

BOROUGH OF TARENTUM
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016



MERGE & HILL, P.C.
Certified Public Accountants

BOROUGH OF TARENTUM, PENNSYLVANIA
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4-5
Statement of Activities	6-7
Fund Financial Statements:	
Government Funds:	
Balance Sheet	8
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Proprietary Funds:	
Statement of Fund Net Position	12
Statement of Revenues, Expenses and Changes in Fund Net Position	13
Statement of Cash Flows	14-15
Fiduciary Funds:	
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to the Financial Statements	18-47
Required Supplementary Information (Unaudited):	
Police Pension Plan	48-49
Non Uniform Employees' Pension Plan	50-51
Schedule of Revenue, Expenditures, and Changes in Fund Balance -Budget and Actual:	
General Fund	52-58
Liquid Fuels Fund	59



MERGE & HILL, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Borough Council and Borough Manager
Borough of Tarentum, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Borough of Tarentum, Pennsylvania (the Borough), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note (1) I. to the financial statements, management has not recorded capital assets in governmental activities prior to January 1, 2004 and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. Historical cost records for the Borough's capital assets are incomplete or not available for the government funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Borough of Tarentum, Pennsylvania, as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Business-Type Activities Fund Financial Statements and Government-wide financial statements

As discussed in Note (1) I. to the financial statements, the business-type activities water fund capital assets reported in their fund financial statements and government-wide financial statements reflect respective assets acquired prior to January 1, 1981 at their actual cash value basis rather than historical costs. Assets acquired subsequent to December 31, 1980 are reflected at cost. The amount by which this departure would affect the assets, fund balances, and expenses of the water fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-Type Activities Fund Financial Statements and Government-wide financial statements" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the water fund of the Borough of Tarentum, as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund other than the Water Fund of the Borough of Tarentum, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Police Pension Plan, Non-uniformed Employees' Pension Plan and budgetary comparison information on pages 48 through 59 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Merge & Hill, P.C.

Tarentum, Pennsylvania

November 8, 2017

BOROUGH OF TARENTUM, PENNSYLVANIA
Government-wide Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 265,909	\$ 194,131	\$ 460,040
Restricted Cash	178,406	69,152	247,558
Receivables:			
Taxes	670,888		670,888
Accounts - Customers - Net	37,648	532,194	569,842
Due from Other Funds		230,853	230,853
Other	44,149		44,149
Inventory		21,062	21,062
Total Current Assets	<u>1,197,000</u>	<u>1,047,392</u>	<u>2,244,392</u>
Noncurrent Assets:			
Capital Assets:			
Construction in Progress		10,250	10,250
Property, Plant and Equipment	5,007,881	9,345,642	14,353,523
Accumulated Depreciation		(5,455,849)	(5,455,849)
Total Capital Assets	<u>5,007,881</u>	<u>3,900,043</u>	<u>8,907,924</u>
Total Assets	<u>6,204,881</u>	<u>4,947,435</u>	<u>11,152,316</u>
<u>Deferred Outflows of Resources</u>			
Deferred Debt Expense, Net		579,221	579,221
Deferred Outflows Related to Pension	693,301		693,301
Total Deferred Outflows of Resources	<u>693,301</u>	<u>579,221</u>	<u>1,272,522</u>
Total Assets & Deferred Outflows of Resources	<u>6,898,182</u>	<u>5,526,656</u>	<u>12,424,838</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	38,586	262,395	300,981
Accrued Payroll and Withholdings	47,480	23,136	70,616
Due to Other Funds	230,853		230,853
Compensated Absences	95,060	28,108	123,168
Other	27,547		27,547
Sales Tax Payable		4,003	4,003
Interest Payable	1,669	58,859	60,528
Customer Deposits		92,120	92,120
Current Portion of Long Term Debt	118,991	273,642	392,633
Total Current Liabilities	<u>560,186</u>	<u>742,263</u>	<u>1,302,449</u>
Noncurrent Liabilities:			
Long Term Debt	142,921	4,736,623	4,879,544
Net Pension Liability	1,062,824		1,062,824
Total Noncurrent Liabilities	<u>1,205,745</u>	<u>4,736,623</u>	<u>5,942,368</u>
Total Liabilities	<u>1,765,931</u>	<u>5,478,886</u>	<u>7,244,817</u>

BOROUGH OF TARENTUM, PENNSYLVANIA
 Government-wide Statement of Net Position
 December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Fees Collected in Advance	12,073		12,073
Deferred Inflows Related to Pension	130,131		130,131
Total Deferred Inflows of Resources	<u>142,204</u>		<u>142,204</u>
Total Liabilities & Deferred Inflows of Resources	<u>1,908,135</u>	<u>5,478,886</u>	<u>7,387,021</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,924,382	(461,849)	4,462,533
Restricted for:			
Public Works - Highways	8,309		8,309
Unrestricted	57,356	509,619	566,975
Total Net Position	<u>4,990,047</u>	<u>47,770</u>	<u>5,037,817</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$6,898,182</u>	<u>\$ 5,526,656</u>	<u>\$12,424,838</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Government-wide Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					
General Government	\$ 150,904	\$ 3,880	\$	\$	\$ (147,024)
Public Safety:					
Police	910,559	87,701		39,700	(783,158)
Fire	105,421		19,236		(86,185)
Code Enforcement	51,216		17,213		(34,003)
Other	41,544		15,430		(26,114)
Public Works - Sanitation	296,416	506,412			209,996
Public Works - Highways	678,013	14,492			(663,521)
Other Public Works - Parking		52,212			52,212
Culture and Recreation	57,128				(57,128)
Community Development	5,951				(5,951)
Interest on Long-Term Debt	10,284				(10,284)
Miscellaneous	421,238				(421,238)
Refunds of Prior Year Revenues	3,950				(3,950)
Total Government Activities	<u>2,732,624</u>	<u>664,697</u>	<u>51,879</u>	<u>39,700</u>	<u>(1,976,348)</u>
Business-type Activities:					
Water Utilities	1,379,102	1,278,181			(100,921)
Electric Utilities	3,370,578	3,996,137			625,559
Total Business-type Activities	<u>4,749,680</u>	<u>5,274,318</u>			<u>524,638</u>
Total	<u>\$ 7,482,304</u>	<u>\$ 5,939,015</u>	<u>\$ 51,879</u>	<u>\$ 39,700</u>	<u>\$ (1,451,710)</u>

BOROUGH OF TARENTUM, PENNSYLVANIA
Government-wide Statement of Activities (Continued)
For the Year Ended December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in Net Assets:			
Net (Expense) Revenue	<u>\$ (1,976,348)</u>	<u>\$ 524,638</u>	<u>\$ (1,451,710)</u>
General Revenues:			
Taxes:			
Real Estate	590,191		590,191
Earned Income	320,140		320,140
Local Services Tax	57,818		57,818
Mechanical Devices Tax	21,200		21,200
Real Estate Transfer	21,495		21,495
Per Capita	7,753		7,753
Business Privilege	50		50
Licenses and Permits	63,933		63,933
Interest and Rents	80,485		80,485
Intergovernmental Revenues	438,043		438,043
Miscellaneous	12,598		12,598
Transfers	<u>549,424</u>	<u>(549,424)</u>	
Total General Revenues and Transfers	<u>2,163,130</u>	<u>(549,424)</u>	<u>1,613,706</u>
Changes in Net Position	186,782	(24,786)	161,996
Net Position - Beginning	<u>4,803,265</u>	<u>72,556</u>	<u>4,875,821</u>
Net Position - Ending	<u>\$ 4,990,047</u>	<u>\$ 47,770</u>	<u>\$ 5,037,817</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA

Balance Sheet

Governmental Funds

December 31, 2016

	General	Liquid Fuels	Totals Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 257,600	\$ 8,309	\$ 265,909
Restricted Cash - EPA Sewer and Equipment Funds	178,406		178,406
Receivables:			
Taxes	670,888		670,888
Accounts - Customers, Net	37,648		37,648
Other	44,149		44,149
Total Assets	<u>1,188,691</u>	<u>8,309</u>	<u>1,197,000</u>
<u>Liabilities</u>			
Accounts Payable	38,586		38,586
Accrued Payroll and Withholdings	47,480		47,480
Due to Other Funds	230,853		230,853
Compensated Absences	95,060		95,060
Other	27,547		27,547
Total Liabilities	<u>439,526</u>	<u> </u>	<u>439,526</u>
<u>Deferred Inflows of Resources</u>			
Taxes Receivable	593,810		593,810
Fees Collected in Advance	12,073		12,073
Total Deferred Inflows of Resources	<u>605,883</u>	<u> </u>	<u>605,883</u>
<u>Fund Balances</u>			
Restricted:			
Public Works - Highways		8,309	8,309
Unassigned	143,282		143,282
Total Fund Balances	<u>143,282</u>	<u>8,309</u>	<u>151,591</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,188,691</u>	<u>\$ 8,309</u>	<u>\$ 1,197,000</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
 Balance Sheet
 Governmental Funds
 December 31, 2016

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds	\$ 151,591
Capital Assets used in Governmental activities are not financial resources and therefore are not reported in the funds	5,007,881
Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in funds	
Deferred Outflows of Resources Related to Pensions	693,301
Deferred Inflows of Resources Related to Pensions	(130,131)
Liabilities for earned revenues considered Deferred Inflows of Resources in fund statements	593,810
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(1,669)
Long-term Liabilities used in Governmental activities are not financial uses and therefore are not reported in the funds:	
Long-term Debt	(261,912)
Net Pension Liability	<u>(1,062,824)</u>
Net Position of Governmental Activities	<u><u>\$4,990,047</u></u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

	General	Liquid Fuels	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 1,123,408	\$	\$ 1,123,408
Licenses and Permits	68,242		68,242
Fines and Forfeits	49,758		49,758
Interest and Rents	80,195	291	80,486
Intergovernmental	212,050	132,053	344,103
Charges for Services	592,771		592,771
Miscellaneous	4,280		4,280
Total Revenues	2,130,704	132,344	2,263,048
<u>Expenditures</u>			
Current:			
General Government	150,904		150,904
Public Safety:			
Police	1,009,567		1,009,567
Fire	105,421		105,421
Code Enforcement	51,216		51,216
Other	41,544		41,544
Public Works - Sanitation	296,416		296,416
Public Works - Highways	691,647	181,147	872,794
Culture and Recreation	62,364		62,364
Community Development	5,951		5,951
Debt Service	118,992	17,607	136,599
Miscellaneous	227,523		227,523
Total Expenditures	2,761,545	198,754	2,960,299
Excess (Deficiency) of Revenues Over Expenditures	(630,841)	(66,410)	(697,251)
<u>Other Financing Sources (Uses)</u>			
Interfund Operating Transfers in	549,424		549,424
Refund of Prior Year Expenditures	1,316		1,316
Sale of General Fixed Assets	57,502		57,502
Proceeds from General Long Term Debt	55,932	66,505	122,437
Miscellaneous Expense	(565)		(565)
Refund of Prior Years Revenue	(3,950)		(3,950)
Net Other Financing Sources	659,659	66,505	726,164
Net Change in Total Fund Balances	28,818	95	28,913
Fund Balances, Beginning	114,464	8,214	122,678
Fund Balances, Ending	\$ 143,282	\$ 8,309	\$ 151,591

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ 28,913

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are not allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay expenditures which were capitalized. 299,025

Governmental funds report Borough pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (192,381)

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Government Funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Proceeds of Long-Term Debt	\$ (122,437)	
Principle Payments on Long-Term Debt	126,638	
Increase in Accrued Interest Payable	<u>(1,092)</u>	3,109

Some tax revenues will not be collected for several months after the Borough's year end. These are not considered "available" revenues in the Governmental Funds until received. The recognition of unavailable deferred revenue consist of real estate taxes. 48,116

Change in Net Position of Governmental Activities \$ 186,782

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 153,697	\$ 40,434	\$ 194,131
Restricted Cash - Loan Proceeds	69,152		69,152
Accounts Receivable, Net	202,620	329,574	532,194
Due from Other Funds		285,296	285,296
Inventory		21,062	21,062
Total Current Assets	<u>425,469</u>	<u>676,366</u>	<u>1,101,835</u>
Noncurrent Assets:			
Capital Assets:			
Construction in Progress	10,250		10,250
Property, Plant, and Equipment	6,241,994	3,103,648	9,345,642
Accumulated Depreciation	(3,542,487)	(1,913,362)	(5,455,849)
Total Noncurrent Assets	<u>2,709,757</u>	<u>1,190,286</u>	<u>3,900,043</u>
Total Assets	<u>3,135,226</u>	<u>1,866,652</u>	<u>5,001,878</u>
<u>Deferred Outflows of Resources</u>			
Deferred Debt Expense, Net	<u>353,325</u>	<u>225,896</u>	<u>579,221</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	23,717	238,678	262,395
Wages Payable	20,718	2,418	23,136
Compensated Absences	25,441	2,667	28,108
Sales Tax Payable		4,003	4,003
Due to Other Funds	54,443		54,443
Interest Payable	35,684	23,175	58,859
Customer Deposits	92,120		92,120
Current Portion of Long Term Debt	137,296	136,346	273,642
Total Current Liabilities	<u>389,419</u>	<u>407,287</u>	<u>796,706</u>
Noncurrent Liabilities:			
Long Term Debt	<u>2,793,593</u>	<u>1,943,030</u>	<u>4,736,623</u>
Total Liabilities	<u>3,183,012</u>	<u>2,350,317</u>	<u>5,533,329</u>
<u>Net Position</u>			
Net Investment in Capital Assets	201,345	(663,194)	(461,849)
Unrestricted	104,194	405,425	509,619
Total Net Position (Deficit)	<u>\$ 305,539</u>	<u>\$ (257,769)</u>	<u>\$ 47,770</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Operating Revenues</u>			
Charges for Services:			
Electric Sales	\$	\$ 3,953,062	\$ 3,953,062
Water Charges	1,249,115		1,249,115
Pole Attachment Fees		16,487	16,487
Meter Readings	5,987		5,987
Total Operating Revenues	<u>1,255,102</u>	<u>3,969,549</u>	<u>5,224,651</u>
<u>Operating Expenses</u>			
Distribution	147,769	2,803,573	2,951,342
Public Works - Street Lighting/Traffic Control		96,553	96,553
Plant	658,482		658,482
Administration	178,259	172,380	350,639
Depreciation	201,526	169,984	371,510
Total Operating Expenses	<u>1,186,036</u>	<u>3,242,490</u>	<u>4,428,526</u>
Operating Income	<u>69,066</u>	<u>727,059</u>	<u>796,125</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	642	120	762
Other Revenue	22,437	26,468	48,905
Interest Expense	(113,172)	(77,008)	(190,180)
Amortization Expense	(79,894)	(51,080)	(130,974)
Total Nonoperating Revenues (Expenses)	<u>(169,987)</u>	<u>(101,500)</u>	<u>(271,487)</u>
<u>Income (Loss) Before Transfers</u>	(100,921)	625,559	524,638
Transfer to General Fund		(549,424)	(549,424)
<u>Change in Net Position</u>	(100,921)	76,135	(24,786)
<u>Total Net Position (Deficit), Beginning</u>	<u>406,460</u>	<u>(333,904)</u>	<u>72,556</u>
<u>Total Net Position (Deficit), Ending</u>	<u>\$ 305,539</u>	<u>\$ (257,769)</u>	<u>\$ 47,770</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Power Fund</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 1,237,594	\$ 3,988,200	\$ 5,225,794
Cash Payments to Suppliers, Vendors and Professionals	(473,495)	(3,004,855)	(3,478,350)
Cash Payments to Employees for Services	(408,171)	(57,465)	(465,636)
Other Payments on Behalf of Employees for Services	(156,623)	(17,482)	(174,105)
Other Revenues	6,262	18,177	24,439
<u>Net Cash Provided by Operating Activities</u>	<u>205,567</u>	<u>926,575</u>	<u>1,132,142</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Payments (to) from General Fund	9,682	(162,756)	(153,074)
Transfer to General Fund		(549,424)	(549,424)
Payments to Water Fund		(54,443)	(54,443)
Payments from Power Fund	54,443		54,443
<u>Net Cash Provided (Used) by Noncapital Financing Activities</u>	<u>64,125</u>	<u>(766,623)</u>	<u>(702,498)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Proceeds from Bond Issue	1,665,300	1,064,700	2,730,000
Acquisition and Construction of Capital Assets	(804,242)		(804,242)
Principal Paid on Long Term Debt	(1,458,596)	(980,537)	(2,439,133)
Interest Paid on Long Term Debt	(115,923)	(78,814)	(194,737)
Bond Issuance Costs	(258,548)	(165,301)	(423,849)
<u>Net Cash Used from Capital and Related Financing Activities</u>	<u>(972,009)</u>	<u>(159,952)</u>	<u>(1,131,961)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Income	642	120	762
<u>Net Cash Provided by Investing Activities</u>	<u>642</u>	<u>120</u>	<u>762</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(701,675)	120	(701,555)
Cash and Cash Equivalents at January 1	924,524	40,314	964,838
Cash and Cash Equivalents at December 31	<u>\$ 222,849</u>	<u>\$ 40,434</u>	<u>\$ 263,283</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>			
Cash and Cash Equivalents	\$ 153,697	\$ 40,434	\$ 194,131
Restricted Cash - Loan Proceeds	69,152		69,152
	<u>\$ 222,849</u>	<u>\$ 40,434</u>	<u>\$ 263,283</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income	\$ 69,066	\$ 727,059	\$ 796,125
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	201,526	169,984	371,510
Other Revenue	22,437	26,468	48,905
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(35,883)	10,379	(25,504)
Decrease in Accounts Payable	(59,588)	(7,034)	(66,622)
Increase in Wages Payable	4,653	405	5,058
Decrease in Sales Tax Payable		(19)	(19)
Increase (Decrease) in Compensated Absences	1,156	(667)	489
Increase in Customer Deposits	2,200		2,200
Total Adjustments	<u>136,501</u>	<u>199,516</u>	<u>336,017</u>
Net Cash Provided by Operating Activities	<u>\$ 205,567</u>	<u>\$ 926,575</u>	<u>\$ 1,132,142</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Police Pension Trust Fund	Agency Funds	Total Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 50,127	\$ 11,963	\$ 62,090
Receivables:			
Accrued Income	2,294		2,294
Investments, at Fair Value:			
Fixed Income	751,492		751,492
Equities	1,534,265		1,534,265
	<u>2,285,757</u>	<u> </u>	<u>2,285,757</u>
<u>Total Assets</u>	<u>2,338,178</u>	<u>11,963</u>	<u>2,350,141</u>
<u>Liabilities</u>			
Accounts Payable		250	250
Due to Depositors		11,713	11,713
<u>Total Liabilities</u>	<u> </u>	<u>11,963</u>	<u>11,963</u>
Net Position-Restricted for Pension Benefits	<u>\$ 2,338,178</u>	<u>\$</u>	<u>\$ 2,338,178</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2016

	Police Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$ 63,110
Total Contributions	<u>63,110</u>
Investment Income:	
Interest	78
Dividends	51,202
Capital Gain Distributions	2,678
Loss on Sale of Investments	(41,334)
Net Appreciation in Fair Value of Investments	120,033
	<u>132,657</u>
Less: Investment Expense	(11,848)
Net Investment Income	<u>120,809</u>
Total Additions	183,919
<u>Deductions:</u>	
Benefits	70,899
Administrative Fees	1,220
Total Deductions	<u>72,119</u>
Change in Net Assets	111,800
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	<u>2,226,378</u>
End of Year	<u>\$ 2,338,178</u>

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Borough of Tarentum was incorporated March 7, 1842, under the provisions of the Commonwealth of Pennsylvania P.L.320. The Borough operates under a Council-Mayor form of government and provides the following services as authorized by its charter: Public safety- police and fire, highways and streets, culture-recreation, public improvements, planning and zoning, water and electric service, sanitation, health and social services, and general administrative services.

The financial statements of the Borough have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (“GAAP”) as applied to government units except for the recording of capital assets and depreciation as described in Note (1) I. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

B. Financial Reporting Entity

The Borough’s basic financial statements include the accounts of all Borough operations. The criteria for including organizations as component units within the Borough’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Borough holds the corporate powers of the organization
- the Borough appoints a voting majority of the organization’s board
- the Borough is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Borough
- there is fiscal dependency by the organization on the Borough

Based on the aforementioned criteria, the Borough has no component units.

C. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Borough except for Fiduciary Funds. As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Borough segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Separate statements are presented for governmental, proprietary activities, and fiduciary funds. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Borough has presented the following major governmental funds:

General Fund - the main operating fund of the Borough. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from General Fund.

Liquid Fuels Fund – established as a special revenue fund to hold and account for the Borough's share of Pennsylvania's liquid fuels tax allocation to be used for highway expenditures.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Borough has presented the following major proprietary funds:

Water Fund – used to account for the provision of water service to the residents of the Borough. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Power Fund – used to account for the provision of electric service to the residents of the Borough. Activities of the fund include administration, operations and maintenance of the electric system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other Fund Types

The Borough also reports the following fund types:

Pension Trust Fund – report fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions. The Borough's pension trust fund contains the police pension plan. Pension trust fund recognizes employer and participant contributions in the period in which contributions are due and the Borough has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Agency Fund – accounts for fiduciary assets held by the Borough in a custodial capacity as an agent on behalf of others. The Borough's agency fund is the recreation fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Borough considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Budgetary Control

Annual budgets are adopted for all governmental funds. Beginning at least thirty days prior to the adoption of the budget a proposed budget or annual estimate of revenues and expenditures for the ensuing year shall be prepared in a manner designated by the Borough council. The proposed budget shall be kept on file with the Borough secretary, and by the secretary be made available for public inspection for a period of ten days. After the expiration of the ten days, council shall make such revision in the budget as shall be deemed advisable. Council must complete and adopt by motion of council, the budget no later than December thirty-first of the year prior to the budget year. The council in its reasonable discretion may, in any year, by motion, modify the budget after its final adoption. New appropriations, supplementary appropriations and transfers from one appropriation to another may be made during the fiscal year provided it is within the current year's revenues, or the money thereof promptly made available through borrowing as allowed by law.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The budgets for the operating funds are prepared on the accrual basis. The required supplementary information of the Schedules of Revenues, Changes in Fund Balance – Budget and Actual present a comparison of budgetary data to actual results.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

F. Cash and Investments

The Borough considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value, which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note (2).

G. Inventories

The inventories in the power fund consist of supplies. They are recorded at cost using the first-in/first-out method. The cost of these inventories is expensed when consumed rather than when purchased.

H. Transactions between Funds

Legally authorized transfers are treated as Interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

I. Capital Assets and Depreciation

Historical cost records for the Borough's property, plant, equipment, and infrastructure are incomplete or not available for the governmental funds and are not reported in the government-wide financial statements except for additions subsequent to December 31 2003. Generally accepted accounting principles and Governmental Accounting Standards Board pronouncements require that the cost of property, plant, equipment, and infrastructure be depreciated over the estimated useful lives of the assets. The effect of this departure from generally accepted accounting principles and Governmental Accounting Standards Board pronouncements on the financial statements has not been determined.

Proprietary capital assets are reported in their fund financial statements and government-wide-financial statements. Donated assets are stated at fair value on the date donated. The Borough generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

Prior to December 31, 1980, the major general fixed assets in the Enterprise Water Fund were recorded on an “actual cash value basis” contained in a current insurance appraisal report and are included in the accompanying statements at those values. All fixed assets acquired after January 1, 1981 are reported at cost. As such, these funds are not prepared in conformity with generally accepted accounting principles.

Proprietary fund capital assets are depreciated over the estimated useful lives using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	15 to 20 years
Machinery and Equipment	5 to 30 years
Vehicles	3 to 5 years

Construction in progress represents cost of \$10,250 associated with the water fund water line replacement investigation.

J. Deferred outflows/inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense of expenditure until then. The Borough has two items that meets this criterion for this category, a deferred debt expense for Water and Electric Refunding Bonds and pension costs. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Borough has two items that meets the criterion for this category – prepaid fees on utility bills and pension costs.

K. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Borough. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

L. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the government fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

- Nonspendable fund balance-amounts that are not in a spendable form (such as prepaid insurance) or are required to be maintained intact.
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance-amounts constrained to specific purposes by a government 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 a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance-amounts that are available for any purpose.

Borough Council establishes (and modifies or 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 (such as for special incentives). Assigned fund balance is established by Borough Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

M. Deficit Net Position

Power Fund - deficit net position of \$(257,769) is the result of interfund transfers to the General Fund.

N. Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from the estimates.

O. Long-term Debt and Deferred Debt Expense

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt is capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures if incurred.

(2) DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$741,575 of the Borough's bank balance of \$991,575 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the Borough's name	<u>\$741,575</u>
---	------------------

Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

In addition to the deposits noted above, included in cash and cash equivalents are short term investments similar to money market funds of \$14. The fair value of the Borough's investments is the same as their carrying amount.

These funds are invested with the Pennsylvania Local Government Investment Trust (PLGIT). All participant deposits are invested directly in a portfolio of securities, which are held by a third party custodian in accordance with GASB requirements.

The Trust invests in two basic types of federal securities: obligations backed by the full faith and credit of the United States Government, and short-term obligations of the United States Government or its agencies or instrumentalities (which may or may not be backed by the full faith and credit of the United States Government).

The Trust, and the investment market as a whole, views obligations of the United States Government and its agencies and instrumentalities as very safe investments.

The Trust also utilizes repurchase agreements in investing in these federal securities. A repurchase agreement involves the sale of securities to the Trust under an agreement in which the seller agrees to repurchase the securities on a particular date for a particular price. The price establishes the yield the Trust will earn on the transaction.

The Trust takes several important steps to enhance the safety of the repurchase agreements. First, the Trust enters into repurchase agreements only with dealers in U.S. Government securities who are recognized as "primary dealers" by the Federal Reserve System or with commercial banks having assets in excess of \$1 billion. Second, the securities being purchased must be the type of federal securities described above. Third, the securities being purchased must have a market value at least equal to the amount of the repurchase agreement investment plus the accrued yield on the investment. This market value is checked daily and the seller is required to provide additional securities or money if the value of the securities declines below the amount required under the repurchase agreement. Fourth, all the securities are delivered to an account of the Trust at the Trust's custodian or at another custodian agreed to be the Trust and the seller.

The Trust does not engage in "reverse" repurchase agreements and does not invest in any exotic derivatives.

The Trust is authorized to invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies, instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or not backed by the full faith and credit of the Commonwealth if otherwise authorized for investment by the statute creating any agency or instrumentality of the Commonwealth issuing such obligations and of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

The Trust is also authorized to invest in certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law. When collateral is required for certificates of deposit in excess of insurance limits, the requirements of Act 72 of 1971, as amended, will be followed with respect to pooling, custody and type of collateral. Although Act 72 might permit the collateral to be valued as a percentage of face value and not market value, the Trust requires that the depository agree to value collateral at its market value if market value is less than face value. In 2000, Act 72 was amended to permit a depository to obtain a letter of credit from a Federal Home Loan Bank in lieu of pledging collateral.

Finally, the Trust may invest in certain investment companies registered under the Investment Company Act of 1940, provided the only investments of that company are in instruments which are authorized investments of the Trust, the investment company is managed to maintain a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency.

B. Investments

Investments held by the police pension trust fund are stated at fair value as quoted by the trustees of the fund, PNC Bank.

Interest Rate Risk

The Borough meets with its advisors on a regular basis as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) RESTRICTED CASH

Restricted cash in the general fund consist of EPA sewer surcharge collected on water bills and grant funds held for police equipment purchases.

Restricted cash in the water fund consist of proceeds from debt issuance for capital projects.

(4) RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

A. Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. The general fund and enterprise funds report accounts receivable net of allowance for uncollectible accounts and revenues net of uncollectible. The allowance amount is estimated using accounts receivable past due. Related amounts are shown in the following table:

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

	General Fund	Enterprise Funds		
	Refuse	Water Fund	Power Fund	Total
Accounts Receivable	\$ 43,548	\$ 209,120	\$ 350,274	\$ 602,942
Less: Allowance for Uncollectibles	5,900	6,500	20,700	33,100
Net Accounts Receivable	\$ 37,648	\$ 202,620	\$ 329,574	\$ 569,842

B. Property taxes receivable, deferred revenue, and property tax calendar

Property taxes are assessed and collected by an elected tax collector. In the last months of the year the county (appraisal district) estimates the tax roll to the Borough. The Borough Council then sets the tax rates to be applied to the tax roll. The county generates the final tax roll in February of the current year. The school district prints the bills for the elected tax collector and then the tax collector bills the taxpayers by March 1 of each year. A discount of 2% of the gross tax is available for taxes paid on or before April 30th. The face amount is payable until June 30. After June 30, a 10% penalty is added to the face.

The tax rate assessed for 2016 is 5.48 mills for general borough purposes on the dollar of the valuation assessed for county purposes of real property located in the Borough.

According to the county property assessment records, the 2016 taxable assessed value of real property located in the Borough was \$106,659,230.

In the governmental fund financial statements, property taxes receivable are recorded in the year they are billed. At year-end, the receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Borough regardless of when cash is received.

(5) CAPITAL ASSETS

A. Changes in Capital Assets

As explained in Note (1) I., historical cost records are incomplete or not available for governmental funds.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

The following table provides a summary of changes in capital assets for the business-type activities consisting of the water and electric funds:

	<u>Buildings</u>	<u>Infrastructure and other Improvements other than Buildings</u>	<u>Furniture, Machinery and Equipment</u>	<u>Totals</u>
Water Fund				
Balance, December 31, 2015	\$ 1,006,320	\$ 2,931,610	\$ 1,407,606	\$ 5,345,536
Increases		893,042	3,416	896,458
Decreases				
Balance, December 31, 2016	<u>1,006,320</u>	<u>3,824,652</u>	<u>1,411,022</u>	<u>6,241,994</u>
Accumulated Depreciation				
Balance, December 31, 2015	869,974	1,532,073	938,914	3,340,961
Increases	11,548	82,217	107,761	201,526
Decreases				
Balance, December 31, 2016	<u>881,522</u>	<u>1,614,290</u>	<u>1,046,675</u>	<u>3,542,487</u>
Capital Assets, Net	<u>124,798</u>	<u>2,210,362</u>	<u>364,347</u>	<u>2,699,507</u>
	<u>Buildings</u>	<u>Infrastructure and other Improvements other than Buildings</u>	<u>Furniture, Machinery and Equipment</u>	<u>Totals</u>
Power Fund				
Balance, December 31, 2015	43,728	2,759,740	300,180	3,103,648
Increases				
Decreases				
Balance, December 31, 2016	<u>43,728</u>	<u>2,759,740</u>	<u>300,180</u>	<u>3,103,648</u>
Accumulated Depreciation				
Balance, December 31, 2015	17,953	1,476,786	248,639	1,743,378
Increases	1,463	159,174	9,347	169,984
Decreases				
Balance, December 31, 2016	<u>19,416</u>	<u>1,635,960</u>	<u>257,986</u>	<u>1,913,362</u>
Capital Assets, Net	<u>24,312</u>	<u>1,123,780</u>	<u>42,194</u>	<u>1,190,286</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 149,110</u>	<u>\$ 3,334,142</u>	<u>\$ 406,541</u>	<u>\$ 3,889,793</u>

(6) LONG-TERM OBLIGATIONS

A. Capital Leases

The Borough has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on December 27, 2011 to lease water and electric meters and requires 20 semiannual payments of \$72,813 starting December 1, 2012. The second agreement was executed on April 12, 2012 to lease a 2008 fire truck and requires 84 monthly payments of \$4,798. The third agreement was executed on May 4, 2012 to lease street lights and requires 84 monthly payments of \$3,008. The fourth agreement was executed on July 25, 2013 to lease a street sweeper and requires 60 monthly payments of \$2,670. The fifth agreement was executed on April 18, 2013 to lease a Ford F550 Truck and requires 60 monthly payments of \$1,260. The sixth agreement was executed on October 31, 2016 to lease a police vehicle and requires two annual payments of \$13,866. In all agreements, title passes to the Borough at the end of the lease term.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 300,315
2018	260,353
2019	179,856
2020	145,626
2021	145,626
2022	72,813
Total Minimum Lease Payments	<u>1,104,589</u>
Less: Amount Representing Interest	<u>80,934</u>
Present Value of the Minimum Lease Payments	<u><u>\$ 1,023,655</u></u>

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

B. Notes Payable

Serviced by the General and Power Fund:

2016 Note Payable to First National Bank payable in equal monthly installments of \$515 including interest through March 1, 2021 at 2.99%, starting April 1, 2016, serviced by the General Fund for Police radios	\$24,624
2016 Note Payable to KS StateBank payable in annual installments of \$17,607 including interest through June 1, 2019 at 3.95%, starting June 1, 2016, serviced by the Liquid Fuels Fund for truck	<u>48,898</u>
	\$73,522
Less current portion	<u>(21,183)</u>
	<u>\$52,339</u>

The annual aggregate maturities for 2016 notes payable for the years subsequent to December 31, 2016 are as follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 21,183	\$ 2,606	\$ 23,789
2018	21,973	1,816	23,789
2019	22,793	996	23,789
2020	6,036	146	6,182
2021	1,537	8	1,545
Total	<u>\$ 73,522</u>	<u>\$ 5,572</u>	<u>\$ 79,094</u>

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

C. General Obligation Bonds:

On April 26, 2016, the Borough issued \$2,730,000 in General Obligation Bonds, Series of 2016 with interest rates ranging from 2.00% and 4.00%. The Borough issued the bonds to advance refund of \$2,175,000 of the outstanding Series of 2011 with interest rates ranging from 5.25% through 5.625%. The Borough used the net proceeds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2011 Series Bonds. As a result, that portion of the 2011 Series Bonds is considered defeased, and the Borough has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$2,175,000 at December 31, 2016.

The advance refunding resulted in \$131,151 of savings being deposited into the Water Fund.

The following bond issues are serviced by the Water and Power Fund:

\$1,540,000 General Obligation Bonds, Series of 2011, to refinance General Obligation Note Series of 1998 and fund Water Fund projects, payable in annual installments of \$80,000 to \$140,000 through September 2030 (61% Water Fund and 39% Power Fund) with interest computed at rates ranging from 3.000% to 5.25% and is payable semi-annually commencing September 1, 2016 and continuing March 1, and September 1 each year through 2030.	\$1,465,000
 \$2,730,000 General Obligation Bonds, Series of 2016, to partial refund General Obligation Bonds Series of 2011 and fund Water Fund projects, payable in annual installments of \$20,000 to \$260,000 through September 2041 (61% Water Fund and 39% Power Fund) with interest computed at rates ranging from 2.00% to 4.00% and is payable semi-annually commencing September 1, 2016 and continuing March 1, and September 1 each year through 2041.	 <u>2,710,000</u>
	\$4,175,000
Less current portion	<u>(100,000)</u>
	<u>\$4,075,000</u>

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	\$ 170,106	\$ 270,106
2018	105,000	167,306	272,306
2019	105,000	164,006	269,006
2020	105,000	160,206	265,206
2021	115,000	156,100	271,100
2022-2026	640,000	702,862	1,342,862
2027-2031	810,000	536,475	1,346,475
2032-2036	995,000	354,750	1,349,750
2037-2041	1,200,000	148,000	1,348,000
Total	<u>\$ 4,175,000</u>	<u>\$ 2,559,811</u>	<u>\$ 6,734,811</u>

D. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	Balance January 1, 2016	Issued	Retired	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>					
Lease Purchase-Street Sweeper	\$ 76,284	\$	\$ 29,645	\$ 46,639	\$ 30,796
Lease Purchase-Fire Truck	179,987		51,624	128,363	53,623
Lease Purchase-Police Vehicle	9,843		9,843		
Lease Purchase-Street Truck		66,505	17,607	48,898	15,671
Lease Purchase-Police Vehicle		27,255	13,866	13,389	13,389
Note Payable - Police Radios		28,677	4,054	24,623	5,512
Compensated Absences	77,097	95,060	77,097	95,060	95,060
Total Governmental Activities	<u>343,211</u>	<u>217,497</u>	<u>203,736</u>	<u>356,972</u>	<u>214,051</u>
<u>Business-type Activities</u>					
General Obligation Bonds Series 2011	3,715,000		2,250,000	1,465,000	80,000
General Obligation Bonds Series 2016		2,730,000	20,000	2,710,000	20,000
Lease Purchase-Water and Electric Meters	848,235		119,348	728,887	123,209
Lease Purchase - Street Lights	122,245		35,563	86,682	35,742
Lease Purchase - Water Truck	33,918		14,222	19,696	14,691
Compensated Absences	27,620	28,108	27,620	28,108	28,108
Total Business-type Activities	<u>4,747,018</u>	<u>2,758,108</u>	<u>2,466,753</u>	<u>5,038,373</u>	<u>301,750</u>
Total Government	<u>\$ 5,090,229</u>	<u>\$2,975,605</u>	<u>\$ 2,670,489</u>	<u>\$ 5,395,345</u>	<u>\$ 515,801</u>

(7) BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

A. Receivables and Payables

Outstanding balances between funds reported as “due to/from other funds” are for payments made by one fund on behalf of another fund.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

The following schedule reports receivable and payables within the reporting entity at year-end:

<u>Due From:</u>	<u>Due To:</u>
	Business-type Activities
	<u>Power Fund</u>
Governmental Activities:	
General Fund	\$ 230,853
Business-type Activities:	
Water Fund	<u>54,443</u>
Total Due to	<u>\$ 285,296</u>

B. Transfers and Payments

Transfers and payments within the reporting entity are for the purpose of subsidizing operating functions.

The governmental-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

<u>Transfers From</u>	<u>Transfers To</u>
	<u>Governmental Activities</u>
	<u>General Fund</u>
Business-type Activities:	
Power Fund	<u>\$ 549,424</u>

(8) RETIREMENT PLANS

A. Police Pension Plan

1. Plan descriptions

The Borough reporting entity participates in a single-employer, defined benefit, public employee retirement system which is the police pension plan. Assets are held separately and may be used only for the payment of benefits to the members of the plan, as shown below.

The police pension plan provides retirement benefits and disability benefits when the disability is incurred in the line of duty for substantially all full-time police officers. Unless otherwise indicated, the police pension plan information in this note is provided as of the latest actuarial valuation, January 1, 2017.

Actuarial valuations are performed bi-annually in accordance with Pennsylvania Act 205 and Act 600, which covers police pension plans. For additional information relating to basis of accounting and reported investment values, see Notes (1) C. and (2).

Memberships of the plan is as follows:

Active members	7
Retirees and beneficiaries currently receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>12</u>

2. Contributions

Required contributions are determined by the plan's Minimum Municipal Obligation (MMO), which is required by Act 205. The MMO is based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

Administrative costs, including the investment management, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

3. Net Pension Liability

The Borough Police Pension's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2017 actuarial valuation

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to periods included in the measurement:

Valuation Date	1/1/2017
Actuarial Cost Method	Entry age normal
Amortization Method	Funding adjustment is 10% of unfunded actuarial accrued liability
Asset Valuation Method	Method described in Act 2015, Section 201(A) Asset Corridor +/- 20%
Actuarial Assumptions:	
Interest Rate	7.0% Pre-Retirement 7.0% Post-Retirement
Projected Salary Increases	4.00% Pre-Retirement
Rates of Withdrawal Mortality	RP-2014 + Blue Collar

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

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return Net of Investment Expense & Inflation*</u>	
		<u>Before Inflation</u>	<u>After Inflation Removed</u>
Domestic Equities	52%	7.62%	5.62%
International Equities	13%	9.14%	7.14%
Fixed Income	35%	2.50%	0.50%
Total	100%	6.03%	4.03%
Inflation Rate (Long-Term) Long Term	2% 10 Years		

4. Discount Rate

The discount rate used to measure the Total Pension Liability was 7.00%.

The actuary has assumed that the employees will not continue to contribute to the Plan and the employer will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. See the latest Act 205 Form for details on the closed period. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

5. Changes in Borough's Net Pension Liability

Changes in the Borough's net position liability for the year ended December 31, 2016 were as follows:

Period - Beginning	1/1/2016
Period - Ending	12/31/2016
A. Expense	
1 Service Cost	96,355
2 Interest on the Total Pension Liability	148,224
3 Current-Period Benefit Changes	0
4 Employee Contributions	0
(made negative for addition here)	
5 Projected Earnings on Plan Investments	(153,666)
(made negative for addition here)	
6 Pension Plan Administrative Expense	13,717
7 Other Changes in Plan Fiduciary Net Position	0
8 Recognition of Outflow (Inflow) of Resources due to:	
a. Difference between expected & actual non-investment experience	(8,746)
b. Assumption changes	(4,138)
c. Difference between expected & actual investment experience	41,836
9 Total Pension Expense	<u>133,582</u>
B. Reconciliation of Net Pension Liability	
1 Net Pension Liability Beginning of Year	186,007
2 Recognition of prior deferrals:	
a. Non-investment experience	(516)
b. Assumption changes	0
c. Investment experience	(37,634)
3 Pension Expense	133,582
4 Employer Contributions	(63,110)
5 Deferred of (inflows)/outflows	
a. Investment experience (inflows)/outflows	16,807
b. Non-investment experience (inflows)/outflows	(89,950)
c. Deferred assumption changes (inflows)/outflows	<u>(40,181)</u>
6 Net Pension Liability End of Year	105,005

6. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Changes in the discount rate affect the measurement of the total pension liability. Lower discount rates produce a higher total pension liability and higher discount rates produce a lower total pension liability. Because the discount rate does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the discount rate.

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

The table below shows the sensitivity of the net pension liability to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Measurement Date	Current Single Discount Rate Assumption		
	1% Decrease	7.00%	1% Increase
12/31/2016	6.00%	7.00%	8.00%
A. Total Pension Liability	\$ 2,788,385	\$ 2,443,183	\$ 2,156,785
B. Plan Fiduciary Net Position	2,338,178	2,338,178	2,338,178
C. Net Pension Liability = (A)-(B)	\$ 450,207	\$ 105,005	\$ (181,393)

7. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2016, the Borough recognized pension expense of \$133,582. At December 31, 2016, the Borough reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Non-Investment Experience Assumption Charges	\$ 5,525	\$ (89,950)
Difference Between Expected and Actual Investment Earnings	129,708	(40,181)
Total	\$ 135,233	\$ (130,131)

Deferred Outflows of Resources by year to be recognized in future pension expense:

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 42,352	\$ (13,400)
2018	42,352	(13,400)
2019	42,351	(13,400)
2020	4,717	(13,400)
2021	516	(13,400)
2022	516	(13,400)
2023	516	(13,400)
2024	516	(13,400)
2025	516	(13,400)
2026	516	(9,531)
2027	365	-
Total	\$ 135,233	\$ (130,131)

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

B. Nonuniformed Pension Plan

1. Plan Descriptions

General: The Nonuniformed pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 07-09 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website. A copy can be obtained by contacting the PMRS accounting office.

The Measurement Date for the Net Pension Liability (NPL) is December 31, 2015, which is no earlier than the end of the Borough's prior fiscal year as allowed by Paragraph 20 of GASB 68.

Any contributions between the Measurement Date and the Reporting Date would be reported as deferred outflows to offset the cash outflow reported. The final Total Pension Liability (TPL) for the Employer is measured as of December 31, 2015 based upon the actuarial valuation one year prior and then projected to this date. The TPL reflects the assumption changes as passed by the Board of Trustees effective for actuarial valuations as of December 31, 2015. The beginning of year TPL as of December 31, 2014 is based upon the actuarial valuation of the same date. It is our understanding that there were no other significant changes during this projection period, such as plan changes to the pension benefits.

Plan Membership: Membership of the plan consisted of the following based upon the most recent actuarial valuation date of December 31, 2014:

Active Employees	18
Inactive Employees or Beneficiaries currently Receiving Benefits	17
Inactive Employees entitled to but not yet receiving benefits	<u>2</u>
Total Participant Count	<u>37</u>

Benefit Provisions: The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

2. Contributions

Required contributions are determined by the plan's Minimum Municipal Obligation (MMO), which is required by Act 205. The MMO is based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

In accordance with the plan's governing Ordinance or Resolution as applicable, members are required to contribute 3.5% of compensation to the plan. The Borough's contribution rate and required contribution for the year ended December 31, 2015 were 11.78% and \$99,367, respectively. Actual contribution for the year equaled \$99,407, or 100% of required contribution.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Administrative costs, including the investment management, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

3. Net Pension Liability

The Borough's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to periods included in the measurement:

Actuarial Cost Method:	Entry Age
Amortization Period:	Level Dollar based upon the amortization periods in Act 205
Asset Valuation Method:	Based upon the Municipal reserves
Discount Rate:	5.50%
Inflation:	3.0%
Salary Increases:	Age related scale with merit and inflation component
COLA Increases:	3% for those eligible for COLA
Pre-retirement Mortality:	Males – PR2000 with 1 year set back, Females – PR2000 with 5 year set back
Post-Retirement Mortality:	Sex distinct RP-2000 Combined healthy mortality

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013- January 1, 2015.

Long-Term Expected Rate of Return on Plan Assets

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. There are four steps to the method:

1. Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled “System Nominal and Real Rates of Return by Asset Class.”
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The chart below labeled “Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

System Nominal and Real Rates of Return by Asset Class

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	11.7%	8.7%
Domestic Equities (small capitalized firms)	15%	11.4%	8.4%
International Equities (international developed markets)	15%	7.6%	4.6%
International Equities (emerging markets)	10%	11.1%	8.1%
Real Estate	20%	9.7%	6.7%
Fixed Income	15%	2.0%	-1.0%
Total Portfolio	100%	9.2%	6.2%

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	4.7%	1.7%
90%	5.7%	2.7%
85%	6.4%	3.4%
80%	6.9%	3.9%
75%	7.4%	4.4%
70%	7.8%	4.8%
50%	9.2%	6.2%

Based on the four part analysis, the Board established the System’s Long-Term Expected Rate of Return at 7.5%

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described section below labeled "Discount Rate." As of December 31, 2015, this rate is equal to 5.5%.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

4. Discount Rate

The discount rate used to measure the Total Pension Liability was 5.50%.

The actuary has assumed that the employees will continue to contribute to the Plan at the current rate and the employer will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. See the latest Act 205 Form for details on the closed period.

The Actuary has not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluation "can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan..." In their professional judgment, adherence to the actuarial funding policy described above will result in the pension plan's projected Fiduciary Net Position being greater than or equal to the benefit payment projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

5. Changes in Borough's Net Pension Liability

Changes in the Borough's net position liability for the year ended December 31, 2015 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at 12/31/2014	\$ 5,185,265	\$ 4,751,349	\$ 433,916
Changes for the year:			
Service Cost	103,582		103,582
Interest	277,583		277,583
Changes in Assumptions*	35,488		35,488
Contributions - Employer		98,667	(98,667)
Contributions - PMRS Assessment		740	(740)
Contributions - Employee		36,277	(36,277)
PMRS Investment Income		254,432	(254,432)
Market Value Investment Income		(486,019)	486,019
Transfers	(212,068)	(212,068)	
Benefit Payments	(271,362)	(271,362)	
PMRS Administrative Expense		(740)	740
Additional Administrative Expense		(10,607)	10,607
Net Changes	<u>(66,777)</u>	<u>(590,680)</u>	<u>523,903</u>
Balances at 12/31/2015	<u>\$ 5,118,488</u>	<u>\$ 4,160,669</u>	<u>\$ 957,819</u>

* Assumption changes reflect the liability of the Board of Trustee approved changes of December 31, 2015.

6. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position." PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss

BOROUGH OF TARENTUM, PENNSYLVANIA

Notes to the Financial Statements

For Year Ended December 31, 2016

due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Total Pension Liability	\$ 5,668,741	\$ 5,118,488	\$ 4,647,477
Plan Fiduciary Net Position	4,160,669	4,160,669	4,160,669
Net Pension Liability	<u>\$ 1,508,072</u>	<u>\$ 957,819</u>	<u>\$ 486,808</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	81.30%	89.50%

7. Plan Fiduciary Net Position

Detailed information about the Plan's Fiduciary Net Position is available in the separately issued PMRS financial report.

8. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2016, the Borough recognized pension expense of \$220,282. At December 31, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 141,540
Changes in Assumptions	28,390
Net difference between projected and actual earnings on pension plan investments	289,805
Total	<u>\$ 459,735</u>

BOROUGH OF TARENTUM, PENNSYLVANIA
Notes to the Financial Statements
For Year Ended December 31, 2016

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year End December 31	
2016	118,479
2017	118,479
2018	118,478
2019	104,299
2020	0

The recognition period for experience and assumption change gains/losses is 5.00 years.

(9) OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note (8) the Borough provides certain post-employment benefits to eligible retirees as provided in Borough police and non-uniform employee agreements.

All retired police officers and non-uniform employees shall be provided a life insurance policy with a death benefit of five thousand (\$5,000). The Borough funds the benefit on a pay-as-you-go-basis. The amount for 2016 was \$1,214.

The Borough will pay the premium for the continuation of the existing health care plan for non-uniforms employees eligible for early retirement. The continuation of said benefit shall be provided for a period not to exceed three (3) years from eligibility age 62 to the employee's 65th birthday. The Borough funds the benefit on a pay-as-you-go basis. The amount for 2016 was \$34,930.

(10) MAJOR CUSTOMERS AND ECONOMIC DEPENDENCY

A major percentage of total water fund billing stems from one customer. During 2016 this customer accounted for annual billings of \$377,100, which represents approximately 30% of total billings. In addition, one customer accounted for power fund revenues in 2016 of \$437,924 or 11% of total revenues.

(11) RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

BOROUGH OF TARENTUM, PENNSYLVANIA
 Required Supplementary Information
 Police Pension Plan
 (Unaudited)

Schedule of Changes in Net Pension Liability

	Measurement Year Ending 12/31/2015	Measurement Year Ending 12/31/2016
A. <u>Total Pension Liability</u>		
Service Cost	\$ 91,768	\$ 96,355
Interest Cost	153,749	148,224
Differences between Expected and Actual Experience	6,557	(99,212)
Changes in Assumptions		(44,319)
Benefit Payments	(70,899)	(70,899)
Net Change in Total Pension Liability	181,175	30,149
Total Pension Liability - Beginning	2,231,859	2,413,034
Total Pension Liability - Ending	<u>\$ 2,413,034</u>	<u>\$ 2,443,183</u>
B. <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 81,285	\$ 63,110
Investment Income	(31,920)	132,657
Benefit Payments	(70,899)	(70,899)
Administrative Expense	(3,700)	(1,869)
Additional Administrative Expense	(7,249)	(11,848)
Net Change in Plan Fiduciary Net Position	(32,483)	111,151
Plan Fiduciary Net Position - Beginning	2,259,510	2,227,027
Plan Fiduciary Net Position - Ending	<u>\$ 2,227,027</u>	<u>\$ 2,338,178</u>
C. Net Pension Liability - Ending	<u>\$ 186,007</u>	<u>\$ 105,005</u>
D. Plan Fiduciary Net Position as a % of the Total Pension Liability= B/A	92.29%	95.70%
E. Covered-Employee Payroll	\$ 516,580	\$ 531,118
F. Net Pension Liability as a % of Covered-Employee Payroll	36.01%	19.77%

Notes to Schedule:

Drawn from the January 1, 2015 actuarial valuation

BOROUGH OF TARENTUM, PENNSYLVANIA
 Required Supplementary Information
 Police Pension Plan
 (Unaudited)

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

Schedule of Employer Contributions		
	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 81,285	\$ 63,110
Contributions in Relating to the Actuarially Determined Contribution	<u>81,285</u>	<u>63,110</u>
Contribution Deficiency/(Excess)	<u>\$</u>	<u>\$</u>
Covered-Employee Payroll	\$ 516,581	\$ 531,118
Contributions as a Percentage of Covered-Employee Payroll	15.74%	11.88%

BOROUGH OF TARENTUM, PENNSYLVANIA
 Required Supplementary Information
 Pennsylvania Municipal Retirement System
 Nonuniformed Employees Pension Plan
 (Unaudited)

Schedule of Changes in Net Pension Liability

	Measurement Year Ending 12/31/2014	Measurement Year Ending 12/31/2015
A. <u>Total Pension Liability</u>		
Service Cost	\$ 103,232	\$ 103,582
Interest	264,281	277,583
Changes of Assumptions		35,488
Transfers		(212,068)
Differences between Expected and Actual Experience	235,900	
Benefit Payments, Including Refunds of Member Contributions	(243,327)	(271,362)
Net Change in Total Pension Liability	<u>360,086</u>	<u>(66,777)</u>
Total Pension Liability - Beginning	<u>4,825,179</u>	<u>5,185,265</u>
Total Pension Liability - Ending	<u>\$ 5,185,265</u>	<u>\$ 5,118,488</u>
B. <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 57,059	\$ 98,667
Contributions - PMRS Assessment		740
Contributions - Employee	34,715	36,277
PMRS Investment Income	253,659	254,432
Market Value Investment Income	165,016	(486,019)
Transfers		(212,068)
Benefit Payments	(243,327)	(271,362)
PMRS Administrative Expense	(760)	(740)
Additional Administrative Expense	(9,728)	(10,607)
Net Change in Plan Fiduciary Net Position	<u>256,634</u>	<u>(590,680)</u>
Plan Fiduciary Net Position - Beginning	<u>4,494,715</u>	<u>4,751,349</u>
Plan Fiduciary Net Position - Ending	<u>\$ 4,751,349</u>	<u>\$ 4,160,669</u>
C. Net Pension Liability - Ending	<u>\$ 433,916</u>	<u>\$ 957,819</u>
D. Plan Fiduciary Net Position as a % of the Total Pension Liability=B/A	91.63%	81.29%
E. Covered-Employee Payroll	\$ 851,737	\$ 844,209
F. Net Pension Liability as a % of Covered-Employee Payroll	50.94%	113.46%

Notes to Schedule:

Changes of Assumptions: Reflects the liability impact of the PMRS Board of Trustee approved changes as of December 31, 2015.

BOROUGH OF TARENTUM, PENNSYLVANIA
 Required Supplementary Information
 Pennsylvania Municipal Retirement System
 Nonuniformed Employees Pension Plan
 (Unaudited)

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

Schedule of Employer Contributions		
	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 56,979	\$ 99,367
Contributions in Relating to the Actuarially Determined Contribution	<u>57,059</u>	<u>99,407</u>
Contribution Deficiency/(Excess)	<u>\$ (80)</u>	<u>\$ (40)</u>
Covered-Employee Payroll	\$ 851,737	\$ 844,209
Contributions as a Percentage of Participant Payroll	6.69%	11.77%

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real Estate	\$ 559,000	\$ 559,000	\$ 529,962	\$ (29,038)
Regional Asset District Sales Tax	145,000	145,000	152,877	7,877
Per Capita	8,650	8,650	7,505	(1,145)
Real Estate Transfer	14,000	14,000	21,495	7,495
Earned Income	300,000	300,000	320,140	20,140
Local Services	45,000	45,000	57,818	12,818
Mechanical Devices	30,100	30,100	21,200	(8,900)
Business Privilege	4,000	4,000	50	(3,950)
Penalty and Interest	11,200	11,200	12,361	1,161
Total Taxes	<u>1,116,950</u>	<u>1,116,950</u>	<u>1,123,408</u>	<u>6,458</u>
Licenses and Permits:				
Cable Television Franchise	55,000	55,000	63,932	8,932
Street and Curb Permits	5,000	5,000	2,909	(2,091)
Demolition Permits	400	400	1,100	700
Soliciting Permits	50	50	100	50
Sign Permit	1,500	1,500	201	(1,299)
Total Licenses and Permits	<u>61,950</u>	<u>61,950</u>	<u>68,242</u>	<u>6,292</u>
Fines and Forfeits:				
Magistrate	45,000	45,000	30,146	(14,854)
County Clerk	6,500	6,500	3,693	(2,807)
Restitutions	500	500	13,175	12,675
Commonwealth of PA	2,000	2,000	2,064	64
Parking Tickets	3,000	3,000	680	(2,320)
Total Fines and Forfeits	<u>57,000</u>	<u>57,000</u>	<u>49,758</u>	<u>(7,242)</u>
Interest and Rents:				
Interest Income	250	250	726	476
Rent - Radio Equipment	30,418	30,418	28,488	(1,930)
Rent - Comcast Lease	15,209	15,209	15,209	
Rent - Boat Docks	19,300	19,300	20,900	1,600
Rent - Tax Office	1,500	1,500	1,500	
Rent - Borough Property	9,600	9,600	7,201	(2,399)
Rebates and Commissions	4,200	4,200	6,171	1,971
Total Interest and Rent	<u>80,477</u>	<u>80,477</u>	<u>80,195</u>	<u>(282)</u>

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues (continued):				
Intergovernmental :				
Federal Grants	\$ 50,000	\$ 50,000	\$ 39,700	\$ (10,300)
Public Utility Reality Tax	1,200	1,200	1,290	90
Alcoholic Beverage Licenses	2,250	2,250	2,650	400
General Municipal Pension System Aid	129,400	129,400	144,363	14,963
Foreign Fire Insurance	19,284	19,284	19,236	(48)
Payment in Lieu of Taxes	4,000	4,000	2,869	(1,131)
Marcellus Shale Impact Fee			1,942	1,942
Total Intergovernmental	<u>206,134</u>	<u>206,134</u>	<u>212,050</u>	<u>5,916</u>
Charges for Services:				
Public Hearing Fees	500	500	1,550	1,050
Real Estate Tax Liens	1,500	1,500	1,140	(360)
Sale of Zoning Copies	15	15	30	15
Lien Letters	1,500	1,500	2,710	1,210
Copies of Municipal Records	150	150	30	(120)
Copies of Accident Reports	1,600	1,600	1,695	95
Building Permits	4,290	4,290	4,422	132
Occupancy Permits	8,000	8,000	9,810	1,810
School Crossing Guards	20,000	20,000	15,430	(4,570)
Parking Meters	5,000	5,000	3,812	(1,188)
Parking Permits	17,000	17,000	13,400	(3,600)
PENNDOT Maintenance Contract	19,743	19,743	9,083	(10,660)
Solid Waste Collection/Trash	375,000	375,000	371,538	(3,462)
Delinquent Fee	2,000	2,000		(2,000)
NSF Check Fees	250	250	146	(104)
Police Services	40,000	40,000	23,247	(16,753)
EPA Surcharge Fee	137,400	137,400	134,728	(2,672)
Total Charges for Services	<u>633,948</u>	<u>633,948</u>	<u>592,771</u>	<u>(41,177)</u>
Other Operating Revenues:				
Donation from Private Sources			2,827	2,827
Miscellaneous Income	500	500	1,453	953
Total Other Operating Revenues	<u>500</u>	<u>500</u>	<u>4,280</u>	<u>3,780</u>
Total Revenues	<u>\$2,156,959</u>	<u>\$ 2,156,959</u>	<u>\$ 2,130,704</u>	<u>\$ (26,255)</u>

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Council:				
Personal Services	\$ 3,768	\$ 3,768	\$ 3,623	\$ 145
Supplies	50	50	103	(53)
Services and Charges	3,650	3,650	3,657	(7)
Total Council	<u>7,468</u>	<u>7,468</u>	<u>7,383</u>	<u>85</u>
Mayor:				
Personal Services	538	538	538	
Services and Charges	400	400	403	(3)
Total Mayor	<u>938</u>	<u>938</u>	<u>941</u>	<u>(3)</u>
Financial Administration:				
Services and Charges	<u>6,250</u>	<u>6,250</u>	<u>8,052</u>	<u>(1,802)</u>
Tax Collection:				
Personal Services	14,413	14,413	14,203	210
Supplies	200	200	47	153
Services and Charges	6,315	6,315	2,108	4,207
Capital Charges	1,000	1,000	600	400
Total Tax Collection	<u>21,928</u>	<u>21,928</u>	<u>16,958</u>	<u>4,970</u>
Solicitor Legal Services:				
Personal Services			1,725	(1,725)
Services and Charges	<u>6,100</u>	<u>6,100</u>	<u>11,125</u>	<u>(5,025)</u>
Total Solicitor Legal Services	<u>6,100</u>	<u>6,100</u>	<u>12,850</u>	<u>(6,750)</u>
Manager:				
Personal Services	22,766	22,766	22,749	17
Services and Charges	<u>1,095</u>	<u>1,095</u>	<u>1,347</u>	<u>(252)</u>
Total Manager	<u>23,861</u>	<u>23,861</u>	<u>24,096</u>	<u>(235)</u>
Office Staff:				
Personal Services	44,009	44,009	46,823	(2,814)
Supplies	1,250	1,250	1,560	(310)
Services and Charges	<u>18,000</u>	<u>18,000</u>	<u>20,585</u>	<u>(2,585)</u>
Total Office Staff	<u>63,259</u>	<u>63,259</u>	<u>68,968</u>	<u>(5,709)</u>
Information Technology:				
Services and Charges	<u>150</u>	<u>150</u>	<u>278</u>	<u>(128)</u>

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures (continued):				
General Government (continued):				
Buildings:				
Supplies	\$ 500	\$ 500	\$ 1,012	\$ (512)
Services and Charges	5,530	5,530	6,603	(1,073)
Capital Charges	3,600	3,600	3,763	(163)
Total Buildings	<u>9,630</u>	<u>9,630</u>	<u>11,378</u>	<u>(1,748)</u>
Total General Government	<u>139,584</u>	<u>139,584</u>	<u>150,904</u>	<u>(11,320)</u>
Public Safety:				
Police:				
Personal Services	840,016	840,016	860,832	(20,816)
Supplies	29,200	29,200	24,302	4,898
Services and Charges	38,750	38,750	68,720	(29,970)
Capital Charges			55,713	(55,713)
Total Police	<u>907,966</u>	<u>907,966</u>	<u>1,009,567</u>	<u>(101,601)</u>
Fire:				
Supplies	9,000	9,000	9,000	
Services and Charges	35,017	35,017	42,042	(7,025)
Contributions and Subsidies	53,718	53,718	53,736	(18)
Capital Charges			643	(643)
Total Fire	<u>97,735</u>	<u>97,735</u>	<u>105,421</u>	<u>(7,686)</u>
Code Enforcement:				
Personal Services	46,205	46,205	43,716	2,489
Supplies	3,200	3,200	2,174	1,026
Services and Charges	8,030	8,030	5,326	2,704
Total Code Enforcement	<u>57,435</u>	<u>57,435</u>	<u>51,216</u>	<u>6,219</u>
Zoning:				
Supplies	250	250		250
Services and Charges	15,000	15,000	13,564	1,436
Total Zoning	<u>15,250</u>	<u>15,250</u>	<u>13,564</u>	<u>1,686</u>
Emergency Management:				
Services and Charges	500	500	3,038	(2,538)
Animal Enforcement:				
Services and Charges	2,500	2,500	3,700	(1,200)
Crossing Guards:				
Personal Services	22,760	22,760	20,773	1,987
Services and Charges	700	700	469	231
Total Crossing Guards	<u>23,460</u>	<u>23,460</u>	<u>21,242</u>	<u>2,218</u>
Total Public Safety	<u>1,104,846</u>	<u>1,104,846</u>	<u>1,207,748</u>	<u>(102,902)</u>

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Works - Sanitation:				
Solid Waste Collection and Disposal:				
Services and Charges	\$317,000	\$317,000	\$296,416	\$ 20,584
Total Public Works - Sanitation	317,000	317,000	296,416	20,584
Public Works - Highways:				
Street - General Services:				
Personal Services	498,643	498,643	495,970	2,673
Supplies	36,000	36,000	27,659	8,341
Services and Charges	20,485	20,485	31,757	(11,272)
Capital Charges	1,500	1,500	1,080	420
Total Street - General Services	556,628	556,628	556,466	162
Cleaning of Streets:				
Supplies	1,200	1,200	1,629	(429)
Services and Charges	5,000	5,000	7,697	(2,697)
Total Cleaning of Streets	6,200	6,200	9,326	(3,126)
Winter Maintenance:				
Supplies	46,000	46,000	38,838	7,162
Services and Charges	2,500	2,500	1,024	1,476
Total Winter Maintenance	48,500	48,500	39,862	8,638
Traffic Control Devices:				
Supplies	3,500	3,500	4,568	(1,068)
Sewers:				
Services and Charges	71,000	71,000	62,147	8,853
Maintenance and Repairs of Roads:				
Supplies	15,000	15,000	9,752	5,248
Services and Charges			6,766	(6,766)
Total Maintenance and Repairs of Roads	15,000	15,000	16,518	(1,518)
Highway Construction Projects:				
Supplies	3,000	3,000		3,000
Capital Charges			2,760	(2,760)
Total Highway Construction Projects	3,000	3,000	2,760	240
Total Public Works - Highway	703,828	703,828	691,647	12,181

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Works - Other Services:				
Parking Facilities:				
Supplies	\$ 100	\$ 100	\$	\$ 100
Services and Charges	500	500		500
Total Parking Facilities	600	600		600
Total Public Works - Other Services	600	600		600
Culture and Recreation:				
Recreation Board:				
Contribution	9,000	9,000	5,416	3,584
Parks:				
Supplies	5,500	5,500	4,324	1,176
Services and Charges	26,600	26,600	34,232	(7,632)
Capital Charges			7,011	(7,011)
Total Parks	32,100	32,100	45,567	(13,467)
Libraries:				
Contributions and Subsidies	8,000	8,000	8,000	
Civil Celebrations:				
Supplies	2,000	2,000	3,381	(1,381)
Total Culture and Recreation	51,100	51,100	62,364	(11,264)
Community Development:				
Community Development:				
Supplies			1,751	(1,751)
Capital Charges			4,200	(4,200)
Total Community Development			5,951	(5,951)
Debt Service:				
Principal	88,766	88,766	109,032	(20,266)
Interest	8,416	8,416	9,191	(775)
Fiscal Agent Fee			769	(769)
Total Debt Service	97,182	97,182	118,992	(21,810)
Employer Paid Benefits:				
Retirement Fund Contributions	99,377	99,377	98,333	1,044
Retiree Insurance	49,408	49,408	36,144	13,264
Unemployment Compensation	7,039	7,039	7,140	(101)
Total Employer Paid Benefits	155,824	155,824	141,617	14,207
Insurances:				
Services and Charges	76,631	76,631	85,906	(9,275)

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Total Expenditures	\$2,646,595	\$ 2,646,595	\$2,761,545	\$ (114,950)
Deficiency of Revenues over Expenditures	(489,636)	(489,636)	(630,841)	(141,205)
Other Financing Sources (Uses):				
Interfund Operating Transfers in:				
Water Fund	4,435	4,435		(4,435)
Power Fund	488,426	488,426	549,424	60,998
Refunds of Prior Year Expenditures			1,316	1,316
Sale of General Fixed Assets			57,502	57,502
Proceeds from General Long Term Debt			55,932	55,932
Miscellaneous Expense	(125)	(125)	(565)	(440)
Refund of Prior Years Revenue	(3,100)	(3,100)	(3,950)	(850)
Total Other Financing Sources	489,636	489,636	659,659	170,023
Net Change in Fund Balances			28,818	28,818
Fund Balance, Beginning of Year			114,464	114,464
Fund Balance, End of Year	\$	\$	\$ 143,282	\$ 143,282

BOROUGH OF TARENTUM, PENNSYLVANIA

Liquid Fuels Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues:				
Interest:				
Interest Income	\$ 150	\$ 150	\$ 291	\$ 141
Intergovernmental :				
Liquid Fuels Tax Allocation	129,853	129,853	132,053	2,200
Other Financing Sources :				
Proceeds from General Long Term Debt			66,505	66,505
Total Revenues	<u>130,003</u>	<u>130,003</u>	<u>198,849</u>	<u>68,846</u>
Expenditures:				
Public Works - Highways:				
Street - General Services:				
Capital Charges			66,505	(66,505)
Repairs of Tools and Machinery:				
Services and Charges			690	(690)
Highway Construction Projects				
Capital Charges	130,003	130,003	113,952	16,051
Total Public Works - Highways	<u>130,003</u>	<u>130,003</u>	<u>181,147</u>	<u>(51,144)</u>
Debt Service:				
Principal			17,607	(17,607)
Total Expenditures	<u>130,003</u>	<u>130,003</u>	<u>198,754</u>	<u>(68,751)</u>
Net Change in Fund Balance			95	95
Fund Balance at Beginning of Year			8,214	8,214
Fund Balance at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 8,309</u>	<u>\$ 8,309</u>