

**BOROUGH OF TARENTUM**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2017**



**MERGE & HILL, P.C.**  
Certified Public Accountants

**BOROUGH OF TARENTUM, PENNSYLVANIA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended December 31, 2017**

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**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, 2017, 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, 2017, 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, 2017, 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, 2017, 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

January 23, 2019

BOROUGH OF TARENTUM, PENNSYLVANIA  
Government-wide Statement of Net Position  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 306,890	\$ 206,731	\$ 513,621
Restricted Cash	257,861	113	257,974
Receivables:			
Taxes	730,701		730,701
Accounts - Customers - Net	49,412	532,822	582,234
Due from Other Funds		157,841	157,841
Other	32,335		32,335
Inventory		21,063	21,063
Total Current Assets	<u>1,377,199</u>	<u>918,570</u>	<u>2,295,769</u>
Noncurrent Assets:			
Capital Assets:			
Property, Plant and Equipment	5,816,504	9,505,118	15,321,622
Accumulated Depreciation		(5,859,956)	(5,859,956)
Total Capital Assets	<u>5,816,504</u>	<u>3,645,162</u>	<u>9,461,666</u>
Total Assets	<u>7,193,703</u>	<u>4,563,732</u>	<u>11,757,435</u>
<u>Deferred Outflows of Resources</u>			
Deferred Debt Expense, Net		569,290	569,290
Deferred Outflows Related to Pension	698,738		698,738
Total Deferred Outflows of Resources	<u>698,738</u>	<u>569,290</u>	<u>1,268,028</u>
Total Assets & Deferred Outflows of Resources	<u>7,892,441</u>	<u>5,133,022</u>	<u>13,025,463</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	51,368	261,249	312,617
Accrued Payroll and Withholdings	54,170	17,902	72,072
Due to Other Funds	157,841		157,841
Compensated Absences	84,512	28,251	112,763
Other	12,900		12,900
Sales Tax Payable		4,262	4,262
Interest Payable	1,041	57,556	58,597
Customer Deposits		94,020	94,020
Current Portion of Long Term Debt	139,779	273,121	412,900
Total Current Liabilities	<u>501,611</u>	<u>736,361</u>	<u>1,237,972</u>
Noncurrent Liabilities:			
Long Term Debt	461,190	4,463,502	4,924,692
Net Pension Liability	646,439		646,439
Total Noncurrent Liabilities	<u>1,107,629</u>	<u>4,463,502</u>	<u>5,571,131</u>
Total Liabilities	<u>1,609,240</u>	<u>5,199,863</u>	<u>6,809,103</u>

BOROUGH OF TARENTUM, PENNSYLVANIA  
Government-wide Statement of Net Position  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
<u>Deferred Inflows of Resources</u>			
Fees Collected in Advance	36,375		36,375
Deferred Inflows Related to Pension	635,479		635,479
Total Deferred Inflows of Resources	671,854		671,854
Total Liabilities & Deferred Inflows of Resources	2,281,094	5,199,863	7,480,957
<u>Net Position</u>			
Net Investment in Capital Assets	5,215,535	(522,171)	4,693,364
Restricted for:			
Public Works - Highways	78,077		78,077
Unrestricted	317,735	455,330	773,065
Total Net Position	5,611,347	(66,841)	5,544,506
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$7,892,441	\$ 5,133,022	\$13,025,463

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, 2017

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	\$ 152,809	\$ 4,736	\$	\$	\$ (148,073)
Public Safety:					
Police	934,917	65,775	60,000		(809,142)
Fire	98,072	17,622			(80,450)
Code Enforcement	40,857	59,257			18,400
Other	138,297	14,876			(123,421)
Public Works - Sanitation	248,786	504,105			255,319
Public Works - Highways	648,583	14,999	138,501		(495,083)
Other Public Works - Parking		17,359			17,359
Culture and Recreation	54,610				(54,610)
Community Development	37,528			227,665	190,137
Interest on Long-Term Debt	7,399				(7,399)
Miscellaneous	303,669				(303,669)
Refunds of Prior Year Revenues	1,573				(1,573)
Total Government Activities	<u>2,667,100</u>	<u>698,729</u>	<u>198,501</u>	<u>227,665</u>	<u>(1,542,205)</u>
Business-type Activities:					
Water Utilities	1,363,444	1,289,803			(73,641)
Electric Utilities	<u>3,332,073</u>	<u>3,979,895</u>			<u>647,822</u>
Total Business-type Activities	<u>4,695,517</u>	<u>5,269,698</u>			<u>574,181</u>
Total	<u>\$ 7,362,617</u>	<u>\$5,968,427</u>	<u>\$ 198,501</u>	<u>\$227,665</u>	<u>\$ (968,024)</u>



BOROUGH OF TARENTUM, PENNSYLVANIA  
Government-wide Statement of Activities (Continued)  
For the Year Ended December 31, 2017

	Governmental Activities	Business-type Activities	Total
Changes in Net Assets:			
Net (Expense) Revenue	\$ (1,542,205)	\$ 574,181	\$ (968,024)
General Revenues:			
Taxes:			
Real Estate	572,653		572,653
Earned Income	334,895		334,895
Local Services Tax	57,576		57,576
Mechanical Devices Tax	21,500		21,500
Real Estate Transfer	20,660		20,660
Per Capita	7,311		7,311
Business Privilege	3,574		3,574
Licenses and Permits	66,256		66,256
Interest and Rents	80,555		80,555
Intergovernmental Revenues	306,792		306,792
Miscellaneous	2,941		2,941
Transfers	688,792	(688,792)	
Total General Revenues and Transfers	2,163,505	(688,792)	1,474,713
Changes in Net Position	621,300	(114,611)	506,689
Net Position - Beginning	4,990,047	47,770	5,037,817
Net Position - Ending	\$ 5,611,347	\$ (66,841)	\$ 5,544,506

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

BOROUGH OF TARENTUM, PENNSYLVANIA  
Balance Sheet  
Governmental Funds  
December 31, 2017

	General	Liquid Fuels	Totals Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 228,813	\$ 78,077	\$ 306,890
Restricted Cash - EPA Sewer and Equipment Funds	257,861		257,861
Receivables:			
Taxes	730,701		730,701
Accounts - Customers, Net	49,412		49,412
Other	32,335		32,335
Total Assets	<u>1,299,122</u>	<u>78,077</u>	<u>1,377,199</u>
<u>Liabilities</u>			
Accounts Payable	51,368		51,368
Accrued Payroll and Withholdings	54,170		54,170
Due to Other Funds	157,841		157,841
Compensated Absences	84,512		84,512
Other	12,900		12,900
Total Liabilities	<u>360,791</u>		<u>360,791</u>
<u>Deferred Inflows of Resources</u>			
Taxes Receivable	646,367		646,367
Fees Collected in Advance	36,375		36,375
Total Deferred Inflows of Resources	<u>682,742</u>		<u>682,742</u>
<u>Fund Balances</u>			
Restricted:			
Public Works - Highways		78,077	78,077
Unassigned	255,589		255,589
Total Fund Balances	<u>255,589</u>	<u>78,077</u>	<u>333,666</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,299,122</u>	<u>\$ 78,077</u>	<u>\$ 1,377,199</u>

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

BOROUGH OF TARENTUM, PENNSYLVANIA  
Balance Sheet  
Governmental Funds  
December 31, 2017

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

Total Fund Balance, Governmental Funds	\$ 333,666
Capital Assets used in Governmental activities are not financial resources and therefore are not reported in the funds	5,816,504
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	698,738
Deferred Inflows of Resources Related to Pensions	(635,479)
Liabilities for earned revenues considered Deferred Inflows of Resources in fund statements	646,367
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(1,041)
Long-term Liabilities used in Governmental activities are not financial uses and therefore are not reported in the funds:	
Long-term Debt	(600,969)
Net Pension Liability	<u>(646,439)</u>
Net Position of Governmental Activities	<u><u>\$5,611,347</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, 2017

	General	Liquid Fuels	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 1,115,344	\$	\$ 1,115,344
Licenses and Permits	72,952		72,952
Fines and Forfeits	38,351		38,351
Interest and Rents	80,115	440	80,555
Intergovernmental	402,348	138,501	540,849
Charges for Services	687,959		687,959
Miscellaneous	11,041		11,041
Total Revenues	<u>2,408,110</u>	<u>138,941</u>	<u>2,547,051</u>
<u>Expenditures</u>			
Current:			
General Government	156,009		156,009
Public Safety:			
Police	961,986		961,986
Fire	98,072		98,072
Code Enforcement	40,857		40,857
Other	138,297		138,297
Public Works - Sanitation	248,786		248,786
Public Works - Highways	1,099,490	51,566	1,151,056
Culture and Recreation	54,610		54,610
Community Development	311,519		311,519
Debt Service	113,700	17,607	131,307
Miscellaneous	221,994		221,994
Total Expenditures	<u>3,445,320</u>	<u>69,173</u>	<u>3,514,493</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,037,210)</u>	<u>69,768</u>	<u>(967,442)</u>
<u>Other Financing Sources (Uses)</u>			
Interfund Operating Transfers in	688,792		688,792
Proceeds from General Long Term Debt	462,337		462,337
Miscellaneous Expense	(39)		(39)
Refund of Prior Years Revenue	(1,573)		(1,573)
Net Other Financing Sources	<u>1,149,517</u>		<u>1,149,517</u>
Net Change in Total Fund Balances	112,307	69,768	182,075
Fund Balances, Beginning	<u>143,282</u>	<u>8,309</u>	<u>151,591</u>
Fund Balances, Ending	<u>\$ 255,589</u>	<u>\$ 78,077</u>	<u>\$ 333,666</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, 2017

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

Net Change in Fund Balances - Total Governmental Funds	\$ 182,075
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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.	808,623
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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.	(83,526)
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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	\$ (462,337)	
Principle Payments on Long-Term Debt	123,280	
Decrease in Accrued Interest Payable	<u>628</u>	(338,429)

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.	<u>52,557</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 621,300</u></u>
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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, 2017

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 156,390	\$ 50,341	\$ 206,731
Restricted Cash - Sinking Funds	113		113
Accounts Receivable, Net	180,630	352,192	532,822
Due from Other Funds		252,278	252,278
Inventory		21,063	21,063
Total Current Assets	337,133	675,874	1,013,007
Noncurrent Assets:			
Capital Assets:			
Property, Plant, and Equipment	6,389,851	3,115,267	9,505,118
Accumulated Depreciation	(3,776,694)	(2,083,262)	(5,859,956)
Total Noncurrent Assets	2,613,157	1,032,005	3,645,162
Total Assets	2,950,290	1,707,879	4,658,169
<u>Deferred Outflows of Resources</u>			
Deferred Debt Expense, Net	347,432	221,858	569,290
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	2,697	258,552	261,249
Wages Payable	17,902		17,902
Compensated Absences	28,251		28,251
Sales Tax Payable		4,262	4,262
Due to Other Funds	94,437		94,437
Interest Payable	34,924	22,632	57,556
Customer Deposits	94,020		94,020
Current Portion of Long Term Debt	132,652	140,469	273,121
Total Current Liabilities	404,883	425,915	830,798
Noncurrent Liabilities:			
Long Term Debt	2,660,941	1,802,561	4,463,502
Total Liabilities	3,065,824	2,228,476	5,294,300
<u>Net Position</u>			
Net Investment in Capital Assets	166,996	(689,167)	(522,171)
Unrestricted	64,902	390,428	455,330
Total Net Position (Deficit)	\$ 231,898	\$ (298,739)	\$ (66,841)

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, 2017

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Operating Revenues</u>			
Charges for Services:			
Electric Sales	\$	\$ 3,913,622	\$ 3,913,622
Water Charges	1,253,297		1,253,297
Pole Attachment Fees		15,303	15,303
Meter Readings	5,942		5,942
Total Operating Revenues	<u>1,259,239</u>	<u>3,928,925</u>	<u>5,188,164</u>
<u>Operating Expenses</u>			
Distribution	128,079	2,801,894	2,929,973
Public Works - Street Lighting/Traffic Control		96,825	96,825
Plant	692,254		692,254
Administration	188,375	182,057	370,432
Depreciation	234,207	169,900	404,107
Total Operating Expenses	<u>1,242,915</u>	<u>3,250,676</u>	<u>4,493,591</u>
Operating Income	<u>16,324</u>	<u>678,249</u>	<u>694,573</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	690	262	952
Other Revenue	29,874	50,708	80,582
Interest Expense	(118,399)	(79,898)	(198,297)
Amortization Expense	(2,130)	(1,499)	(3,629)
Total Nonoperating Revenues (Expenses)	<u>(89,965)</u>	<u>(30,427)</u>	<u>(120,392)</u>
<u>Income (Loss) Before Transfers</u>	(73,641)	647,822	574,181
Transfer to General Fund		(688,792)	(688,792)
<u>Change in Net Position</u>	(73,641)	(40,970)	(114,611)
<u>Total Net Position (Deficit), Beginning</u>	<u>305,539</u>	<u>(257,769)</u>	<u>47,770</u>
<u>Total Net Position (Deficit), Ending</u>	<u>\$ 231,898</u>	<u>\$ (298,739)</u>	<u>\$ (66,841)</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, 2017

	Business Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 1,299,502	\$ 3,915,082	\$ 5,214,584
Cash Payments to Suppliers, Vendors and Professionals	(402,987)	(2,977,842)	(3,380,829)
Cash Payments to Employees for Services	(447,824)	(68,213)	(516,037)
Other Payments on Behalf of Employees for Services	(168,673)	(19,232)	(187,905)
Other Revenues	13,500	41,492	54,992
<u>Net Cash Provided by Operating Activities</u>	<u>293,518</u>	<u>891,287</u>	<u>1,184,805</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Payments made by General Fund		73,012	73,012
Transfer to General Fund		(688,792)	(688,792)
Payments made for Water Fund		(39,995)	(39,995)
Payments made by Power Fund	39,995		39,995
<u>Net Cash Provided (Used) by Noncapital Financing Activities</u>	<u>39,995</u>	<u>(655,775)</u>	<u>(615,780)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and Construction of Capital Assets	(147,857)	(11,619)	(159,476)
Principal Paid on Long Term Debt	(137,296)	(136,346)	(273,642)
Interest Paid on Long Term Debt	(115,396)	(77,902)	(193,298)
<u>Net Cash Used from Capital and Related Financing Activities</u>	<u>(400,549)</u>	<u>(225,867)</u>	<u>(626,416)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Income	690	262	952
<u>Net Cash Provided by Investing Activities</u>	<u>690</u>	<u>262</u>	<u>952</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(66,346)	9,907	(56,439)
Cash and Cash Equivalents at January 1	222,849	40,434	263,283
Cash and Cash Equivalents at December 31	<u>\$ 156,503</u>	<u>\$ 50,341</u>	<u>\$ 206,844</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>			
Cash and Cash Equivalents	\$ 156,390	\$ 50,341	\$ 206,731
Restricted Cash - Sinking Funds	113		113
	<u>\$ 156,503</u>	<u>\$ 50,341</u>	<u>\$ 206,844</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, 2017

	Business-Type Activities - Enterprise Funds		
	Water Fund	Power Fund	Totals
<u>Reconciliation of Operating Income to Net</u>			
<u>Cash Provided by Operating Activities:</u>			
Operating Income	\$ 16,324	\$ 678,249	\$ 694,573
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation	234,207	169,900	404,107
Other Revenue	29,874	50,708	80,582
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	21,989	(22,617)	(628)
Increase (Decrease) in Accounts Payable	(10,770)	19,874	9,104
Decrease in Wages Payable	(2,816)	(2,418)	(5,234)
Increase in Sales Tax Payable		258	258
Increase (Decrease) in Compensated Absences	2,810	(2,667)	143
Increase in Customer Deposits	1,900		1,900
Total Adjustments	<u>277,194</u>	<u>213,038</u>	<u>490,232</u>
Net Cash Provided by Operating Activities	<u>\$ 293,518</u>	<u>\$ 891,287</u>	<u>\$ 1,184,805</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, 2017

	Police Pension Trust Fund	Agency Funds	Total Fiduciary Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 75,266	\$ 6,717	\$ 81,983
Receivables:			
Accrued Income	2,163		2,163
Investments, at Fair Value:			
Fixed Income	839,827		839,827
Equities	1,828,263		1,828,263
	<u>2,668,090</u>		<u>2,668,090</u>
<u>Total Assets</u>	<u>\$ 2,745,519</u>	<u>\$ 6,717</u>	<u>\$ 2,752,236</u>
<u>Liabilities</u>			
Due to Depositors		6,717	6,717
<u>Total Liabilities</u>		<u>6,717</u>	<u>6,717</u>
Net Position-Restricted for Pension Benefits	<u>\$ 2,745,519</u>	<u>\$</u>	<u>\$ 2,745,519</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, 2017

	Police Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$ 66,466
Employee	27,928
Total Contributions	<u>94,394</u>
Investment Income:	
Interest	394
Dividends	51,419
Capital Gain Distributions	5,982
Gain on Sale of Investments	38,991
Net Appreciation in Fair Value of Investments	304,149
	<u>400,935</u>
Less: Investment Expense	(12,868)
Net Investment Income	<u>388,067</u>
Total Additions	482,461
<u>Deductions:</u>	
Benefits	70,899
Administrative Fees	4,221
Total Deductions	<u>75,120</u>
Change in Net Assets	407,341
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	<u>2,338,178</u>
End of Year	<u><u>\$ 2,745,519</u></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, 2017

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, 2017

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  
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For Year Ended December 31, 2017

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 measureable and available. "Measureable" 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  
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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  
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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

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, 2017

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, 2017

M. Deficit Net Position

Power Fund - deficit net position of \$(298,739) 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, 2017, \$717,699 of the Borough's bank balance of \$967,699 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>\$717,699</u>
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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  
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In addition to the deposits noted above, included in cash and cash equivalents are short term investments similar to money market funds of \$36,071. 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  
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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 funds held for payments of bond issues.

**(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, 2017

	General Fund	Enterprise Funds		
	EPA Sewer Fee and Refuse	Water Fund	Power Fund	Total
Accounts Receivable	\$ 55,512	\$ 186,530	\$ 373,592	\$ 615,634
Less: Allowance for Uncollectibles	6,100	5,900	21,400	33,400
Net Accounts Receivable	<u>\$ 49,412</u>	<u>\$ 180,630</u>	<u>\$ 352,192</u>	<u>\$ 582,234</u>

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 30<sup>th</sup>. The face amount is payable until June 30. After June 30, a 10% penalty is added to the face.

The tax rate assessed for 2017 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 2017 taxable assessed value of real property located in the Borough was \$106,025,950.

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, 2017

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

	<b>Buildings</b>	<b>Infrastructure and other Improvements other than Buildings</b>	<b>Furniture, Machinery and Equipment</b>	<b>Totals</b>
<b>Water Fund</b>				
Balance, December 31, 2016	\$ 1,006,320	\$ 3,824,652	\$ 1,411,022	\$ 6,241,994
Increases	3,200	144,657		147,857
Decreases				
Balance, December 31, 2017	<u>1,009,520</u>	<u>3,969,309</u>	<u>1,411,022</u>	<u>6,389,851</u>
Accumulated Depreciation				
Balance, December 31, 2016	881,522	1,614,290	1,046,675	3,542,487
Increases	11,415	124,423	98,369	234,207
Decreases				
Balance, December 31, 2017	<u>892,937</u>	<u>1,738,713</u>	<u>1,145,044</u>	<u>3,776,694</u>
Capital Assets, Net	<u>116,583</u>	<u>2,230,596</u>	<u>265,978</u>	<u>2,613,157</u>
	<b>Buildings</b>	<b>Infrastructure and other Improvements other than Buildings</b>	<b>Furniture, Machinery and Equipment</b>	<b>Totals</b>
<b>Power Fund</b>				
Balance, December 31, 2016	43,728	2,759,740	300,180	3,103,648
Increases	3,200		8,419	11,619
Decreases				
Balance, December 31, 2017	<u>46,928</u>	<u>2,759,740</u>	<u>308,599</u>	<u>3,115,267</u>
Accumulated Depreciation				
Balance, December 31, 2016	19,416	1,635,960	257,986	1,913,362
Increases	1,336	159,174	9,390	169,900
Decreases				
Balance, December 31, 2017	<u>20,752</u>	<u>1,795,134</u>	<u>267,376</u>	<u>2,083,262</u>
Capital Assets, Net	<u>26,176</u>	<u>964,606</u>	<u>41,223</u>	<u>1,032,005</u>
<b>Business-Type Activities</b>				
Capital Assets, Net	<u>\$ 142,759</u>	<u>\$ 3,195,202</u>	<u>\$ 307,201</u>	<u>\$ 3,645,162</u>

BOROUGH OF TARENTUM, PENNSYLVANIA  
Notes to the Financial Statements  
For Year Ended December 31, 2017

**(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, 2017 were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 264,786
2019	179,857
2020	145,626
2021	145,626
2022	72,813
Total Minimum Lease Payments	808,708
Less: Amount Representing Interest	52,154
Present Value of the Minimum Lease Payments	<u>\$ 756,554</u>



BOROUGH OF TARENTUM, PENNSYLVANIA  
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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	\$19,111
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	33,227
2017 Note Payable to Commonwealth of PA payable in annual installments of \$49,850 including interest through September 1, 2027 at 1.75%, starting September 1, 2018, serviced by the General Fund for Bridge Project	<u>453,700</u>
	506,038
Less current portion	<u>( 63,890 )</u>
	<u>\$442,148</u>

The annual aggregate maturities for notes payable for the years subsequent to December 31, 2017 are as follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 63,890	\$ 9,749	\$ 73,639
2019	65,441	8,199	73,640
2020	49,429	6,604	56,033
2021	45,673	5,708	51,381
2022	44,922	4,928	49,850
2023	45,709	4,141	49,850
2024	46,508	3,342	49,850
2025	47,322	2,528	49,850
2026	48,151	1,699	49,850
2027	48,993	857	49,850
Total	<u>\$ 506,038</u>	<u>\$ 47,755</u>	<u>\$ 553,793</u>

BOROUGH OF TARENTUM, PENNSYLVANIA  
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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 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:

<p>\$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.</p>	<p>\$1,385,000</p>
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<p>\$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.</p>	<p><u>2,690,000</u></p>
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\$4,075,000

Less current portion	<u>( 105,000 )</u>
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\$3,970,000

BOROUGH OF TARENTUM, PENNSYLVANIA  
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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>
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	115,000	151,662	266,662
2023-2027	670,000	673,600	1,343,600
2028-2032	850,000	499,388	1,349,388
2033-2037	1,030,000	317,438	1,347,438
2038-2041	980,000	100,000	1,080,000
Total	<u>\$ 4,075,000</u>	<u>\$ 2,389,706</u>	<u>\$ 6,464,706</u>

D. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	Balance January 1, 2017	Issued	Retired	Balance December 31, 2017	Due Within One Year
<u>Governmental Activities</u>					
Lease Purchase-Street Sweeper	\$ 46,639	\$	\$ 30,796	\$ 15,843	\$ 15,843
Lease Purchase-Fire Truck	128,363		53,623	74,740	55,698
Lease Purchase-Police Vehicle		8,637	4,289	4,348	4,348
Lease Purchase-Street Truck	48,898		15,671	33,227	16,291
Lease Purchase-Police Vehicle	13,389		13,389		
Note Payable - Police Radios	24,623		5,512	19,111	5,688
Note Payable - Comm of PA		453,700		453,700	41,911
Compensated Absences	95,060	84,512	95,060	84,512	84,512
Total Governmental Activities	<u>356,972</u>	<u>546,849</u>	<u>218,340</u>	<u>685,481</u>	<u>224,291</u>
<u>Business-type Activities</u>					
General Obligation Bonds					
Series 2011	1,465,000		80,000	1,385,000	80,000
General Obligation Bonds					
Series 2016	2,710,000		20,000	2,690,000	25,000
Lease Purchase-Water and Electric Meters	728,887		123,209	605,678	127,196
Lease Purchase - Street Lights	86,682		35,741	50,941	35,921
Lease Purchase - Water Truck	19,696		14,692	5,004	5,004
Compensated Absences	28,108	28,251	28,108	28,251	28,251
Total Business-type Activities	<u>5,038,373</u>	<u>28,251</u>	<u>301,750</u>	<u>4,764,874</u>	<u>301,372</u>
Total Government	<u>\$ 5,395,345</u>	<u>\$ 575,100</u>	<u>\$ 520,090</u>	<u>\$ 5,450,355</u>	<u>\$ 525,663</u>

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**(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>
	<u>Business-type Activities</u> <u>Power Fund</u>
Governmental Activities:	
General Fund	\$ 157,841
Business-type Activities:	
Water Fund	<u>94,437</u>
Total Due to	<u>\$ 252,278</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>\$ 688,792</u>

BOROUGH OF TARENTUM, PENNSYLVANIA  
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**(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  
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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, 2017, 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 2017 is based upon the January 1, 2017 actuarial valuation

The total pension liability in the December 31, 2017 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  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return Net of Investment Expense &amp; Inflation</u>	
		<u>Gross Return</u>	<u>Real Return</u>
Domestic Equities	52%	7.00%	4.50%
International Equities	13%	8.25%	5.75%
Fixed Income	35%	3.15%	0.65%
Total	100%	5.82%	3.32%
Inflation Rate (Long-Term) Long Term	2.50%  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  
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5. Changes in Borough's Net Pension Liability

Changes in the Borough's net position liability for the year ended December 31, 2017 were as follows:

Period - Beginning	1/1/2017
Period - Ending	12/31/2017

**A. Expense**

1	Service Cost	84,774
2	Interest on the Total Pension Liability	174,749
3	Current-Period Benefit Changes	0
4	Employee Contributions (made negative for addition here)	(27,928)
5	Projected Earnings on Plan Investments (made negative for addition here)	(161,367)
6	Pension Plan Administrative Expense	17,090
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	(6,078)
9	<b>Total Pension Expense</b>	<u>68,356</u>

**B. Reconciliation of Net Pension Liability**

1	<b>Net Pension Liability Beginning of Year</b>	105,005
2	Recognition of prior deferrals:	
	a. Non-investment experience	8,746
	b. Assumption changes	4,138
	c. Investment experience	(41,836)
3	Pension Expense	68,356
4	Employer Contributions	(66,466)
5	Deferred of (inflows)/outflows	
	a. Investment experience (inflows)/outflows	(191,654)
	b. Non-investment experience (inflows)/outflows	0
	c. Deferred assumption changes (inflows)/outflows	0
6	<b>Net Pension Liability End of Year</b>	<u>(113,711)</u>

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  
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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	1% Decrease	Current Single Discount Rate Assumption	1% Increase
12/31/2017	6.00%	7.00%	8.00%
A. Total Pension Liability	\$ 3,003,660	\$ 2,631,807	\$ 2,323,298
B. Plan Fiduciary Net Position	2,745,518	2,745,518	2,745,518
C. Net Pension Liability = (A)-(B)	<u>\$ 258,142</u>	<u>\$ (113,711)</u>	<u>\$ (422,220)</u>

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$68,356. At December 31, 2017, 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	\$ 5,009	\$ (80,688)
Assumption Charges	0	(36,043)
Difference Between Expected and Actual Investment Earnings	87,872	(191,654)
<b>Total</b>	<u>\$ 92,881</u>	<u>\$ (308,385)</u>

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	\$ (61,314)
2018	42,351	(61,314)
2019	4,717	(61,314)
2020	516	(61,312)
2021	516	(13,400)
2022	516	(13,400)
2023	516	(13,400)
2024	516	(13,400)
2025	516	(9,531)
2026	365	
2027		
<b>Total</b>	<u>\$ 92,881</u>	<u>\$ (308,385)</u>

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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, 2016, which is no earlier than the end of the Borough's prior fiscal year as allowed by Paragraph 20 of GASB 68.

Any employer contributions made between the Measurement Date and the Reporting Date would be reported as deferred outflows to offset the cash outflow reported. The Total Pension Liability (TPL) for the Employer is measured as of December 31, 2016 based upon the actuarial valuation of the same date. This TPL reflects the assumption changes as passed by the Board of Trustees effective for actuarial valuations as of December 31, 2016. The beginning of year TPL as of December 31, 2015 is based upon the actuarial valuation one year prior and then projected to this date. This TPL reflects the assumption changes as passed by the Board of Trustees for actuarial valuations as of December 31, 2015 and any plan changes identified in the prior year's report. It is our understanding that there were no other significant changes during this projection period. In alternating years, the beginning of year TPL will be based upon the actuarial valuation on the same date, and the end of year TPL will be based upon the actuarial valuation date one year prior and then projected to the measurement date.

Plan Membership: Membership of the plan consisted of the following based upon the most recent actuarial valuation date of January 1, 2017.

Active Employees	19
Inactive Employees or Beneficiaries currently Receiving Benefits	16
Inactive Employees entitled to but not yet receiving benefits	<u>1</u>
Total Participant Count	<u>36</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  
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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, 2016 were 11.15% and \$98,273, respectively. Actual contribution for the year equaled \$98,333, 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, 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.

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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:

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 a 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2015- January 1, 2017.

#### 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  
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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%	9.4%	6.4%
Domestic Equities (small capitalized firms)	15%	10.0%	7.0%
International Equities (international developed markets)	15%	6.7%	3.7%
International Equities (emerging markets)	10%	10.9%	7.9%
Real Estate	20%	10.0%	7.0%
Fixed Income	15%	5.4%	2.4%
Total Portfolio	100%	8.8%	5.8%

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	3.3%	0.3%
90%	4.4%	1.4%
85%	5.0%	2.0%
80%	5.6%	2.6%
75%	6.0%	3.0%
70%	6.5%	3.5%
50%	7.9%	4.9%

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  
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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 in the following section "Discount Rate." As of December 31, 2016, this rate is equal to 5.25%.

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 5.25%.

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.

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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:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2015	\$ 5,118,488	\$ 4,160,669	\$ 957,819
Changes for the year:			
Service Cost	113,067		113,067
Interest	279,833		279,833
Changes in Assumptions*	122,745		122,745
Differences between Expected and Actual Experience	(408,867)		(408,867)
Contributions - Employer		97,533	(97,533)
Contributions - PMRS Assessment		800	(800)
Contributions - Employee		44,868	(44,868)
PMRS Investment Income		237,429	(237,429)
Market Value Investment Income		(63,811)	63,811
Transfers			
Benefit Payments	(276,888)	(276,888)	
PMRS Administrative Expense		(740)	740
Additional Administrative Expense		(11,632)	11,632
Net Changes	(170,110)	27,559	(197,669)
Balances at 12/31/2016	\$ 4,948,378	\$ 4,188,228	\$ 760,150

\* Assumption changes reflect the liability impact of the Board of Trustee approved changes of December 31, 2016.

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

BOROUGH OF TARENTUM, PENNSYLVANIA  
Notes to the Financial Statements  
For Year Ended December 31, 2017

income/loss during the year net of PMRS investment income and the income/loss 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 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 5,490,038	\$ 4,948,378	\$ 4,484,340
Plan Fiduciary Net Position	4,188,228	4,188,228	4,188,228
Net Pension Liability	<u>\$ 1,301,810</u>	<u>\$ 760,150</u>	<u>\$ 296,112</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.29%	84.64%	93.40%

#### 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, 2017, the Borough recognized pension expense of \$196,992. At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,360	\$ 327,094
Changes in Assumptions	119,488	0
Net difference between projected and actual earnings on pension plan investments	276,653	0
Total	<u>\$ 490,501</u>	<u>\$ 327,094</u>



BOROUGH OF TARENTUM, PENNSYLVANIA  
Notes to the Financial Statements  
For Year Ended December 31, 2017

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

Year End December 31	
2017	74,017
2018	74,016
2019	59,837
2020	(44,463)

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 2017 was \$1,114.

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 65<sup>th</sup> birthday. The Borough funds the benefit on a pay-as-you-go basis. The amount for 2017 was \$20,274.

**(10) MAJOR CUSTOMERS AND ECONOMIC DEPENDENCY**

A major percentage of total water fund billing stems from one customer. During 2017 this customer accounted for annual billings of \$405,305, which represents approximately 32% of total billings. In addition, one customer accounted for power fund revenues in 2017 of \$424,246 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	Measurement Year Ending 12/31/2017
A. <u>Total Pension Liability</u>			
Service Cost	\$ 91,768	\$ 96,355	\$ 84,774
Interest Cost	153,749	148,224	174,749
Differences between Expected and Actual Experience	6,557	(99,212)	
Changes in Assumptions		(44,319)	
Benefit Payments	(70,899)	(70,899)	(70,899)
Net Change in Total Pension Liability	181,175	30,149	188,624
Total Pension Liability - Beginning	2,231,859	2,413,034	2,443,183
Total Pension Liability - Ending	<u>\$ 2,413,034</u>	<u>\$ 2,443,183</u>	<u>\$ 2,631,807</u>
B. <u>Plan Fiduciary Net Position</u>			
Contributions - Employer	\$ 81,285	\$ 63,110	\$ 66,466
Contributions - Employee			27,928
Investment Income	(31,920)	132,657	400,935
Benefit Payments	(70,899)	(70,899)	(70,899)
Administrative Expense	(3,700)	(1,869)	(4,221)
Additional Administrative Expense	(7,249)	(11,848)	(12,869)
Net Change in Plan Fiduciary Net Position	(32,483)	111,151	407,340
Plan Fiduciary Net Position - Beginning	2,259,510	2,227,027	2,338,178
Plan Fiduciary Net Position - Ending	<u>\$ 2,227,027</u>	<u>\$ 2,338,178</u>	<u>\$ 2,745,518</u>
C. Net Pension Liability - Ending	<u>\$ 186,007</u>	<u>\$ 105,005</u>	<u>\$ (113,711)</u>
D. Plan Fiduciary Net Position as a % of the Total Pension Liability= B/A	92.29%	95.70%	104.32%
E. Covered-Employee Payroll	\$ 516,580	\$ 531,118	\$ 617,426
F. Net Pension Liability as a % of Covered-Employee Payroll	36.01%	19.77%	-18.42%

Notes to Schedule:

Drawn from the January 1, 2017 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>	<u>2017</u>
Actuarially Determined Contribution	\$ 81,285	\$ 63,110	\$ 66,466
Contributions in Relating to the Actuarially Determined Contribution	<u>81,285</u>	<u>63,110</u>	<u>66,466</u>
Contribution Deficiency/(Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-Employee Payroll	\$ 516,581	\$ 531,118	\$ 617,426
Contributions as a Percentage of Covered- Employee Payroll	15.74%	11.88%	10.77%

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	Measurement Year Ending 12/31/2016
<b>A. <u>Total Pension Liability</u></b>			
Service Cost (Beginning of Year)	\$ 103,232	\$ 103,582	\$ 113,067
Interest (Includes Interest on Service Cost)	264,281	277,583	279,833
Changes of Assumptions		35,488	122,745
Transfers		(212,068)	
Differences between Expected and Actual Experience	235,900		(408,867)
Benefit Payments, Including Refunds of Member Contributions	(243,327)	(271,362)	(276,888)
Net Change in Total Pension Liability	360,086	(66,777)	(170,110)
 Total Pension Liability - Beginning	 4,825,179	 5,185,265	 5,118,488
Total Pension Liability - Ending	<u>\$ 5,185,265</u>	<u>\$ 5,118,488</u>	<u>\$ 4,948,378</u>
 <b>B. <u>Plan Fiduciary Net Position</u></b>			
Contributions - Employer	\$ 57,059	\$ 98,667	\$ 97,533
Contributions - PMRS Assessment		740	800
Contributions - Employee	34,715	36,277	44,868
PMRS Investment Income	253,659	254,432	237,429
Market Value Investment Income	165,016	(486,019)	(63,811)
Transfers		(212,068)	
Benefit Payments, Including Refunds of Employee Contributions	(243,327)	(271,362)	(276,888)
PMRS Administrative Expense	(760)	(740)	(740)
Additional Administrative Expense	(9,728)	(10,607)	(11,632)
 Net Change in Plan Fiduciary Net Position	 256,634	 (590,680)	 27,559
 Plan Fiduciary Net Position - Beginning	 4,494,715	 4,751,349	 4,160,669
Plan Fiduciary Net Position - Ending	<u>\$ 4,751,349</u>	<u>\$ 4,160,669</u>	<u>\$ 4,188,228</u>
 <b>C. Net Pension Liability - Ending</b>	 <u>\$ 433,916</u>	 <u>\$ 957,819</u>	 <u>\$ 760,150</u>
 <b>D. Plan Fiduciary Net Position as a % of the Total Pension Liability=B/A</b>	 91.63%	 81.29%	 84.64%
<b>E. Covered-Employee Payroll</b>	<b>\$ 851,737</b>	<b>\$ 844,209</b>	<b>\$ 881,655</b>
<b>F. Net Pension Liability as a % of Covered-Employee Payroll</b>	<b>50.94%</b>	<b>113.46%</b>	<b>86.22%</b>

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>	<u>2016</u>
Actuarially Determined Contribution	\$ 56,979	\$ 99,367	\$ 98,273
Contributions in Relating to the Actuarially Determined Contribution	<u>57,059</u>	<u>99,407</u>	<u>98,333</u>
Contribution Deficiency/(Excess)	<u>\$ (80)</u>	<u>\$ (40)</u>	<u>\$ (60)</u>
Covered-Employee Payroll	\$ 851,737	\$ 844,209	\$ 881,655
Contributions as a Percentage of Covered Employee Payroll	6.69%	11.77%	11.15%

BOROUGH OF TARENTUM, PENNSYLVANIA

General Fund

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

Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real Estate	\$ 569,000	\$ 569,000	\$ 510,223	\$ (58,777)
Regional Asset District Sales Tax	145,000	145,000	149,732	4,732
Per Capita	8,650	8,650	7,205	(1,445)
Real Estate Transfer	14,000	14,000	20,660	6,660
Earned Income	300,000	300,000	334,895	34,895
Local Services	45,000	45,000	57,576	12,576
Mechanical Devices	30,100	30,100	21,500	(8,600)
Business Privilege	4,000	4,000	3,574	(426)
Penalty and Interest	11,200	11,200	9,979	(1,221)
Total Taxes	1,126,950	1,126,950	1,115,344	(11,606)
Licenses and Permits:				
Cable Television Franchise	55,000	55,000	66,256	11,256
Street and Curb Permits	5,000	5,000	4,396	(604)
Demolition Permits	900	900	800	(100)
Soliciting Permits	50	50		(50)
Sign Permit	1,500	1,500	1,500	
Total Licenses and Permits	62,450	62,450	72,952	10,502
Fines and Forfeits:				
Magistrate	45,000	45,000	30,616	(14,384)
County Clerk	6,500	6,500	4,375	(2,125)
Restitutions	500	500	20	(480)
Commonwealth of PA	2,000	2,000	2,560	560
Parking Tickets	3,000	3,000	780	(2,220)
Total Fines and Forfeits	57,000	57,000	38,351	(18,649)
Interest and Rents:				
Interest Income	250	250	1,919	1,669
Rent - Radio Equipment	30,418	30,418	29,695	(723)
Rent - Comcast Lease	15,209	15,209	15,589	380
Rent - Boat Docks	22,000	22,000	21,600	(400)
Rent - Tax Office	1,500	1,500	1,500	
Rent - Borough Property	6,000	6,000	3,201	(2,799)
Rebates and Commissions	9,200	9,200	6,611	(2,589)
Total Interest and Rent	84,577	84,577	80,115	(4,462)

## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues (continued):				
Intergovernmental :				
Federal Grants	\$ 60,000	\$ 60,000	\$	\$ (60,000)
State Grants			180,815	180,815
Public Utility Reality Tax	3,000	3,000	1,159	(1,841)
Alcoholic Beverage Licenses	2,250	2,250	2,200	(50)
General Municipal Pension System Aid	160,000	160,000	146,824	(13,176)
Foreign Fire Insurance	19,284	19,284	17,622	(1,662)
Local Funds			46,850	46,850
Payment in Lieu of Taxes	4,000	4,000	4,978	978
Marcellus Shale Impact Fee			1,900	1,900
Total Intergovernmental	<u>248,534</u>	<u>248,534</u>	<u>402,348</u>	<u>153,814</u>
Charges for Services:				
Public Hearing Fees	500	500		(500)
Real Estate Tax Liens	1,500	1,500	700	(800)
Sale of Zoning Copies	15	15	15	
Lien Letters	2,400	2,400	4,005	1,605
Copies of Municipal Records	150	150	30	(120)
Copies of Accident Reports	1,600	1,600	1,220	(380)
Building Permits	4,290	4,290	47,857	43,567
Occupancy Permits	8,500	8,500	9,085	585
School Crossing Guards	20,000	20,000	14,876	(5,124)
Parking Meters	5,000	5,000	1,869	(3,131)
Parking Permits	17,000	17,000	15,490	(1,510)
PENNDOT Maintenance Contract	10,432	10,432	10,603	171
Solid Waste Collection/Trash	375,000	375,000	371,079	(3,921)
Delinquent Fee	2,000	2,000		(2,000)
NSF Check Fees	250	250	156	(94)
Police Services			78,104	78,104
EPA Surcharge Fee	137,400	137,400	132,870	(4,530)
Total Charges for Services	<u>586,037</u>	<u>586,037</u>	<u>687,959</u>	<u>101,922</u>
Other Operating Revenues:				
Donation from Private Sources			10,600	10,600
Miscellaneous Income	500	500	441	(59)
Total Other Operating Revenues	<u>500</u>	<u>500</u>	<u>11,041</u>	<u>10,541</u>
Total Revenues	<u>\$2,166,048</u>	<u>\$ 2,166,048</u>	<u>\$ 2,408,110</u>	<u>\$ 242,062</u>



## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

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

Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Council:				
Personal Services	\$ 4,654	\$ 4,654	\$ 3,864	\$ 790
Supplies	50	50		50
Services and Charges	3,600	3,600	5,210	(1,610)
Total Council	<u>8,304</u>	<u>8,304</u>	<u>9,074</u>	<u>(770)</u>
Mayor:				
Personal Services	672	672	538	134
Services and Charges	400	400	315	85
Total Mayor	<u>1,072</u>	<u>1,072</u>	<u>853</u>	<u>219</u>
Financial Administration:				
Services and Charges	<u>6,250</u>	<u>6,250</u>	<u>7,913</u>	<u>(1,663)</u>
Tax Collection:				
Personal Services	14,413	14,413	12,722	1,691
Supplies	200	200	739	(539)
Services and Charges	2,315	2,315	1,754	561
Capital Charges	1,000	1,000	635	365
Total Tax Collection	<u>17,928</u>	<u>17,928</u>	<u>15,850</u>	<u>2,078</u>
Solicitor Legal Services:				
Personal Services	8,967	8,967	9,661	(694)
Services and Charges	100	100	1,873	(1,773)
Total Solicitor Legal Services	<u>9,067</u>	<u>9,067</u>	<u>11,534</u>	<u>(2,467)</u>
Manager:				
Personal Services	23,858	23,858	23,455	403
Services and Charges	1,370	1,370	2,198	(828)
Total Manager	<u>25,228</u>	<u>25,228</u>	<u>25,653</u>	<u>(425)</u>
Office Staff:				
Personal Services	48,156	48,156	52,819	(4,663)
Supplies	1,500	1,500	687	813
Services and Charges	19,275	19,275	19,846	(571)
Total Office Staff	<u>68,931</u>	<u>68,931</u>	<u>73,352</u>	<u>(4,421)</u>
Information Technology:				
Services and Charges	<u>150</u>	<u>150</u>	<u>574</u>	<u>(424)</u>

## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

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

Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures (continued):				
General Government (continued):				
Buildings:				
Supplies	\$ 800	\$ 800	\$ 527	\$ 273
Services and Charges	5,770	5,770	10,515	(4,745)
Capital Charges	2,500	2,500	164	2,336
Total Buildings	9,070	9,070	11,206	(2,136)
Total General Government	146,000	146,000	156,009	(10,009)
Public Safety:				
Police:				
Personal Services	912,264	912,264	909,232	3,032
Supplies	18,950	18,950	26,648	(7,698)
Services and Charges	24,070	24,070	25,661	(1,591)
Capital Charges	8,000	8,000	445	7,555
Total Police	963,284	963,284	961,986	1,298
Fire:				
Supplies	9,000	9,000	9,000	
Services and Charges	40,345	40,345	36,750	3,595
Contributions and Subsidies	53,718	53,718	52,322	1,396
Total Fire	103,063	103,063	98,072	4,991
Code Enforcement:				
Personal Services	76,733	76,733	11,659	65,074
Supplies	3,200	3,200	1,506	1,694
Services and Charges	17,634	17,634	27,692	(10,058)
Total Code Enforcement	97,567	97,567	40,857	56,710
Zoning:				
Supplies	250	250		250
Services and Charges	50,000	50,000	111,816	(61,816)
Total Zoning	50,250	50,250	111,816	(61,566)
Emergency Management:				
Services and Charges	1,500	1,500	1,033	467
Animal Enforcement:				
Services and Charges	4,200	4,200	3,933	267
Crossing Guards:				
Personal Services	22,760	22,760	20,856	1,904
Services and Charges	700	700	659	41
Total Crossing Guards	23,460	23,460	21,515	1,945
Total Public Safety	1,243,324	1,243,324	1,239,212	4,112

## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Works - Sanitation:				
Solid Waste Collection and Disposal:				
Services and Charges	\$280,000	\$280,000	\$ 248,786	\$ 31,214
Total Public Works - Sanitation	280,000	280,000	248,786	31,214
Public Works - Highways:				
Street - General Services:				
Personal Services	511,526	511,526	491,750	19,776
Supplies	35,500	35,500	38,564	(3,064)
Services and Charges	25,385	25,385	11,652	13,733
Capital Charges	10,000	10,000	9,985	15
Total Street - General Services	582,411	582,411	551,951	30,460
Cleaning of Streets:				
Supplies	1,000	1,000	1,970	(970)
Services and Charges	5,000	5,000	11,096	(6,096)
Total Cleaning of Streets	6,000	6,000	13,066	(7,066)
Winter Maintenance:				
Supplies	47,000	47,000	23,621	23,379
Services and Charges	2,500	2,500	2,861	(361)
Capital Charges	10,000	10,000		10,000
Total Winter Maintenance	59,500	59,500	26,482	33,018
Traffic Control Devices:				
Supplies	2,000	2,000	7,835	(5,835)
Sewers:				
Services and Charges	60,000	60,000	44,811	15,189
Maintenance and Repairs of Roads:				
Supplies	15,000	15,000	10,637	4,363
Total Maintenance and Repairs of Roads	15,000	15,000	10,637	4,363
Highway Construction Projects:				
Capital Charges			444,708	(444,708)
Total Highway Construction Projects			444,708	(444,708)
Total Public Works - Highway	724,911	724,911	1,099,490	(374,579)

## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2017

	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	11,000	11,000	10,396	604
Parks:				
Supplies	6,700	6,700	4,294	2,406
Services and Charges	30,600	30,600	28,091	2,509
Capital Charges			1,199	(1,199)
Total Parks	37,300	37,300	33,584	3,716
Libraries:				
Contributions and Subsidies	8,000	8,000	8,000	
Civil Celebrations:				
Supplies	2,000	2,000	2,630	(630)
Total Culture and Recreation	58,300	58,300	54,610	3,690
Community Development:				
Community Development:				
Supplies	10,000	10,000	18,105	(8,105)
Capital Charges			293,414	(293,414)
Total Community Development	10,000	10,000	311,519	(301,519)
Debt Service:				
Principal	63,187	63,187	107,609	(44,422)
Interest	3,295	3,295	6,091	(2,796)
Total Debt Service	66,482	66,482	113,700	(47,218)
Employer Paid Benefits:				
Retirement Fund Contributions	115,376	115,376	115,356	20
Retiree Insurance	14,776	14,776	21,388	(6,612)
Unemployment Compensation	7,184	7,184	6,796	388
Total Employer Paid Benefits	137,336	137,336	143,540	(6,204)
Insurances:				
Services and Charges	75,000	75,000	78,454	(3,454)

## BOROUGH OF TARENTUM, PENNSYLVANIA

## General Fund

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

Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Total Expenditures	\$2,741,953	\$ 2,741,953	\$3,445,320	\$ (703,367)
Deficiency of Revenues over Expenditures	(575,905)	(575,905)	(1,037,210)	(461,305)
Other Financing Sources (Uses):				
Interfund Operating Transfers in:				
Power Fund	558,630	558,630	688,792	130,162
Refunds of Prior Year Expenditures	500	500		(500)
Sale of General Fixed Assets	20,000	20,000		(20,000)
Proceeds from General Long Term Debt			462,337	462,337
Miscellaneous Expense	(125)	(125)	(39)	86
Refund of Prior Years Revenue	(3,100)	(3,100)	(1,573)	1,527
Total Other Financing Sources	575,905	575,905	1,149,517	573,612
Net Change in Fund Balances			112,307	112,307
Fund Balance, Beginning of Year			143,282	143,282
Fund Balance, End of Year	\$	\$	\$ 255,589	\$ 255,589

BOROUGH OF TARENTUM, PENNSYLVANIA

Liquid Fuels Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Revenues:				
Interest:				
Interest Income	\$ 250	\$ 250	\$ 440	\$ 190
Intergovernmental :				
Liquid Fuels Tax Allocation	136,551	136,551	138,501	1,950
Total Revenues	<u>136,801</u>	<u>136,801</u>	<u>138,941</u>	<u>2,140</u>
Expenditures:				
Public Works - Highways:				
Street - General Services:				
Services and Capital Charges	<u>50,000</u>	<u>50,000</u>	<u>1,001</u>	<u>48,999</u>
Highway Construction Projects				
Capital Charges	<u></u>	<u></u>	<u>50,565</u>	<u>(50,565)</u>
Total Public Works - Highways	<u>50,000</u>	<u>50,000</u>	<u>51,566</u>	<u>(1,566)</u>
Debt Service:				
Principal	15,671	15,671	15,671	
Interest	<u>1,936</u>	<u>1,936</u>	<u>1,936</u>	
Total Debt Services	<u>17,607</u>	<u>17,607</u>	<u>17,607</u>	
Total Expenditures	<u>67,607</u>	<u>67,607</u>	<u>69,173</u>	<u>(1,566)</u>
Net Change in Fund Balance	69,194	69,194	69,768	574
Fund Balance at Beginning of Year	<u></u>	<u></u>	<u>8,309</u>	<u>8,309</u>
Fund Balance at End of Year	<u>\$ 69,194</u>	<u>\$ 69,194</u>	<u>\$ 78,077</u>	<u>\$ 8,883</u>