,023	100%	-
2007	92,555	100%	-
2008	66,644	100%	-
2009	91,846	100%	-
2010	121,242	100%	-
2011	114,711	100%	-
2012	97,760	89%	*
			12,213
* paid in January of 2013			
<u>NON-UNIFORM:</u>			
2006	\$ 110,104	100%	-
2007	116,589	100%	-
2008	134,672	100%	-
2009	142,492	100%	-
2010	186,236	100%	-
2011	192,086	100%	-
2012	194,346	100%	-

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, 2012, the Borough is unaware of any pending litigation that would be material to the financial position of the Borough of Sewickley.

BOROUGH OF SEWICKLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 16 - CONTINGENT LIABILITIES (Continued)

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 – SUBSEQUENT EVENTS

The Borough is not aware of any subsequent events after December 31, 2012 and through the date of the financial statements, March 11, 2013, that would require recognition or disclosure in the financial statements.

NOTE 18 – PENDING GASB PRONOUNCEMENTS

In June of 2011, GASB issued Statement No. 61, The Financial Reporting Entity. The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this Statement are effective for the Borough's December 31, 2013 financial statements.

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for the Borough's December 31, 2013 financial statements.

In March 2012, GASB issued Statement No. 66, Technical Corrections, an Amendment of GASB Statements No. 10 and 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for the Borough's December 31, 2013 financial statements.

In June 2012, GASB issued Statements No. 67 and 68, Accounting and Financial Reporting for Pensions, which amend GASB Statements Nos. 25 and 27. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of these Statements are effective for the Borough's December 31, 2014 financial statements.

The effects of the implementation of these standards on the Borough of Sewickley's financial statements have not yet been determined.

***SUPPLEMENTAL
SCHEDULES***

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>TAXES:</u>			
Real estate - current	\$ 2,220,000	\$ 2,197,528	\$ 2,168,977
Real estate - prior	10,000	19,511	22,260
Real estate - liened	100,000	153,437	162,420
Per capita tax	9,700	9,434	9,544
Real estate transfer tax	120,000	157,188	112,764
Earned income tax	750,000	1,180,517	829,972
EMS Tax	-	94,865	133,518
Business privilege tax	212,500	156,804	163,017
Penalties & interest on delinquent taxes	6,050	6,835	7,459
TOTAL TAXES	\$ 3,428,250	\$ 3,976,120	\$ 3,609,932
<u>LICENSES AND PERMITS:</u>			
Amusement licenses	\$ 7,500	\$ 5,250	\$ 4,250
Cable franchise license	48,000	64,078	50,562
Tree Expert License	200	50	25
Street permits	7,000	6,250	4,250
TOTAL LICENSES AND PERMITS	\$ 62,700	\$ 75,628	\$ 59,087
<u>FINES AND FORFEITURES:</u>			
Motor vehicle code violations	\$ 50,000	\$ 38,667	\$ 47,437
Parking violations	89,000	74,194	70,285
Non-Traffic Citations	10,000	8,663	10,706
TOTAL FINES AND FORFEITURES	\$ 149,000	\$ 121,524	\$ 128,428
<u>INTEREST AND RENTS:</u>			
Interest	\$ 2,000	\$ 0	\$ 898
Rents	6,000	15,898	12,800
TOTAL INTEREST AND RENTS	\$ 8,000	\$ 15,898	\$ 13,697
<u>INTERGOVERNMENTAL:</u>			
PURTA	\$ 4,400	\$ 4,676	\$ 4,573
Liquor licenses	2,800	2,400	2,400
Municipal pension state aid	115,000	110,859	195,875
Foreign fire insurance	34,000	29,448	51,918
State Grants	-	20,000	-
State Grants - Canine Unit	-	-	10,000
State Grants - Map Upgrade Project	-	-	16,700
Act 13 gas	-	101	-
Act 77 revenues	74,000	90,283	84,027
TOTAL INTERGOVERNMENTAL	\$ 230,200	\$ 257,767	\$ 365,493

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>CHARGES FOR SERVICES:</u>			
Osborne Borough secretary services	\$ 28,003	\$ 34,263	\$ 27,904
Osborne Crossing guard	4,500	3,828	4,080
Zoning permits	500	1,000	3,500
Engineering review	1,000	105	-
Zoning hearing fees	8,000	3,500	1,000
No lien Letter	4,000	5,530	5,250
Sale of maps	50	8	-
Sale of Code	50	-	-
Sale of ordinances	300	55	-
Sale of subdivision	50	-	-
Sale of street banner permits	7,000	6,300	5,700
Sale of recycling bins	350	420	419
Special police services	127,000	132,493	135,378
Fire protection services-Haysville	3,630	4,213	5,091
Fire protection services-Osborne	18,000	17,032	17,032
Fire equipment replacement fund	3,200	3,511	2,633
Code service fees	-	1,168	1,491
Building permits	100,000	98,736	198,426
Occupancy Permits	300	-	-
Parking meter revenues	190,000	180,070	175,439
Parking permits	1,500	1,147	602
Salt Reimbursement	35,000	11,099	20,611
Special public works services	2,000	827	8,818
Road project	5,000	5,581	-
Park shelter fees	11,000	10,380	10,080
Tree fund-license/permits/donations	4,000	1,630	3,350
QVSD Gas	31,500	43,194	39,265
BSWA Gas	15,750	15,302	15,521
TOTAL CHARGES FOR SERVICES	\$ 601,683	\$ 581,391	\$ 681,590
<u>MISCELLANEOUS:</u>			
Miscellaneous revenue	\$ 55,000	\$ 29,861	\$ 42,924
Contributions and Donations	-	16,399	9,263
Other income	2,000	-	-
Health Insurance Reimbursements	25,900	19,449	21,172
Workmen's Comp	-	4,313	-
Refunds and Reimbursements	-	-	21,252
TOTAL MISCELLANEOUS	\$ 82,900	\$ 70,021	\$ 94,610

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY)</u> <u>PRIOR YEAR</u>
<u>OTHER FINANCIAL SOURCES:</u>			
Transfer from Liquid Fuels	\$ 81,150	\$ 79,800	\$ 80,704
Transfer from Sewer Fund	75,000	75,000	78,995
Transfer from CR #6	-	1,447	-
Refund of Prior Year Expenses	-	5,075	-
TOTAL OTHER FINANCIAL SOURCES	<u>\$ 156,150</u>	<u>\$ 161,322</u>	<u>\$ 159,699</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 4,718,883</u>	 <u>\$ 5,259,671</u>	 <u>\$ 5,112,535</u>

**BOROUGH OF SEWICKLEY
 DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY) PRIOR YEAR</u>
GENERAL GOVERNMENT:			
<u>LEGISLATIVE BODY:</u>			
Salary - manager	\$ 92,536	\$ 92,754	\$ 92,178
Salary - borough secretary	14,500	9,440	2,500
Salaries - staff	121,680	141,026	136,119
Life/accident insurance	3,500	3,462	3,283
Dental insurance	4,194	4,265	4,234
Long term disability insurance	3,500	2,314	2,287
Vision care	416	426	421
Keystone HMO	31,137	30,165	9,398
Health Savings Account	4,500	4,500	4,500
Pension	39,734	39,987	43,260
Social security(FICA)	17,000	19,583	22,471
Unemployment compensation	3,500	621	158
Workmans comp	1,171	10,751	10,737
Admin Overtime	5,500	1,430	487
Materials and supplies	9,000	5,676	8,721
Other expense	11,000	12,907	9,182
Computer maintenance	26,500	29,473	28,591
Computer services	12,500	9,966	6,217
Auditing services	8,500	6,015	7,447
Web Site	7,500	2,929	3,727
PEG Channel	6,000	7,138	6,638
Solicitor retainer	7,200	8,500	6,700
Other legal services	60,000	97,021	79,519
Engineer	25,000	11,483	21,649
Telephone	8,000	6,969	7,229
Postage	4,000	3,560	3,041
Equipment Lease	18,000	14,323	19,828
Auto allowance manager	2,000	2,696	1,803
Advertising	15,000	8,124	18,823
Newsletter	5,600	-	-
Property and liability insurance	35,000	36,887	34,945
Dues/subscriptions and memberships	9,000	10,350	9,753
Meetings and conferences	10,000	9,290	8,028
Contingencies	113,578	100,227	95,258
Center Contribution	12,500	12,500	12,500
Depreciation	10,000	-	-
TOTAL LEGISLATIVE BODY	\$ 758,746	\$ 756,758	\$ 721,632

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY)</u> <u>PRIOR YEAR</u>
GENERAL GOVERNMENT: (continued)			
<u>TAX COLLECTION:</u>			
Salary	\$ 2,400	\$ 2,414	\$ 2,400
Social Security(FICA)	250	184	184
Unemployment insurance	600	177	102
Workers compensation	800	647	665
Other expense	12,000	24,232	21,185
Wage tax collection fees	18,000	10,856	22,875
LST collection fees	2,600	2,099	2,084
Business privilege collection fees	4,200	3,136	3,902
Telephone	450	376	368
TOTAL TAX COLLECTION	\$ 41,300	\$ 44,121	\$ 53,764
<u>MUNICIPAL BUILDING AND PLANT:</u>			
Salary staff	\$ 42,100	\$ 42,178	\$ 40,090
Life/accident insurance	475	636	592
Dental insurance	420	418	419
Long term disability insurance	390	374	375
Vision care	104	108	110
Keystone HMO	5,137	4,871	5,661
Health Savings Account	1,500	1,500	1,500
Pension	10,797	10,797	12,005
Social Security(FICA)	3,374	3,315	3,201
Unemployment insurance	1,000	391	334
Workers compensation	2,700	1,618	1,663
Overtime	2,000	1,235	1,808
Uniform maintenance	900	741	832
Materials and supplies	6,500	4,837	7,867
Other expenses	-	244	148
Property and liability insurance	7,200	6,205	6,227
Electricity	34,240	28,801	38,811
Gas	28,000	14,117	15,125
Repairs and maintenance	35,000	35,558	31,800
TOTAL MUNICIPAL BUILDING AND PLANT	\$ 181,837	\$ 157,945	\$ 168,569
TOTAL GENERAL GOVERNMENT	\$ 981,883	\$ 958,824	\$ 943,965

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
PUBLIC SAFETY:			
<u>POLICE PROTECTION:</u>			
Salary - chief	\$ 87,218	\$ 91,265	\$ 86,685
Salary - sargeants	239,323	248,135	226,367
Salary - full time patrolmen	274,913	264,917	313,804
Salary - part time patrolmen	91,748	126,267	126,228
Salary - Full time desk	38,311	39,095	37,730
Salary - meter patrol	35,000	23,876	24,231
Life/accident insurance	11,835	10,965	10,156
Dental insurance	10,484	8,421	8,517
Long term disability insurance	3,488	3,249	3,191
Vision care	936	746	810
Keystone HMO	103,657	84,748	106,348
Supplemental Retirement	2,400	2,400	2,200
Health Savings Account	19,500	16,500	16,500
Pension	108,557	108,557	147,792
Social Security(FICA)	65,667	72,735	77,087
Unemployment insurance	11,075	7,669	6,996
Workers compensation	62,624	56,192	57,763
Overtime	26,000	74,395	62,296
Longevity	17,648	17,650	19,112
OIC	6,000	3,497	3,129
Shift differential	3,129	4,559	4,355
Court fees	17,000	14,590	16,354
Holiday pay - ftp	23,139	26,456	25,768
HL Benefit	-	6,856	-
DARE Grant Expense	4,500	2,143	-
Uniform maintenance	9,850	10,942	5,333
Material and supplies	3,500	3,922	4,314
Other expense	26,000	44,045	47,106
Computer Maintenance	15,000	9,227	6,460
Computer services	10,000	339	35
Gasoline and oil	18,000	16,471	18,520
Vehicle operating expense	10,000	10,065	12,390
Tires	4,000	1,910	1,588
Training rifle range	8,000	5,140	3,412
Printing	-	250	-
Telephone	16,000	16,245	18,965
Postage	1,500	2,393	1,948
Radio maintenance	20,000	16,803	1,707
Auto expense/chief	250	-	-
Property and liability insurance	17,500	14,102	13,878
Dues, subscriptions and memberships	750	580	-
Meetings and conferences	3,500	1,276	4,957
New police car	-	-	38,034
Quaker Valley Ambulance Authority	38,000	30,616	30,616
TOTAL POLICE PROTECTION	\$ 1,466,002	\$ 1,500,212	\$ 1,592,682

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
PUBLIC SAFETY: (continued)			
<u>FIRE PROTECTION:</u>			
Workers Comp	\$ 12,000	\$ 21,204	\$ 5,955
Materials and supplies	1,200	1,001	1,652
Other expense	2,000	2,422	2,265
Fire hose and couplings	6,000	3,670	3,482
Vehicle operating expense	25,000	40,752	35,847
Telephone and radio expense	15,000	10,245	7,314
Foreign casualty premium	35,500	29,448	51,918
Contracted services	40,000	36,667	40,000
Training	3,000	222	3,849
Hydrant Fee	20,000	16,500	16,500
TOTAL FIRE PROTECTION	\$ 159,700	\$ 162,129	\$ 168,782
<u>PROTECTIVE INSPECTION:</u>			
Salary code enforcement officer	\$ 58,344	\$ 58,479	\$ 55,543
Life insurance/accident	700	720	722
Dental insurance	-	107	-
Long term disability	400	391	394
Vision insurance	-	9	-
Keystone	4,000	5,117	4,000
Pension	10,797	10,797	12,005
FICA	4,463	4,459	4,246
Unemployment comp	1,100	391	334
Workers comp	1,892	1,618	1,663
Materials and supplies	2,500	566	509
Zoning hearing board - legal service	9,000	1,110	5,223
Zoning hearing board - steno service	3,000	1,859	1,875
Telephone	1,600	2,650	1,207
Postage and advertising	1,800	1,781	1,751
Historic review commission	500	-	-
Planning commission	25,000	11,885	6,314
Zoning ordinance update	2,500	17,064	24,624
TOTAL PROTECTIVE INSPECTION	\$ 127,596	\$ 119,005	\$ 120,410
TOTAL PUBLIC SAFETY	\$ 1,753,298	\$ 1,781,346	\$ 1,881,874
<u>PUBLIC WORKS:</u>			
Salary foreman	\$ 56,951	\$ 57,063	\$ 54,233
Salaries	336,541	279,153	239,611
Life/accident insurance	3,850	5,085	4,724
Dental insurance	7,116	7,246	7,252
Long term disability	2,702	2,602	2,607
Vision care	728	745	750
Keystone HMO	85,330	81,085	94,045
Health Savings Account	18,000	16,500	18,000
Pension	75,579	75,579	84,038
Social Security(FICA)	33,315	36,444	32,826
Unemployment insurance	7,970	4,555	3,593
Workers compensation	35,928	41,425	42,583
Overtime	42,000	64,956	68,741

BOROUGH OF SEWICKLEY
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET	ACTUAL	(MEMORANDUM ONLY) PRIOR YEAR
<u>PUBLIC WORKS: (continued)</u>			
Uniform maintenance	8,100	7,416	6,341
Snow and ice materials	55,000	45,367	52,172
Gasoline and oil	70,000	88,291	85,034
Vehicle operation maintenance	26,000	39,211	34,962
Vehicle operating expense	30,000	29,843	38,798
Street signs and markings	15,000	9,433	10,863
Other highway care expenses	25,000	40,267	45,383
Water	1,000	513	305
Tools and minor equipment	8,000	3,301	6,448
Telephone and radio	2,800	2,633	2,188
Property and liability insurance	14,000	12,410	12,238
Meter repair	10,000	5,884	12,209
Equipment rental	1,000	-	-
Depreciation	15,000	-	-
Sinkhole Chestnut	-	-	9,170
Patching and Sealing	-	3,664	-
Weight Limit Study	-	6,775	-
Engineering - Road	-	95,493	-
2011 Road Project	-	20,415	468,961
2012 Road Project	620,000	572,848	-
Street repairs and maintenance	-	-	3,702
Traffic signals	18,000	7,910	17,572
Street lighting	92,000	89,781	113,152
TOTAL PUBLIC WORKS	\$ 1,716,910	\$ 1,753,896	\$ 1,572,500
<u>CULTURE AND RECREATION:</u>			
<u>PARKS AND RECREATION:</u>			
Salaries	\$ 35,000	\$ 39,223	\$ 32,267
FICA (SS)	2,677	-	-
Unemployment insurance	1,800	74	3
Workers compensation	4,500	5,178	5,323
Materials and supplies	10,000	5,707	9,318
Repairs	12,000	37,620	17,340
Property and liability	7,000	6,205	6,227
TOTAL PARKS AND RECREATION	\$ 72,977	\$ 94,007	\$ 70,477
<u>SHADE TREES:</u>			
Tree trimming and removal	\$ 65,000	\$ 64,829	\$ 53,313
Tree maintenance and spraying	10,000	14,328	13,980
Sidewalk Repair	10,000	-	-
Plantings	15,000	16,953	8,622
TOTAL SHADE TREES	\$ 100,000	\$ 96,110	\$ 75,915
TOTAL CULTURE AND RECREATION	\$ 172,977	\$ 190,117	\$ 146,392

**BOROUGH OF SEWICKLEY
 DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY) PRIOR YEAR</u>
<u>DEBT SERVICE:</u>			
TAN Interest	\$ -	\$ 3,698	\$ 3,606
Debt Fees	-	520	1,192
Debt Principal	154,815	257,250	152,294
Debt Interest	-	22,800	110,587
TOTAL DEBT SERVICE	<u>\$ 154,815</u>	<u>\$ 284,268</u>	<u>\$ 267,679</u>
 <u>OTHER FINANCING USES:</u>			
Tax Refund Assessment	\$ 4,000	\$ 11,458	\$ 6,385
Refund Prior Year Receipts	-	39,964	79,267
Transfer to Sewer Fund	-	638	147
Transfer to Debt Service Fund	-	18,011	-
Transfer to Capital Reserves #4	25,000	3,160	29,564
Transfer to Capital Reserves #6	-	-	41,673
TOTAL OTHER FINANCING USES	<u>\$ 29,000</u>	<u>\$ 73,231</u>	<u>\$ 157,036</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,808,883</u>	<u>\$ 5,041,682</u>	<u>\$ 4,969,446</u>

**BOROUGH OF SEWICKLEY
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012**

	<u>HIGHWAY AID FUND</u>	<u>SINKING FUND</u>	<u>TOTAL</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 13,048	\$ 18,011	\$ 31,059
TOTAL ASSETS	<u>\$ 13,048</u>	<u>\$ 18,011</u>	<u>\$ 31,059</u>
 <u>LIABILITIES AND FUND EQUITY:</u>			
LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND EQUITY:			
Fund Balance	\$ 13,048	\$ 18,011	\$ 31,059
TOTAL FUND BALANCES (Deficit)	<u>\$ 13,048</u>	<u>\$ 18,011</u>	<u>\$ 31,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,048</u>	<u>\$ 18,011</u>	<u>\$ 31,059</u>

BOROUGH OF SEWICKLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>HIGHWAY AID FUND</u>	<u>JOINT MUNICIPAL PLANNING COMMITTEE FUND</u>	<u>SINKING FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>				
Intergovernmental	\$ 83,205	\$ -	\$ -	\$ 83,205
TOTAL REVENUES	\$ 83,205	\$ -	\$ -	\$ 83,205
<u>OTHER FINANCING SOURCES:</u>				
Interfund Transfers	\$ -	\$ -	\$ 18,011	\$ 18,011
TOTAL OTHER FINANCING SOURCES	\$ -	\$ -	\$ 18,011	\$ 18,011
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 83,205	\$ -	\$ 18,011	\$ 101,216
<u>EXPENDITURES:</u>				
Debt Service	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -
<u>OTHER FINANCING USES:</u>				
Interfund Transfers	\$ 79,800	\$ 93	\$ -	\$ 79,893
TOTAL OTHER FINANCING USES	\$ 79,800	\$ 93	\$ -	\$ 79,893
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 79,800	\$ 93	\$ -	\$ 79,893
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 3,405	\$ (93)	\$ 18,011	\$ 21,323
FUND BALANCE - January 1, 2012	9,643	93	-	9,736
FUND BALANCE December 31, 2012	\$ 13,048	\$ -	\$ 18,011	\$ 31,059

BOROUGH OF SEWICKLEY
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
DECEMBER 31, 2012

	BUILDING FUND	FIRE FUND	CAPITAL IMPROVEMENT FUND	TOTAL
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 8,775	\$ 178,436	\$ 8,664	\$ 195,875
TOTAL ASSETS	\$ 8,775	\$ 178,436	\$ 8,664	\$ 195,875
<u>LIABILITIES AND FUND EQUITY:</u>				
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ 10,000	\$ 10,000
TOTAL LIABILITIES	\$ -	\$ -	\$ 10,000	\$ 10,000
FUND EQUITY:				
Fund Balance	\$ 8,775	\$ 178,436	\$ (1,336)	\$ 185,875
TOTAL FUND BALANCES (Deficit)	\$ 8,775	\$ 178,436	\$ (1,336)	\$ 185,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,775	\$ 178,436	\$ 8,664	\$ 195,875

BOROUGH OF SEWICKLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>BUILDING FUND</u>	<u>FIRE FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ 12,500	\$ 12,500
Contributions and Donations	-	35,000	-	35,000
Charges for Services	-	19,000	-	19,000
Miscellaneous	8,723	13,606	4,084	26,413
TOTAL REVENUES	\$ 8,723	\$ 67,606	\$ 16,584	\$ 92,913
<u>OTHER FINANCING SOURCES:</u>				
Interfund Transfers	\$ 93	\$ 3,160	\$ -	\$ 3,253
Sale of Fixed Assets	-	60,000	-	60,000
TOTAL OTHER FINANCING SOURCES	\$ 93	\$ 63,160	\$ -	\$ 63,253
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 8,816	\$ 130,766	\$ 16,584	\$ 156,166
<u>EXPENDITURES:</u>				
General Government	\$ 13,986	\$ -	\$ -	\$ 13,986
Public Safety	1,575	28,881	-	30,456
Culture and Recreation	-	-	40,682	40,682
TOTAL EXPENDITURES	\$ 15,561	\$ 28,881	\$ 40,682	\$ 85,124
<u>OTHER FINANCING USES:</u>				
Interfund Transfers	\$ -	\$ -	\$ 1,447	\$ 1,447
TOTAL OTHER FINANCING USES	\$ -	\$ -	\$ 1,447	\$ 1,447
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 15,561	\$ 28,881	\$ 42,129	\$ 86,571
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (6,745)	\$ 101,885	\$ (25,545)	\$ 69,595
FUND BALANCE - January 1, 2012	15,520	76,551	24,209	116,280
FUND BALANCE December 31, 2012	\$ 8,775	\$ 178,436	\$ (1,336)	\$ 185,875

***REQUIRED SUPPLEMENTARY
INFORMATION***

BOROUGH OF SEWICKLEY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
DECEMBER 31, 2012

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%
2012	109,973 *	89%	194,346	100%

* balance of 2012 MMO of \$12,213 deposited in January of 2013

BOROUGH OF SEWICKLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012

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