

BOROUGH OF TARENTUM

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## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**BOROUGH OF TARENTUM**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**

**TABLE OF CONTENTS**

|                                                                                                                                                                  | <u>PAGE</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Independent Auditor's Report</b> .....                                                                                                                        | i-iii       |
| <b>Management's Discussion and Analysis</b> .....                                                                                                                | iv-xv       |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                                                                                                |             |
| <b>EXHIBIT A – STATEMENT OF NET POSITION</b> .....                                                                                                               | 1           |
| <b>EXHIBIT B – STATEMENT OF ACTIVITIES</b> .....                                                                                                                 | 2           |
| <b>EXHIBIT C – BALANCE SHEET – Governmental Funds</b> .....                                                                                                      | 3           |
| <b>EXHIBIT D – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION</b> .....                                                 | 4           |
| <b>EXHIBIT E – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – Governmental Funds -General Fund</b> .....                                     | 5           |
| <b>EXHIBIT F – RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES</b> ..... | 6           |
| <b>EXHIBIT G – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET TO ACTUAL – Governmental Funds -General Fund</b> ...                     | 7           |
| <b>EXHIBIT H – STATEMENT OF PROPRIETARY NET POSITION</b> .....                                                                                                   | 8           |
| <b>EXHIBIT I – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – Proprietary Fund</b> .....                                                      | 9           |
| <b>EXHIBIT J – STATEMENT OF CASH FLOWS – Proprietary Fund</b> .....                                                                                              | 10          |
| <b>EXHIBIT K – STATEMENT OF FIDUCIARY NET POSITION</b> .....                                                                                                     | 11          |
| <b>EXHIBIT L – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b> .....                                                                                          | 12          |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b> .....                                                                                                                   | 13-45       |

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**

**TABLE OF CONTENTS**

|                                                                                                                                                | <u>PAGE</u>  |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>SUPPLEMENTARY INFORMATION</b>                                                                                                               |              |
| <b>SCHEDULE 1 - SCHEDULE OF BUDGET AND ACTUAL REVENUES - General Fund .....</b>                                                                | <b>46-47</b> |
| <b>SCHEDULE 2 - SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES</b><br><b>- General Fund .....</b>                                                  | <b>48-53</b> |
| <b>SCHEDULE 3 – COMBINING BALANCE SHEET – Non-Major Governmental Funds .....</b>                                                               | <b>54</b>    |
| <b>SCHEDULE 4 – COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND</b><br><b>CHANGES IN FUND BALANCES – Non-Major Governmental Funds .....</b> | <b>55</b>    |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>                                                                                                      |              |
| <b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – Police</b><br><b>Pension Plan .....</b>                                   | <b>56</b>    |
| <b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – General</b><br><b>Employees’ Pension Plan .....</b>                       | <b>57</b>    |
| <b>SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED</b><br><b>RATIOS – Police Pension Plan .....</b>                        | <b>58</b>    |
| <b>SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED</b><br><b>RATIOS – General Employees’ Pension Plan .....</b>            | <b>59</b>    |
| <b>SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS –</b><br><b>Post-Retirement Healthcare Plan .....</b>                    | <b>60</b>    |
| <b>SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS AND RELATED</b><br><b>RATIOS – Post-Retirement Healthcare Plan .....</b>                   | <b>61</b>    |
| <b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Pension Plans .....</b>                                                                       | <b>62-63</b> |
| <b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -</b><br><b>Post-Retirement Healthcare Plan .....</b>                                           | <b>64</b>    |

**Borough Council  
Borough of Tarentum**

**Independent Auditor's Report**

**Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Tarentum as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

### ***Basis for Adverse Opinion on Governmental Activities***

As described in Note 1, the Borough of Tarentum does not present the historical cost, accumulated depreciation, and depreciation expense for its governmental activities fixed assets in the statement of net position (Exhibit A) and statement of activities (Exhibit B). This practice is not in conformity with accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

In my opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the statement of net position (Exhibit A) and statement of activities (Exhibit B) referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Borough of Tarentum as of December 31, 2019, and the changes in financial position thereof for the year then ended.

### ***Unmodified Opinion***

In my opinion, the basic financial statements referred to above, excluding the statement of net position (Exhibit A) and statement of activities (Exhibit B), present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Borough of Tarentum as of December 31, 2019, the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

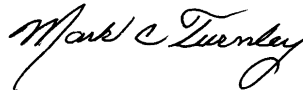
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xv and the additional required supplementary information on pages 56-64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Tarentum's basic financial statements. The supplementary information (Schedules 1 through 4) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Mark C. Turnley, CPA

June 24, 2020  
New Brighton, Pennsylvania

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

**INTRODUCTION**

This discussion and analysis of the Borough of Tarentum's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2019. The intent of Management's Discussion and Analysis (MD&A) is to provide readers with an appreciation for the financial status of the Borough, the challenges faced and accomplishments achieved. The reader should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Borough's financial performance.

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2019 are as follows:

- The Borough's governmental activities net position decreased from a deficit of \$915,717 at 12/31/2018 to a deficit of \$1,015,376 at 12/31/2019. The Borough's business-type activities (Water & Electric Funds) net position remained stable only decreasing from \$858,777 at 12/31/2018 to \$857,969 at 12/31/2019.
- The Borough's combined governmental fund balance increased from a deficit of \$990 at December 31, 2018 to a surplus of \$21,937 at December 31, 2019.

**USING THE ANNUAL FINANCIAL REPORT**

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

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



**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

**USING THE ANNUAL FINANCIAL REPORT (Continued)**

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

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

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

**Figure A-1**  
**Required Components of**  
**Borough of Tarentum’s Financial Report**

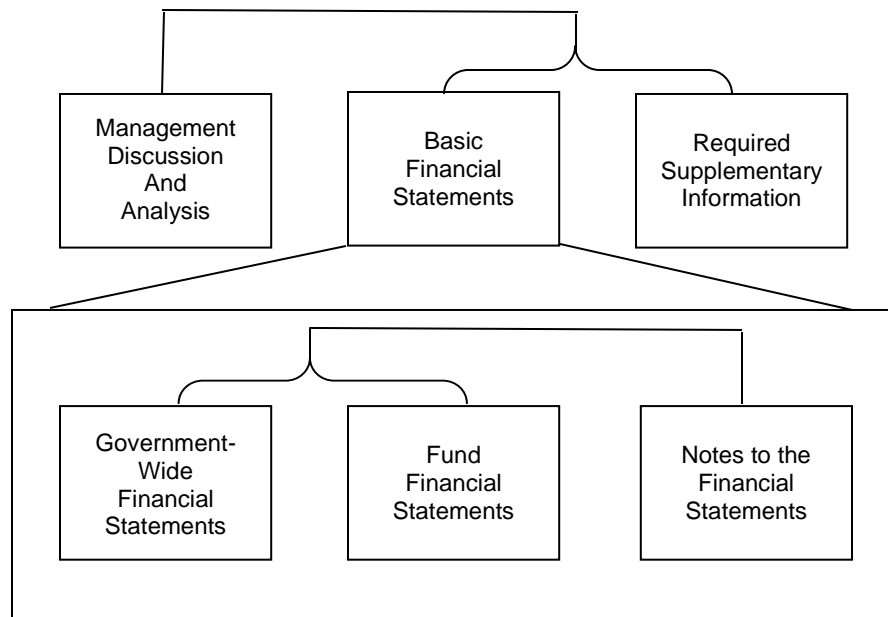


Figure A-2 summarizes the major features of the Borough’s financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**BOROUGH OF TARENTUM  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2019**

**USING THE ANNUAL FINANCIAL REPORT (Continued)**

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

|                                        | Government-wide Statements                                                           | Fund Statements                                                                                                                                                                            |                                                                                                                 |                                                                                                   |
|----------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
|                                        |                                                                                      | Governmental Funds                                                                                                                                                                         | Proprietary Funds                                                                                               | Fiduciary Funds                                                                                   |
| Scope                                  | Entire Borough (except fiduciary funds)                                              | The activities of the Borough that are not proprietary or fiduciary, such as education, administration and community services                                                              | Activities the Borough operates similar to private business – Electric & Water Funds                            | Instances in which the Borough is the trustee or agent to someone else's resources – pension fund |
| Required financial statements          | Statement of net position; Statement of activities                                   | Balance sheet; Statement of revenues, expenditures, and changes in fund balance                                                                                                            | Statement of net position; Statement of revenues, expenses and changes in net position; Statement of cash flows | Statement of fiduciary net position; Statement of changes in fiduciary net position               |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus                                                                                                                          | Accrual accounting and economic resources focus                                                                 | Accrual accounting and economic resources focus                                                   |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included                                                            | All assets and liabilities, both financial and capital, and short-term and long-term                            | All assets and liabilities, both short-term and long-term                                         |
| Type of inflow-outflow information     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid                              | All revenues and expenses during year, regardless of when cash is received or paid                |

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
DECEMBER 31, 2019

**OVERVIEW OF FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
DECEMBER 31, 2019

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

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

**Enterprise Funds** – The Borough’s Electric and Water Funds are responsible for receipting charges for water and electric services rendered to the Borough’s residents and using these funds to defray the cost of maintaining these systems of services.

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

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

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

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

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

The Borough's net position on December 31, 2019 and 2018 is presented below:

Table A-1

**Summary of Statement of Net Position**  
**Year Ended December 31, 2019 and 2018**

|                                               | ----- DECEMBER 31, 2019 ----- |                     |                     | -MEMO-              |
|-----------------------------------------------|-------------------------------|---------------------|---------------------|---------------------|
|                                               | GOVERNMENTAL                  | BUSINESS-TYPE       | 2019                | 2018                |
|                                               | ACTIVITIES                    | ACTIVITIES          | TOTAL               | TOTAL               |
| Current Assets                                | \$ 659,912                    | \$ 1,501,183        | \$ 2,161,095        | \$ 2,586,054        |
| Non-Current Assets                            | -                             | 3,372,320           | 3,372,320           | 3,295,079           |
| Deferred Outflows                             | 657,130                       | 428,267             | 1,085,397           | 1,043,826           |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>     | <b>\$ 1,317,042</b>           | <b>\$ 5,301,770</b> | <b>\$ 6,618,812</b> | <b>\$ 6,924,959</b> |
| Current Liabilities                           | \$ 189,748                    | \$ 431,450          | \$ 621,198          | \$ 762,253          |
| Long-term Liabilities                         | 1,453,896                     | 4,012,351           | 5,466,247           | 5,527,512           |
| Deferred Inflows                              | 688,774                       | -                   | 688,774             | 727,186             |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b> | <b>\$ 2,332,418</b>           | <b>\$ 4,443,801</b> | <b>\$ 6,776,219</b> | <b>\$ 7,016,951</b> |
| Net Investment in                             |                               |                     |                     |                     |
| Capital Assets                                | \$ -                          | \$ (411,583)        | \$ (411,583)        | \$ (718,305)        |
| Restricted - Highways/Streets                 | 21,894                        | -                   | 21,894              | 63                  |
| Unrestricted (Deficit)                        | (1,037,270)                   | 1,269,552           | 232,282             | 626,250             |
| <b>TOTAL NET POSITION</b>                     | <b>\$ (1,015,376)</b>         | <b>\$ 857,969</b>   | <b>\$ (157,407)</b> | <b>\$ (91,992)</b>  |

The decrease in current assets is attributable to a decrease in cash (\$130,894), taxes receivable (\$72,213), utilities receivable (\$86,966), and a prepaid security deposit of (\$150,000). Current liabilities decreased mainly as a result of a decrease in accounts payable and the current portion of long-term debt. The change in long-term liabilities is as a result of an increase in net pension liability of \$189,074 offset by a decrease in long-term portion of debt of \$273,639. The change in deferred outflows and deferred inflows is directly related to the updated actuarial valuations received by the Borough related to its pension plan and other post-employment benefits obligations as of 12/31/2019.

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

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

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

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for 2019 and 2018.

Table A-2  
Year ended December 31, 2019 and 2018  
Changes in Net Position

|                                          | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>2019<br/>TOTAL</b> | <b>2018<br/>TOTAL</b> |
|------------------------------------------|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                          |                                    |                                     |                       |                       |
| <b>Program Revenues:</b>                 |                                    |                                     |                       |                       |
| Charges for Services                     | \$ 726,120                         | \$ 5,452,490                        | \$ 6,178,610          | \$ 6,465,146          |
| Operating Grants and Contributions       | 508,705                            | -                                   | 508,705               | 373,058               |
| <b>General Revenues:</b>                 |                                    |                                     |                       |                       |
| Property Taxes                           | 483,529                            | -                                   | 483,529               | 506,556               |
| Other Taxes                              | 621,470                            | -                                   | 621,470               | 630,154               |
| Cable Franchise Fees                     | 60,749                             | -                                   | 60,749                | 61,320                |
| Interest and Rents                       | 75,328                             | 752                                 | 76,080                | 81,421                |
| Sale of Fixed Assets                     | -                                  | 4,200                               | 4,200                 | 61,976                |
| Miscellaneous                            | 44,396                             | 56,450                              | 100,846               | 81,719                |
| Transfers                                | 766,830                            | (766,830)                           | -                     | -                     |
| <b>TOTAL REVENUES</b>                    | <b>\$ 3,287,127</b>                | <b>\$ 4,747,062</b>                 | <b>\$ 8,034,189</b>   | <b>\$ 8,261,350</b>   |
| <b>EXPENSES</b>                          |                                    |                                     |                       |                       |
| General Government                       | \$ 169,367                         | \$ -                                | \$ 169,367            | \$ 158,343            |
| Public Safety - Police                   | 1,209,810                          | -                                   | 1,209,810             | 1,172,079             |
| Public Safety - Fire                     | 109,805                            | -                                   | 109,805               | 117,947               |
| Public Safety - Other                    | 168,693                            | -                                   | 168,693               | 72,642                |
| Public Works - Sanitation                | 392,410                            | -                                   | 392,410               | 304,215               |
| Public Works - Highways                  | 792,445                            | -                                   | 792,445               | 781,115               |
| Culture and Recreation                   | 214,893                            | -                                   | 214,893               | 75,006                |
| Community Development                    | 25,557                             | -                                   | -                     | -                     |
| Interest on Debt/Miscellaneous           | 303,806                            | -                                   | 303,806               | 262,803               |
| Electric Operations - Operating Expenses | -                                  | 3,262,589                           | 3,262,589             | 3,484,211             |
| Water Operations - Operating Expenses    | -                                  | 1,450,229                           | 1,450,229             | 1,395,093             |
| <b>TOTAL EXPENSES</b>                    | <b>\$ 3,386,786</b>                | <b>\$ 4,712,818</b>                 | <b>\$ 8,074,047</b>   | <b>\$ 7,823,454</b>   |
| <b>CHANGE IN NET POSITION</b>            | <b>\$ (99,659)</b>                 | <b>\$ 34,244</b>                    | <b>\$ (39,858)</b>    | <b>\$ 437,896</b>     |

**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

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

Total governmental activities revenues totaling \$3,287,127 were derived primarily from a transfer from business-type activities representing 23.3% of the total. Charges for services made up the next largest source of revenue at 22.1%. Other taxes made up 18.6% of total revenue followed by property taxes at 14.7%.

Table A-3  
Year ended December 31, 2019 and 2018  
Governmental Activities

|                                                            | 2019                             |                                | 2018                             |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| General Government                                         | \$ 169,367                       | \$ 162,787                     | \$ 158,343                       | \$ 151,765                     |
| Public Safety - Police                                     | 1,209,810                        | 1,078,810                      | 1,172,079                        | 954,846                        |
| Public Safety - Fire                                       | 109,805                          | 92,566                         | 117,947                          | 101,923                        |
| Public Safety - Other                                      | 168,693                          | 131,407                        | 72,642                           | 34,668                         |
| Public Works - Sanitation                                  | 392,410                          | (211,791)                      | 304,215                          | (303,003)                      |
| Public Works - Highways                                    | 792,445                          | 625,483                        | 781,115                          | 610,078                        |
| Culture and Recreation                                     | 214,893                          | 81,758                         | 75,006                           | 60,012                         |
| Community Development                                      | 25,557                           | 25,557                         | -                                | -                              |
| Interest on Debt/Miscellaneous                             | 303,806                          | 165,384                        | 262,803                          | 146,789                        |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 3,386,786</b>              | <b>\$ 2,151,961</b>            | <b>\$ 2,944,150</b>              | <b>\$ 1,757,078</b>            |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | -                              |                                  | -                              |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b>\$ 2,151,961</b>            |                                  | <b>\$ 1,757,078</b>            |

Table A-4 reflects the activities of the Sewer Fund, the business-type activities of the Borough for the year 2019 and 2018.

Table A-4  
Year ended December 31, 2019 and 2018  
Business-Type Activities

|                                                  | 2019                             |                                | 2018                             |                                |
|--------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                  | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                  |                                  |                                |                                  |                                |
| Electric and Water Operations                    | \$ 4,712,818                     | \$ 739,672                     | \$ 4,879,304                     | \$ 794,602                     |
| Interest/Miscellaneous                           |                                  | 61,402                         |                                  | 50,085                         |
| Transfers                                        |                                  | (766,830)                      |                                  | -                              |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES NET INCOME</b> |                                  | <b>\$ 34,244</b>               |                                  | <b>\$ 844,687</b>              |

**BOROUGH OF TARENTUM  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2019**

**GENERAL FUND – COMPARISON OF CHANGE IN FUND BALANCE**

The following table compares the revenues, expenditures and change in fund balance of the Borough's General Fund for the years 2019 and 2018:

|                                                 | <u>2019</u>                | <u>2018</u>                |
|-------------------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                                 |                            |                            |
| Taxes                                           | \$ 1,166,204               | \$ 1,191,931               |
| Licenses and Permits                            | 69,495                     | 75,920                     |
| Fines and Forfeitures                           | 32,024                     | 32,390                     |
| Interest and Rents                              | 74,765                     | 79,348                     |
| Intergovernmental                               | 369,105                    | 231,331                    |
| Charges for Services                            | 681,418                    | 746,722                    |
| Miscellaneous                                   | 15,312                     | 18,150                     |
| <b>TOTAL REVENUES</b>                           | <b><u>\$ 2,408,323</u></b> | <b><u>\$ 2,375,792</u></b> |
| <b>EXPENSES</b>                                 |                            |                            |
| General Government                              | \$ 167,805                 | \$ 157,935                 |
| Public Safety                                   | 1,464,318                  | 1,284,090                  |
| Public Works                                    | 1,094,140                  | 928,637                    |
| Culture and Recreation                          | 193,946                    | 60,761                     |
| Community Development                           | 25,557                     | -                          |
| Debt Service/Miscellaneous                      | 232,776                    | 356,494                    |
| <b>TOTAL EXPENSES</b>                           | <b><u>\$ 3,178,542</u></b> | <b><u>\$ 2,787,917</u></b> |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                            |                            |
| Operating Transfers Out                         | \$ (9,000)                 | \$ -                       |
| Operating Transfers In                          | 766,830                    | -                          |
| Insurance Reimbursements                        | 20,405                     | 8,434                      |
| Refund of Prior Year Revenue                    | (7,636)                    | -                          |
| Sale of Township Property                       | -                          | 54,266                     |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b> | <b><u>\$ 770,599</u></b>   | <b><u>\$ 62,700</u></b>    |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b><u>\$ 380</u></b>       | <b><u>\$ (349,425)</u></b> |

**GENERAL FUND BUDGET**

In December of 2018, the Borough of Tarentum adopted its annual budget for the General Fund in the amount of \$3,579,003. A schedule showing the Borough's original and final budget amounts compared with amounts actually paid and received is provided in summary form on Page 7, and more detailed in Schedules 1 and 2 on pages 52-58 of the report.



**BOROUGH OF TARENTUM  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2019**

**PROPRIETARY FUNDS (ELECTRIC AND WATER FUNDS)**

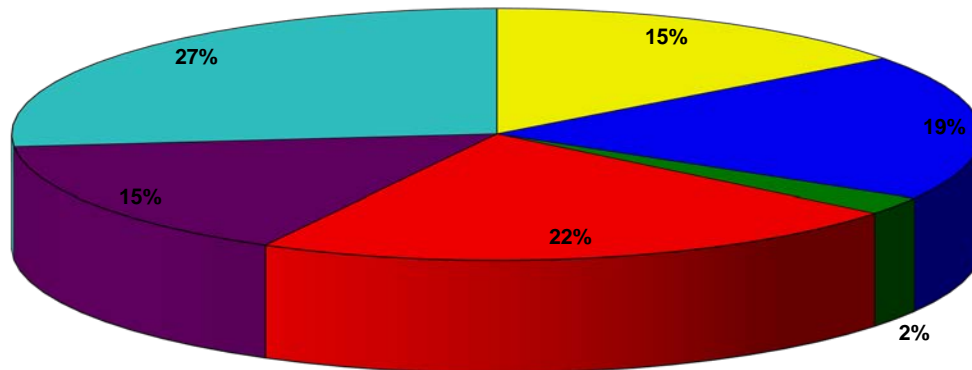
The following table compares the revenues, expenses and change in net position of the Borough's Proprietary Funds for the year 2019 and 2018:

|                                  | ELECTRIC FUND     |                   | WATER FUND         |                   |
|----------------------------------|-------------------|-------------------|--------------------|-------------------|
|                                  | 2019              | 2018              | 2019               | 2018              |
| Operating Revenues               | \$ 4,183,242      | \$ 4,235,548      | \$ 1,269,248       | \$ 1,438,359      |
| Operating Expenses               | (3,189,504)       | (3,410,934)       | (1,344,022)        | (1,285,441)       |
| <b>OPERATING INCOME (LOSS)</b>   | <b>\$ 993,738</b> | <b>\$ 824,614</b> | <b>\$ (74,774)</b> | <b>\$ 152,918</b> |
| Nonoperating Revenues (Expenses) | \$ (19,695)       | \$ (30,642)       | \$ (98,195)        | \$ (102,202)      |
| Transfers                        | (939,609)         | -                 | 172,779            | -                 |
| <b>CHANGE IN NET POSITION</b>    | <b>\$ 34,434</b>  | <b>\$ 793,972</b> | <b>\$ (190)</b>    | <b>\$ 50,716</b>  |

**PROGRAM REVENUE**

The following chart graphically depicts the government-wide program revenues for the fiscal year ended December 31, 2019.

**SOURCE OF REVENUES  
TOTAL REVENUES: \$3,287,127**



|                      |                        |
|----------------------|------------------------|
| ■ PROPERTY TAXES     | ■ OTHER TAXES          |
| ■ INTEREST AND RENTS | ■ CHARGES FOR SERVICES |
| ■ INTERGOVERNMENTAL  | ■ OTHER REVENUES       |

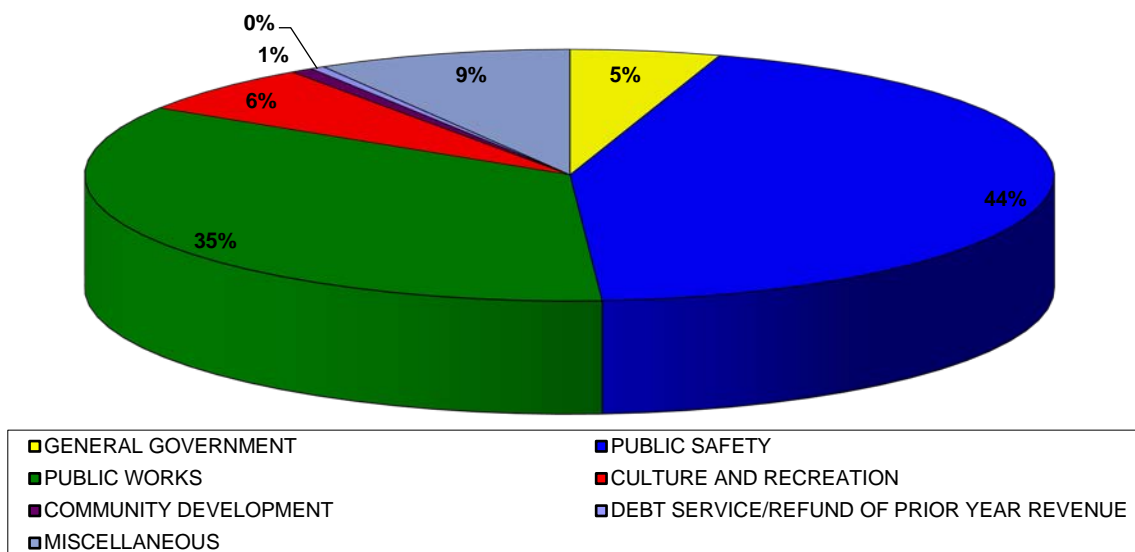
**BOROUGH OF TARENTUM  
ALLEGHENY COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2019**

**PROGRAM EXPENSES**

Total expenses for all governmental activities in 2019 were \$3,386,786. The expenses reflect the delivery of a wide range of services, with the two largest areas being public safety at 43.9% and public works at 35%. Insurance and employee benefits made up 8.5% of expenses and general government expenses were 5% of total expenses.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2019.

**PROGRAM EXPENSES  
TOTAL EXPENSES: \$3,386,786**



**BOROUGH OF TARENTUM**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2019**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2019, the Borough had \$3,372,320 invested in capital assets for its proprietary funds, including buildings and improvements, machinery & equipment, and electric system and improvements net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$77,241 or approximately 2.3% from last year. The Borough had approximately \$476,736 in capital additions during the 2019 year which is comprised of water and electric system improvements and machinery and equipment purchases.

**Long Term Debt**

On December 31, 2019, the Borough had \$4,619,877 of long-term debt outstanding in the form of General Obligation Notes and Capital Leases. This represents a decrease of 6.2% from December 31, 2018. Additional long-term debt obligations including the Borough's net pension liability, net OPEB liability, and compensated absences are detailed in the Notes to the Financial Statements.

**Contacting the Borough**

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

Michael Nestico, Borough Manager  
Borough of Tarentum  
318 Second Avenue  
Tarentum, PA 15084

**BOROUGH OF TARENTUM**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

**EXHIBIT A**

|                                                                           | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                                                             |                                    |                                     |                     |
| <b>Current Assets:</b>                                                    |                                    |                                     |                     |
| Cash and Cash Equivalents                                                 | \$ 257,227                         | \$ 103,728                          | \$ 360,955          |
| Due from Other Governmental Units                                         | 23,543                             | -                                   | 23,543              |
| Internal Balances                                                         | (296,505)                          | 296,505                             | -                   |
| Taxes Receivable (Net)                                                    | 596,062                            | -                                   | 596,062             |
| Utilities Receivable (Net)                                                | 49,786                             | 479,888                             | 529,674             |
| Prepaid Security Deposit                                                  | -                                  | 600,000                             | 600,000             |
| Inventory                                                                 | -                                  | 21,062                              | 21,062              |
| Other Accounts Receivable                                                 | 29,799                             | -                                   | 29,799              |
| <b>Total Current Assets</b>                                               | <b>\$ 659,912</b>                  | <b>\$ 1,501,183</b>                 | <b>\$ 2,161,095</b> |
| <b>Noncurrent Assets:</b>                                                 |                                    |                                     |                     |
| Buildings and Improvements                                                | \$ -                               | \$ 1,053,293                        | \$ 1,053,293        |
| Improvements - Non-building                                               | -                                  | 3,969,308                           | 3,969,308           |
| Machinery & Equipment                                                     | -                                  | 1,780,338                           | 1,780,338           |
| Electric System and Improvements                                          | -                                  | 3,006,529                           | 3,006,529           |
| Work in Progress                                                          | -                                  | 226,151                             | 226,151             |
| Accumulated Depreciation                                                  | -                                  | (6,663,299)                         | (6,663,299)         |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ -</b>                        | <b>\$ 3,372,320</b>                 | <b>\$ 3,372,320</b> |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 659,912</b>                  | <b>\$ 4,873,503</b>                 | <b>\$ 5,533,415</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                                    |                                     |                     |
| Deferred Interest on Refunding                                            | \$ -                               | \$ 428,267                          | \$ 428,267          |
| Deferred Outflows Related to Pensions                                     | 641,633                            | -                                   | 641,633             |
| Deferred Outflows Related to OPEB                                         | 15,497                             | -                                   | 15,497              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 657,130</b>                  | <b>\$ 428,267</b>                   | <b>\$ 1,085,397</b> |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 1,317,042</b>                | <b>\$ 5,301,770</b>                 | <b>\$ 6,618,812</b> |
| <b>LIABILITIES</b>                                                        |                                    |                                     |                     |
| <b>Current Liabilities:</b>                                               |                                    |                                     |                     |
| Accounts Payable                                                          | \$ 47,447                          | \$ 17,007                           | \$ 64,454           |
| Accrued Interest Payable                                                  | -                                  | 53,402                              | 53,402              |
| Accrued Salaries Payable                                                  | 60,255                             | 27,611                              | 87,866              |
| Current Portion Long-Term Debt                                            | 63,991                             | 240,560                             | 304,551             |
| Unearned Grant Revenue                                                    | 3,782                              | -                                   | 3,782               |
| Other Current Liabilities                                                 | 14,273                             | 92,870                              | 107,143             |
| <b>Total Current Liabilities</b>                                          | <b>\$ 189,748</b>                  | <b>\$ 431,450</b>                   | <b>\$ 621,198</b>   |
| <b>Noncurrent Liabilities:</b>                                            |                                    |                                     |                     |
| Notes Payable - Long Term Portion                                         | \$ 328,364                         | \$ 3,760,000                        | \$ 4,088,364        |
| Leases Payable - Long Term Portion                                        | 15,352                             | 211,610                             | 226,962             |
| Net Pension Liability                                                     | 663,078                            | -                                   | 663,078             |
| Net OPEB Liability                                                        | 179,035                            | -                                   | 179,035             |
| Accrued Compensated Absences                                              | 268,067                            | 40,741                              | 308,808             |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 1,453,896</b>                | <b>\$ 4,012,351</b>                 | <b>\$ 5,466,247</b> |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 1,643,644</b>                | <b>\$ 4,443,801</b>                 | <b>\$ 6,087,445</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                    |                                     |                     |
| Deferred Inflows Related to Pensions                                      | \$ 684,492                         | \$ -                                | \$ 684,492          |
| Deferred Inflows Related to OPEB                                          | 4,282                              | -                                   | 4,282               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 688,774</b>                  | <b>\$ -</b>                         | <b>\$ 688,774</b>   |
| <b>NET POSITION</b>                                                       |                                    |                                     |                     |
| Net Investment in Capital Assets (Deficit)                                | \$ -                               | \$ (411,583)                        | \$ (411,583)        |
| Restricted for Highways and Streets                                       | 21,894                             | -                                   | 21,894              |
| Unrestricted (Deficit)                                                    | (1,037,270)                        | 1,269,552                           | 232,282             |
| <b>TOTAL NET POSITION (DEFICIT)</b>                                       | <b>\$ (1,015,376)</b>              | <b>\$ 857,969</b>                   | <b>\$ (157,407)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 1,317,042</b>                | <b>\$ 5,301,770</b>                 | <b>\$ 6,618,812</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**EXHIBIT B**

| Functions/Programs                        | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|-------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|-----------------------|
|                                           |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                 |
| <b>Governmental Activities:</b>           |                     |                      |                                    |                                  |                                                   |                          |                       |
| General Government                        | \$ 169,367          | \$ 6,580             | \$ -                               | \$ -                             | \$ (162,787)                                      |                          | \$ (162,787)          |
| Public Safety - Police                    | 1,209,810           | 58,346               | 72,654                             | -                                | (1,078,810)                                       |                          | (1,078,810)           |
| Public Safety - Fire                      | 109,805             | -                    | 17,239                             | -                                | (92,566)                                          |                          | (92,566)              |
| Public Safety - Other                     | 168,693             | 37,286               | -                                  | -                                | (131,407)                                         |                          | (131,407)             |
| Public Works - Sanitation                 | 392,410             | 604,201              | -                                  | -                                | 211,791                                           |                          | 211,791               |
| Public Works - Highways                   | 792,445             | 15,430               | 151,532                            | -                                | (625,483)                                         |                          | (625,483)             |
| Culture and Recreation                    | 214,893             | 4,277                | 128,858                            | -                                | (81,758)                                          |                          | (81,758)              |
| Community Development                     | 25,557              | -                    | -                                  | -                                | (25,557)                                          |                          | (25,557)              |
| Insurance & Employee Benefits             | 286,442             | -                    | 138,422                            | -                                | (148,020)                                         |                          | (148,020)             |
| Debt Service/Refund of Prior Year Revenue | 15,991              | -                    | -                                  | -                                | (15,991)                                          |                          | (15,991)              |
| Miscellaneous                             | 1,373               | -                    | -                                  | -                                | (1,373)                                           |                          | (1,373)               |
| <b>Total Governmental Activities</b>      | <b>\$ 3,386,786</b> | <b>\$ 726,120</b>    | <b>\$ 508,705</b>                  | <b>\$ -</b>                      | <b>\$ (2,151,961)</b>                             |                          | <b>\$ (2,151,961)</b> |
| <b>Business-Type Activities:</b>          |                     |                      |                                    |                                  |                                                   |                          |                       |
| Electric and Water                        | \$ 4,712,818        | \$ 5,452,490         | \$ -                               | \$ -                             |                                                   | \$ 739,672               | \$ 739,672            |
| <b>Total Business-Type Activities</b>     | <b>\$ 4,712,818</b> | <b>\$ 5,452,490</b>  | <b>\$ -</b>                        | <b>\$ -</b>                      |                                                   | <b>\$ 739,672</b>        | <b>\$ 739,672</b>     |
| <b>Total Primary Government</b>           | <b>\$ 8,099,604</b> | <b>\$ 6,178,610</b>  | <b>\$ 508,705</b>                  | <b>\$ -</b>                      | <b>\$ (2,151,961)</b>                             | <b>\$ 739,672</b>        | <b>\$ (1,412,289)</b> |

**General Revenues:**

|                                                             |                       |                     |                     |
|-------------------------------------------------------------|-----------------------|---------------------|---------------------|
| Taxes:                                                      |                       |                     |                     |
| Property Taxes, Levied for General Purposes (net)           | \$ 483,529            | \$ -                | \$ 483,529          |
| Act 511 Taxes                                               | 458,283               | -                   | 458,283             |
| Sales Tax                                                   | 154,176               | -                   | 154,176             |
| Cable Franchise Fees                                        | 60,749                | -                   | 60,749              |
| PURTA/Alcohol Beverage Tax/Payment in Lieu of Taxes         | 9,011                 | -                   | 9,011               |
| Investment Earnings                                         | 2,430                 | 752                 | 3,182               |
| Leases and Rents                                            | 72,898                | -                   | 72,898              |
| Sale of Fixed Assets                                        | -                     | 4,200               | 4,200               |
| Miscellaneous                                               | 44,396                | 56,450              | 100,846             |
| Transfers Between Governmental and Business-Type Activities | 766,830               | (766,830)           | -                   |
| <b>Total General Revenues</b>                               | <b>\$ 2,052,302</b>   | <b>\$ (705,428)</b> | <b>\$ 1,346,874</b> |
| <b>Change in Net Position</b>                               | <b>\$ (99,659)</b>    | <b>\$ 34,244</b>    | <b>\$ (65,415)</b>  |
| Net Position — January 1, 2019 (Deficit)                    | (682,598)             | 858,777             | 176,179             |
| Prior Period Adjustment                                     | (233,119)             | (35,052)            | (268,171)           |
| <b>Net Position — December 31, 2019 (Deficit)</b>           | <b>\$ (1,015,376)</b> | <b>\$ 857,969</b>   | <b>\$ (157,407)</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

**EXHIBIT C**

|                                                                                | <b>GENERAL<br/>FUND</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------------------------|-------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                 |                         |                                             |                                         |
| Cash and Cash Equivalents                                                      | \$ 229,215              | \$ 28,012                                   | \$ 257,227                              |
| Due from Other Governmental Units                                              | 23,543                  | -                                           | 23,543                                  |
| Due from Other Funds                                                           | 802,907                 | 2,901                                       | 805,808                                 |
| Taxes Receivable (Net)                                                         | 596,062                 | -                                           | 596,062                                 |
| Trash Receivable (Net)                                                         | 49,786                  | -                                           | 49,786                                  |
| Other Accounts Receivable                                                      | 29,799                  | -                                           | 29,799                                  |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 1,731,312</b>     | <b>\$ 30,913</b>                            | <b>\$ 1,762,225</b>                     |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                         |                                             |                                         |
| <b>LIABILITIES:</b>                                                            |                         |                                             |                                         |
| Accounts Payable                                                               | \$ 47,415               | \$ 32                                       | \$ 47,447                               |
| Accrued Salaries Payable                                                       | 60,255                  | -                                           | 60,255                                  |
| Due To Other Funds                                                             | 1,102,313               | -                                           | 1,102,313                               |
| Unearned Grant Revenue                                                         | 3,782                   | -                                           | 3,782                                   |
| Other Current Liabilities                                                      | 14,273                  | -                                           | 14,273                                  |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 1,228,038</b>     | <b>\$ 32</b>                                | <b>\$ 1,228,070</b>                     |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>                                      |                         |                                             |                                         |
| Delinquent Real Estate Taxes                                                   | \$ 512,218              | \$ -                                        | \$ 512,218                              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 512,218</b>       | <b>\$ -</b>                                 | <b>\$ 512,218</b>                       |
| <br><b>FUND BALANCES:</b>                                                      |                         |                                             |                                         |
| Restricted:                                                                    |                         |                                             |                                         |
| Liquid Fuels Fund                                                              | \$ -                    | \$ 21,894                                   | \$ 21,894                               |
| Assigned:                                                                      |                         |                                             |                                         |
| Recreation Fund                                                                | -                       | 8,987                                       | 8,987                                   |
| Unassigned (Deficit)                                                           | (8,944)                 | -                                           | (8,944)                                 |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>                                           | <b>\$ (8,944)</b>       | <b>\$ 30,881</b>                            | <b>\$ 21,937</b>                        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 1,731,312</b>     | <b>\$ 30,913</b>                            | <b>\$ 1,762,225</b>                     |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

**Total Fund Balances - Governmental Funds (Deficit) \$ 21,937**

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

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures (i.e., within 90 days of year-end), are deferred and not recognized as revenue in governmental funds. 512,218

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

|                                                    |           |
|----------------------------------------------------|-----------|
| Deferred outflows of resources related to pensions | 641,633   |
| Deferred outflows of resources related to OPEB     | 15,497    |
| Deferred inflows of resources related to pensions  | (684,492) |
| Deferred inflows of resources related to OPEB      | (4,282)   |

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

Long-term liabilities at year end consist of:

|                       |            |             |
|-----------------------|------------|-------------|
| Notes payable         | \$ 377,707 |             |
| Leases payable        | 30,000     |             |
| Net pension liability | 663,078    |             |
| Net OPEB liability    | 179,035    |             |
| Compensated absences  | 268,067    |             |
|                       |            | (1,517,887) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit) \$ (1,015,376)**

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                              | <u>GENERAL FUND</u> | <u>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------------------------------|---------------------|---------------------------------------------|-----------------------------------------|
| <b><u>REVENUES</u></b>                                       |                     |                                             |                                         |
| Taxes                                                        | \$ 1,166,204        | \$ -                                        | \$ 1,166,204                            |
| Licenses and Permits                                         | 69,495              | -                                           | 69,495                                  |
| Fines and Forfeitures                                        | 32,024              | -                                           | 32,024                                  |
| Interest and Rents                                           | 74,765              | 563                                         | 75,328                                  |
| Intergovernmental                                            | 369,105             | 148,613                                     | 517,718                                 |
| Charges for Services                                         | 681,418             | 3,932                                       | 685,350                                 |
| Donations                                                    | -                   | 1,256                                       | 1,256                                   |
| Miscellaneous                                                | 15,312              | 7,422                                       | 22,734                                  |
| <b>Total Revenue</b>                                         | <b>\$ 2,408,323</b> | <b>\$ 161,786</b>                           | <b>\$ 2,570,109</b>                     |
| <b><u>EXPENDITURES</u></b>                                   |                     |                                             |                                         |
| General Government                                           | \$ 167,805          | \$ -                                        | \$ 167,805                              |
| Public Safety                                                | 1,464,318           | -                                           | 1,464,318                               |
| Public Works                                                 | 1,094,140           | 59,835                                      | 1,153,975                               |
| Culture and Recreation                                       | 193,946             | 20,947                                      | 214,893                                 |
| Community Development                                        | 25,557              | -                                           | 25,557                                  |
| Debt Service                                                 | 478                 | 67,457                                      | 67,935                                  |
| Miscellaneous                                                | 232,298             | -                                           | 232,298                                 |
| <b>Total Expenditures</b>                                    | <b>\$ 3,178,542</b> | <b>\$ 148,239</b>                           | <b>\$ 3,326,781</b>                     |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (770,219)</b> | <b>\$ 13,547</b>                            | <b>\$ (756,672)</b>                     |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                     |                                             |                                         |
| Insurance Reimbursements for Fixed/Current Assets            | \$ 20,405           | \$ -                                        | \$ 20,405                               |
| Operating Transfers In                                       | 766,830             | 9,000                                       | 775,830                                 |
| Operating Transfers Out                                      | (9,000)             | -                                           | (9,000)                                 |
| Refund of Prior Year Revenue                                 | (7,636)             | -                                           | (7,636)                                 |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 770,599</b>   | <b>\$ 9,000</b>                             | <b>\$ 779,599</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 380</b>       | <b>\$ 22,547</b>                            | <b>\$ 22,927</b>                        |
| FUND BALANCE - JANUARY 1, 2019 (DEFICIT)                     | (9,324)             | 8,334                                       | (990)                                   |
| <b>FUND BALANCE - DECEMBER 31, 2019 (DEFICIT)</b>            | <b>\$ (8,944)</b>   | <b>\$ 30,881</b>                            | <b>\$ 21,937</b>                        |

The accompanying notes are an integral part of these financial statements



**BOROUGH OF TARENTUM**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 22,927**

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

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (81,021)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (30,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 83,489

Because certain property taxes will not be collected for several months after the Borough's year ends, they are not considered as "available" "available" revenues in the governmental funds. Deferred inflows of resources decreased during the calendar year 2019. (70,216)

In the statement of activities, certain operating expenses - compensated absences and net OPEB liabilities- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences and OPEB earned exceeded the amount paid. (24,838)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (99,659)**

**BOROUGH OF TARENTUM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                               | Budgeted Amounts    |                     | Actual              | Variance with                          |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------------|
|                                                               | Original            | Final               | (Budgetary Basis)   | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                               |                     |                     |                     |                                        |
| Taxes                                                         | \$ 1,113,806        | \$ 1,113,806        | \$ 1,166,204        | \$ 52,398                              |
| Licenses and Permits                                          | 68,952              | 68,952              | 69,495              | 543                                    |
| Fines and Forfeitures                                         | 31,144              | 31,144              | 32,024              | 880                                    |
| Interest and Rents                                            | 72,440              | 72,440              | 74,765              | 2,325                                  |
| Intergovernmental                                             | 678,219             | 678,219             | 369,105             | (309,114)                              |
| Charges for Services                                          | 634,195             | 634,195             | 681,418             | 47,223                                 |
| Miscellaneous                                                 | 6,022               | 6,022               | 15,312              | 9,290                                  |
| <b>Total Revenues</b>                                         | <b>\$ 2,604,778</b> | <b>\$ 2,604,778</b> | <b>\$ 2,408,323</b> | <b>\$ (196,455)</b>                    |
| <b>EXPENDITURES</b>                                           |                     |                     |                     |                                        |
| General Government                                            | \$ 173,993          | \$ 173,993          | \$ 167,805          | \$ 6,188                               |
| Public Safety                                                 | 1,600,320           | 1,600,320           | 1,464,318           | 136,002                                |
| Public Works                                                  | 1,258,637           | 1,258,637           | 1,094,140           | 164,497                                |
| Culture and Recreation                                        | 307,939             | 307,939             | 193,946             | 113,993                                |
| Community Development                                         | 18,037              | 18,037              | 25,557              | (7,520)                                |
| Debt Service                                                  | -                   | -                   | 478                 | (478)                                  |
| Miscellaneous                                                 | 208,301             | 208,301             | 232,298             | (23,997)                               |
| <b>Total Expenditures</b>                                     | <b>\$ 3,567,227</b> | <b>\$ 3,567,227</b> | <b>\$ 3,178,542</b> | <b>\$ 388,685</b>                      |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (962,449)</b> | <b>\$ (962,449)</b> | <b>\$ (770,219)</b> | <b>\$ 192,230</b>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                     |                                        |
| Insurance Reimbursements for Fixed/Current Assets             | \$ -                | \$ -                | \$ 20,405           | \$ 20,405                              |
| Operating Transfers In                                        | 974,225             | 974,225             | 766,830             | (207,395)                              |
| Operating Transfers Out                                       | (9,000)             | (9,000)             | (9,000)             | -                                      |
| Refund of Prior Year Revenue                                  | (2,776)             | (2,776)             | (7,636)             | (4,860)                                |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ 962,449</b>   | <b>\$ 962,449</b>   | <b>\$ 770,599</b>   | <b>\$ (191,850)</b>                    |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 380</b>       | <b>\$ 381</b>                          |
| FUND BALANCE - JANUARY 1, 2019 (DEFICIT)                      | -                   | -                   | (9,324)             | (9,324)                                |
| <b>FUND BALANCE - DECEMBER 31, 2019 (DEFICIT)</b>             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ (8,944)</b>   | <b>\$ (8,943)</b>                      |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF PROPRIETARY NET POSITION**  
**DECEMBER 31, 2019**

|                                                        | ELECTRIC<br>FUND    | WATER<br>FUND       | TOTAL               |
|--------------------------------------------------------|---------------------|---------------------|---------------------|
| <b>Current Assets:</b>                                 |                     |                     |                     |
| Cash and Cash Equivalents                              | \$ 300              | \$ 103,428          | \$ 103,728          |
| Due from Other Funds                                   | 1,192,319           | 172,779             | 1,365,098           |
| Utilities Receivable                                   | 386,046             | 93,842              | 479,888             |
| Prepaid Security Deposit                               | 600,000             | -                   | 600,000             |
| Inventory                                              | 21,062              | -                   | 21,062              |
| <b>Total Current Assets</b>                            | <b>\$ 2,199,727</b> | <b>\$ 370,049</b>   | <b>\$ 2,569,776</b> |
| <b>Noncurrent Assets:</b>                              |                     |                     |                     |
| Buildings & Improvements                               | \$ 43,772           | \$ 1,009,521        | \$ 1,053,293        |
| Improvements - Non-building                            | -                   | 3,969,308           | 3,969,308           |
| Machinery & Equipment                                  | 311,755             | 1,468,583           | 1,780,338           |
| Electric System and Improvements                       | 3,006,529           | -                   | 3,006,529           |
| Work in Progress                                       | -                   | 226,151             | 226,151             |
| Accumulated Depreciation                               | (2,425,005)         | (4,238,294)         | (6,663,299)         |
| <b>Total Noncurrent Assets</b>                         | <b>\$ 937,051</b>   | <b>\$ 2,435,269</b> | <b>\$ 3,372,320</b> |
| <b>TOTAL ASSETS</b>                                    | <b>\$ 3,136,778</b> | <b>\$ 2,805,318</b> | <b>\$ 5,942,096</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                 |                     |                     |                     |
| Deferred Interest on Refunding                         | \$ 167,017          | \$ 261,250          | \$ 428,267          |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>            | <b>\$ 167,017</b>   | <b>\$ 261,250</b>   | <b>\$ 428,267</b>   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 3,303,795</b> | <b>\$ 3,066,568</b> | <b>\$ 6,370,363</b> |
| <b>LIABILITIES</b>                                     |                     |                     |                     |
| <b>Current Liabilities:</b>                            |                     |                     |                     |
| Accounts Payable                                       | \$ 15,004           | \$ 2,003            | \$ 17,007           |
| Due to Other Funds                                     | 939,799             | 128,794             | 1,068,593           |
| Accrued Interest Payable                               | 20,827              | 32,575              | 53,402              |
| Accrued Salaries Payable                               | 3,396               | 24,215              | 27,611              |
| Current Portion Long-Term Debt                         | 108,730             | 131,830             | 240,560             |
| Other Current Liabilities                              | -                   | 92,870              | 92,870              |
| <b>Total Current Liabilities</b>                       | <b>\$ 1,087,756</b> | <b>\$ 412,287</b>   | <b>\$ 1,500,043</b> |
| <b>Noncurrent Liabilities:</b>                         |                     |                     |                     |
| Bonds Payable - Long Term Portion                      | \$ 1,466,400        | \$ 2,293,600        | \$ 3,760,000        |
| Leases Payable - Long Term Portion                     | 105,805             | 105,805             | 211,610             |
| Accrued Compensated Absences                           | 6,815               | 33,926              | 40,741              |
| <b>Total Noncurrent Liabilities</b>                    | <b>\$ 1,579,020</b> | <b>\$ 2,433,331</b> | <b>\$ 4,012,351</b> |
| <b>TOTAL LIABILITIES</b>                               | <b>\$ 2,666,776</b> | <b>\$ 2,845,618</b> | <b>\$ 5,512,394</b> |
| <b>NET POSITION</b>                                    |                     |                     |                     |
| Investment in Capital Assets (Deficit)                 | \$ (576,867)        | \$ 165,284          | \$ (411,583)        |
| Unrestricted                                           | 1,213,886           | 55,666              | 1,269,552           |
| <b>TOTAL NET POSITION</b>                              | <b>\$ 637,019</b>   | <b>\$ 220,950</b>   | <b>\$ 857,969</b>   |
| <b>TOTAL LIABILITIES AND NET POSITION</b>              | <b>\$ 3,303,795</b> | <b>\$ 3,066,568</b> | <b>\$ 6,370,363</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                      | <b><u>ELECTRIC<br/>FUND</u></b> | <b><u>WATER<br/>FUND</u></b> | <b><u>TOTAL</u></b>        |
|------------------------------------------------------|---------------------------------|------------------------------|----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                    |                                 |                              |                            |
| Charges for Services                                 | \$ 4,147,789                    | \$ 1,242,768                 | \$ 5,390,557               |
| Rents                                                | 15,303                          | -                            | 15,303                     |
| Miscellaneous                                        | 20,150                          | 26,480                       | 46,630                     |
| <b>Total Operating Revenues</b>                      | <b><u>\$ 4,183,242</u></b>      | <b><u>\$ 1,269,248</u></b>   | <b><u>\$ 5,452,490</u></b> |
| <b><u>OPERATING EXPENSES:</u></b>                    |                                 |                              |                            |
| General Government                                   | \$ 145,687                      | \$ 145,492                   | \$ 291,179                 |
| Public Works - Highways & Streets                    | 96,862                          | -                            | 96,862                     |
| Public Works - Electric System                       | 2,721,660                       | -                            | 2,721,660                  |
| Public Works - Water System                          | -                               | 909,368                      | 909,368                    |
| Depreciation Expense                                 | 170,404                         | 229,090                      | 399,494                    |
| Amortization Expense                                 | 8,520                           | 13,332                       | 21,852                     |
| Miscellaneous                                        | 46,371                          | 46,740                       | 93,111                     |
| <b>Total Operating Expenses</b>                      | <b><u>\$ 3,189,504</u></b>      | <b><u>\$ 1,344,022</u></b>   | <b><u>\$ 4,533,526</u></b> |
| <b>TOTAL OPERATING INCOME &lt;LOSS&gt;</b>           | <b><u>\$ 993,738</u></b>        | <b><u>\$ (74,774)</u></b>    | <b><u>\$ 918,964</u></b>   |
| <b><u>NON-OPERATING REVENUE &lt;EXPENSE&gt;:</u></b> |                                 |                              |                            |
| Interest Income                                      | \$ -                            | \$ 752                       | \$ 752                     |
| Sale of Fixed Assets                                 | -                               | 4,200                        | 4,200                      |
| Insurance Reimbursement for Fixed Assets             | 53,390                          | 3,060                        | 56,450                     |
| Interest Expense                                     | (73,085)                        | (106,207)                    | (179,292)                  |
| <b>TOTAL NON-OPERATING REVENUE &lt;EXPENSE&gt;</b>   | <b><u>\$ (19,695)</u></b>       | <b><u>\$ (98,195)</u></b>    | <b><u>\$ (117,890)</u></b> |
| <b><u>OTHER FINANCING SOURCES &lt;USES&gt;:</u></b>  |                                 |                              |                            |
| Operating Transfers In                               | \$ -                            | \$ 172,779                   | \$ 172,779                 |
| Operating Transfers (Out)                            | (939,609)                       | -                            | (939,609)                  |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>    | <b><u>\$ (939,609)</u></b>      | <b><u>\$ 172,779</u></b>     | <b><u>\$ (766,830)</u></b> |
| <b>CHANGES IN NET POSITION</b>                       | <b>\$ 34,434</b>                | <b>\$ (190)</b>              | <b>\$ 34,244</b>           |
| NET POSITION - JANUARY 1, 2019                       | 607,430                         | 251,347                      | 858,777                    |
| Prior Period Adjustment                              | (4,845)                         | (30,207)                     | (35,052)                   |
| <b>NET POSITION - DECEMBER 31, 2019</b>              | <b><u>\$ 637,019</u></b>        | <b><u>\$ 220,950</u></b>     | <b><u>\$ 857,969</u></b>   |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                                                                             | <b>ELECTRIC<br/>FUND</b> | <b>WATER<br/>FUND</b> | <b>TOTAL</b>        |
|-------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------|---------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>                                                         |                          |                       |                     |
| Cash received from user charges                                                                             | \$ 4,137,310             | \$ 1,339,875          | \$ 5,477,185        |
| Cash received from miscellaneous sources                                                                    | 35,452                   | 26,481                | 61,933              |
| Cash paid to employees for wages and benefits                                                               | (93,367)                 | (647,476)             | (740,843)           |
| Cash paid to vendors for goods and services                                                                 | (2,844,115)              | (450,839)             | (3,294,954)         |
| <b>Net cash provided (used) by operating activities</b>                                                     | <b>\$ 1,235,280</b>      | <b>\$ 268,041</b>     | <b>\$ 1,503,321</b> |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:</u></b>                                     |                          |                       |                     |
| Fixed Asset Purchases                                                                                       | \$ (193,024)             | \$ (283,712)          | \$ (476,736)        |
| Sales/Insurance Reimbursement for Fixed Assets                                                              | 53,390                   | 7,260                 | 60,650              |
| Debt principal and interest payments                                                                        | (195,205)                | (236,686)             | (431,891)           |
| <b>Net cash provided (used) by capital and related financing activities</b>                                 | <b>\$ (334,839)</b>      | <b>\$ (513,138)</b>   | <b>\$ (847,977)</b> |
| <b><u>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES:</u></b>                                  |                          |                       |                     |
| Transfers from (to) Other Fund                                                                              | \$ (900,441)             | \$ 241,947            | \$ (658,494)        |
| <b>Net cash provided (used) by noncapital and related financing activities</b>                              | <b>\$ (900,441)</b>      | <b>\$ 241,947</b>     | <b>\$ (658,494)</b> |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>                                                         |                          |                       |                     |
| Interest income                                                                                             | \$ -                     | \$ 752                | \$ 752              |
| <b>Net cash provided (used) by investing activities</b>                                                     | <b>\$ -</b>              | <b>\$ 752</b>         | <b>\$ 752</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                 | <b>-</b>                 | <b>(2,398)</b>        | <b>(2,398)</b>      |
| <b>Cash and cash equivalents - January 1, 2019</b>                                                          | <b>300</b>               | <b>105,826</b>        | <b>106,126</b>      |
| <b>Cash and cash equivalents - December 31, 2019</b>                                                        | <b>\$ 300</b>            | <b>\$ 103,428</b>     | <b>\$ 103,728</b>   |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES:</u></b> |                          |                       |                     |
| Operating Income (Loss)                                                                                     | \$ 993,738               | \$ (74,774)           | 918,964             |
| Adjustments to reconcile excess revenues over expenditures provided by (used in) operating activities:      |                          |                       |                     |
| Depreciation                                                                                                | 170,404                  | 229,090               | 399,494             |
| Amortization                                                                                                | 8,520                    | 13,332                | 21,852              |
| Changes in assets and liabilities:                                                                          |                          |                       |                     |
| (Increase) decrease in utilities receivable                                                                 | (10,479)                 | 97,707                | 87,228              |
| (Increase) decrease in prepaid security deposit                                                             | 150,000                  | -                     | 150,000             |
| Increase (decrease) in accounts payable                                                                     | (78,722)                 | (639)                 | (79,361)            |
| Increase (decrease) in other current liabilities                                                            | -                        | (600)                 | (600)               |
| Increase (decrease) in compensated absences                                                                 | 1,563                    | 3,117                 | 4,680               |
| Increase (decrease) in wages payable                                                                        | 256                      | 808                   | 1,064               |
| <b>Net cash provided (used) by operating activities</b>                                                     | <b>\$ 1,235,280</b>      | <b>\$ 268,041</b>     | <b>\$ 1,503,321</b> |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2019**

|                                           | <b>POLICE<br/>PENSION<br/>FUND</b> |
|-------------------------------------------|------------------------------------|
|                                           |                                    |
| <b>ASSETS</b>                             |                                    |
| Cash and Cash Equivalents                 | \$ 66,778                          |
| Investments:                              |                                    |
| Mutual Funds/Fixed Income                 | 1,013,666                          |
| Equity Securities                         | 2,062,143                          |
| Accrued Interest                          | 3,067                              |
| <b>TOTAL ASSETS</b>                       | <b>\$ 3,145,654</b>                |
| <br><b>LIABILITIES AND NET POSITION</b>   |                                    |
| <b>LIABILITIES</b>                        |                                    |
| Other Current Liabilities                 | \$ -                               |
| <b>TOTAL LIABILITIES</b>                  | <b>\$ -</b>                        |
| <br><b>NET POSITION</b>                   |                                    |
| Restricted for Pension Benefits           | \$ 3,145,654                       |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 3,145,654</b>                |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 3,145,654</b>                |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                         | <b><u>POLICE<br/>PENSION<br/>FUND</u></b> |
|-----------------------------------------|-------------------------------------------|
| <b>ADDITIONS</b>                        |                                           |
| Interest/Dividends                      | \$ 80,574                                 |
| Realized Gains/(Losses)                 | 469,153                                   |
| Employer Contributions                  | <u>91,556</u>                             |
| <b>TOTAL ADDITIONS</b>                  | <b><u>\$ 641,283</u></b>                  |
| <br>                                    |                                           |
| <b>DEDUCTIONS</b>                       |                                           |
| Benefit Payments                        | \$ 56,885                                 |
| Administrative Expenses                 | <u>19,025</u>                             |
| <b>TOTAL DEDUCTIONS</b>                 | <b><u>\$ 75,910</u></b>                   |
| <br>                                    |                                           |
| <b>CHANGES IN NET POSITION</b>          | <b>\$ 565,373</b>                         |
| <br>                                    |                                           |
| <b>NET POSITION - JANUARY 1, 2019</b>   | <u>2,580,281</u>                          |
| <br>                                    |                                           |
| <b>NET POSITION - DECEMBER 31, 2019</b> | <b><u><u>\$ 3,145,654</u></u></b>         |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**REPORTING ENTITY**

The Borough of Tarentum was incorporated on March 7, 1842, under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. Members of Borough Council are elected by the voting public. These Council members have complete authority over the operations and administration of the Borough's activities. The major functions of the Borough include public safety, maintenance of Borough infrastructure (roads), maintenance of parks and other recreational facilities for use by Borough residents, water and electric service, sanitation, and general administrative functions necessary to facilitate Borough resident needs and responsibilities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Borough of Tarentum consists of all funds, departments, boards and agencies that are not legally separate from the Borough. Generally accepted accounting principles defines component units as legally separate entities that are included in the Borough's reporting entity because of the significance of their operating or financial relationships with the Borough. Based on the application of these criteria, the Borough of Tarentum has no component units.

**FINANCIAL STATEMENT PRESENTATION**

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

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

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the Borough's business-type activities (electric and water fund operations) and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough. General revenue consists mainly of taxes, cable franchise fees, unrestricted grants, and other miscellaneous receipts not earmarked for a specific function. The comparison of direct disbursements with program receipts identifies the extent to which the business-type activity or government function is self-financing or draws from the general receipts of the Borough.

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



**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The financial statements of the Borough of Tarentum have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units with one exception. The Borough does not present the historical cost, accumulated depreciation, and depreciation expense for its governmental activities fixed assets in the statement of net position (Exhibit A) and statement of activities (Exhibit B). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the Borough's accounting policies are as follows:

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

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

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

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

The management of the Borough of Tarentum has determined that the revenues most susceptible to accrual at December 31, 2019 are **1)** delinquent real estate taxes earned by the Borough in December of 2019 **2)** deed transfer taxes and vehicle code violations earned by the Borough in December of 2019 **3)** certain taxpayer assessed Act 511 taxes, **4)** water, electric, trash, and EPA sewer fees billed to the Borough residents and collected in January 2020 **5)** cable franchise fees earned during the year, and **6)** other miscellaneous revenues estimable and available to the Borough for 2019 but not as yet collected at December 31, 2019. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2019 are those for which Council's intention was to expense these items as budgeted for in the 2019 official budget, and for which the Borough has incurred an obligation during 2019, but has not paid as of December 31, 2019.

**FUND ACCOUNTING**

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

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

**MAJOR GOVERNMENTAL FUND:**

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

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**FUND ACCOUNTING (Continued)**

**NON-MAJOR GOVERNMENTAL FUNDS:**

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

**RECREATION FUND** – (SPECIAL REVENUE) – Established to account for concession revenues and donations to be used for various culture and recreation expenses.

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

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

**BUDGETS**

In December of 2019 the Borough of Tarentum adopted its 2019 annual budget for the General Fund totaling \$3,579,003, in accordance with the provisions of the Borough Code. The budget is prepared utilizing the modified cash basis of accounting. The original and final budgetary amounts are reflected in these financial statements (Exhibit E). All annual appropriations of the general fund lapse at year-end.

The Borough uses the following procedures in establishing this budgetary data:

- a. In accordance with the Borough Code, beginning at least 30 days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year shall be prepared. The proposed budget shall be kept on file with the Borough and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published in a newspaper of general circulation. After expiration of the ten days, Council makes such revisions in the budget as deemed advisable and shall adopt the budget by motion.
- b. Transfers of budget amounts are authorized between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Council.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**ESTIMATES**

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

**CASH AND CASH EQUIVALENTS**

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

**INVESTMENTS**

Provisions of the Borough Code authorize the following investments:

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Fiduciary fund type investments include mutual funds and equity securities.

**RECEIVABLES**

Water, Electric, and Trash receivables are reflected at net realizable value as of December 31, 2019.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**CAPITAL ASSETS AND DEPRECIATION**

All capital assets of the Borough's business-type activities are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Borough does not maintain a specific dollar threshold for fixed asset capitalization. The cost of infrastructure is included in the government-wide statement of net position for business-type activities and the proprietary fund financial statements. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense.

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

| <u>CATEGORY</u>                  | <u>USEFUL<br/>LIFE</u> |
|----------------------------------|------------------------|
| Building & Building Improvements | 15-20 years            |
| Machinery and Equipment          | 5-30 years             |
| Vehicles                         | 3-5 years              |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or 'financial flow' measurement focus. This means that only the current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of 'available spendable resources'. Governmental operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of 'available spendable resources' during a period. Under the modified accrual method of accounting, capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibits E and G). The Borough does not capitalize and depreciate the cost of its governmental activities fixed assets purchases in accordance with generally accepted accounting principles.

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

The Borough reports compensated absences in accordance with the provisions of generally accepted accounting standards. Unused vacation and sick days for Borough employees are accrued at their respective hourly rates of pay per each collective bargaining agreement. The entire compensated absences liability of \$308,808 is shown as a long-term liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

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

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Borough of Tarentum, these revenues are water and electric usage charges and other miscellaneous revenues directly related to the operations of the Borough's Water and Electric Funds. Operating expenses are the necessary costs incurred to operate the Borough's sewer system. Non-operating revenues of the Boroughs Water and Electric Funds consist of investment earnings, sale of borough property, and insurance reimbursements for fixed assets. Non-operating expenses consist of interest expense related to the Borough's bond and lease obligations.

**UNEARNED REVENUE**

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

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental or proprietary fund financial statements in the year paid. During the 2019 calendar year, the Borough did not incur bond issuance or other financing costs.

**NET POSITION**

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

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

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**NET POSITION (Continued)**

- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. Restricted net position represents the balance of funds in the Borough's Liquid Fuels Fund restricted under Act 655 of the Commonwealth of Pennsylvania.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'.

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

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions to/deductions from the pension plan's (the plan) fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 11.

**OTHER POST-EMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the OPEB plans (Plans), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. More information on other post-employment benefit activity is included in Note 12.

**FUND EQUITY**

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

- Non-spendable fund balance – amounts that are not in spendable form (such as prepaid expenses and inventory) or are required to be maintained intact.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**FUND EQUITY (Continued)**

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Restricted fund balance represents the balance of funds in the Borough's Liquid Fuels Fund restricted under Act 655 of the Commonwealth of Pennsylvania.
- Committed fund balance – amount constrained to specific purposes by the Borough itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the Borough intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amount that are available for any purpose.

The Borough of Tarentum establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Council has given authority to the Borough Manager to assign fund balance.

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

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statement was adopted for the Borough's 2019 financial statements. Except where noted, the adoption of this pronouncement did not have a significant impact on the Borough's financial statements.

GASB Statement No. 88, '*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*'. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt (See Note 8).

**PENDING GASB PRONOUNCEMENTS**

GASB Statement No. 83, '*Certain Asset Retirement Obligations*'. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the Borough's December 31, 2020 financial statements.



**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

GASB Statement No. 84, *'Fiduciary Activities'*. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the Borough's December 31, 2020 financial statements.

In June of 2017, the GASB issued Statement No. 87, *'Leases'*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the Borough's December 31, 2022 financial statements.

In June of 2018, the GASB issued Statement No. 89, *'Accounting for Interest Cost Incurred before the end of a Construction Period'*. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the Borough's December 31, 2021 financial statements.

GASB Statement No. 90, *'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)'*. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the Borough's December 31, 2020 financial statements.

In May of 2019, the GASB issued Statement No. 91, *'Conduit Debt Obligations'*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for the Borough's December 31, 2022 financial statements.

In June of 2019, the GASB issued Statement No. 92, *'Omnibus 2020'*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Statement Nos. 73, 74, 84, and 87. In addition the Statement addresses various topics and includes specific provisions concerning the following:

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (ARO) in a government acquisition
- Reporting by entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The provisions of this Statements are effective for the Borough's December 31, 2021 and December 31, 2022 financial statements.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

In March of 2020, the GASB issued Statement No. 93, 'Replacement of Interbank Offered Rates'. The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an interbank offering rate (IBOR). The provisions of this Statement are effective for the Borough's December 31, 2022 financial statements.

In March of 2020, the GASB issued Statement No. 94, 'Public-Private and Public-Public Partnerships and Availability Payment Arrangements'. The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this Statement are effective for the Borough's December 31, 2023 financial statements.

The implementation dates of the aforementioned pending GASB Statements have been updated to include the delayed implementation dates as set forth in recently issued (May 2020) GASB Statement No. 95. The effects of implementing these Statements on the Borough's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At December 31, 2019, the Borough of Tarentum had the following carrying values on its cash and cash equivalent accounts:

|                   | <b>Bank Balance</b> | <b>(Memo Only)<br/>Book Balance</b> |
|-------------------|---------------------|-------------------------------------|
| General Fund      | \$ 569,545          | \$ 229,215                          |
| Non-Major Funds   | 28,437              | 28,012                              |
| Proprietary Funds | 102,899             | 103,728                             |
| Fiduciary Funds   | 66,778              | 66,778                              |
| <b>Total</b>      | <b>\$ 767,659</b>   | <b>\$ 427,733</b>                   |

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a separate policy for custodial credit risk in addition to the requirements of the Borough Code. As of December 31, 2019, \$450,881 of the Borough's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Borough's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**INVESTMENTS:**

The fair value and maturity term of the Borough's investments as of December 31, 2019 is as follows:

|                           | <b>Fair Value</b>   | <b>No Stated<br/>Maturity</b> |
|---------------------------|---------------------|-------------------------------|
| <b>Fiduciary Funds:</b>   |                     |                               |
| Mutual Funds/Fixed Income | \$ 1,013,666        | \$ 1,013,666                  |
| Equity Securities         | 2,062,143           | 2,062,143                     |
|                           | <b>\$ 3,075,809</b> | <b>\$ 3,075,809</b>           |

**Custodial Credit Risk:**

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

**Interest Rate Risk:**

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

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough has no formal investment policy, in addition to the requirements of the Borough Code and the Intergovernmental Cooperation Act, that limits its investment choices based on credit ratings by nationally recognized rating organizations. Ratings were unavailable for the Borough's corporate obligations at December 31, 2019.

**Concentration of Credit Risk:**

The Borough places no limit on the amount it may invest in any one issuer.

At December 31, 2019, the following are investments that represent five percent or more of the net position available for benefits:

|                                | <b>Police<br/>Pension Plan</b> |
|--------------------------------|--------------------------------|
| Federated Total Return Bond    | \$ 321,817                     |
| Vanguard Total Bd Market Index | 319,790                        |
| Federated International Equity | 254,768                        |
| Principal Mid Cap Fund         | 213,751                        |
| Investments less than 5%       | 1,965,683                      |
|                                | <b>\$ 3,075,809</b>            |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**INVESTMENTS (Continued):**

**Fair Value Measurements:**

The Borough of Tarentum's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Generally accepted accounting principles *provides* a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes
- **Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data
- **Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

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

|                           | Value<br>at 12/31/2019 | Fair Value Measurements |                     |             |
|---------------------------|------------------------|-------------------------|---------------------|-------------|
|                           |                        | Level 1                 | Level 2             | Level 3     |
| Mutual Funds/Fixed Income | \$ 1,013,666           | \$ -                    | \$ 1,013,666        | \$ -        |
| Equity Securities         | 2,062,143              | -                       | 2,062,143           | -           |
|                           | <u>\$ 3,075,809</u>    | <u>\$ -</u>             | <u>\$ 3,075,809</u> | <u>\$ -</u> |

**NOTE 3 - PROPERTY TAXES**

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

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| March 1 – June 30, 2019  | (Discount period) |
| July 1 – August 31, 2019 | (Face period)     |
| September 1 and after    | (Penalty period)  |

The tax millage assessment for the 2019 calendar year is 5.48 mills on the assessed value of land and buildings, which represents \$5.48 of revenue for every \$1,000 of assessed value. Taxpayers are entitled to a 2% discount if taxes are paid prior to June 30<sup>th</sup>. Collections after June 30<sup>th</sup> are assessed a 10% penalty. Taxes unpaid as of December of the year following levy are collected by the local tax collector. As of December 31, 2019, \$94,193 of 2019 real estate taxes are unpaid which represents 16% of the total assessed property taxes for 2019.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Taxes receivable as shown in the government-wide statement of net position includes prior year property taxes of \$512,218. For purposes of the governmental fund financial statements, the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflows of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

Taxes receivable are comprised of the following at December 31, 2019:

|                        |                          |
|------------------------|--------------------------|
| Delinquent real estate | \$ 512,218               |
| Deed transfer taxes    | 441                      |
| Local service tax      | 13,815                   |
| RAD tax                | 11,451                   |
| Earned income tax      | 58,137                   |
|                        | <u><u>\$ 596,062</u></u> |

**NOTE 4 – OTHER RECEIVABLES**

Other receivables and utilities receivable, as reflected in Exhibits A and C, consist of the following at December 31, 2019:

|                       | <b>Governmental</b>     | <b>Business-Type</b>     |
|-----------------------|-------------------------|--------------------------|
| Cable franchise fees  | \$ 15,054               | \$ -                     |
| Electric Service Fees | -                       | 386,046                  |
| Water Service Fees    | -                       | 93,843                   |
| Miscellaneous         | 14,745                  |                          |
|                       | <u><u>\$ 29,799</u></u> | <u><u>\$ 479,889</u></u> |

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

The 'due from other governmental units' total of \$23,544, as reflected in Exhibits A and C, represents amounts earned by and due the Borough of Tarentum for 2019 from other governmental agencies as follows:

|                                 |                         |
|---------------------------------|-------------------------|
| Magistrate Fines                | \$ 1,848                |
| Clerk of Court Fines            | 150                     |
| Crossing Guard Reimbursement    | 3,588                   |
| PA OAG Task Force Reimbursement | 857                     |
| Dreshar Stadium Grant           | 17,100                  |
|                                 | <u><u>\$ 23,543</u></u> |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 – INTER-FUND OBLIGATIONS AND TRANSFERS**

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

|                              | <b>Receivable</b> | <b>Payable</b> |
|------------------------------|-------------------|----------------|
| General Fund                 | \$ 802,907        | \$ 1,102,693   |
| Non-Major Governmental Funds | 2,901             | -              |
| Proprietary Funds            | 296,885           | -              |
|                              | \$ 1,102,693      | \$ 1,102,693   |

During the year ended December 31, 2019 the General Fund transferred \$9,000 to the Recreation Fund to finance various recreation expenses. There were also transfers from the Electric Fund to the General and Water Funds totaling \$766,830 and \$172,779 respectively.

**NOTE 7 - CAPITAL ASSETS**

A summary of the business-type fixed asset activity for the 2019 calendar year was as follows:

|                                                         | <b>Balance<br/>1/1/2019</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>12/31/2019</b> |
|---------------------------------------------------------|-----------------------------|------------------|------------------|-------------------------------|
| <b>Business-Type Activities</b>                         |                             |                  |                  |                               |
| Buildings and Improvements                              | \$ 1,053,293                | \$ -             | \$ -             | \$ 1,053,293                  |
| Improvements - Non-building                             | 3,969,308                   | -                | -                | 3,969,308                     |
| Machinery and Equipment                                 | 1,722,777                   | 57,561           | -                | 1,780,338                     |
| Electric System and Improvements                        | 2,813,505                   | 193,024          | -                | 3,006,529                     |
| Work in Progress                                        | -                           | 226,151          | -                | 226,151                       |
|                                                         | \$ 9,558,883                | \$ 476,736       | \$ -             | \$ 10,035,619                 |
| Less: Accumulated<br>Depreciation                       | (6,263,805)                 | (399,494)        | -                | (6,663,299)                   |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$ 3,295,078</b>         | <b>\$ 77,242</b> | <b>\$ -</b>      | <b>\$ 3,372,320</b>           |

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL FUNDS**

**DIRECT BORROWINGS – GENERAL OBLIGATION NOTES**

**NOTE PAYABLE - FIRST NATIONAL BANK**

In April of 2016, the Borough of Tarentum issued a General Obligation Note, Series of 2016 with First National Bank in the amount of \$28,677 for the purchase of police radios. The terms of the note call for monthly principal and interest payments totaling \$515.19 with an interest rate of 2.99%. The loan is scheduled to expire on March 1, 2021.

**DEFAULT PROVISIONS ON FIRST NATIONAL BANK NOTE**

The note is secured by the general tax collections and revenues of the Borough of Tarentum. In the event of default, the entire unpaid principal sum, plus all accrued interest thereon, shall become due and payable to First National Bank. In addition, First National Bank has a security lien in the police radios which serves as collateral on the Note in the event of default as well.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL FUNDS (Continued)**

**DIRECT BORROWINGS – GENERAL OBLIGATION NOTES (Continued)**

**NOTE PAYABLE – PENNSYLVANIA INFRASTRUCTURE BANK**

In 2017, the Borough of Tarentum issued a General Obligation Note to the Pennsylvania Infrastructure Bank the amount of \$453,700 for the Borough of Tarentum Bridge Project. The terms of the note call for ten (10) monthly principal and interest payments totaling \$49,850.44 beginning in September of 2018. The interest rate on the note is 1.75% and it is scheduled to expire on September 1, 2027.

**DEFAULT PROVISIONS ON PENNSYLVANIA INFRASTRUCTURE BANK NOTE**

Remedies in the event of default on the Pennsylvania Infrastructure Bank note are prescribed under the Pennsylvania Local Government Debt Act. The pledge of future liquid fuels allocations can serve as security for payment of principal and interest on the note obligation.

A schedule of the December 31, 2019 debt service requirements on the Governmental Fund's general obligation notes is as follows:

| <b>Year End<br/>31-Dec</b> | <b>FNB<br/>Principal</b> | <b>PA Infrastructure<br/>Bank<br/>Principal</b> | <b>Total<br/>Interest</b> | <b>TOTAL</b>             |
|----------------------------|--------------------------|-------------------------------------------------|---------------------------|--------------------------|
| 2020                       | \$ 5,953                 | \$ 43,390                                       | \$ 6,689                  | \$ 56,032                |
| 2021                       | 2,609                    | 44,149                                          | 5,751                     | 52,509                   |
| 2022                       | -                        | 44,922                                          | 4,928                     | 49,850                   |
| 2023                       | -                        | 45,708                                          | 4,142                     | 49,850                   |
| 2024                       | -                        | 46,508                                          | 3,342                     | 49,850                   |
| 2025-2027                  | -                        | 144,468                                         | 5,084                     | 149,552                  |
|                            | <b><u>\$ 8,562</u></b>   | <b><u>\$ 369,145</u></b>                        | <b><u>\$ 29,936</u></b>   | <b><u>\$ 407,643</u></b> |

**DIRECT BORROWING - LEASE PURCHASE OBLIGATION**

In July of 2019, the Borough of Tarentum entered into a lease-purchase agreement with FNB Equipment Finance for the purchase of a Ford F-250 Truck. The terms of the lease call for two annual principal and interest payments totaling \$16,055. The lease is scheduled to expire on May 21, 2021.

A schedule of the December 31, 2019 debt service requirements on the Governmental Fund's lease purchase obligation is as follows:

| <b>Year End<br/>31-Dec</b> | <b>Principal</b>        | <b>Interest</b>        | <b>Total</b>            |
|----------------------------|-------------------------|------------------------|-------------------------|
| 2020                       | \$ 14,648               | \$ 1,407               | \$ 16,055               |
| 2021                       | 15,352                  | 703                    | 16,055                  |
|                            | <b><u>\$ 30,000</u></b> | <b><u>\$ 2,110</u></b> | <b><u>\$ 32,110</u></b> |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL FUNDS (Continued)**

**DEFAULT PROVISIONS – LEASE PURCHASE OBLIGATION**

Upon the occurrence of any default, FNB Equipment Finance (FNB) may exercise any one of the following remedies: 1) cancel or terminate the Lease and/or any unfunded commitments or proposals to the Borough, 2) secure peaceable repossession and removal of the Equipment by FNB or its agent without judicial process, 3) demand and Borough shall return the Equipment to FNB, 4) sell, lease, or otherwise dispose of the Equipment at public or private sale without advertisement or notice except that required by law, 5) demand and Borough shall pay all expenses in connection with the equipment relating to its retaking, refurbishing, selling, leasing or the like, and 6) exercise any other right or remedy which may be available to it under the Uniform Commercial Code (UCC) or any other applicable law.

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

**BONDS PAYABLE – SERIES OF 2011**

In February of 2011, the Borough of Tarentum issued General Obligation Bonds – Series of 2011 in the amount of \$4,045,000 to 1) currently refund General Obligation Note, Series of 1998, 2) finance certain capital projects of the Borough, and 3) pay all costs incurred with the issuance of the bonds. The bonds were issued in denominations of \$5,000. Subsequently, the Borough issued General Obligation Bonds, Series of 2016 for the purpose of advance refunding a portion of the General Obligation Bonds - Series of 2011. The unrefunded bonds totaled \$1,540,000. Interest payments on the unrefunded portion are payable semi-annually on March 1 and September 1 at rates ranging between 2.75% and 5.25%. The bonds provide for early redemption features as described in the official statement. The Bonds are scheduled to mature on September 1, 2030 and are secured by the full faith and taxing power of the Borough. Management has determined that the Water and Electric Funds are responsible for 61% and 39% of the debt respectively.

**BONDS PAYABLE – SERIES OF 2016**

In March of 2016, the Borough of Tarentum issued General Obligation Bonds – Series 2016 in the amount of \$2,730,000 to 1) advance refund a portion of General Obligation Bonds, Series of 2016, and 2) pay all costs incurred with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually on March 1 and September 1 at rates ranging between 2.00% and 4.00%. The bonds provide for early redemption features on or after September 1, 2022. The Bonds are scheduled to mature on September 1, 2041 and are secured by the full faith and taxing power of the Borough. Management has determined that the Water and Electric Funds are responsible for 61% and 39% of the debt respectively.

**DEFAULT PROVISIONS ON BONDS**

The bonds are general obligations of the Borough. The bonds are secured by the full faith, credit, and taxing power of the Borough. Such pledge is specifically enforceable but is subject to the limitations of bankruptcy, insolvency, and other laws or equitable principles affecting creditor rights generally. The Pennsylvania Local Government Debt Act prescribes certain remedies to the registered owners of the bonds upon the occurrence of default. If the Borough fails to make adequate provision in its budget, for any year, the sum payable on the bonds, or fails to appropriate or pay the monies necessary in such year for the payment of maturing principal and interest on the bonds, the registered owners may bring suit in the Court of Common Pleas of Allegheny County directing the Borough to make such obligated payments.



**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**DEFAULT PROVISIONS ON BONDS (Continued)**

If the default continues for a period of thirty days, or if the Borough fails to comply with any provision of either the bonds or ordinance, any registered owner has the right to recover the amount due in an action in assumpsit in the Court of Common Pleas of Allegheny County. In lieu of the remedies described, if the default continues for a period of thirty days, or if the Borough fails to comply with any provision of either the bonds or ordinance, the bond holders of 25% in aggregate principal amount of the bonds outstanding may appoint a trustee to represent the bond holders to commence a lawsuit to enforce the rights of all registered bondholders. All taxable real estate in the Borough is subject to ad valorem taxation without limitation as to rate or amount to pay debt service on the bonds

The bonds carry a commitment from Assured Guaranty Municipal Corporation under which an insurance policy will be issued at the time of delivery of the bonds, which policy assure the payment of the principal and interest to the registered owners of the bonds.

A schedule of the December 31, 2019 debt service requirements on the Proprietary Fund's general obligation bonds is as follows:

| <b>Year End<br/>31-Dec</b> | <b>2011<br/>Principal</b>  | <b>2016<br/>Principal</b>  | <b>Interest</b>            | <b>TOTAL</b>               |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 2020                       | \$ 85,000                  | \$ 20,000                  | \$ 160,206                 | \$ 265,206                 |
| 2021                       | 90,000                     | 25,000                     | 156,100                    | 271,100                    |
| 2022                       | 95,000                     | 20,000                     | 151,663                    | 266,663                    |
| 2023                       | 100,000                    | 25,000                     | 146,513                    | 271,513                    |
| 2024                       | 105,000                    | 20,000                     | 140,825                    | 265,825                    |
| 2025-2029                  | 605,000                    | 130,000                    | 609,200                    | 1,344,200                  |
| 2030-2034                  | 140,000                    | 785,000                    | 426,075                    | 1,351,075                  |
| 2035-2039                  | -                          | 1,110,000                  | 237,013                    | 1,347,013                  |
| 2040-2041                  | -                          | 510,000                    | 30,800                     | 540,800                    |
|                            | <b><u>\$ 1,220,000</u></b> | <b><u>\$ 2,645,000</u></b> | <b><u>\$ 2,058,395</u></b> | <b><u>\$ 5,923,395</u></b> |

The Borough has defeased certain bond issues by entering into an irrevocable trust agreement to purchase U.S. Government Securities in an amount sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, this prior debt is considered defeased and therefore removed as a liability from the Borough's financial statements. The difference between the Borough's defeased debt and the reacquisition price (amount deposited with escrow agent for refunding purposes), is considered 'deferred interest' and is being amortized over the life of the new bond issue. The remaining amount of deferred interest on refunding totaling \$428,267 is reflected as a component of 'deferred outflows of resources' in the business-type activities column on the government-wide statement of net position. Total amortization for the 2019 fiscal year was \$21,852 and was charged to the 'Electric and Water Fund' expense category in the statement of activities.

**DIRECT BORROWING - LEASE PURCHASE OBLIGATION**

On December 27, 2011, the Borough of Tarentum entered into a lease-purchase agreement with Key Government Finance in the amount of \$1,456,256 for the purchase of a water and electric metering system. The terms of the lease call for semi-annual principal and interest payments totaling \$72,812.80 with an interest rate of 3.21%. The lease is scheduled to expire on June 1, 2022. Management has determined that the Water and Electric Funds are each responsible for 50% of the debt.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**DIRECT BORROWING - LEASE PURCHASE OBLIGATION (Continued)**

A schedule of the December 31, 2019 debt service requirements on the Proprietary Fund's lease purchase obligation is as follows:

| <b>Year End<br/>31-Dec</b> | <b>2011<br/>Principal</b> | <b>Interest</b>         | <b>TOTAL</b>             |
|----------------------------|---------------------------|-------------------------|--------------------------|
| 2020                       | \$ 135,560                | \$ 10,066               | \$ 145,626               |
| 2021                       | 139,947                   | 5,679                   | 145,626                  |
| 2022                       | 71,663                    | 1,150                   | 72,813                   |
|                            | <b><u>\$ 347,170</u></b>  | <b><u>\$ 16,895</u></b> | <b><u>\$ 364,065</u></b> |

**DEFAULT PROVISIONS – LEASE PURCHASE OBLIGATION**

If any Event of Default occurs on the above lease, all commitments and obligations of Lessors, under the lease agreements, immediately will terminate (including any obligation to make further loan advances or disbursements), and at the option of the Lessor, all indebtedness immediately will become due and payable, all without notice of any kind to the Borough. The leases also contain provisions that allow the Lessor the right to take possession of the leased equipment.

**NOTE 10 – CHANGES IN LONG-TERM DEBT OBLIGATIONS**

The following represents the changes in the Borough's long-term liabilities during the 2019 calendar year:

|                                                            | <b>Balance<br/>1/1/2019</b> | <b>Additions</b>         | <b>Reductions</b>        | <b>Balance<br/>12/31/2019</b> | <b>Due Within<br/>One Year</b> |
|------------------------------------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|--------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                             |                             |                          |                          |                               |                                |
| Direct Borrowings:                                         |                             |                          |                          |                               |                                |
| General Obligation Notes                                   | \$ 442,156                  | \$ -                     | \$ 64,449                | \$ 377,707                    | \$ 49,343                      |
| Lease Purchase Obligations                                 | 19,041                      | 30,000                   | 19,041                   | 30,000                        | 14,648                         |
| Compensated Absences                                       | 13,270                      | 254,797                  | -                        | 268,067                       | -                              |
| Net Pension Liability                                      | 474,004                     | 189,074                  | -                        | 663,078                       | -                              |
| Net OPEB Liability                                         | 182,092                     | -                        | 3,057                    | 179,035                       | -                              |
| <b>Total long-term debt -<br/>Governmental activities</b>  | <b><u>\$ 1,130,563</u></b>  | <b><u>\$ 473,871</u></b> | <b><u>\$ 86,547</u></b>  | <b><u>\$ 1,517,887</u></b>    | <b><u>\$ 63,991</u></b>        |
| <b>BUSINESS-TYPE ACTIVITIES</b>                            |                             |                          |                          |                               |                                |
| Direct Borrowings:                                         |                             |                          |                          |                               |                                |
| General Obligation Bonds                                   | \$ 3,970,000                | \$ -                     | \$ 105,000               | \$ 3,865,000                  | \$ 105,000                     |
| Lease Purchase Obligations                                 | 493,502                     | -                        | 146,332                  | 347,170                       | 135,560                        |
| Compensated Absences                                       | 1,010                       | 39,731                   | -                        | 40,741                        | -                              |
| <b>Total long-term debt -<br/>Business-Type Activities</b> | <b><u>\$ 4,464,512</u></b>  | <b><u>\$ 39,731</u></b>  | <b><u>\$ 251,332</u></b> | <b><u>\$ 4,252,911</u></b>    | <b><u>\$ 240,560</u></b>       |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS**

The following is a summary of the Borough of Tarentum's defined benefit pension plan:

**POLICE PENSION PLAN** - The Borough of Tarentum's police pension plan established May 19, 1958, is a single-employer defined benefit pension plan established to provide retirement and death benefits to qualified police department employees under the provisions governing pension plans in the Commonwealth of Pennsylvania and Borough Council ordinances. The plan is governed by the members of Borough Council who are responsible for the management of plan assets. PNC Institutional Asset Management is the custodian of the funds.

Plan membership as of December 31, 2019 was comprised of:

|                                                         |                  |
|---------------------------------------------------------|------------------|
| Active employees                                        | 9                |
| Retirees and beneficiaries currently receiving benefits | 1                |
| Surviving spouses                                       | 2                |
| Term vesteds                                            | <u>1</u>         |
| Total                                                   | <u><u>13</u></u> |

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

**PARTICIPANTS** - All permanent members of the Borough of Tarentum police department.

**ELIGIBILITY** - Attainment of age 50 and 25 years of service.

**EARLY RETIREMENT** - None permitted.

**BENEFITS** - Based on one-half of the participant's average monthly salary earned during the final 36 months of employment at retirement plus a service increment.

**VESTING** - Participants are entitled to a vested deferred benefit after 12 years of service.

**SURVIVOR BENEFIT** - Before retirement eligibility: refund of contributions with interest. After retirement eligibility: Surviving spouse will receive 50% of the amount that the participant was receiving or was eligible to receive, for life. In event of spouse's death, the participant's children under age 18 will share the benefit. Killed in service removed in accordance with Act 51 of 2009.

**DISABILITY BENEFIT** - Service related: 75% of wages until 65; 50% thereafter. Act 30 benefit no less than 50% of wages at date of disablement offset by Social Security disability benefit.

**FUNDING** - Employee contributions are currently not required. Borough contributions are determined by the Actuary. Annual contributions are received from the Commonwealth as provided by Act 205, the General Municipal Pension System State Aid Program.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

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

The components of the net pension liabilities for the police pension plan at December 31, 2019 are as follows:

|                                                                      |                            |
|----------------------------------------------------------------------|----------------------------|
| Total pension liability*                                             | \$ 3,029,330               |
| Plan fiduciary net position                                          | <u>(3,145,654)</u>         |
| Net pension liability(asset)                                         | <u><u>\$ (116,324)</u></u> |
|                                                                      |                            |
| Plan fiduciary net position as a %<br>of the total pension liability | -103.84%                   |

\* The Borough of Tarentum's total pension liability for the police pension plan was determined by an actuarial valuation as of January 1, 2019. Notes to required supplementary information on page 51 describe the actuarial assumptions and other inputs to calculated the total pension liability.

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (NPL) as of the Measurement date.

|                                                      | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability(Asset)<br/>( c )</b> |
|------------------------------------------------------|----------------------------------------------|--------------------------------------------------|---------------------------------------------------|
| <b>Balance, beginning of year</b>                    | <u>\$ 2,780,415</u>                          | <u>\$ 2,580,281</u>                              | <u>\$ 200,134</u>                                 |
| Changes for the year:                                |                                              |                                                  |                                                   |
| Service cost                                         | 112,148                                      | -                                                | 112,148                                           |
| Interest                                             | 193,652                                      | -                                                | 193,652                                           |
| Difference between expected<br>and actual experience | -                                            | -                                                | -                                                 |
| Changes of assumptions                               | -                                            | -                                                | -                                                 |
| Contributions-employer                               | -                                            | 91,556                                           | (91,556)                                          |
| Contributions-employee                               | -                                            | -                                                | -                                                 |
| Net investment income                                | -                                            | 549,727                                          | (549,727)                                         |
| Benefit payments                                     | (56,885)                                     | (56,885)                                         | -                                                 |
| Administrative expenses                              | -                                            | (19,025)                                         | 19,025                                            |
| Net changes                                          | <u>248,915</u>                               | <u>565,373</u>                                   | <u>(316,458)</u>                                  |
| <b>Balance, End of Year</b>                          | <u><u>\$ 3,029,330</u></u>                   | <u><u>\$ 3,145,654</u></u>                       | <u><u>\$ (116,324)</u></u>                        |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

Components of pension expense of the police pension plan for the year ended December 31, 2019:

|                                                                                     |                                 |
|-------------------------------------------------------------------------------------|---------------------------------|
| Service Cost                                                                        | \$ 112,148                      |
| Interest on the total pension liability                                             | 193,652                         |
| Recognition of differences between expected<br>and actual non-investment experience | (12,911)                        |
| Recognition of changes of assumptions                                               | (4,290)                         |
| Projected earnings on pension plan investments                                      | (179,031)                       |
| Recognition of differences between expected and<br>actual investment experience     | (11,539)                        |
| Pension plan administrative expense                                                 | 19,025                          |
| <b>Total pension expense</b>                                                        | <b><u><u>\$ 117,054</u></u></b> |

For the year ended December 31, 2019, total reported deferred outflows of resources and deferred inflows of resources related to the police pension plan are as follows:

|                                                                      | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and<br>actual non-investment experience | \$ 3,977                                      | \$ (99,426)                                  |
| Changes of assumptions                                               | -                                             | (29,135)                                     |
| Differences between expected and<br>actual investment earnings       | 210,233                                       | (392,383)                                    |
| TOTAL                                                                | <b><u><u>\$ 214,210</u></u></b>               | <b><u><u>\$ (520,944)</u></u></b>            |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, prior to contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| <b>Year ended<br/>December 31,</b> |    |          |
|------------------------------------|----|----------|
| 2020                               | \$ | (66,375) |
| 2021                               |    | (70,574) |
| 2022                               |    | (22,664) |
| 2023                               |    | (91,341) |
| 2024                               |    | (17,201) |
| Thereafter                         |    | (38,579) |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

**LONG-TERM EXPECTED RATE OF RETURN ON INVESTMENTS**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future real rates of return is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the foremen's and police pension plan's target asset allocation were provided through a poll of major investment advisory firms and are summarized as follows:

| <u>Asset Class</u>               | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Gross)</u> | <u>Long-Term Expected Real Rate of Return (Real)</u> |
|----------------------------------|--------------------------|-------------------------------------------------------|------------------------------------------------------|
| Domestic Equity                  | 50%                      | 6.95%                                                 | 4.70%                                                |
| International Equity             | 15%                      | 8.60%                                                 | 6.35%                                                |
| Fixed Income                     | 35%                      | 3.25%                                                 | 1.00%                                                |
| Long-term assumed inflation rate |                          | 2.25%                                                 |                                                      |

**DISCOUNT RATE**

The discount rate used to measure the total pension liability at December 31, 2019 is 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions would continue at the current rates, and that the employer would contribute the Minimum Municipal Obligation in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the net pension liability of the Borough of Tarentum's police pension plan, calculated using the discount rate of 6.75%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

|                              | <u>1% Decrease</u> | <u>Current</u>       | <u>1% Increase</u>  |
|------------------------------|--------------------|----------------------|---------------------|
|                              | <u>5.75%</u>       | <u>Discount Rate</u> | <u>7.75%</u>        |
|                              |                    | <u>6.75%</u>         |                     |
| Total Pension Liability      | \$ 3,434,731       | \$ 3,029,330         | \$ 2,691,111        |
| Plan Fiduciary Net Position  | 3,145,654          | 3,145,654            | 3,145,654           |
| Net Pension Liability(Asset) | <u>\$ 289,077</u>  | <u>\$ (116,324)</u>  | <u>\$ (454,543)</u> |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)**

**DESCRIPTION OF PLAN**

The Borough of Tarentum plan for non-uniform employees is a single-employer defined benefit pension plan controlled by the provisions of a resolution 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 a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office or visiting their website at pmrs.state.pa.us.

**PLAN MEMBERSHIP**

Plan membership consisted of the following as of December 31, 2018:

|                                     |                  |
|-------------------------------------|------------------|
| Active plan members                 | 16               |
| Retirees and beneficiaries          |                  |
| currently receiving benefits        | 16               |
| Terminated employees entitled to    |                  |
| benefits but not yet receiving them | <u>1</u>         |
| Total                               | <u><u>33</u></u> |

**PLAN BENEFITS**

The plan provides retirement and death benefits to eligible plan members and their beneficiaries. Effective January 1, 2009, the plan allows for a normal retirement benefit at age 60 or older with at least 20 years of credited service. No early retirement benefits are available. Monthly pension benefits are detailed in plan documents. Participants are fully vested upon completion of three (3) years of service.

**PLAN CONTRIBUTION REQUIREMENTS**

Employer contributions are actuarially determined 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. This contribution is based upon the Minimum Municipal Obligation (MMO) as defined in Act 205. For the calendar year 2019, the Borough contributed \$138,422 to the plan. This contribution to the pension plan, subsequent to the measurement date of the Borough's net pension liability (NPL), is recognized as a component of 'deferred outflows of resources – pension' on the statement of net position. Employee contributions are currently not required.

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

The Borough's net pension liability (NPL) was measured as of December 31, 2018. The total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date using a set of actuarial assumptions. Notes to required supplementary information on page 51 and 52 describe the actuarial assumptions and other inputs to calculate the total pension liability. These assumptions are based on the PMRS Experience Study for the period covering January 1, 2010 through December 31, 2013 issued by the actuary in July 2015, covering the defined benefit plan participants and all retirees, as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.25% for the January 1, 2019 actuarial valuation.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (NPL) as of the Measurement date.

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balances at 12/31/17</b>                           | \$ 5,085,677                                 | \$ 4,811,807                                     | \$ 273,870                                 |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | 123,095                                      | -                                                | 123,095                                    |
| Interest                                              | 266,077                                      | -                                                | 266,077                                    |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | 47,313                                       | -                                                | 47,313                                     |
| Contributions - employer                              | -                                            | 115,354                                          | (115,354)                                  |
| Contributions - PMRS assessment                       | -                                            | 680                                              | (680)                                      |
| Contributions - member                                | -                                            | 48,811                                           | (48,811)                                   |
| PMRS investment income                                | -                                            | 234,596                                          | (234,596)                                  |
| Market value investment income**                      | -                                            | (457,359)                                        | 457,359                                    |
| Transfers                                             | 11,928                                       | 11,928                                           | -                                          |
| Benefit payments                                      | (277,503)                                    | (277,503)                                        | -                                          |
| PMRS administrative expense                           | -                                            | (660)                                            | 660                                        |
| Additional administrative expense                     | -                                            | (10,469)                                         | 10,469                                     |
| Net changes                                           | 170,910                                      | (334,622)                                        | 505,532                                    |
| <b>Balances at 12/31/18</b>                           | \$ 5,256,587                                 | \$ 4,477,185                                     | \$ 779,402                                 |

The above does not reflect changes in benefits or assumptions after January 1, 2019. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based on the January 1, 2017 actuarial valuation with liabilities rolled forward to December 31, 2017 and reflecting the impact of plan changes if applicable. The end of year TPL is based on the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018.

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.



**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The 'Additional administrative expenses' are the expenses in excess of the 'PMRS administrative expense' (i.e. \$20 per participant expense paid by each plan). The 'PMRS investment income' is based upon the regular and excess interest used to credit accounts annually. The 'Market value investment income' reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service live of all active and inactive members of the Plan. There were experience gains or losses between the beginning of the year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

The following is a schedule of collective deferred inflows and outflows:

|                                                                                        | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected<br>and actual experience                                  | \$ 37,850                                     | \$ 163,548                                   |
| Changes of assumptions                                                                 | 56,194                                        | -                                            |
| Net difference between<br>projected and actual earnings<br>on pension plan investments | 194,957                                       | -                                            |
| Contributions after measurement date                                                   | 138,422                                       | -                                            |
| TOTAL                                                                                  | \$ 427,423                                    | \$ 163,548                                   |

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

| <b>Year ended<br/>December 31,</b> |    |          |
|------------------------------------|----|----------|
| 2019                               | \$ | 62,886   |
| 2020                               |    | (41,414) |
| 2021                               |    | 3,049    |
| 2022                               |    | 100,932  |
| 2023                               |    | -        |
| Thereafter                         |    | -        |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, the change in Net Pension Liability (NPL) plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. Although not required by GASB, PMRS provides an example of this calculation at [pmrs.state.pa.us/yearendrptg](http://pmrs.state.pa.us/yearendrptg).

**INVESTMENT ASSET ALLOCATION**

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 as follows:

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.
3. The real rates of return are further adjusted by weighing each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown below in the table 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 table labeled 'Confidence Levels for System Nominal and Real Rates of Return' identifies simulated portfolio returns at various confidence levels.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**INVESTMENT ASSET ALLOCATION (Continued)**

**System Nominal and Real Rates of Return by Asset Class**

| <b>Asset Class</b>                          | <b>Target<br/>Asset<br/>Allocation</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected<br/>Real Rate<br/>of Return</b> |
|---------------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------------------------|
| Domestic Equities (large cap)               | 25%                                    | 7.3%                                  | 4.6%                                                      |
| Domestic Equities (small cap)               | 15%                                    | 10.0%                                 | 7.3%                                                      |
| International Equities (developing markets) | 15%                                    | 6.2%                                  | 3.5%                                                      |
| International Equities (emerging markets)   | 10%                                    | 10.6%                                 | 8.3%                                                      |
| Real Estate                                 | 20%                                    | 8.5%                                  | 5.4%                                                      |
| Fixed Income                                | 15%                                    | 3.3%                                  | 1.1%                                                      |
| Total Portfolio                             | 100%                                   | 7.5%                                  | 4.8%                                                      |

**Confidence Levels for System Nominal and Real Rates of Return**

| <b>Confidence<br/>Interval</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected<br/>Real Rate<br/>of Return</b> |
|--------------------------------|---------------------------------------|-----------------------------------------------------------|
| 95%                            | 2.8%                                  | 0.1%                                                      |
| 90%                            | 3.9%                                  | 1.2%                                                      |
| 85%                            | 4.6%                                  | 1.9%                                                      |
| 80%                            | 5.1%                                  | 2.4%                                                      |
| 75%                            | 5.5%                                  | 2.8%                                                      |
| 70%                            | 5.9%                                  | 3.2%                                                      |

Based on the three-part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.0%.

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 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 describe herein under the section 'Discount Rate'. As of December 31, 2018, 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.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**DISCOUNT RATE**

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

1. Retiree Plan liability as a percentage of total Plan liability,
2. Active Plan participant liability as a percentage of total Plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS administrative expenses

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2018.

The Regular Interest Rate/Discount Rate will likely result in a System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsors contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - BOROUGH PENSION PLANS (Continued)**

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS) (Continued)**

**SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

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 the disclosure.

|                                                                          | <b>1% Decrease<br/>(4.25%)</b> | <b>Discount Rate<br/>(5.25%)</b> | <b>1% Increase<br/>(6.25%)</b> |
|--------------------------------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total Pension Liability                                                  | \$ 5,833,640                   | \$ 5,256,587                     | \$ 4,763,975                   |
| Plan Fiduciary Net Position                                              | 4,477,185                      | 4,477,185                        | 4,477,185                      |
| Net Pension Liability                                                    | \$ 1,356,455                   | \$ 779,402                       | \$ 286,790                     |
| <br>Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | 76.8%                          | 85.2%                            | 94.0%                          |

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The Borough of Tarentum administers a single-employer defined benefit health care plan (“the Retiree Health Plan”). The Retiree Health Plan provides healthcare insurance (including prescription) until retirees and spouses are Medicare eligible (spousal benefits end when the spouse reaches Medicare eligibility regardless of the age of the participant) and a \$2,500 death benefit for eligible retirees through the Borough’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Borough and the unions representing Borough employees and are renegotiated each bargaining period. In addition, coverage is provided for management and elected officials. The Retiree Health Plan does not issue a publicly available financial report.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

**FUNDING POLICY**

The contribution requirements of the Borough and plan members are established through negotiations with the Borough’s unions. Contribution requirements for management and elected officials are established by Borough Council. The required contribution is based on pay-as-you-go financing. The Borough self-insures in-network deductible amounts between \$250 - \$1,000 (\$500 - \$2,000 for family coverage). Out of network deductible is \$2,000 (\$4,000 for family coverage).

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**EMPLOYEES COVERED BY BENEFIT TERMS**

As of December 31, 2019, the following employees were covered by the benefit terms:

|                                 |           |
|---------------------------------|-----------|
| Active participants             | 23        |
| Participants receiving benefits | -         |
| Total                           | <u>23</u> |

The Borough's total OPEB liability of \$179,035 was measured as of December 31, 2019 and was determined by an actuarial valuation performed as of December 31, 2018.

**ACTUARIAL ASSUMPTIONS AND OTHER INPUTS**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified as described on page 64.

**CHANGES IN THE TOTAL OPEB LIABILITY**

|                                                    |           |                       |
|----------------------------------------------------|-----------|-----------------------|
| Balance at December 31, 2018                       | \$        | 182,092               |
| Changes for the year:                              |           |                       |
| Service cost                                       |           | 11,282                |
| Interest                                           |           | 5,353                 |
| Changes of benefit terms                           |           | -                     |
| Differences between expected and actual experience |           | (4,758)               |
| Changes in assumptions or other inputs             |           | -                     |
| Benefit payments                                   |           | (14,934)              |
| Net Changes                                        |           | <u>(3,057)</u>        |
| Balance at December 31, 2019                       | <b>\$</b> | <b><u>179,035</u></b> |

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

|                      | <b>1%<br/>Decrease<br/>2.00%</b> | <b>Current<br/>Discount<br/>Rate<br/>3.00%</b> | <b>1%<br/>Increase<br/>4.00%</b> |
|----------------------|----------------------------------|------------------------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 187,986</u>                | <u>\$ 179,035</u>                              | <u>\$ 170,856</u>                |

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**CHANGES IN THE TOTAL OPEB LIABILITY (Continued)**

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | 1%<br>Decrease<br>2.00% | Current<br>Trend<br>Rates<br>3.00% | 1%<br>Increase<br>4.00% |
|--------------------|-------------------------|------------------------------------|-------------------------|
| Net OPEB Liability | \$ 187,986              | \$ 179,035                         | \$ 170,856              |

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

|                                                   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 15,497                         | \$ (4,282)                       |
| Changes in assumptions                            | -                                 | -                                |
|                                                   | \$ 15,497                         | \$ (4,282)                       |

Amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal<br>Year ended<br>December 31, | Amortization<br>Amount |
|--------------------------------------|------------------------|
| 2020                                 | \$ 1,461               |
| 2021                                 | 1,461                  |
| 2022                                 | 1,461                  |
| 2023                                 | 1,461                  |
| 2024                                 | 1,461                  |
| thereafter                           | 3,910                  |

**NOTE 13 – RISK MANAGEMENT**

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

**BOROUGH OF TARENTUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

**LEGAL MATTERS**

The Borough of Tarentum, in the normal course of operations, is party to various legal matters normally associated with municipalities such as real estate tax assessment appeals, personnel wage and benefits, and other miscellaneous legal matters. As of December 31, 2019, the Borough is unaware of any pending litigation that would be material to the financial position of the Borough of Tarentum.

**STATE FUNDING**

The Borough of Tarentum's state funded programs, including its pension funds, are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The Borough is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment to the January 1, 2019 net position of the Borough's Governmental Activities and Business-type activities totaling \$233,119 and \$35,052 respectively, as reflected on Exhibit B, represents the cumulative effect of a change in the manner of reporting the Borough's accumulated compensated absences liability (unused sick and vacation days).

**NOTE 16 – SUBSEQUENT EVENTS**

Early in 2020, a new strain of the coronavirus (COVID-19) spread through China as well as other countries including the United States. The impact of the virus varies from region to region and from day to day, and any significant additional spreading of the virus could adversely affect the Borough's business. The outbreak of the COVID-19 virus is likely to have a further negative impact in 2020 on the global and local economy and, in the future, might impact the Borough's financial results in 2020 and beyond. Given the dynamic nature of this outbreak, however, the extent to which the COVID-19 virus impacts the Borough's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

Management has determined that there are no events subsequent to December 31, 2019 through the June 24, 2020 date of the 'Independent Auditor's Report', which is the date the financial statements were available to be issued, that require disclosure in the financial statements.



**SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                         | BUDGET              | ACTUAL              | OVER<br>(UNDER)<br>BUDGET |
|-----------------------------------------|---------------------|---------------------|---------------------------|
| <b>TAXES:</b>                           |                     |                     |                           |
| Real Estate Taxes - Current             | \$ 481,481          | \$ 487,359          | \$ 5,878                  |
| Real Estate Taxes - Prior Year's        | 21,000              | 19,997              | (1,003)                   |
| Real Estate Taxes - Delinquent          | 21,000              | 34,010              | 13,010                    |
| Sales Tax-Rad Allegheny County 1%       | 149,261             | 154,176             | 4,915                     |
| Per Capita Taxes - Current              | 6,865               | 6,487               | (378)                     |
| Per Capita Taxes - Prior                | 265                 | 290                 | 25                        |
| Per Capita Taxes - Delinquent           | 265                 | 510                 | 245                       |
| Real Estate Transfer Tax                | 18,350              | 23,340              | 4,990                     |
| Earned Income Tax - Current             | 320,000             | 345,747             | 25,747                    |
| LST Tax - Current                       | 56,948              | 56,558              | (390)                     |
| Mechanical Devices Taxes                | 21,400              | 19,900              | (1,500)                   |
| Business Privilege Taxes                | 5,000               | 5,240               | 240                       |
| Penalty and Interest Real Property      | 11,750              | 12,379              | 629                       |
| Penalty and Interest Per Capita         | 221                 | 211                 | (11)                      |
| <b>TOTAL TAXES</b>                      | <b>\$ 1,113,806</b> | <b>\$ 1,166,204</b> | <b>\$ 52,398</b>          |
| <b>LICENSES AND PERMITS:</b>            |                     |                     |                           |
| Billboard Advertising Signs Permits     | \$ -                | \$ 3,000            | \$ 3,000                  |
| Soliciting Permit                       | -                   | 50                  | 50                        |
| Sign Permit                             | 838                 | -                   | (838)                     |
| Cable Television Franchise              | 61,000              | 60,749              | (251)                     |
| Vacant Property Registration Fee        | 3,000               | 750                 | (2,250)                   |
| Street and Curb Permit                  | 3,253               | 4,215               | 962                       |
| Demolition Permit                       | 861                 | 731                 | (130)                     |
| <b>TOTAL LICENSES AND PERMITS</b>       | <b>\$ 68,952</b>    | <b>\$ 69,495</b>    | <b>\$ 543</b>             |
| <b>FINES AND FORFEITURES:</b>           |                     |                     |                           |
| Fines - Magistratae                     | \$ 25,000           | \$ 23,124           | \$ (1,876)                |
| Fines - County Clerk                    | 4,000               | 6,034               | 2,034                     |
| Fines - Restitutions                    | 204                 | -                   | (204)                     |
| Fines - Commonwealth of PA State Police | 1,440               | 2,326               | 886                       |
| Parking Tickets                         | 500                 | 540                 | 40                        |
| <b>TOTAL FINES AND FORFEITURES</b>      | <b>\$ 31,144</b>    | <b>\$ 32,024</b>    | <b>\$ 880</b>             |
| <b>INTEREST AND RENTS:</b>              |                     |                     |                           |
| Interest Income                         | \$ 749              | \$ 1,867            | \$ 1,118                  |
| Leasing of Borough Property             | 400                 | 27                  | (373)                     |
| Tower Comcast Lease                     | 17,490              | 17,490              | -                         |
| Tower Crown Castle TM Lease             | 17,490              | 17,490              | 0                         |
| Tower Atlantic Com Lease                | 14,485              | 15,521              | 1,036                     |
| Rent - Boat Docks                       | 21,500              | 22,100              | 600                       |
| Mike Doyles Monthly Phone Line          | 326                 | 270                 | (56)                      |
| <b>TOTAL INTEREST AND RENTS</b>         | <b>\$ 72,440</b>    | <b>\$ 74,765</b>    | <b>\$ 2,325</b>           |
| <b>INTERGOVERNMENTAL:</b>               |                     |                     |                           |
| Federal Police Grant                    | \$ -                | \$ 12,100           | \$ 12,100                 |
| Keystone Community Grant                | 292,719             | 141,758             | (150,961)                 |
| Dreshar Stadium Grant                   | -                   | 17,100              | 17,100                    |
| Public Safety Grant                     | 226,000             | -                   | (226,000)                 |
| Public Utility Realty Tax               | 1,150               | 1,065               | (85)                      |
| Alcoholic Beverage License              | 2,300               | 2,250               | (50)                      |
| General Municipal Pension System Aid    | 137,227             | 168,976             | 31,749                    |
| Marcellus Shell Impact Fee              | 2,000               | 2,919               | 919                       |
| Foreign Fire Relief Insurance           | 16,823              | 17,239              | 416                       |
| Payments In Lieu of Taxes               | 4,377               | 5,696               | 1,319                     |
| <b>TOTAL INTERGOVERNMENTAL</b>          | <b>\$ 682,596</b>   | <b>\$ 369,105</b>   | <b>\$ (313,491)</b>       |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                       | BUDGET              | ACTUAL              | OVER<br>(UNDER)<br>BUDGET |
|-------------------------------------------------------|---------------------|---------------------|---------------------------|
| <b>CHARGES FOR SERVICES:</b>                          |                     |                     |                           |
| Contract for Police Services Reimbursement            | \$ 16,067           | \$ 8,766            | \$ (7,301)                |
| Public Hearing Fees                                   | 800                 | 850                 | 50                        |
| Sale of Zoning Ordinance                              | 20                  | 15                  | (5)                       |
| Real Estate Tax Liens                                 | 574                 | 900                 | 326                       |
| Tax Office Fees to School District                    | -                   | 600                 | 600                       |
| Leins Letters                                         | 3,098               | 3,805               | 707                       |
| Copies - of Municipal Records                         | 30                  | 10                  | (20)                      |
| Copies - Accident Reports                             | 1,045               | 1,335               | 290                       |
| Building Permits                                      | 3,886               | 3,710               | (176)                     |
| PA UCC Fee                                            | 50                  | -                   | (50)                      |
| Electrical Permit                                     | 1,100               | 595                 | (505)                     |
| Occupancy Permits                                     | 13,125              | 11,475              | (1,650)                   |
| School Crossing Guards - Reimbursement                | 17,422              | 16,221              | (1,201)                   |
| Parking Meters                                        | 2,011               | 2,325               | 314                       |
| Parking Permits                                       | 15,440              | 14,580              | (860)                     |
| Penndot Summer/Winter Maintenance                     | 11,000              | 11,215              | 215                       |
| Solid Waste Collection                                | 415,000             | 473,215             | 58,215                    |
| Special Events Revenues                               | -                   | 345                 | 345                       |
| NSF Fees                                              | 150                 | 470                 | 320                       |
| EPA - Surcharge Fee                                   | 129,000             | 130,986             | 1,986                     |
| <b>TOTAL CHARGES FOR SERVICES</b>                     | <b>\$ 629,818</b>   | <b>\$ 681,418</b>   | <b>\$ 51,600</b>          |
| <b>MISCELLANEOUS:</b>                                 |                     |                     |                           |
| Miscellaneous Income                                  | \$ -                | \$ 472              | \$ 472                    |
| Discount Amounts                                      | -                   | 81                  | 81                        |
| PLGIT - Credit Card Revenue Bonus                     | 6,022               | 4,707               | (1,315)                   |
| Police Donation                                       | -                   | 6,051               | 6,051                     |
| Donations from Private Sources                        | -                   | 4,000               | 4,000                     |
| <b>TOTAL MISCELLANEOUS</b>                            | <b>\$ 6,022</b>     | <b>\$ 15,312</b>    | <b>\$ 9,290</b>           |
| <b>OTHER FINANCING SOURCES:</b>                       |                     |                     |                           |
| Insurance Reimbursement for Fixed Assets              | \$ -                | \$ 3,540            | \$ 3,540                  |
| Insurance Reimbursement for Current Assets            | -                   | 16,865              | 16,865                    |
| Transfer from Electric (Power) Fund                   | 974,225             | 766,830             | (207,395)                 |
| <b>TOTAL OTHER FINANCING SOURCES</b>                  | <b>\$ 974,225</b>   | <b>\$ 787,235</b>   | <b>\$ (186,990)</b>       |
| <b>TOTAL RECEIPTS AND<br/>OTHER FINANCING SOURCES</b> | <b>\$ 3,579,003</b> | <b>\$ 3,195,557</b> | <b>\$ (383,446)</b>       |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                      | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|--------------------------------------|-------------------|-------------------|------------------------------------|
| <b>GENERAL GOVERNMENT:</b>           |                   |                   |                                    |
| <b>LEGISLATIVE EXPENSES:</b>         |                   |                   |                                    |
| Council - Salaries                   | \$ 4,375          | \$ 4,021          | \$ 354                             |
| Council - Social Security            | 271               | 249               | 22                                 |
| Council - Medicare                   | 63                | 58                | 5                                  |
| Council - Supplies                   | 83                | 3                 | 80                                 |
| Council - Travel Expense             | 167               | 150               | 17                                 |
| Council - Advertising                | 333               | 507               | (174)                              |
| Council - Codification               | 1,773             | 2,166             | (393)                              |
| Council - Dues and Subscriptions     | 4,000             | 2,709             | 1,291                              |
| Council - Meetings and Conferences   | 1,900             | 457               | 1,443                              |
| Council - Hotel for Conf/Classes     | 700               | 521               | 179                                |
| <b>TOTAL LEGISLATIVE EXPENSES</b>    | <b>\$ 13,665</b>  | <b>\$ 10,841</b>  | <b>\$ 2,824</b>                    |
| <b>ADMINISTRATIVE EXPENSES:</b>      |                   |                   |                                    |
| Mayor - Salary                       | \$ 833            | \$ 625            | \$ 208                             |
| Mayor - Social Security              | 52                | 39                | 13                                 |
| Mayor - Medicare                     | 12                | 9                 | 3                                  |
| Mayor - Dues and Subscriptions       | 67                | 335               | (268)                              |
| Mayor - Meetings and Conferences     | 67                | -                 | 67                                 |
| Accounting and Auditing              | 6,667             | 4,827             | 1,840                              |
| Bank Service Fees                    | 752               | 927               | (175)                              |
| Manager - Salary                     | 27,333            | 27,439            | (106)                              |
| Manager - Life Insurance             | 69                | 57                | 12                                 |
| Manager - FICA                       | 1,695             | 1,771             | (76)                               |
| Manager - Medicare                   | 396               | 399               | (3)                                |
| Manager - Unemployment Compensation  | 95                | 95                | -                                  |
| Manager - Workers Compensation       | 28                | 20                | 8                                  |
| Manager - Travel Expense             | 50                | 142               | (92)                               |
| Manager - Bond                       | 165               | 165               | (0)                                |
| Manager - Dues and Subscriptions     | 400               | 597               | (197)                              |
| Manager - Meeting and Conference     | 525               | 547               | (22)                               |
| Office - Part Time Wages             | 1,500             | -                 | 1,500                              |
| Office - Wages                       | 33,809            | 33,944            | (135)                              |
| Office - Dental Insurance            | 181               | 181               | (0)                                |
| Office - Vision Insurance            | 36                | 36                | -                                  |
| Office - Health Insurance            | 12,707            | 12,219            | 488                                |
| Office - Life Insurance              | 114               | 115               | (1)                                |
| Office - Overtime                    | 333               | 514               | (181)                              |
| Office - FICA                        | 2,189             | 2,076             | 113                                |
| Office - Medicare                    | 512               | 501               | 11                                 |
| Office - Unemployment Compensation   | 190               | 190               | -                                  |
| Office - Meals/Workers Compensation  | 35                | 25                | 10                                 |
| Office - Office Supplies             | 1,000             | 441               | 559                                |
| Office - Billing Forms               | 333               | 268               | 66                                 |
| Office - Computer Software           | 1,000             | -                 | 1,000                              |
| ADP Administration Fee               | 1,392             | 1,643             | (251)                              |
| Office - Phones                      | 1,548             | 1,666             | (118)                              |
| Office - Postage                     | 5,623             | 4,992             | 631                                |
| Office - Wireless Aircard            | 160               | -                 | 160                                |
| Office - Travel                      | 50                | 26                | 24                                 |
| Office - Printing                    | 612               | 2,129             | (1,517)                            |
| Office -Computer Maintenance         | 1,543             | 846               | 697                                |
| Office - Copier Lease                | 2,309             | 2,358             | (49)                               |
| Office - Postage Meter Rental        | 3,023             | 3,023             | 0                                  |
| Office - Dues and Subscriptions      | 8,000             | 6,385             | 1,615                              |
| Office - Meetings and Conferences    | 100               | 161               | (61)                               |
| Office - Equipment New               | 800               | 207               | 593                                |
| Web Page                             | 100               | 52                | 48                                 |
| IT- Crdit Card Machine               | 400               | -                 | 400                                |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b> | <b>\$ 118,805</b> | <b>\$ 111,992</b> | <b>\$ 6,813</b>                    |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                            | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|--------------------------------------------|-------------------|-------------------|------------------------------------|
| <b>GENERAL GOVERNMENT: (Continued)</b>     |                   |                   |                                    |
| <b>TAX COLLECTION:</b>                     |                   |                   |                                    |
| Tax Collection - Commissions               | \$ 14,330         | \$ 18,234         | \$ (3,904)                         |
| Tax Collection - FICA                      | 888               | 1,131             | (243)                              |
| Tax Collection - Medicare                  | 208               | 264               | (56)                               |
| Tax Collection - Office Supplies           | 309               | 374               | (65)                               |
| Tax Collection - Lein Fees                 | 100               | -                 | 100                                |
| Tax Collection - Phone & Internet          | -                 | 305               | (305)                              |
| Tax Collection - Postage                   | 1,034             | 804               | 230                                |
| Tax Collection - Printing                  | 140               | -                 | 140                                |
| Tax Collection - Bond                      | 248               | -                 | 248                                |
| Tax Collection - Maintenance Computer      | -                 | 271               | (271)                              |
| Tax Collection - Dues and Subscriptions    | 1,600             | 1,725             | (125)                              |
| Tax Collection - Equipment/Computer        | 2,000             | 828               | 1,172                              |
| <b>TOTAL TAX COLLECTION</b>                | <b>\$ 20,857</b>  | <b>\$ 23,936</b>  | <b>\$ (3,079)</b>                  |
| <b>SOLICITOR:</b>                          |                   |                   |                                    |
| Solicitor - Wages                          | \$ 8,333          | \$ 8,334          | \$ (1)                             |
| Solicitor - Social Security                | 517               | 517               | 0                                  |
| Solicitor - Medicare                       | 121               | 121               | 0                                  |
| Solicitor - Unemployment Compensation      | 95                | 95                | -                                  |
| Solicitor - Fees                           | 150               | -                 | 150                                |
| Other Legal Fees                           | 1,500             | 3,400             | (1,900)                            |
| <b>TOTAL SOLICITOR</b>                     | <b>\$ 10,716</b>  | <b>\$ 12,466</b>  | <b>\$ (1,750)</b>                  |
| <b>MUNICIPAL BUILDING:</b>                 |                   |                   |                                    |
| Building - Supplies                        | \$ 400            | \$ 485            | \$ (85)                            |
| Building - Cleaning Services               | 1,440             | 1,380             | 60                                 |
| Building - Insurance Appraisal             | -                 | 240               | (240)                              |
| Building - Electricity                     | 2,537             | 2,194             | 343                                |
| Building - Natural Gas                     | 535               | 362               | 173                                |
| Building - Sewer                           | 105               | 108               | (3)                                |
| Building - Repairs and Maintenance         | 3,333             | 2,135             | 1,198                              |
| Building - Improvements                    | 1,100             | 1,594             | (494)                              |
| Building - Furniture & Equipment           | 500               | 72                | 428                                |
| <b>TOTAL MUNICIPAL BUILDING</b>            | <b>\$ 9,950</b>   | <b>\$ 8,570</b>   | <b>\$ 1,380</b>                    |
| <b>TOTAL GENERAL GOVERNMENT</b>            | <b>\$ 173,993</b> | <b>\$ 167,805</b> | <b>\$ 6,188</b>                    |
| <b>PUBLIC SAFETY:</b>                      |                   |                   |                                    |
| <b>POLICE PROTECTION:</b>                  |                   |                   |                                    |
| Police - Police Chief Salary               | \$ 85,188         | \$ 85,851         | \$ (663)                           |
| Police - Part Time Wages                   | 23,250            | 39,191            | (15,941)                           |
| Police - Longevity Pay                     | 3,585             | 2,915             | 670                                |
| Police - Patrolmen Salaries                | 539,808           | 513,146           | 26,662                             |
| Police - Widows Accidental Death Insurance | -                 | 692               | (692)                              |
| Police - Dental Insurance                  | 9,184             | 8,775             | 409                                |
| Police - Vision Insurance                  | 987               | 999               | (12)                               |
| Police - Health Insurance                  | 113,648           | 116,845           | (3,197)                            |
| Police - Life Insurance                    | 2,643             | 1,906             | 737                                |
| Police - Pension/Retirement                | 91,556            | 91,556            | -                                  |
| Police - Overtime Wages                    | 55,000            | 48,051            | 6,949                              |
| Police - DUI Wages                         | 2,580             | -                 | 2,580                              |
| Police - Drug Task Force Wages             | 13,487            | 5,906             | 7,581                              |
| Police - Holiday O/T                       | 32,576            | 29,544            | 3,032                              |
| Police - Uniform Allowance                 | 12,500            | 16,563            | (4,063)                            |
| Police - FICA                              | 46,839            | 44,819            | 2,020                              |
| Police - Medicare                          | 10,954            | 10,482            | 472                                |
| Police - Unemployment Compensation         | 2,565             | 3,338             | (773)                              |
| Police - Meals / Workers Compensation      | 21,703            | 15,825            | 5,878                              |
| Police - Office Supplies                   | 792               | 806               | (14)                               |
| Police - Forms                             | 564               | 20                | 544                                |
| Police - Ammos                             | 1,462             | -                 | 1,462                              |
| Police - Meals                             | 250               | 174               | 76                                 |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                               | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|-----------------------------------------------|---------------------|---------------------|------------------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>             |                     |                     |                                    |
| <b>POLICE PROTECTION: (Continued)</b>         |                     |                     |                                    |
| Police - Vehicle Fuel - Gas                   | \$ 12,361           | \$ 14,043           | \$ (1,682)                         |
| Police - Building Supplies                    | 566                 | 496                 | 70                                 |
| Police - Vehicle Maintenance                  | 9,911               | 18,901              | (8,990)                            |
| Police - Small Tools/Equipment                | 1,329               | 1,320               | 9                                  |
| Police - Training                             | 2,000               | 591                 | 1,410                              |
| Police - Telephone                            | 4,464               | 2,962               | 1,502                              |
| Police - Cell Phone                           | 900                 | 559                 | 341                                |
| Police - Postage                              | 127                 | 77                  | 50                                 |
| Police - Radio Equipment Maintenance          | 717                 | 1,783               | (1,066)                            |
| Police - Wireless Aircards                    | 1,200               | 1,662               | (462)                              |
| Police - Travel Expense                       | 968                 | 1,017               | (49)                               |
| Police - Vehicle Grant Purchase               | 29,219              | 37,266              | (8,047)                            |
| Police - Advertising                          | 467                 | 1,362               | (895)                              |
| Police - Professional Liabilities             | 497                 | 947                 | (450)                              |
| Police - Copier/Computer Maintenance          | 5,000               | 4,764               | 236                                |
| Police - Annual Warranty Renewal              | 4,200               | 3,859               | 341                                |
| Police - Camera Repairs and Maintenance       | -                   | 3,181               | (3,181)                            |
| Police - Copier Rental                        | 3,875               | 3,855               | 20                                 |
| Police - Dues/Subscriptions/Bonds             | 1,207               | 2,675               | (1,468)                            |
| Police - Contracted Services                  | 4,718               | 2,465               | 2,253                              |
| Police - Meetings and Conferences             | 413                 | 165                 | 248                                |
| Police - Vehicle Purchase                     | -                   | 4,868               | (4,868)                            |
| Police - Equipment Purchased                  | 14,682              | 22,391              | (7,709)                            |
| <b>TOTAL POLICE PROTECTION</b>                | <b>\$ 1,169,942</b> | <b>\$ 1,168,613</b> | <b>\$ 1,329</b>                    |
| <b>FIRE DEPARTMENT:</b>                       |                     |                     |                                    |
| Fire - Truck Insurance                        | \$ 7,241            | \$ 6,737            | \$ 504                             |
| Fire - Vehicle Fuel Eureka                    | 3,000               | 3,000               | -                                  |
| Fire - Vehicle Fuel Highlands                 | 3,000               | 3,000               | -                                  |
| Fire - Vehicle Fuel Summit                    | 3,000               | 3,000               | -                                  |
| Fire - Workers Compensation                   | 35,790              | 27,490              | 8,300                              |
| Fire - Error and Omissions Insurance          | 3,420               | -                   | 3,420                              |
| Fire - Building Repairs                       | 3,000               | 3,217               | (217)                              |
| Fire - Equipment Repairs                      | 8,843               | 8,622               | 221                                |
| Fire - Contribution Relief Funds              | 16,823              | 17,239              | (416)                              |
| Fire - Contribution - Eureka                  | 12,500              | 12,500              | -                                  |
| Fire - Contribution - Highland Hose           | 12,500              | 12,500              | -                                  |
| Fire - Vehicle                                | 19,192              | 19,041              | 151                                |
| Fire - Contribution - Summit Hose             | 12,500              | 12,500              | -                                  |
| <b>TOTAL FIRE DEPARTMENT</b>                  | <b>\$ 140,809</b>   | <b>\$ 128,847</b>   | <b>\$ 11,962</b>                   |
| <b>BUILDING, PLANNING AND ZONING:</b>         |                     |                     |                                    |
| Code Enforcement - Officer Salary             | \$ 53,000           | \$ 52,796           | \$ 204                             |
| Code Enforcement - Dental Insurance           | 272                 | 249                 | 23                                 |
| Code Enforcement - Vision Insurance           | 54                  | 50                  | 5                                  |
| Code Enforcement - Health Insurance           | 21,204              | 13,282              | 7,922                              |
| Code Enforcement - Life Insurance             | 170                 | 173                 | (3)                                |
| Code Enforcement - Uniform Maintenance        | 300                 | 188                 | 112                                |
| Code Enforcement - FICA                       | 3,286               | 3,274               | 13                                 |
| Code Enforcement - Medicare                   | 769                 | 766                 | 3                                  |
| Code Enforcement - Unemployment Compensation  | 285                 | 285                 | -                                  |
| Code Enforcement - Meals/Workers Compensation | 2,074               | 1,512               | 562                                |
| Code Enforcement - Office Supplies            | 300                 | 17                  | 283                                |
| Code Enforcement - Fuel                       | 1,500               | 1,001               | 499                                |
| Code Enforcement - Vehicle Repair             | 1,500               | 1,164               | 336                                |
| Code Enforcement - Small Tools                | 50                  | 339                 | (289)                              |
| Code Enforcement - Professional Services      | 8,000               | 1,094               | 6,907                              |
| Code Enforcement - Telephone                  | 800                 | -                   | 800                                |
| Code Enforcement - Cell Phone                 | 850                 | 539                 | 311                                |
| Code Enforcement Postage                      | 500                 | 312                 | 188                                |
| Code Enforcement - Wireless Aircard           | 500                 | 480                 | 20                                 |
| Code Enforcement - Travel Express             | 500                 | 321                 | 179                                |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                   | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|---------------------------------------------------|---------------------|---------------------|------------------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>                 |                     |                     |                                    |
| <b>BUILDING, PLANNING AND ZONING: (Continued)</b> |                     |                     |                                    |
| Code Enforcement - Advertisement                  | 150                 | -                   | 150                                |
| Code Enforcement - Printing                       | 150                 | 359                 | (209)                              |
| Code Enforcement - Computer Maintenance           | 500                 | 615                 | (115)                              |
| Code Enforcement - Dues and Subscriptions         | 12,000              | 368                 | 11,632                             |
| Code Enforcement - Meetings and Conference        | 1,000               | 130                 | 870                                |
| Zoning - Supplies                                 | 250                 | -                   | 250                                |
| Property & Redevelopment                          | 2,000               | -                   | 2,000                              |
| Demolition                                        | 150,000             | 49,647              | 100,353                            |
| Zoning - Public Hearing                           | 1,500               | 9,424               | (7,924)                            |
| <b>TOTAL BUILDING PLANNING AND ZONING</b>         | <b>\$ 263,464</b>   | <b>\$ 138,384</b>   | <b>\$ 125,080</b>                  |
| <b>EMERGENCY MANAGEMENT:</b>                      |                     |                     |                                    |
| Emergency Mangement                               | \$ 1,500            | \$ 2,550            | \$ (1,050)                         |
| <b>TOTAL EMERGENCY MANAGEMENT</b>                 | <b>\$ 1,500</b>     | <b>\$ 2,550</b>     | <b>\$ (1,050)</b>                  |
| <b>ANIMAL/PEST CONTROL:</b>                       |                     |                     |                                    |
| Animal Control Fees                               | \$ 2,491            | \$ 2,100            | \$ 391                             |
| Pest Control Fees                                 | 1,404               | 602                 | 802                                |
| <b>TOTAL ANIMAL/PEST CONTROL</b>                  | <b>\$ 3,895</b>     | <b>\$ 2,702</b>     | <b>\$ 1,193</b>                    |
| <b>CROSSING GUARD:</b>                            |                     |                     |                                    |
| Crossing Guard - Wages                            | \$ 17,500           | \$ 19,895           | \$ (2,395)                         |
| Crossing Guard - Uniforms                         | -                   | 60                  | (60)                               |
| Crossing Guard - FICA                             | 1,085               | 1,232               | (147)                              |
| Crossing Guard - Medicare                         | 254                 | 288                 | (34)                               |
| Crossing Guard - Unemployment Compensation        | 499                 | 567                 | (68)                               |
| Crossing Guard - Workers Compensation             | 685                 | 499                 | 186                                |
| Crossing Guard - Electric                         | 687                 | 681                 | 6                                  |
| <b>TOTAL CROSSING GUARD</b>                       | <b>\$ 20,710</b>    | <b>\$ 23,222</b>    | <b>\$ (2,512)</b>                  |
| <b>TOTAL PUBLIC SAFETY</b>                        | <b>\$ 1,600,320</b> | <b>\$ 1,464,318</b> | <b>\$ 136,002</b>                  |
| <b>PUBLIC WORKS:</b>                              |                     |                     |                                    |
| <b>SANITATION:</b>                                |                     |                     |                                    |
| Rubbish - Collection Expense                      | \$ 276,946          | \$ 391,779          | \$ (114,833)                       |
| Bad Debt Expense                                  | -                   | 632                 | (632)                              |
| <b>TOTAL SANITATION</b>                           | <b>\$ 276,946</b>   | <b>\$ 392,410</b>   | <b>\$ (115,464)</b>                |
| <b>HIGHWAYS:</b>                                  |                     |                     |                                    |
| Streets - DPW Salary                              | \$ 62,000           | \$ 68,089           | \$ (6,089)                         |
| Streets - Wages                                   | 302,016             | 237,663             | 64,353                             |
| Streets - Part Time Wages                         | -                   | 6,295               | (6,295)                            |
| Streets - Dental Insurance                        | 1,904               | 1,569               | 335                                |
| Streets - Vision Insurance                        | 378                 | 333                 | 45                                 |
| Streets - Health Insurance                        | 144,003             | 125,610             | 18,394                             |
| Streets - Life Insurance                          | 1,193               | 890                 | 303                                |
| Streets - Overtime                                | 9,000               | 11,414              | (2,414)                            |
| Streets - Uniform Allowance                       | 2,100               | 3,244               | (1,144)                            |
| Streets - FICA                                    | 22,569              | 20,074              | 2,495                              |
| Streets - Medicare                                | 528                 | 4,480               | (3,952)                            |
| Streets - Unemployment Compensation               | 1,995               | 2,812               | (817)                              |
| Streets - Workers Compensation                    | 14,246              | 10,388              | 3,858                              |
| Streets - Office Supplies                         | 500                 | 459                 | 41                                 |
| Sreets - Meals                                    | 500                 | 92                  | 408                                |
| Streets - Fuel                                    | 8,015               | 9,823               | (1,808)                            |
| Streets - Supplies                                | 6,442               | 4,876               | 1,566                              |
| Streets - Vehicle Repair                          | 14,133              | 14,162              | (29)                               |
| Streets - Small Tools/Equipment                   | 4,000               | 3,829               | 171                                |
| Streets - Computers Equipment/Repairs             | 300                 | 149                 | 151                                |
| Streets - Professional Fees                       | -                   | 1,995               | (1,995)                            |
| Streets - Engineering                             | -                   | 42                  | (42)                               |
| Streets - Telephones                              | 1,400               | 2,289               | (889)                              |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                 | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|-------------------------------------------------|---------------------|---------------------|------------------------------------|
| <b>PUBLIC WORKS: (Continued)</b>                |                     |                     |                                    |
| <b>HIGHWAYS: (Continued)</b>                    |                     |                     |                                    |
| Streets - Cell Phones                           | 850                 | 80                  | 770                                |
| Streets - Radio Equipment Maintenance           | 150                 | -                   | 150                                |
| Streets - Travel                                | 150                 | 49                  | 101                                |
| Streets - Advertising                           | -                   | 1,605               | (1,605)                            |
| Streets - Electric                              | 1,500               | 1,271               | 229                                |
| Streets - Natural Gas                           | 2,548               | 1,260               | 1,288                              |
| Streets - Sewage                                | 281                 | 326                 | (45)                               |
| Streets - Building Repair and Maintenance       | 12,000              | 925                 | 11,075                             |
| Streets - Repairs to Machines                   | 1,000               | 5,672               | (4,672)                            |
| Streets - Rail Land Lease                       | 248                 | 248                 | -                                  |
| Streets - Dues and Subscriptions                | 300                 | 786                 | (486)                              |
| Streets - Meeting and Conference                | 500                 | 996                 | (496)                              |
| Streets - Permits                               | 100                 | 370                 | (270)                              |
| Streets - Building Improvements                 | -                   | 38,034              | (38,034)                           |
| Streets - Vehicle Purchase                      | 20,000              | 9,510               | 10,490                             |
| Streets - New Equipment & Power Tools           | 7,000               | 6,242               | 758                                |
| Streets - Sweeper Fuel                          | 1,724               | 858                 | 866                                |
| Streets - Cleaning Sweeper Repair               | 9,555               | 13,312              | (3,757)                            |
| Snow - Fuel                                     | 1,104               | -                   | 1,104                              |
| Snow - Salt and Deicing Materials               | 20,135              | 24,252              | (4,117)                            |
| Snow - Repairs                                  | 2,047               | -                   | 2,047                              |
| Snow - Machinery                                | 10,000              | 3,881               | 6,119                              |
| Street Signs                                    | 7,000               | 1,204               | 5,796                              |
| Traffic - Supplies - Paint                      | 2,500               | 1,034               | 1,466                              |
| Traffic - Street Maintenance Service            | 226,000             | -                   | 226,000                            |
| Sewers - Engineering                            | -                   | 9,945               | (9,945)                            |
| Sewers - EPA Expense                            | 45,198              | 41,934              | 3,264                              |
| Streets - Roads (Repairs Paving & Supplies)     | 12,579              | 7,361               | 5,218                              |
| <b>TOTAL HIGHWAYS</b>                           | <b>\$ 981,691</b>   | <b>\$ 701,729</b>   | <b>\$ 279,962</b>                  |
| <b>TOTAL PUBLIC WORKS</b>                       | <b>\$ 1,258,637</b> | <b>\$ 1,094,140</b> | <b>\$ 164,497</b>                  |
| <b>CULTURE AND RECREATION:</b>                  |                     |                     |                                    |
| <b>PARKS &amp; RECREATION:</b>                  |                     |                     |                                    |
| Special Events Committee - Contribution         | \$ 3,000            | \$ 2,620            | \$ 380                             |
| Recreational Construction - Project Cost        | 50,000              | 145,172             | (95,172)                           |
| Recreational Construction - Professional Fees   | 2,500               | 2,360               | 141                                |
| Parks - Gasoline                                | 1,671               | 596                 | 1,075                              |
| Parks - Supplies                                | 1,869               | 555                 | 1,314                              |
| Parks - Vehicle Repairs                         | 1,629               | 635                 | 994                                |
| Parks - Mower & Yard Equipment Repairs          | 995                 | 675                 | 320                                |
| Parks - Electric                                | 2,105               | 2,085               | 20                                 |
| Parks - Water                                   | 20,660              | 18,893              | 1,767                              |
| Parks - Repairs and Maintenance                 | 209,000             | 5,612               | 203,388                            |
| Parks - Port a Johns                            | 3,010               | 1,777               | 1,233                              |
| Parks - Small Equipment Purchase                | 500                 | 2,206               | (1,706)                            |
| Library - Contributions                         | 8,000               | 8,000               | -                                  |
| Celebrations - Supplies                         | 3,000               | 2,759               | 241                                |
| <b>TOTAL PARKS AND RECREATION</b>               | <b>\$ 307,939</b>   | <b>\$ 193,946</b>   | <b>\$ 113,993</b>                  |
| <b>TOTAL CULTURE AND RECREATION</b>             | <b>\$ 307,939</b>   | <b>\$ 193,946</b>   | <b>\$ 113,993</b>                  |
| <b>COMMUNITY DEVELOPMENT:</b>                   |                     |                     |                                    |
| Towns - Landscape Supplies                      | \$ 7,500            | \$ 24,982           | \$ (17,482)                        |
| Community Development - Planning                | 9,787               | -                   | 9,787                              |
| Community Development - Revitalization Supplies | 750                 | 575                 | 175                                |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>              | <b>\$ 18,037</b>    | <b>\$ 25,557</b>    | <b>\$ (7,520)</b>                  |

The accompanying notes are an integral part of these financial statements



**BOROUGH OF TARENTUM**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                   | BUDGET              | ACTUAL              | (OVER)<br>UNDER<br>BUDGET |
|-----------------------------------|---------------------|---------------------|---------------------------|
| <b>DEBT SERVICE:</b>              |                     |                     |                           |
| General Obligation Debt Interest  | \$ -                | \$ 478              | \$ (478)                  |
| <b>TOTAL DEBT SERVICE</b>         | <b>\$ -</b>         | <b>\$ 478</b>       | <b>\$ (478)</b>           |
| <b>MISCELLANEOUS:</b>             |                     |                     |                           |
| Retirement Fund Contributions     | \$ 138,422          | \$ 138,422          | \$ -                      |
| Retiree Health Insurance          | 17,760              | 14,092              | 3,668                     |
| Retiree Life Insurance            | 1,207               | 842                 | 366                       |
| Pension Plans Fees                | 50                  | 80                  | (30)                      |
| Insurance                         | 35,762              | 56,821              | (21,059)                  |
| Medical Deductible Reimbursements | 15,000              | 20,668              | (5,668)                   |
| Miscellaneous Expense             | 100                 | 1,373               | (1,273)                   |
| <b>TOTAL MISCELLANEOUS</b>        | <b>\$ 208,301</b>   | <b>\$ 232,298</b>   | <b>\$ (23,997)</b>        |
| <b>OTHER FINANCING USES:</b>      |                     |                     |                           |
| Transfer to Recreation Fund       | \$ 9,000            | \$ 9,000            | \$ -                      |
| Refund of Prior Year Revenues     | 2,776               | 7,636               | (4,860)                   |
| <b>TOTAL OTHER FINANCING USES</b> | <b>\$ 11,776</b>    | <b>\$ 16,636</b>    | <b>\$ (4,860)</b>         |
| <b>TOTAL EXPENDITURES</b>         | <b>\$ 3,579,003</b> | <b>\$ 3,195,177</b> | <b>\$ 383,826</b>         |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                | <u>LIQUID FUELS<br/>FUND</u> | <u>RECREATION<br/>FUND</u> | <u>TOTAL NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> |
|------------------------------------------------|------------------------------|----------------------------|---------------------------------------------------|
| <b>ASSETS:</b>                                 |                              |                            |                                                   |
| Cash and Cash Equivalents                      | \$ 21,894                    | \$ 6,118                   | \$ 28,012                                         |
| Due from Other Funds                           | -                            | 2,901                      | 2,901                                             |
| <b>TOTAL ASSETS</b>                            | <b><u>\$ 21,894</u></b>      | <b><u>\$ 9,019</u></b>     | <b><u>\$ 30,913</u></b>                           |
| <b>LIABILITIES AND FUND BALANCE:</b>           |                              |                            |                                                   |
| <b>LIABILITIES:</b>                            |                              |                            |                                                   |
| Accounts Payable                               | \$ -                         | \$ 32                      | \$ 32                                             |
| <b>TOTAL LIABILITIES</b>                       | <b><u>\$ -</u></b>           | <b><u>\$ 32</u></b>        | <b><u>\$ 32</u></b>                               |
| <b>FUND BALANCES:</b>                          |                              |                            |                                                   |
| Restricted                                     | \$ 21,894                    | \$ -                       | \$ 21,894                                         |
| Assigned                                       | -                            | 8,987                      | 8,987                                             |
| <b>TOTAL FUND BALANCES</b>                     | <b><u>\$ 21,894</u></b>      | <b><u>\$ 8,987</u></b>     | <b><u>\$ 30,881</u></b>                           |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b><u>\$ 21,894</u></b>      | <b><u>\$ 9,019</u></b>     | <b><u>\$ 30,913</u></b>                           |

The accompanying notes are an integral part of these financial statements

**BOROUGH OF TARENTUM**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|                                                       | <b>LIQUID FUELS<br/>FUND</b> | <b>RECREATION<br/>FUND</b> | <b>TOTAL</b>      |
|-------------------------------------------------------|------------------------------|----------------------------|-------------------|
| <b>REVENUES:</b>                                      |                              |                            |                   |
| Interest                                              | \$ 510                       | \$ 53                      | \$ 563            |
| Intergovernmental                                     | 148,613                      | -                          | 148,613           |
| Charges for Services                                  | -                            | 3,932                      | 3,932             |
| Donations                                             | -                            | 1,256                      | 1,256             |
| Miscellaneous                                         | -                            | 7,422                      | 7,422             |
| <b>TOTAL REVENUES</b>                                 | <b>\$ 149,123</b>            | <b>\$ 12,663</b>           | <b>\$ 161,786</b> |
| <b>OTHER FINANCING SOURCES:</b>                       |                              |                            |                   |
| Transfer from General Fund                            | \$ -                         | \$ 9,000                   | \$ 9,000          |
| <b>TOTAL OTHER FINANCING SOURCES</b>                  | <b>\$ -</b>                  | <b>\$ 9,000</b>            | <b>\$ 9,000</b>   |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b> | <b>\$ 149,123</b>            | <b>\$ 21,663</b>           | <b>\$ 170,786</b> |
| <b>EXPENDITURES:</b>                                  |                              |                            |                   |
| Public Works                                          | \$ 59,835                    | \$ -                       | \$ 59,835         |
| Culture and Recreation                                | -                            | 20,947                     | 20,947            |
| Debt Service                                          | 67,457                       | -                          | 67,457            |
| <b>TOTAL EXPENDITURES</b>                             | <b>\$ 127,292</b>            | <b>\$ 20,947</b>           | <b>\$ 148,239</b> |
| <b>EXCESS REVENUES OVER<br/>(UNDER) EXPENDITURES</b>  | <b>\$ 21,831</b>             | <b>\$ 716</b>              | <b>\$ 22,547</b>  |
| FUND BALANCE - January 1, 2019                        | 63                           | 8,271                      | 8,334             |
| <b>FUND BALANCE - December 31, 2019</b>               | <b>\$ 21,894</b>             | <b>\$ 8,987</b>            | <b>\$ 30,881</b>  |

The accompanying notes are an integral part of these financial statements

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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

| ----- POLICE PENSION PLAN -----                                        |                     |                     |                     |                     |                     |                     |
|------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                        | <u>12/31/2019</u>   | <u>12/31/2018</u>   | <u>12/31/2017</u>   | <u>12/31/2016</u>   | <u>12/31/2015</u>   | <u>12/31/2014</u>   |
| <b>Total pension liability-beginning</b>                               | \$ 2,780,415        | \$ 2,631,807        | \$ 2,443,183        | \$ 2,413,034        | \$ 2,231,859        | \$ 2,242,061        |
| Service Cost                                                           | 112,148             | 88,165              | 84,774              | 96,355              | 91,768              | 89,989              |
| Interest                                                               | 193,652             | 177,431             | 174,749             | 148,224             | 153,749             | 169,996             |
| Experience (gain)/loss                                                 | -                   | (45,592)            | -                   | (99,212)            | 6,557               | (243,613)           |
| Assumption (gain)/loss                                                 | -                   | (1,665)             | -                   | (44,319)            | -                   | 66,326              |
| Plan changes                                                           | -                   | -                   | -                   | -                   | -                   | -                   |
| Benefit payments                                                       | (56,885)            | (69,731)            | (70,899)            | (70,899)            | (70,899)            | (92,900)            |
| Net change in total pension liability                                  | <u>\$ 248,915</u>   | <u>\$ 148,608</u>   | <u>\$ 188,624</u>   | <u>\$ 30,149</u>    | <u>\$ 181,175</u>   | <u>\$ (10,202)</u>  |
| <b>Total pension liability-ending</b>                                  | <u>\$ 3,029,330</u> | <u>\$ 2,780,415</u> | <u>\$ 2,631,807</u> | <u>\$ 2,443,183</u> | <u>\$ 2,413,034</u> | <u>\$ 2,231,859</u> |
| <br>                                                                   |                     |                     |                     |                     |                     |                     |
| Plan fiduciary net position-beginning                                  | \$ 2,580,281        | \$ 2,745,518        | \$ 2,338,178        | \$ 2,227,027        | \$ 2,259,510        | \$ 2,207,626        |
| Contributions-employer                                                 | 91,556              | 73,327              | 66,466              | 63,110              | 81,285              | 69,321              |
| Contributions-member                                                   | -                   | -                   | 27,928              | -                   | -                   | -                   |
| Net investment income                                                  | 549,727             | (153,330)           | 400,935             | 132,657             | (32,095)            | 77,331              |
| Benefit payments                                                       | (56,885)            | (69,731)            | (70,899)            | (70,899)            | (70,899)            | (92,900)            |
| Actuarial costs                                                        | (4,344)             | (1,239)             | (4,221)             | (1,869)             | (3,700)             | (1,868)             |
| Other                                                                  | (14,681)            | (14,264)            | (12,869)            | (11,848)            | (7,074)             | -                   |
| Change in plan fiduciary net position                                  | <u>\$ 565,373</u>   | <u>\$ (165,237)</u> | <u>\$ 407,340</u>   | <u>\$ 111,151</u>   | <u>\$ (32,483)</u>  | <u>\$ 51,884</u>    |
| <b>Plan fiduciary net position-ending</b>                              | <u>\$ 3,145,654</u> | <u>\$ 2,580,281</u> | <u>\$ 2,745,518</u> | <u>\$ 2,338,178</u> | <u>\$ 2,227,027</u> | <u>\$ 2,259,510</u> |
| <br>                                                                   |                     |                     |                     |                     |                     |                     |
| <b>Net pension liability-beginning</b>                                 | <u>\$ 200,134</u>   | <u>\$ (113,711)</u> | <u>\$ 105,005</u>   | <u>\$ 186,007</u>   | <u>\$ (27,651)</u>  | <u>\$ 34,435</u>    |
| <b>Net pension liability(asset)-ending</b>                             | <u>\$ (116,324)</u> | <u>\$ 200,134</u>   | <u>\$ (113,711)</u> | <u>\$ 105,005</u>   | <u>\$ 186,007</u>   | <u>\$ (27,651)</u>  |
| <br>                                                                   |                     |                     |                     |                     |                     |                     |
| <b>RATIOS:</b>                                                         |                     |                     |                     |                     |                     |                     |
| Plan fiduciary net position as a percentage of total pension liability | 103.84%             | 92.80%              | 104.32%             | 95.70%              | 92.29%              | 101.24%             |
| <br>                                                                   |                     |                     |                     |                     |                     |                     |
| Covered-employee payroll                                               | \$ 677,797          | \$ 606,966          | \$ 617,426          | \$ 531,118          | \$ 516,580          | \$ 511,892          |
| <br>                                                                   |                     |                     |                     |                     |                     |                     |
| Net pension liability as a percentage of covered-employee payroll      | -17.16%             | 32.97%              | -18.42%             | 19.77%              | 36.01%              | -5.40%              |

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

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

----- GENERAL EMPLOYEES PENSION PLAN -----

|                                                                        | <u>12/31/2018</u>   | <u>12/31/2017</u>   | <u>12/31/2016</u>   | <u>12/31/2015</u>   | <u>12/31/2014</u>   |
|------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability-beginning</b>                               | \$ 5,085,677        | \$ 4,948,378        | \$ 5,118,488        | \$ 5,185,265        | \$ 4,825,179        |
| Service Cost                                                           | 123,095             | 128,310             | 113,067             | 103,582             | 103,232             |
| Interest                                                               | 266,077             | 259,590             | 279,833             | 277,583             | 264,281             |
| Experience (gain)/loss                                                 | 47,313              | -                   | (408,867)           | -                   | 235,900             |
| Assumption (gain)/loss                                                 | -                   | -                   | 122,745             | 35,488              | -                   |
| Transfers                                                              | 11,928              | -                   | -                   | (212,068)           | -                   |
| Benefit payments                                                       | (277,503)           | (250,601)           | (276,887)           | (271,362)           | (243,327)           |
| Net change in total pension liability                                  | <u>\$ 170,910</u>   | <u>\$ 137,299</u>   | <u>\$ (170,110)</u> | <u>\$ (66,777)</u>  | <u>\$ 360,086</u>   |
| Total pension liability-ending                                         | <u>\$ 5,256,587</u> | <u>\$ 5,085,677</u> | <u>\$ 4,948,378</u> | <u>\$ 5,118,488</u> | <u>\$ 5,185,265</u> |
| <br>                                                                   |                     |                     |                     |                     |                     |
| Plan fiduciary net position-beginning                                  | \$ 4,811,807        | \$ 4,188,228        | \$ 4,160,669        | \$ 4,751,349        | \$ 4,494,715        |
| Contributions-employer                                                 | 115,354             | 114,616             | 97,533              | 98,667              | 57,059              |
| Contributions-member                                                   | 48,811              | 48,076              | 44,868              | 36,277              | 34,715              |
| Contributions-PMRS Assessment                                          | 680                 | 740                 | 800                 | 740                 | -                   |
| Net investment income                                                  | (222,763)           | 722,193             | 173,618             | (231,587)           | 418,675             |
| Transfers                                                              | 11,928              | -                   | -                   | (212,068)           | -                   |
| Benefit payments                                                       | (277,503)           | (250,601)           | (276,888)           | (271,362)           | (243,327)           |
| Actuarial costs                                                        | (660)               | (740)               | (740)               | (740)               | (760)               |
| Other                                                                  | (10,469)            | (10,705)            | (11,632)            | (10,607)            | (9,728)             |
| Change in plan fiduciary net position                                  | <u>\$ (334,622)</u> | <u>\$ 623,579</u>   | <u>\$ 27,559</u>    | <u>\$ (590,680)</u> | <u>\$ 256,634</u>   |
| Plan fiduciary net position-ending                                     | <u>\$ 4,477,185</u> | <u>\$ 4,811,807</u> | <u>\$ 4,188,228</u> | <u>\$ 4,160,669</u> | <u>\$ 4,751,349</u> |
| <br>                                                                   |                     |                     |                     |                     |                     |
| Net pension liability-beginning                                        | <u>\$ 273,870</u>   | <u>\$ 760,150</u>   | <u>\$ 957,819</u>   | <u>\$ 433,916</u>   | <u>\$ 330,464</u>   |
| Net pension liability-ending                                           | <u>\$ 779,402</u>   | <u>\$ 273,870</u>   | <u>\$ 760,150</u>   | <u>\$ 957,819</u>   | <u>\$ 433,916</u>   |
| <br>                                                                   |                     |                     |                     |                     |                     |
| <b>RATIOS:</b>                                                         |                     |                     |                     |                     |                     |
| Plan fiduciary net position as a percentage of total pension liability | 85.17%              | 94.61%              | 84.64%              | 81.29%              | 91.63%              |
| <br>                                                                   |                     |                     |                     |                     |                     |
| Covered-employee payroll                                               | \$ 891,392          | \$ 955,128          | \$ 881,655          | \$ 844,209          | \$ 851,737          |
| <br>                                                                   |                     |                     |                     |                     |                     |
| Net pension liability as a percentage of covered-employee payroll      | 87.44%              | 28.67%              | 86.22%              | 113.46%             | 50.94%              |

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

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

----- POLICE PENSION PLAN -----

|                                                           | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution                       | \$ 91,556         | \$ 73,327         | \$ 66,466         | \$ 63,110         | \$ 81,285         |
| Contributions                                             | <u>91,556</u>     | <u>73,327</u>     | <u>66,466</u>     | <u>63,110</u>     | <u>81,285</u>     |
| Contribution deficiency (excess)                          | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| <b>RATIOS:</b>                                            |                   |                   |                   |                   |                   |
| Covered-employee payroll                                  | \$ 677,797        | \$ 606,966        | \$ 617,426        | \$ 531,118        | \$ 516,581        |
| Contributions as a percentage of covered-employee payroll | 13.51%            | 12.08%            | 10.77%            | 11.88%            | 15.74%            |

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

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

----- GENERAL EMPLOYEES' PENSION PLAN -----

|                                                           | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution                       | \$ 116,014        | \$ 115,356        | \$ 98,273         | \$ 99,367         | \$ 56,979         |
| Contributions                                             | <u>116,034</u>    | <u>115,356</u>    | <u>98,333</u>     | <u>99,407</u>     | <u>57,059</u>     |
| Contribution deficiency (excess)                          | <u>\$ (20)</u>    | <u>\$ -</u>       | <u>\$ (60)</u>    | <u>\$ (40)</u>    | <u>\$ (80)</u>    |
| <b>RATIOS:</b>                                            |                   |                   |                   |                   |                   |
| Covered-employee payroll                                  | \$ 891,392        | \$ 955,128        | \$ 881,655        | \$ 844,209        | \$ 851,737        |
| Contributions as a percentage of covered-employee payroll | 13.02%            | 12.08%            | 11.15%            | 11.78%            | 6.70%             |

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



**BOROUGH OF TARENTUM**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**POST-RETIREMENT HEALTHCARE PLAN**  
**DECEMBER 31,**

|                                                                     | <b><u>12/31/2019</u></b> | <b><u>12/31/2018</u></b> |
|---------------------------------------------------------------------|--------------------------|--------------------------|
| Service cost                                                        | \$ 11,282                | \$ 10,760                |
| Benefit payments                                                    | (14,934)                 | (14,657)                 |
| Interest                                                            | 5,353                    | 4,739                    |
| Changes of benefit terms                                            | -                        | -                        |
| Changes in assumptions or other inputs                              | -                        | -                        |
| Differences between expected and actual<br>experience               | (4,758)                  | 19,371                   |
| <b>Net change in total OPEB liability</b>                           | <b>(3,057)</b>           | <b>20,213</b>            |
| <b>Total OPEB liability - beginning of year</b>                     | <b>182,092</b>           | <b>161,879</b>           |
| <b>Total OPEB liability - end of year</b>                           | <b><u>\$ 179,035</u></b> | <b><u>\$ 182,092</u></b> |
| <br>                                                                |                          |                          |
| Covered-employee payroll                                            | \$ 1,467,280             | \$ 1,418,106             |
| <br>                                                                |                          |                          |
| Total OPEB liability as a percentage of<br>covered employee payroll | 12.20%                   | 12.84%                   |

\*This schedule is presented to illustrate the requirements to show information for a ten-year period. However, the information shown above is for the years which information is available.

**BOROUGH OF TARENTUM**  
**REQUIRED SUPPLEMENTARY INFORMATION – OPEB**  
**ACTUARIALLY DETERMINED CONTRIBUTIONS AND RELATED RATIOS**  
**DECEMBER 31,**

|                                                          | <u>12/31/2019</u>    | <u>12/31/2018</u>   |
|----------------------------------------------------------|----------------------|---------------------|
| Actuarially Determined Contributions (ADC)               | \$ 26,091            | \$ 23,925           |
| Contributions in Relation to the ADC                     | <u>(14,934)</u>      | <u>(14,657)</u>     |
| <b>Contribution Deficiency (Excess)</b>                  | <b><u>11,157</u></b> | <b><u>9,268</u></b> |
| <br>                                                     |                      |                     |
| Covered-employee payroll                                 | \$ 1,467,280         | \$ 1,418,106        |
| <br>                                                     |                      |                     |
| Contribution as a percentage of covered employee payroll | 1.018%               | 1.034%              |

**TARENTUM BOROUGH**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLANS**  
**DECEMBER 31, 2019**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PENSION BENEFITS**

**POLICE PENSION PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of Total Pension Liability**

- Interest Rate changed from 7.0% at 1/1/2017 to 6.75% at 1/1/2019
- Post-Retirement Mortality – RP-2014 + blue collar at 1/1/2017 to RP-2014 + blue collar s/f 2 at 1/1/2019
- Mortality Improvement – Scale MP-2016 at 1/1/2017 to Scale MP-2018 at 1/1/2019

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine actuarially determined contributions:

- **Interest Rates** - 6.75% pre-retirement, 6.75% post-retirement
- **Salary Projection** - 4.0% pre-retirement
- **Actuarial Cost Method** - Entry Age Normal
- **Disability Rates** - None
- **Termination Rates** - None
- **Rates of Pre-Retirement Mortality** - None
- **Rates of Post-Retirement Mortality** - Males and Females: RP-2014 + Blue Collar s/f 2
- **Rates of Disabled Lives** - Males and Females: RP-2014 + Blue Collar s/f 2
- **Mortality Improvement** - Scale MP-2018
- **Retirement Age** - Later of age 50 & 25 years of service or attached age + 1 if greater
- **Marital Status and Spouse's Age** - 100% Married, female spouse three years younger
- **Cost of Living Increases** - 2.25%
- **Administrative Expenses** - 2.567% of payroll
- **Asset (smoothing) method** – Method described in Act 205, Section 210(a)  
Asset corridor = +/-15%

**NON-UNIFORM PENSION PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of Total Pension Liability**

None

**TARENTUM BOROUGH**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLANS**  
**DECEMBER 31, 2019**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PENSION BENEFITS (Continued)**

**NON-UNIFORM PENSION PLAN (Continued)**

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine actuarially determined contributions:

- Actuarial Valuation Date: January 1, 2015
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level dollar based on the amortization periods in Act 205
- Asset Valuation Method: Based on the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary Increases: Age-related scale with merit and inflation component
- COLA Increases: 3.0% for those eligible for COLA
- Pre-Retirement Mortality: Males - RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP 2000 Combined Health Mortality

**TARENTUM BOROUGH**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**POST-RETIREMENT HEALTH CARE PLAN**  
**DECEMBER 31, 2019**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

None

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability**

The total OPEB liability was determined using the following significant actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

- **Funding Method** – Entry age normal (% of compensation)
- **Discount Rate** – 3.00%
- **Mortality** – RP-2014 Blue Collar w/MP-2018 head-count weighted rates
- **Turnover** – T-1
- **Future Retirement Participation** – Police - 10%, Non-Uniform – 20%
- **Rates of Disablement** – None assumed
- **Assumed Retirement Age** – Police – Later of age 55 & 25 years of service, Non-Uniform – Age 60
- **Health Care Cost Trends** – 1<sup>st</sup> 5 years 8%, next 6 years 7%, next 7 years 6%, ultimate trend 5%
- **Base Per Capita Costs (monthly)** – Health \$1,078.99, Life \$6.00
- **Salary Increase** – 4%
- **Assumed Retirement Age** – NRA or attained age if later
- **Benefit Commitment** – Police (medical) 5 years of coverage, none after 65, Non-Uniform (medical) 3 years of coverage, none after 65, Both (medical) no coverage if other coverage available,
- **Life** - \$10,000
- **Spouse Coverage** – covered only when retiree covered