

# **Borough of Plum**

## **Primary Government Financial Statements and Required Supplementary and Supplementary Information**

**Year Ended December 31, 2016 with  
Independent Auditor's Report**

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **BOROUGH OF PLUM**

YEAR ENDED DECEMBER 31, 2016

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YEAR ENDED DECEMBER 31, 2016

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## Independent Auditor's Report

Members of Council  
Borough of Plum

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Adverse Opinion on Discretely Presented Component Unit**

The financial statements do not include financial data for the Borough's legally separate component unit (Plum Borough Municipal Authority). Accounting principles generally accepted in the United States of America require financial data for this component unit to be reported with the financial data for the Borough's primary government unless the Borough also issues financial statements of the financial

reporting entity that include the financial data for its component units. The Borough has not issued such reporting entity financial statements.

### **Adverse Opinion on Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Borough as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2016, and the respective changes in financial position thereof 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, budgetary comparison information, and pension information on pages i through vii, page 47, and pages 48 through 53, respectively, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic government financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used 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

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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 our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
July 6, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Borough of Plum (Borough), we offer readers of the Borough's primary government financial statements (financial statements) this narrative overview and analysis of the financial performance of the Borough for the fiscal year ended December 31, 2016. Please read this Management's Discussion and Analysis in conjunction with the financial statements which follow in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2016.

### FINANCIAL HIGHLIGHTS

- In 2016, the Borough adopted the "*Fair Value Measurement and Application*" in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 72. This statement addresses accounting and financial reporting issues related to fair value measurements, and requires additional disclosures related to investments.
- In 2016, the Borough also adopted "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" in accordance with the Government Accounting Standards Board Statement (GASB) No. 76. This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.
- In 2016, the Borough also adopted "*Tax Abatement Disclosures*" in accordance with the Government Accounting Standards Board Statement (GASB) No. 77. This statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.
- In 2016, the Borough also adopted "*Certain External Investment Pool Participants*" in accordance with the Government Accounting Standards Board Statement (GASB) No. 79. This statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement required additional disclosures related to investments.
- The Borough's net position, which are total assets plus deferred outflows of resources, minus total liabilities, as presented, were \$(2,234,899) at December 31, 2016, a decrease of \$330,950.
- At the end of the current fiscal year, the Borough had total bonds and loans outstanding of \$17,033,591. The total bonds and loans increased by \$701,682 or 4.3% during the current year.
- The General Fund reported a positive net change in fund balance of approximately \$99,000, and is due to revenues exceeding budget.
- The total fund balance in the Borough's General Fund at December 31, 2016 was \$2,174,092. Fund balances in funds other than the General Fund totaled \$1,890,006 at December 31, 2016.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the Borough's basic financial statements. The

Borough's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the primary government financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The two *government-wide financial statements* are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business. These statements report on the Borough's total net position and how they have changed.

The *statement of net position* presents information on all of the Borough's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

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

The government-wide financial statements indicate that the functions of the Borough are principally supported by taxes and intergovernmental revenue (*governmental activities*.) The Borough does not participate in functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Borough encompass general government, public safety, public works, culture and recreation, and debt service activities.

The government-wide financial statements can be found on pages 1 and 2 of this report.

**Fund Financial Statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Borough reports only governmental funds and fiduciary funds.

**Governmental Funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Borough maintained nine governmental funds during 2016. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and



changes in fund balance for the General Fund, 2010 Bond Fund, and 2013 Bond Fund as they are the only major funds in 2016. Consolidated information for other than the General Fund, 2010 Bond Fund, and 2013 Bond Fund is presented within the Other Governmental Funds category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The reason for not reporting other funds separately is that they are not considered to be major funds in 2016. The six other governmental funds are the Fire Protection Fund, the State Fund, the Flood Mitigation Fund, the Debt Service Fund, the Street Improvement Fund, and the Capital Improvement Fund. Data from these other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Borough adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

**Fiduciary Funds** - *Fiduciary funds* are used to account for assets held in a trustee capacity. The Borough's fiduciary funds consist of one Agency Fund and two Pension Trust Funds: the Police Pension Fund and the Administrative Pension Fund.

Fiduciary funds are reported on the accrual basis of accounting whereas revenues are recorded when earned and expenses are recorded when a liability is incurred.

The fiduciary fund financial statement can be found on pages 6 and 7 of this report.

**Notes to Primary Government Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to primary government financial statements can be found on pages 8 through 46 of this report.

**Required Supplementary Information** - This section of the report contains certain budgetary comparison and pension information required by accounting principles generally accepted in the United States of America. This information can be found on pages 47 through 53 of this report.

**Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report also includes the combining statements referred to earlier in connection with the other governmental funds and fiduciary funds. These can be found on pages 54 and 58 of this report.

## FINANCIAL ANALYSIS OF THE BOROUGH

As noted earlier, net position may serve over time as a useful indicator of a government agency's financial position. Net position increase when revenues exceed expenses. In the case of the Borough, liabilities exceeded assets and deferred outflows by \$2,234,899 at the close of the fiscal year.

A condensed summary of the Borough's net assets at December 31, 2016 and 2015 is as follows.

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
<b>Assets:</b>			
Current and other assets	\$ 6,573,556	\$ 6,721,173	\$ (147,617)
Capital assets, net	<u>18,395,556</u>	<u>17,973,711</u>	<u>421,845</u>
<b>Total Assets</b>	<u>\$ 24,969,112</u>	<u>\$ 24,694,884</u>	<u>\$ 274,228</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	\$ 789,426	\$ 361,333	\$ 428,093
Deferred outflows of resources related to pension	<u>1,004,696</u>	<u>563,438</u>	<u>441,258</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,794,122</u>	<u>\$ 924,771</u>	<u>\$ 869,351</u>
<b>Liabilities:</b>			
Current and other liabilities	\$ 1,892,495	\$ 2,182,336	\$ (289,841)
Non-current liabilities	<u>27,105,638</u>	<u>25,341,268</u>	<u>1,764,370</u>
<b>Total Liabilities</b>	<u>\$ 28,998,133</u>	<u>\$ 27,523,604</u>	<u>\$ 1,474,529</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 1,566,778	\$ 1,316,725	\$ 250,053
Restricted	980,000	1,478,936	(498,936)
Unrestricted	<u>(4,781,677)</u>	<u>(4,699,610)</u>	<u>(82,067)</u>
<b>Total Net Position</b>	<u>\$ (2,234,899)</u>	<u>\$ (1,903,949)</u>	<u>\$ (330,950)</u>

The increase in deferred charge on refunding is due to the refunding of the 2013 Bonds. This refunding issuance resulted in a future decrease in cash flows of approximately \$3,402 and an economic gain of approximately \$579,084.

The increase in capital assets is mainly due to infrastructure improvements, and capital equipment purchases net of current year depreciation expense.

The Borough has non-current liabilities or long-term obligations that include term loans and bond issuances.

The total net position of the Borough's activities decreased from an amount of \$(1,903,949) in 2015, to \$(2,234,899) in 2016. The decrease in net position was mainly due to a decrease in restricted fund balance. Restricted net position, the part of net position that includes amounts for which constraints on the use of resources are either, (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation, decreased by (\$498,936).

A condensed summary of the Borough's change in net position for the fiscal year ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Program revenues:			
Charges for services	\$ 3,061,777	\$ 2,947,811	\$ 113,966
Operating grants and contributions	1,460,707	1,345,528	115,179
Capital grant contributions	3,525	2,968	557
General revenues:			
Real estate taxes	5,629,368	5,695,560	(66,192)
Earned income taxes	3,718,277	3,672,097	46,180
Local services taxes	325,870	316,928	8,942
Other taxes	900,261	862,210	38,051
Franchise fees	600,934	578,205	22,729
Interest income	6,183	4,561	1,622
Sale of Capital Assets	54,453	-	54,453
Miscellaneous	283,817	45,205	238,612
Total revenues	<u>16,045,172</u>	<u>15,471,073</u>	<u>574,099</u>
Program expenses:			
General government	1,804,547	1,740,620	63,927
Public safety	6,065,154	6,132,590	(67,436)
Public works	7,394,916	5,832,298	1,562,618
Culture and recreation	481,344	573,617	(92,273)
Interest on long-term debt	630,161	649,845	(19,684)
Total expenses	<u>16,376,122</u>	<u>14,928,970</u>	<u>1,447,152</u>
<b>Change in Net Position</b>	<b>(330,950)</b>	<b>542,103</b>	<b>(873,053)</b>
Net position-beginning	<u>(1,903,949)</u>	<u>(2,446,052)</u>	<u>(873,053)</u>
Net position-ending	<u>\$ (2,234,899)</u>	<u>\$ (1,903,949)</u>	<u>\$ (330,950)</u>

Total government-wide revenues of \$16,045,172 were largely derived from property tax collections, earned income collections, and other tax receipts. Total revenues increased in 2016 by \$574,099 when compared to 2015.

Total program expenses in 2016 were \$16,376,122 which is \$1,447,152 more than the previous year. The largest portion of this increase in expenditures was in the area of public works.

## FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Borough's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Borough's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government agency's net resources available for spending at the end of the fiscal year.

As of the end of 2016, the Borough's governmental funds reported combined ending fund balances of \$4,064,098. Approximately, 31% of this total amount or \$1,271,312 constitutes *restricted fund balance*. The remainder of the fund balance is unassigned or is the residual classification for the Borough's General Fund and contains all spendable amounts not contained in other classifications of fund balance.

The General Fund is the principal operating fund of the Borough. At the end of the current fiscal year, the *unassigned fund balance* of the General Fund was \$1,634,356, or approximately 13.6% of the 2016 adopted expenditure budget. The Borough has established a minimum Unassigned Fund Balance of 5% of the Borough's General Fund annual operating expenditures. In an event that the balance drops below the established minimum level, the Borough's governing body will develop a plan to replenish the fund balance to the established minimum level within two years.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual General Fund revenues were 102.3% of budget or above budgetary estimates by \$272,269; expenditures were above budgetary estimates by \$238,291 (considering the impact of initial year capital lease transactions and fund transfers). The net change in fund balance had a positive variance of \$33,978, and was directly related to budgeted savings and revenues exceeding expectations.

## CAPITAL ASSETS

Capital assets are reported in the government-wide statements of net assets, but not reported in the fund financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. A summary of the current year changes in capital assets can be found in Note 7 of the Notes to Primary Government Financial Statements.

## DEBT ADMINISTRATION

**Long-Term Debt** - At the end of the current fiscal year, the Borough had total outstanding debt that included issuances of Series 2013, 2014, 2015, and 2016 Bonds, and Fire Fund loans in the amount of \$17,033,591 (not inclusive of capital leases and compensated absences).

In 2016, the Borough issued General Obligation Bonds in the amount of \$5,830,000 (2016 Bonds), the proceeds of which were used to partially refund the outstanding Series 2013 Bonds.

The total bonds and loans increased by a net of \$701,682 or 4.3% during the current fiscal year.

A summary of the Borough's debt activity in 2016 follows:

Beginning balance, January 1, 2016	\$ 16,331,909
Additions	5,830,000
Issuance discount	112,779
Discount amortization	-
Repayments	<u>(5,241,097)</u>
Ending balance, December 31, 2016	<u>\$ 17,033,591</u>

More detailed information about the Borough's debt activity can be found in Note 4 to the financial statements.

### **2017 BUDGET HIGHLIGHTS**

The 2017 General Fund budget continues to emphasize cost containment. Several highlights include:

- The 2017 General Fund budgeted revenues are anticipated to be 4.2% higher than the 2016 budgeted figures. This increase is predominantly due higher real estate tax collections.
- The 2017 budget does include a Real Estate Property Tax increase.
- The 2017 General Fund budgeted expenditures were adopted at \$12.27 million or an increase of 3.9% when compared to 2016. The increase was mainly due to entering into a new waste collection contract, expanding the Public Works department, and purchasing additional winter maintenance materials out of the General Fund.
- The budget includes funds to maintain current levels of policing, Public Works services, and infrastructure maintenances.

### **CONTACTING THE BOROUGH'S MANAGEMENT**

This financial report is designed to provide our citizens, 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 questions about this report or need additional financial information, please contact:

Borough Manager  
Borough of Plum  
4575 New Texas Road  
Plum, PA 15239

# BOROUGH OF PLUM

## STATEMENT OF NET POSITION

DECEMBER 31, 2016

<b>Assets</b>	
Cash and cash equivalents	\$ 2,848,840
Cash held for escrow deposits	204,759
Receivables, net	3,367,886
Prepays	152,071
Capital assets, net of accumulated depreciation:	
Construction in progress	31,675
Land	388,660
Infrastructure	3,070,043
Buildings and building improvements	12,034,093
Improvements other than buildings	655,749
Machinery and equipment	2,215,336
Total capital assets, net of accumulated depreciation	18,395,556
<b>Total Assets</b>	<b>24,969,112</b>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	789,426
Deferred outflows of resources related to pension	1,004,696
<b>Total Deferred Outflows of Resources</b>	<b>1,794,122</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	671,899
Unearned revenue	360
Escrow liability	204,759
Long-term liabilities due within one year:	
Capital leases payable	471,007
Bonds and loans	497,744
Accrued interest	46,726
Long-term liabilities due in more than one year:	
Capital leases payable	889,434
Bonds and loans	16,535,847
Compensated absences	476,197
Net other post-employment benefits liability	3,173,523
Net pension liability	6,030,637
<b>Total Liabilities</b>	<b>28,998,133</b>
<b>Net Position</b>	
Net investment in capital assets	1,566,778
Restricted for:	
Liquid Fuels Tax projects	63,324
Fire protection	234,259
Street improvements	364,594
Debt service	196,471
Flood mitigation	133,687
Unrestricted	(4,794,012)
<b>Total Net Position</b>	<b>\$ (2,234,899)</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 1,804,547	\$ 33,795	\$ -	\$ -	\$ (1,770,752)
Public safety	6,065,154	492,761	552,714	-	(5,019,679)
Public works	7,394,916	2,531,068	907,993	-	(3,955,855)
Culture and recreation	481,344	4,153	-	3,525	(473,666)
Interest on long-term debt	630,161	-	-	-	(630,161)
<b>Total governmental activities</b>	<b>\$ 16,376,122</b>	<b>\$ 3,061,777</b>	<b>\$ 1,460,707</b>	<b>\$ 3,525</b>	<b>(11,850,113)</b>
General revenues:					
Taxes:					
Real estate					5,629,368
Earned income					3,718,277
Local services					325,870
Real estate transfer					307,453
Other					592,808
Franchise fees					600,934
Interest income					6,183
Refunds					4,899
Sale of capital assets					54,453
Miscellaneous income					278,918
Total general revenues					11,519,163
<b>Change in Net Position</b>					(330,950)
<b>Net Position:</b>					
Beginning of year					(1,903,949)
End of year					<u>\$ (2,234,899)</u>

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General	2010 Bond Fund	2013 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 919,743	\$ -	\$ 688,423	\$ 1,240,674	\$ 2,848,840
Cash held for escrow deposits	204,759	-	-	-	204,759
Receivables:					
Taxes	1,723,016	-	-	381,505	2,104,521
Sanitation fees	491,860	-	-	-	491,860
Other	141,650	486,269	-	143,586	771,505
Prepays	139,736	-	-	12,335	152,071
Due from other funds	511,744	-	-	-	511,744
<b>Total Assets</b>	<b>\$ 4,132,508</b>	<b>\$ 486,269</b>	<b>\$ 688,423</b>	<b>\$ 1,778,100</b>	<b>\$ 7,085,300</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 316,350	\$ -	\$ 18,692	\$ 153,931	\$ 488,973
Accrued liabilities	182,926	-	-	-	182,926
Unearned revenue	360	-	-	-	360
Due to other funds	-	486,269	-	25,475	511,744
Escrow liability	204,759	-	-	-	204,759
<b>Total Liabilities</b>	<b>704,395</b>	<b>486,269</b>	<b>18,692</b>	<b>179,406</b>	<b>1,388,762</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	1,254,021	-	-	378,419	1,632,440
<b>Fund Balance:</b>					
Nonspendable - prepaids	139,736	-	-	12,335	152,071
Restricted for:					
Liquid Fuels Tax projects	-	-	-	63,324	63,324
Fire protection	-	-	-	134,375	134,375
Debt service	-	-	-	78,428	78,428
Street improvements	-	-	-	215,860	215,860
Flood mitigation	-	-	-	109,594	109,594
Capital projects	-	-	669,731	-	669,731
Assigned for:					
Compensated absences	50,000	-	-	-	50,000
Road paving	250,000	-	-	-	250,000
Weather related emergencies	100,000	-	-	-	100,000
Capital projects	-	-	-	606,359	606,359
Unassigned	1,634,356	-	-	-	1,634,356
<b>Total Fund Balance</b>	<b>2,174,092</b>	<b>-</b>	<b>669,731</b>	<b>1,220,275</b>	<b>4,064,098</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 4,132,508</b>	<b>\$ 486,269</b>	<b>\$ 688,423</b>	<b>\$ 1,778,100</b>	<b>\$ 7,085,300</b>

**Total Fund Balance - Governmental Funds**

\$ 4,064,098

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	18,395,556
Real estate taxes receivable, earned income taxes receivable, and sanitation receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable in the funds.	1,632,440
The net pension and other post-employment benefits liabilities are not reflected on the fund financial statements.	(9,204,160)
Deferred outflows of resources for pension are recorded and amortized in the statement of net position. However, this item is not recorded on the fund financial statements.	1,004,696
Unamortized charges on bond refundings are reported as deferred outflows of resources on the governmental activities statement of net position but are not reported in the funds.	789,426
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund.	(18,916,955)

**Total Net Position of Governmental Activities**

\$ (2,234,899)

See accompanying notes to primary government financial statements.



# BOROUGH OF PLUM

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2016

	General	2010 Bond Fund	2013 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 8,505,952	\$ -	\$ -	\$ 2,104,087	\$ 10,610,039
Licenses and permits	805,391	-	-	-	805,391
Fines and forfeits	59,113	-	-	-	59,113
Interest, rent, and royalties	2,601	-	-	18,582	21,183
Intergovernmental	786,965	-	-	934,883	1,721,848
Charges for services	1,818,278	-	-	699,746	2,518,024
Miscellaneous	92,837	-	-	191,011	283,848
Total revenues	12,071,137	-	-	3,948,309	16,019,446
<b>Expenditures:</b>					
Current:					
General government	1,642,814	-	-	-	1,642,814
Public safety	5,164,346	-	-	489,627	5,653,973
Public works	4,181,783	-	-	2,047,117	6,228,900
Culture and recreation	599,217	-	-	-	599,217
Capital outlay	-	-	269,682	1,289,719	1,559,401
Debt service:					
Principal	382,905	-	-	762,703	1,145,608
Issuance costs	-	-	142,869	-	142,869
Interest	10,880	-	-	563,809	574,689
Total expenditures	11,981,945	-	412,551	5,152,975	17,547,471
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	89,192	-	(412,551)	(1,204,666)	(1,528,025)
<b>Other Financing Sources (Uses):</b>					
Proceeds from capital lease	474,341	-	-	514,553	988,894
Proceeds from bonds payable	-	-	5,830,000	-	5,830,000
Refunded bonds escrow agent	-	-	(5,095,859)	-	(5,095,859)
Proceeds of capital asset disposition	-	-	-	54,453	54,453
Transfers in	-	-	-	480,000	480,000
Transfers out	(465,000)	-	-	(15,000)	(480,000)
Total other financing sources (uses)	9,341	-	734,141	1,034,006	1,777,488
<b>Net Change in Fund Balance</b>	98,533	-	321,590	(170,660)	249,463
<b>Fund Balance:</b>					
Beginning of year	2,075,559	-	348,141	1,390,935	3,814,635
End of year	\$ 2,174,092	\$ -	\$ 669,731	\$ 1,220,275	\$ 4,064,098

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

**Net Change in Fund Balance - Governmental Funds** \$ 249,463

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

Governmental funds report general government, public safety, public works, and culture and recreation expenditures for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Public safety expenditures for capital assets	\$ 105,266	
Public works expenditures for capital assets	694,794	
Culture and Recreation expenditures for capital assets	188,833	
Capital outlay for capital assets	909,185	
Less: depreciation expense	<u>(1,476,233)</u>	421,845

Current year long-term debt proceeds reported as other financing sources in the governmental fund financial statements are shown as increases in the long-term debt liability in the government-wide financial statements. (6,818,894)

Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in the debt in the government-wide financial statements. 5,885,577

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues, excluding those from grants, decreased by this amount during the year. (28,696)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due. Accrued interest decreased by this amount during the year. 4,703

The governmental fund financial statements report the effect of bond discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the current year activity of these long-term debt related costs. 315,314

Some expenses (i.e., changes in compensated absences and pension and OPEB liabilities) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (360,262)

**Change in Net Position of Governmental Activities** \$ (330,950)

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## COMBINED STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2016

	Pension Trust Funds	Agency Fund
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 5,109
Investments at fair value:		
Guaranteed interest account	175,774	-
Mutual funds	889,073	-
Corporate bonds	201,370	-
Common stocks	4,555,064	-
Money market funds	144,339	-
ETFs	462,186	-
	<u>6,427,806</u>	<u>-</u>
Total investments at fair value		
	<u>6,427,806</u>	<u>-</u>
Investments measured at net asset value (NAV):		
Common/collective trusts	3,228,094	-
Pooled separate accounts - equities	276,140	-
Pooled separate accounts - balanced/asset allocation	619,336	-
Pooled separate accounts - fixed income	257,667	-
	<u>4,381,237</u>	<u>-</u>
Total investments measured at NAV		
	<u>4,381,237</u>	<u>-</u>
<b>Total Assets</b>	<u>10,809,043</u>	<u>5,109</u>
<u>Liabilities</u>		
Due to Coal Miners' Memorial Committee	<u>-</u>	<u>5,109</u>
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 10,809,043</u>	<u>\$ -</u>

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## COMBINED STATEMENT OF CHANGES IN PLAN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Pension Trust Funds
<b>Additions:</b>	
Contributions:	
Employer, including state aid	\$ 716,962
Employee	136,789
Total contributions	853,751
Investment income:	
Net appreciation in fair value of investments	630,409
Interest and dividends	149,838
Total investment income	780,247
Total additions	1,633,998
<b>Deductions:</b>	
Benefits	939,176
Administrative expense	62,334
Total deductions	1,001,510
<b>Change in Plan Net Position</b>	632,488
<b>Net Position:</b>	
Beginning of year	10,176,555
End of year	\$ 10,809,043

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### 1. REPORTING ENTITY

The Borough of Plum (Borough) operates under the Pennsylvania Borough Code, with an elected Mayor and seven elected Council members. The Borough covers approximately 29 square miles in southwestern Pennsylvania and has a population of approximately 25,000 residents. The Borough provides services in many areas to its residents, including various general government services, public safety, highway maintenance, and recreation.

The primary government financial statements (financial statements) include only the financial activity of the Borough and do not include the Plum Borough Municipal Authority (Authority), which is considered a component unit in accordance with accounting principles generally accepted in the United States of America applied to governmental entities. The Borough is considered to be financially accountable for the Authority because Council appoints the Authority's governing Board and guarantees the majority of the Authority's debt (Note 5). Separate financial statements for the Authority are available from its offices.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough. For the most part, the effect of inter-fund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Property taxes, earned income taxes, franchise taxes, sanitation fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

### *Fund Accounting*

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Borough only uses governmental funds and fiduciary funds.

### *Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between the governmental fund assets and liabilities is reported as fund balance.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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The Borough reports the following major governmental funds:

The *General Fund* is the Borough's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *2010 Bond Fund* is used to account for the proceeds of the 2010 General Obligation Bonds. The proceeds were used for various capital projects including construction of a new storm water projects.

The *2013 Bond Fund* is used to account for the proceeds of the 2013 General Obligation Bonds. The proceeds were used for a new fire and EMS facility.

Additionally, the Borough reports the following other governmental funds:

The *Fire Protection Fund* accounts for 0.344 mills of the property tax levy used to support fire services in the community and includes an annual contribution to the fire departments, training, fuel, and financing of capital improvements, such as apparatus and communications.

The *State Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting, and maintaining roads and bridges within the Borough.

The *Flood Mitigation Fund* accounts for the flood mitigation fees paid by residents for the construction, repair, maintenance, and monitoring of storm pipes, catch basins, retention ponds, and other storm water-related infrastructure.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Borough uses the Debt Service Fund for payment of principal and interest on the Borough's General Obligation Bonds. The Council has designated 0.47 mills of the property tax levy for debt service expenditures.

The *Street Improvement Fund* accounts for 0.585 mills of the property tax levy used to fund major street and road improvements, including the annual paving program and road reconstruction.

The *Capital Improvements Fund* is used to account for capital projects in the community.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### *Fiduciary Funds*

Fiduciary funds are used to account for assets held in a trustee capacity. The Borough reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for public employee retirement systems.

- The Police Pension Fund accounts for assets of the Borough police officers' retirement pension plan.
- The Administrative Pension Fund accounts for assets of the Borough administrative employees' retirement pension plan.

The *Agency Fund* is used to account for assets held by the Borough in a trustee capacity for the Coal Miners' Memorial Committee.

### Deposits and Investments

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All tax receivables are shown net of an allowance for uncollectibles.

### Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets are defined by the Borough as assets with an initial,

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The Borough has elected to account for general infrastructure assets (roads, bridges, sidewalks, and similar items) prospectively from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 (calendar year 2004 for the Borough). The Borough reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Major outlays for capital assets and improvements are capitalized as projects are constructed; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Buildings and building improvements	20-30 years
Improvements other than buildings	7-20 years
Machinery and equipment	4-10 years
System infrastructure	30 years

### Compensated Absences

Compensatory time is an employment benefit entitling police officers to accrue up to 240 hours of compensatory time in lieu of overtime pay. The unfunded obligation associated with compensatory time is payable either in a lump sum upon an officer's retirement, termination, or incrementally if taken as additional time off during the year. Sick leave is an employment benefit entitling employees to accrue unused sick leave. Accrued sick leave is payable in a lump sum at a designated rate, according to department, upon retirement, or termination. Police officers hired prior to January 1, 2011 may accrue up to 100 days of unused sick leave. If, as of December 31 of a given year, a police officer's accumulation is above 100 days, the Borough shall purchase the excess days at a rate of 75 percent of their current rate of pay. Officers hired on or after January 1, 2011 may accrue up to 100 sick leave days and all accrued sick-leave days above 100 days shall expire. All accrued sick-leave days for this group shall expire upon retirement, termination, or a police officer's death. Members of the Teamsters Union may accrue up to 60 sick days and all employees receive six sick leave days a year. These amounts will be paid as employees utilize sick leave and compensatory time benefits or as employees retire or terminate employment with the Borough. Vacation leave is payable in a lump sum at the employees' current rate of pay at the time the employee retires or terminates employment with the Borough. Vacation leave

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# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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cannot be carried forward and must be used in the year following the year the vacation leave was earned.

A liability for compensated absences is determined by the payments which would be available to employees if they would leave or retire from the Borough. These amounts are reflected as long-term liabilities in the government-wide financial statements unless retirements are likely within the upcoming fiscal year. Costs associated with retirements in the immediate succeeding year are reflected as current liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period costs in both the government-wide and fund financial statements.

### Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. The levels are as follows:

- **Nonspendable** – This category represents funds that are not in spendable form and includes such items as prepaid expenditures.
- **Restricted** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors. At December 31, 2016, the Borough had restrictions through grant agreements, government ordinance, and debt covenants.
- **Committed** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by elected council by budget

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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ordinance. Such a commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Removal of this commitment also requires a Council resolution. As of December 31, 2016, the Borough had no committed funds.

- Assigned – This category represents intentions of the Borough to use the funds for specific purposes. The authority to make assignments of fund balance may be made by the Borough Manager or Borough Council and remains in place until released. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. The authority granted to the Borough Manager to make assignments became effective upon adoption of this policy in 2011 by Borough Council and remains in effect until rescinded by resolution of Borough Council. Assigned fund balances as of December 31, 2016 are described in the governmental fund balance sheet.
- Unassigned – This category includes the residual classification for the Borough's General Fund and includes all spendable amounts not contained in other classifications.

The Borough's policy is to use funds in the order of the most restricted to the least restrictive.

The Borough's fund balance provides for a minimum Unassigned Fund balance of 5% of the Borough's General Fund annual operating expenditures.

### Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Borough's deferred outflows of resources include deferred outflows related to the deferred charge on refunding related to debt and deferred outflows or resources related to pensions. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See discussion below regarding the Borough's deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Borough only has one type of item, which arises under a modified accrual basis of accounting, that qualifies

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# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and sanitation fees. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### Deferred Outflows of Resources Related to Pensions

In conjunction with pension accounting requirements, the effect of the difference between projected and actual earnings on pension plan investments are recorded as deferred outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Note 8 presents additional information about the pension plans.

### Classification of Net Position

Accounting standards requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with restricted assets.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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not included in the determination of net investment in capital assets or the restricted components of net position.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of the pension plans. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

### Budgets and Budgetary Accounting

In accordance with the Borough Code, beginning at least thirty 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 in a manner designated by the Council. The proposed budget shall be kept on file with the Borough secretary/treasurer and made available for public inspection for a period of ten days. Notice that the proposed budget is available for public inspection is published by the Borough secretary/treasurer in a newspaper of general circulation. After the expiration of the said ten days, Council shall make such revisions in the budget as shall be deemed advisable, and shall adopt the budget by motion. Details of the budget at the account level of control are kept in the Borough office and are available for public inspection.

For 2016, the Borough budgeted its General Fund, Street Improvement Fund, Capital Improvement Fund, Fire Fund, Debt Service Fund, Liquid Fuels Fund, and Flood Mitigation Fund. The 2010 Bond Fund and 2013 Bond Fund were not budgeted.

Within the General Fund, Council approves all account line item budget overruns, and will approve transfers if necessary between departments. Therefore, although the legal level of control is by line item expenditure, budget transfers will only be executed if an entire department would exceed budget. Amounts that exceeded budget were funded by available General Fund fund balance and no budget transfers were done.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the Borough's 2016 financial statements:

GASB Statement No. 72, "*Fair Value Measurement and Application*." This statement addresses accounting and financial reporting issues related to fair value measurements. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 3.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*." This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes GASB Statement No. 55.

GASB Statement No. 77, "*Tax Abatement Disclosures*." This statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances. The Borough does not have any significant tax abatement agreements.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*." This statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 3.

### Pending Pronouncements

GASB has issued the following statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Borough's financial statements.

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," effective for fiscal years beginning after June 15, 2016 (the Borough's financial statements for the year ending December 31, 2017). This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces GASB Statement No. 43.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,”* effective for fiscal years beginning after June 15, 2017 (the Borough’s financial statements for the year ending December 31, 2018). This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of GASB Statement No. 45.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units,”* effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreement,”* effective for fiscal years beginning after December 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,”* effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). The objective of this statement is to address certain issues that have been raised with respect to GASB Statements No. 67, *“Financial Reporting for Pension Plans,”* No. 68, *“Accounting and Financial Reporting for Pensions,”* and No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”*

GASB Statement No. 83, *“Certain Asset Retirement Obligations,”* effective for fiscal years beginning after June 15, 2018 (the Borough’s financial statements for the year ending December 31, 2019). The objective of this statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

GASB Statement No. 84, *“Fiduciary Activities,”* effective for fiscal years beginning after December 15, 2018 (the Borough’s financial statements for the year ending December 31, 2019). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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GASB Statement No. 85, “*Omnibus 2017*,” effective for fiscal years beginning after June 15, 2017 (the Borough’s financial statements for the year ending December 31, 2018). The objective of this statement is to address practice issues that have been identified during implementation of certain GASB Statements.

GASB Statement No. 86, “*Certain Debt Extinguishment Issues*,” effective for fiscal years beginning after June 15, 2017 (the Borough’s financial statements for the year ending December 31, 2018). The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt and improve accounting and financial reporting for prepaid insurance on debt that is extinguished and the notes to financial statements for debt that is defeased in substance.

### 3. CASH AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short term commercial paper issued by a public corporation, banker’s acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to state statutes. Deposits of the Borough’s governmental funds are maintained in interest-bearing demand deposits, governmental investment pools, or savings accounts.

Accounting principles require disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), and interest rate risk. The following is a description of the Borough’s deposit and investment risks:

#### Governmental Funds and Agency Fund

*Custodial Credit Risk – Deposits.* 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’s deposit policy requires deposits to be held in institutions that are insured by one of the federal deposit insurance organizations and when the value of the Borough’s deposits exceed the insurable limits, the additional sums must be secured by collateral pledged by the depository.

As of December 31, 2016, \$2,150,510 of the Borough’s bank balance of \$2,400,510 was exposed to custodial credit risk which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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institution's name. These deposits had carrying amounts of \$2,127,233 (governmental funds) and \$5,109 (Agency Fund) as of December 31, 2016.

As of December 31, 2016, the Borough had the following short-term investments in cash equivalents:

Investments	Fair Value
PLGIT	\$ 237,943
Money markets	688,423
Carrying amount - governmental deposits	<u>2,127,233</u>
Total cash and cash equivalents per governmental fund financial statements	<u><u>\$ 3,053,599</u></u>

The fair value of the Borough's investments is the same as their carrying amount. The Borough's investments are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The Borough's investment in PLGIT (an external investment pool) is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Borough can withdraw funds from the external investment pool without limitations or fees.

Money markets are valued using quoted marked prices (Level 1 inputs).

The following is a description of the Borough's investment risks:

*Credit Risk.* The Borough's investment policy limits its investment choices to only those with investment grade credit ratings by nationally recognized statistical rating organizations. As of December 31, 2016, the Borough's investments in PLGIT and Money Markets are rated AAAM by Standard & Poor's.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Borough's investments. The Borough's investment policy limits the average investment maturity of the investment portfolio to less than three years, with a maximum maturity in any one security of five years without prior Council approval. All of the Borough's investments are short-term with maturities of less than one year.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Pension Trust Funds

The pension trust funds are used to account for assets held by the Borough in a trustee capacity for future payment of retirement benefits to employees or former employees.

The pension trust funds' investments in money markets, equity and fixed income funds, and guaranteed interest accounts are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in common stock are not subject to the disclosure requirements of GASB Statement No. 40.

The following is a description of the pension trust funds' investment risks:

*Credit risk.* The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The investment policy of the Police Pension Fund requires the weighted average quality of the fixed income portfolio will be maintained at "A" or better, no more than 15% of fixed income in Standard & Poor's rating of BBB, and no more than 5% of fixed income in Standard & Poor's rating below BBB.

As of December 31, 2016, the pension trust funds' investments in guaranteed interest accounts were rated A+ and A1 by Standard & Poor's and Moody's, respectively, and the Borough's investments in money market funds were rated AAAm and Aaa by Standard & Poor's and Moody's. The remaining equity holdings, alternative investments, money market funds, and mutual fund investments were not rated by nationally recognized statistical rating organizations. Fixed income includes investments in corporate bonds totaling \$201,370 at December 31, 2016 which are rated A+ by Moody's.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the pension trust funds' investments. The pension trust funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table shows investment maturities in years for pension trust fund investments with maturities:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Investment Type	Fair Value	Investment Maturities (In Years) from December 31		
		Less than	1-5	6-10
		1 Year	Years	Years
Guaranteed interest accounts	\$ 175,774	\$ 44,541	\$ 131,233	\$ -
Fixed income	3,137,124	-	-	3,137,124
Total securities with maturities	<u>\$ 3,312,898</u>	<u>\$ 44,541</u>	<u>\$ 131,233</u>	<u>\$ 3,137,124</u>

Financial instruments potentially expose the pension trust funds to various risks such as concentrations of credit risk and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term and that such change could materially affect the amount reported on the combined statement of fiduciary net position.

The composition of the pension trust funds is noted below along with the fair value measurements as of December 31, 2016:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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Investments by Fair Value Level:	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Guaranteed Interest Account	\$ 175,774	\$ -	\$ -	\$ 175,774
Mutual Funds - Balanced	374,955	374,955	-	-
Corporate Bonds	201,370	-	201,370	-
Total Fixed Income	752,099	374,955	201,370	175,774
Equities:				
Mutual Funds - Small/Mid US Equity	3,679	3,679	-	-
Common Stocks				
Industrials	690,714	690,714	-	-
Consumer Discretionary	649,073	649,073	-	-
Consumer Staples	305,433	305,433	-	-
Financials	1,055,621	1,055,621	-	-
Health Care	490,866	490,866	-	-
Information Technology	782,662	782,662	-	-
Other	580,695	580,695	-	-
Money Market Funds	144,339	144,339	-	-
Mutual Funds - Global	161,509	161,509	-	-
Mutual Funds - Balanced	348,930	348,930	-	-
ETFs - Growth	462,186	462,186	-	-
Total Equities	5,675,707	5,675,707	-	-
Total investments by fair value level	6,427,806	\$ 6,050,662	\$ 201,370	\$ 175,774
Investments measured at the net asset value (NAV):				
Common/collective Trusts	3,228,094			
Pooled Separate Accounts - Equities:				
Large US Equity	133,382			
Small/Mid US Equity	87,565			
International Equity	55,193			
Pooled Separate Accounts - Balanced/Asset Allocation	619,336			
Pooled Separate Accounts - Fixed Income:				
Short-Term Fixed Income	41,217			
Fixed Income	216,450			
Total investments measured at NAV	4,381,237			
Total investments measured at fair value	\$ 10,809,043			

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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Money markets, mutual funds, common stock, and exchange traded funds are valued using quoted marked prices (Level 1 inputs). Corporate bonds are valued using a matrix pricing model (Level 2 inputs).

The fair value of guaranteed interest accounts represents contract value adjusted to reflect current market interest rates only to the extent such market rates exceed crediting rates (Level 3 inputs). The value represents the amount plan participants would receive currently if they were to withdraw or transfer funds within the plan prior to their maturity for an event other than death, disability, termination or retirement. There are no unfunded commitments.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

Interest in pooled separate accounts is valued at the net asset value of shares held by the Plan at year-end. Separate account funds invest in mutual funds, including funds managed by Principal, and other funds managed by outside investment advisors. Investments held in the separate accounts are stated at fair value and are not available to satisfy the liabilities of the general account. Pooled separate accounts are valued at net asset per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The pooled separate accounts consist of mutual funds actively traded that are easily redeemed at the request of participants. The investment strategies of the underlying investment funds of the separate account include seeking capital appreciation and current income.

The Borough also reports alternative investment funds using the net asset value per share as determined by investment managers under the so-called “practical expedient.” The net asset values of the common/collective trust funds are determined by the funds and provided by the portfolio manager. Valuations are generally based on the compilation of prices from each fund’s underlying company or fund administrator. Upon completion of the fund valuations, the Borough’s individual investor valuations are based upon their ownership share of each pool.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	<u>\$ 1,153,143</u>	n/a	Daily	n/a
Common/collective trusts	<u>\$ 3,228,094</u>	n/a	Daily	n/a

### 4. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Amounts Payable as of January 1, 2016</u>	<u>Change in Long-term Payables</u>	<u>New Debt</u>	<u>Repayment/ Amortization</u>	<u>Amounts Payable as of December 31, 2016</u>	<u>Due Within One Year</u>
Bonds payable	\$ 16,205,000	\$ -	\$ 5,830,000	\$ (5,135,000)	\$ 16,900,000	\$ 415,000
Less: deferred amounts: For issuance discounts	<u>(215,900)</u>	<u>-</u>	<u>-</u>	<u>112,779</u>	<u>(103,121)</u>	<u>-</u>
Total bonds payable	<u>15,989,100</u>	<u>-</u>	<u>5,830,000</u>	<u>(5,022,221)</u>	<u>16,796,879</u>	<u>415,000</u>
Term loans	342,809	-	-	(106,097)	236,712	82,744
Capital leases	1,016,027	-	988,894	(644,480)	1,360,441	471,007
Compensated absences	<u>469,900</u>	<u>6,297</u>	<u>-</u>	<u>-</u>	<u>476,197</u>	<u>-</u>
Total	<u>\$ 17,817,836</u>	<u>\$ 6,297</u>	<u>\$ 6,818,894</u>	<u>\$ (5,772,798)</u>	<u>\$ 18,870,229</u>	<u>\$ 968,751</u>

#### Term Loans and Bonds

During 2004, the Borough issued a \$500,000 term loan to finance the purchase of a fire truck for the Unity Volunteer Fire Department. The fire department will hold title to the truck with the Borough listed as co-owner on the title. The outstanding balance of \$26,659 was paid in full during 2016.

In April 2008, the Borough issued a \$550,000 term loan to finance the purchase of a fire truck for the Holiday Park Fire Department. The fire department will hold title to the truck with the Borough listed as co-owner on the title. The outstanding balance of \$189,017 as of December 31, 2016 will mature in quarterly payments from 2016 through 2020. Interest is payable quarterly at a rate of 4.03%.

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

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In June 2008, the Borough issued a \$270,000 term loan to finance the purchase of a fire truck for the Logan's Ferry Fire Department. The fire department will hold title to the truck with the Borough listed as co-owner on the title. The outstanding balance of \$47,695 as of December 31, 2016 will mature in quarterly payments from 2016 through 2018. Interest is payable quarterly at a rate of 3.95%.

Because the Borough does not operate the fire trucks, maintain the fire trucks, or have full title to the fire trucks, the trucks are not included in the capital assets of the Borough.

In December 2013, the Borough issued General Obligation Bonds in the amount of \$5,040,000, the proceeds of which will be used to finance the construction of a new fire and EMS building. These bonds carry interest rates ranging from .5% to 4.75% and mature through 2044. During 2016, the Borough refunded \$4,740,000 of these bonds via the issuance of the 2016 General Obligation Bonds noted below. At December 31, 2016, the outstanding balance was \$115,000.

In July 2014, the Borough issued General Obligation Bonds in the amount of \$5,305,000 (2014 Bonds), the proceeds of which were used to advance refund a portion of the Series B of 2010 Bonds. These bonds carry interest rates ranging from .35% to 3.4% and mature through 2031. At December 31, 2016, the outstanding balance was \$5,205,000.

The debt service requirements of the 2014 Bonds is substantially the same as what the debt service requirements would have been on the remaining Series B of 2010 Bonds if there had been no refunding. The 2014 refunding resulted in a deferred refunding loss of \$289,157, which will be amortized over the life of the 2014 Bonds.

In June 2015, the Borough issued General Obligation Bonds in the amount of \$6,065,000 (2015 Bonds), the proceeds of which were used to currently refund the outstanding Series B of 2010 Bonds. These bonds carry interest rates ranging from .6% to 3.75% and mature through 2040. At December 31, 2016, the outstanding balance was \$5,775,000.

In connection with the Series B of 2010 Bonds current refunding noted above, a portion of the proceeds were deposited into an irrevocable trust with an escrow agent to provide for certain debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. None of the defeased Series B of 2010 Bonds remained outstanding as of December 31, 2015.

The 2015 refunding resulted in a deferred refunding loss of \$108,476, which is be amortized over the life of the 2015 Bonds.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

In May 2016, the Borough issued General Obligation Bonds in the amount of \$5,830,000 (2016 Bonds), the proceeds of which were used to advance refund a portion of the outstanding 2013 Bonds. These bonds carry interest rates ranging from .75% to 3.375% and mature through 2044. At December 31, 2016, the outstanding balance was \$5,805,000.

The debt service requirements of the 2016 Bonds is substantially the same as what the debt service requirements would have been on the remaining 2013 Bonds if there had been no refunding. The 2016 refunding resulted in a deferred refunding loss of \$464,341, which will be amortized over the life of the 2016 Bonds. The 2016 refunding issuance resulted in a future decrease in cash flows of approximately \$3,402 and an economic gain of approximately \$579,084.

Annual debt service requirements for the bonds and term loans are as follows:

	Principal	Interest	Total
2017	\$ 497,744	\$ 543,947	\$ 1,041,691
2018	494,617	528,057	1,022,674
2019	495,624	510,898	1,006,522
2020	478,727	496,346	975,073
2021	455,000	486,600	941,600
2022-2026	2,480,000	2,265,496	4,745,496
2027-2031	2,730,000	1,895,761	4,625,761
2032-2036	3,150,000	1,399,722	4,549,722
2037-2041	3,770,000	777,069	4,547,069
2042-2044	2,585,000	128,269	2,713,269
Total	<u>\$ 17,136,712</u>	<u>\$ 9,032,165</u>	<u>\$ 26,168,877</u>

### Tax Anticipation Note

In January 2016, the Borough issued a \$3,500,000 tax anticipation note. This note is secured by all taxes and current revenues of the Borough and matured on December 31, 2016. The interest rate on the note was 1.2% and the balance was paid in full by December 31, 2016.

In January 2017, the Borough issued a \$3,500,000 tax anticipation note. This note is secured by all taxes and current revenues of the Borough and will mature on December 31, 2017. The interest rate on the note is 1.25% and is expected to be paid in full by December 31, 2017.



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Obligations under Capital Leases

The Borough has entered into various capital lease agreements for the purchase of equipment. The leases require annual payments of principal and interest and are secured by the related equipment. The lease maturity dates range from 2015 to 2020. At December 31, 2016, the total cost of equipment under capital lease was \$1,360,441.

Present value of future minimum lease payments for these capital leases for the years ending December 31 are as follows:

2017	\$ 533,515
2018	449,565
2019	317,101
2020	<u>193,265</u>
	1,493,446
Less: interest	<u>(133,005)</u>
	<u><u>\$ 1,360,441</u></u>

## 5. GUARANTEE OF DEBT

The Borough guarantees certain obligations of the Authority. Outstanding obligations guaranteed by the Borough at December 31, 2016 consist of the following:

### 2008 Sewer Revenue Bonds

During fiscal year 2008, the Authority issued Sewer Revenue Bonds, Series 2008 B in the amount of \$4,675,000 and Sewer Revenue Bonds, Series 2008 C, in the amount of \$1,415,000, collectively referred to as 2008 Sewer Bonds. The proceeds of the 2008 Sewer Bonds were used to provide funds to advance refund portions of the outstanding 1999 and 2003 Sewer Revenue Bonds Series and to finance certain capital projects.

At December 31, 2016, the amount outstanding relating to the 2008 Sewer Bonds was \$5,190,000. The 2008 Sewer Bonds carry interest rates ranging from 4.15% to 6.50% and mature through 2026.

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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### 2008 Water Revenue Bonds

During fiscal year 2008, the Authority issued Water Revenue Bonds, Series 2008 (2008 Water Bonds), in the amount of \$3,535,000. The proceeds of the 2008 Water Bonds are to be used to finance the issuance costs and to finance certain capital projects.

At December 31, 2016, the amount outstanding relating to the 2008 Water Revenue Bonds was \$1,785,000. The 2008 Water Revenue Bonds carry interest rates ranging from 2.40% to 4.00% and mature through 2021.

### 2009 Sewer Revenue Bonds

During fiscal year 2009, the Authority issued Sewer Revenue Bonds, Series 2009 in the amount of \$7,420,000. The proceeds of the Sewer Bonds, Series 2009, were used to finance issuance costs, provide funds to currently refund the remaining balance of the 1999 Sewer Revenue Bonds Series, and to finance certain capital projects.

The Sewer Revenue Bonds, Series 2009, carry interest rates ranging from 1.40% to 6.00% and mature through 2016. The outstanding balance of \$1,065,000 relating to the Sewer Revenue Bonds, Series 2009, was paid in full during 2016.

### 2010 Sewer Revenue Bonds

During fiscal year 2010, the Authority issued Sewer Revenue Bonds, Series 2010 B, in the amount of \$9,330,000 and Sewer Revenue Bonds, Series 2010 C, in the amount of \$1,600,000, collectively referred to as 2010 Sewer Bonds. The proceeds of the 2010 Sewer Bonds were used to provide funds to currently refund the outstanding 2003 Sewer Revenue Bonds Series and to finance certain capital projects.

During fiscal year 2015, the Authority currently refunded a portion of the Sewer Revenue Bonds, Series 2010 B in the amount of \$7,235,000, and currently refunded all of the Sewer Revenue Bonds, Series 2010 C in the amount of \$1,600,000, through the issuance of the 2015 Sewer Revenue Bonds, Refunding Series 2015 C, and the 2015 Sewer Revenue Bonds, Refunding Series 2015 D.

The 2010 Sewer Bonds carry interest rates ranging from 1.00% to 4.00% and mature in 2016. The outstanding balance of \$1,425,000 was paid in full during 2016.

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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### 2010 Water Revenue Bonds

During fiscal year 2010, the Authority issued Water Revenue Bonds, Series 2010 A in the amount of \$1,085,000 (2010 Water Bonds). The proceeds of the 2010 Water Bonds were used to finance certain capital projects.

During fiscal year 2016, the Authority currently refunded all of the Water Revenue Bonds, Series 2010A in the amount of \$1,085,000, through the issuance of the 2016 Water Revenue Bonds, Refunding Series A.

### 2011 Sewer Revenue Bonds

During fiscal year 2011, the Authority issued Sewer Revenue Bonds, Series 2011 B in the amount of \$6,435,000 (2011 Sewer Bonds). The proceeds of the 2011 Sewer Bonds were used to provide funds to currently refund the outstanding 2006 Sewer Revenue Bonds Series and to finance certain capital projects.

During fiscal year 2016, the Authority currently refunded all of the Sewer Revenue Bonds, Series 2011 B in the amount of \$6,270,000, through the issuance of the 2016 Sewer Revenue Bonds, Refunding Series B.

### 2011 Water Revenue Bonds

During fiscal year 2011, the Authority issued Water Revenue Bonds, Series 2011 A in the amount of \$2,720,000 and Water Revenue Bonds, Series 2011 C, in the amount of \$2,145,000, collectively referred to as 2011 Water Bonds. The proceeds of the 2011 Water Bonds were used to provide funds to currently refund the outstanding 2006 Water Revenue Bonds Series and to finance certain capital projects.

During fiscal year 2016, the Authority currently refunded all of the Water Revenue Bonds, Series 2011 A, in the amount of \$2,655,000, and the Water Revenue Bonds, Series 2011C, in the amount of \$2,145,000, through the issuance of the 2016 Water Revenue Bonds, Refunding Series A.

### 2014 Water Revenue Bonds

During fiscal year 2014, the Authority issued Water Revenue Bonds, Series 2014 in the amount of \$1,685,000. The proceeds of the 2014 Water Bonds were used to finance certain capital projects.

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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At December 31, 2016, the amount outstanding relating to the 2014 Water Bonds was \$1,685,000. The 2014 Water Bonds carry interest rates ranging from 3.5% to 3.625% and mature in 2033.

### 2015 Water Revenue Bonds

During fiscal year 2015, the Authority issued Water Revenue Bonds, Series 2015 A in the amount of \$6,155,000. The proceeds of the 2015 A Water Bonds were used to provide funds for the financing of certain water system capital projects.

At December 31, 2016, the amount outstanding relating to the 2015 A Water Bonds was \$6,155,000. The 2015 A Water Bonds carry interest rates ranging from 3.7% to 4.0% and mature in 2040.

### 2015 Sewer Revenue Bonds

During fiscal year 2015, the Authority issued Sewer Revenue Bonds, Series 2015 B in the amount of \$1,170,000. The proceeds of the 2015 B Revenue Bonds will were used to provide funds for the financing of certain sanitary sewer system capital projects.

At December 31, 2016, the amount outstanding relating to the 2015 B Revenue Bonds was \$1,170,000. The 2015 B Revenue Bonds carry an interest rate of 3.25% and mature in 2027.

During fiscal year 2015, the Authority issued Sewer Revenue Bonds, Refunding Series 2015 C in the amount of \$8,510,000 and Sewer Revenue Bonds, (Federally Taxable) Refunding Series 2015 D in the amount of \$530,000, collectively referred to as 2015 C and D Revenue Bonds. The proceeds of the 2015 C and D Revenue Bonds were used to currently refund a of the Authority's Sewer Revenue Bonds, Refunding Series 2008 B, currently refund all of the Authority's Sewer Revenue Bonds, Series 2010 C, for the financing of a debt service surety policy for the 2015 C and D Revenue Bonds, and to currently refund the 2003 PennVest loan.

At December 31, 2016, the amount outstanding relating to the 2015 C and D Revenue Bonds was \$8,955,000. The 2015 Revenue Bonds carry interest rates ranging from 2.50% to 3.10% and mature in 2027.

### 2016 Water Revenue Bonds

During fiscal year 2016, the Authority issued Water Revenue Bonds, Refunding Series 2016 A in the amount of \$6,110,000. The proceeds of the 2016 Water Revenue Bonds

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

were used to currently refund all of the Authority's Water Revenue Bonds, Series 2010 A, Water Revenue Bonds, Series 2011 A, and Water Revenue Bonds Series 2011 C.

At December 31, 2016, the amount outstanding relating to the 2016 Water Revenue Bonds was \$6,110,000. The 2016 Water Revenue Bonds carry interest rates ranging from 1.60% to 2.625% and mature in 2030.

### 2016 Sewer Revenue Bonds

During fiscal year 2016, the Authority issued Sewer Revenue Bonds, Refunding Series 2016 B in the amount of \$6,340,000. The proceeds of the 2016 Sewer Revenue Bonds were used to currently refund all of the Authority's Sewer Revenue Bonds, Refunding Series 2011 B.

At December 31, 2016, the amount outstanding relating to the 2016 Sewer Revenue Bonds was \$6,340,000. The 2016 Sewer Revenue Bonds carry interest rates ranging from 2.00% to 3.00% and mature in 2025.

Future annual debt service requirements on debt guaranteed by the Borough are as follows:

	Principal	Interest	Total
2017	\$ 2,210,000	\$ 1,161,845	\$ 3,371,845
2018	2,255,000	1,117,218	3,372,218
2019	2,315,000	1,047,661	3,362,661
2020	2,390,000	975,269	3,365,269
2021	2,515,000	899,514	3,414,514
2022-2026	13,595,000	3,403,290	16,998,290
2027-2031	5,165,000	1,706,341	6,871,341
2032-2036	3,780,000	1,081,100	4,861,100
2037-2040	3,165,000	288,520	3,453,520
	<u>\$ 37,390,000</u>	<u>\$ 11,680,758</u>	<u>\$ 49,070,758</u>

During 2016, the Borough did not make any payments on behalf of or contribute to the Authority.

## 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at December 31, 2016 are summarized below:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Fund	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
Major Funds:				
General Fund	\$ 511,744	\$ -	\$ -	\$ 465,000
2010 Bond Fund	-	486,269	-	-
Other Governmental Funds	-	25,475	480,000	15,000
Total	<u>\$ 511,744</u>	<u>\$ 511,744</u>	<u>\$ 480,000</u>	<u>\$ 480,000</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

In 2016, significant transfer activity related to moving \$450,000 from the General Fund to the Capital Improvement Fund to cover the cost of capital projects.

### 7. CAPITAL ASSETS

A summary of current year changes in capital assets is as follows:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

	Balance at December 31, 2016	Additions	Deletions/ Reclassifications	Balance at December 31, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ 32,541	\$ 27,387	\$ (28,253)	\$ 31,675
Land	388,660	-	-	388,660
Total capital assets, not being depreciated	421,201	27,387	(28,253)	420,335
Capital assets, being depreciated:				
Infrastructure	2,826,347	481,523	28,253	3,336,123
Buildings and building improvements	14,262,681	-	-	14,262,681
Improvements other than buildings	777,219	334,444	-	1,111,663
Machinery and equipment	4,645,911	1,054,724	(305,757)	5,394,878
Total capital assets, being depreciated	22,512,158	1,870,691	(277,504)	24,105,345
Less: accumulated depreciation for:				
Infrastructure	161,956	104,124	-	266,080
Buildings and building improvements	1,526,381	702,207	-	2,228,588
Improvements other than buildings	411,409	44,505	-	455,914
Machinery and equipment	2,859,902	625,397	(305,757)	3,179,542
	4,959,648	1,476,233	(305,757)	6,130,124
Total capital assets, being depreciated, net	17,552,510	394,458	28,253	17,975,221
Total capital assets, net	\$ 17,973,711	\$ 421,845	\$ -	\$ 18,395,556

Depreciation expense was charged to functions/programs of the Borough as follows:

Governmental activities:	
General government	\$ 47,772
Public safety	335,600
Public works	1,021,901
Culture and recreation	70,960
Total depreciation expense - governmental activities	<u>\$ 1,476,233</u>

### 8. PENSION PLANS

The Borough administers two single-employer pension plans covering substantially all full-time employees: the Police Pension Plan (Police Plan), a defined benefit plan for police officers and the Administrative Pension Plan (Administrative Plan), a defined contribution plan for administrative employees. Stand-alone financial statements are not issued for either plan. The Borough also makes contributions to the multi-employer Western Pennsylvania

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Teamsters and Employers Pension Fund (Non-Uniformed Pension Plan) for its road, clerical, and dispatch employees in accordance with a collective bargaining agreement. The Non-Uniformed Pension Plan is administered solely by its Trustees and is subject to GASB Statement No. 78.

### Police Plan - Summary of Significant Accounting Policies

Financial information is presented on the accrual basis of accounting. Employer contributions to this the Police Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Police Plan.

Police Plan assets are reported at fair value. Police Plan assets are invested primarily in equities and U.S. Treasury obligations. The Police Plan did not have any investment transactions with related parties during the year.

### Police Plan – Description

The Police Plan is a single-employer defined benefit plan available to all full-time Borough police officers under Act 205 of the Commonwealth of Pennsylvania (Act). The Police Plan is governed by the Borough's Council which has delegated the authority to manage certain Plan assets to the Police Pension Committee. Police Plan provisions and contribution requirements are established and may be amended by the Borough. The activity of the plan is reported within the Pension Trust Funds in the accompanying financial statements.

At December 31, 2016, Police Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>26</u>
Total plan members	<u><u>45</u></u>

### Police Plan – Benefits Provided

*Retirement Benefit* - Participants are eligible for retirement upon the later of the completion of 25 years of aggregate service or attainment of age 50. Participants are fully vested in the Police Plan upon the completion of 12 years of aggregate service. The monthly pension benefit is equal to 50 percent of the final monthly salary averaged over the last 36 months of employment plus a service increment of \$100 after 26 years of service. The service increment is not available for employees hired after 2010.



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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*Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. A participant who is disabled prior to April 17, 2002 is entitled to the accrued benefit as of the date of disability plus COLA. For disabilities incurred on or after April 17, 2002, the disability benefit is the greater of (i) the accrued benefit, or (ii) 50 percent of the participant's salary at the date of disability offset by the Social Security disability benefits attributable to the disability.

*Death Benefit* - If a participant's death occurs in the line of duty and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 100% of the participant's salary at the time of death. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 50% of the pension the participant was receiving or entitled to receive on the date of death.

*Cost of Living Adjustments* – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are equal to the percentage change in the CPI-W during the last year, multiplied by the pension benefit less the service increment, if any. The total of all increases may not exceed 30% of the retiree's original benefit, nor may the sum of the retiree's benefit and all increases exceed 75% of the average monthly salary used to compute the initial benefit.

### Police Plan – Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act, such contributions are subject to collective bargaining. Employee contributions to the Police Plan for 2016 were \$136,789, which represents 5% of covered payroll.

The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding, which is funded by state foreign casualty insurance tax. Any financial requirement established by the MMO that exceeds the Commonwealth allocation must be funded by the Borough. In 2016, the Borough used the Commonwealth allocation for its police, administrative, and non-uniformed pension plans. The portion allocated to the Police Plan was \$209,983. The remaining \$417,397 was provided by the General Fund during 2016.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Police Plan and funded by investment earnings.

### Police Plan – Net Pension Liability

The components of the net pension liability of the Police Plan at December 31, 2016 were as follows:

Total pension liability	\$ 15,472,553
Plan fiduciary net position	<u>(9,441,916)</u>
Net pension liability	<u>\$ 6,030,637</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.02%</u>

### Changes in the Net Pension Liability

The changes in the net pension liability of the Police Plan at December 31, 2016 were as follows:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 14,258,207	\$ 8,779,173	\$ 5,479,034
Changes for the year:			
Service cost	303,908	-	303,908
Interest	1,039,343	-	1,039,343
Differences between expected and actual	614,600	-	614,600
Changes in assumptions	(11,839)	-	(11,839)
Contributions - employer	-	627,380	(627,380)
Contributions - employee	-	136,789	(136,789)
Net investment income	-	646,457	(646,457)
Benefit payments	(731,666)	(731,666)	-
Administrative expense	-	(16,217)	16,217
Net changes	1,214,346	662,743	551,603
Balances at December 31, 2016	<u>\$ 15,472,553</u>	<u>\$ 9,441,916</u>	<u>\$ 6,030,637</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>61.02%</u>

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75%
Underlying inflation rate	2.50%
Cost of living adjustments	2.50%

RP-2014 with blue collar adjustment mortality table with rates set forward 10 years for all disabled lives.

*Changes in Actuarial Assumptions* Based upon an actuarial valuation performed as of January 1, 2017, the mortality table was updated from the UP-94 Mortality Table to the RP-2014 Mortality Table with the Blue Collar Adjustment. This assumption change decreased the total pension liability by approximately \$12,000.

*Investment Policy* – The Police Plan’s policies in regard to the allocation of invested assets are established and may be amended by the Police Pension Committee by a majority vote of its members as long as they are in compliance with the investment policy statement.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Ultimate authority to effect change or change anything related to the investment policy statement is retained by Borough Council. It is the policy of the Police Pension Committee to produce a total return commensurate with the portfolio's risk, client constraints, and plan financial needs. The policy aims to comply with all applicable trust, fiduciary, and due diligence requirements, and to comply with all applicable federal, state and local laws, rules, and regulations. The policy is intended to temper overall performance volatility.

*Long-Term Expected Rate of Return* – The long-term expected rate of return on Police Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Police Plan's target asset allocation as of December 31, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	50.0%	7.2%
Fixed income	40.0%	3.3%
Cash equivalents	5.0%	2.6%
Alternatives	5.0%	2.6%
	<u>100.0%</u>	

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on the Police Plan investments, net of investment expense, was 7.68%.

*Concentrations* – The Police Plan did not have investments in a single issuer that exceeded 5% of the Police Plan's fiduciary net position at December 31, 2016.

*Discount Rate* – The discount rate used to measure the total pension liability for the Police Plan was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Police Plan's fiduciary net position was projected to be available to make

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

all 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 payments 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 Plans calculated using the discount rates described above, as well as what the Police Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>\$ 7,860,599</u>	<u>\$ 6,030,637</u>	<u>\$ 4,484,982</u>

### Pension Expense and Deferred Outflow of Resources Related to Pensions

For the year ended December 31, 2016, the Police Plan recognized pension expense of \$737,725. At December 31, 2016, the Police Plan reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Outflow of Resources:</u>	
Differences between expected and actual experience	\$ 554,468
Net difference between projected and actual earnings on pension plan investments	<u>450,228</u>
Total deferred outflows of resources	<u>\$ 1,004,696</u>

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

<u>Year ended December 31,</u>	
2017	\$ 196,064
2018	196,064
2019	196,064
2020	55,205
2021	48,294
Thereafter	<u>313,005</u>
Total	<u>\$ 1,004,696</u>

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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### Administrative Plan

The Administrative Plan (Plan) is a non-contributory defined contribution plan available to full-time permanent employees, other than police officers, and employees covered under the Western Pennsylvania Teamsters and Employers Pension Fund. Employer pension contributions were 10 percent of covered earnings during 2016 and participants are immediately vested. Participants may receive retirement benefits upon attainment of age 59 and one-half. Withdrawals of vested pension benefits prior to attaining age 59 and one-half years are subject to regular income taxes and penalties in the year of withdrawal. The pension benefit is equal to contributions made by the Borough on behalf of the employee plus related earnings. Employees may elect to receive a lump-sum distribution or an annuity upon retirement.

Financial information is presented on the accrual basis of accounting. Employer contributions to this Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Plan.

The Plan assets are reported at fair value. Plan assets are invested primarily in guaranteed interest accounts. The Plan did not have any investment transactions with related parties during the year.

The recommended contribution estimated in accordance with Act 205 for the Plan for 2016 was \$89,756, which resulted from a defined contribution of approximately 10% of estimated covered payroll. The actual required contribution of \$89,582, based on actual 2016 wages, was made to the Plan from an employer contribution.

### Non-Uniformed Pension Plan

The Non-Uniformed Pension Plan (Pension Plan) is a cost-sharing multi-employer pension plan available to full-time permanent employees who are covered by a collective bargaining agreement. The Pension Plan provides defined benefit pensions to both employees of local governments and to employees of employers that are not governmental employers; and the plan has no predominant local government employer. The Borough had 21 employees in the years ended December 31, 2016 and 2015, respectively, who participated in the plan. Annual covered payroll of the active Borough members amounted to approximately \$1,170,000, \$1,080,000, and \$1,058,000 for the years ended December 31, 2016, 2015, and 2014, respectively. Borough contributions to this Pension Plan were 100% of the contractual requirements, and were approximately \$166,000, \$145,000, and \$157,000 for the years ended December 31, 2016, 2015, and 2014, respectively. The Western Pennsylvania Teamsters manage this Pension Plan and additional information regarding its current provisions, withdrawal liabilities, and plan assets may be obtained from their offices. Under federal law,

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# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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this Pension Plan has been certified as being in critical status because it has funding or liquidity problems, or both. Future employer contribution increases are likely.

### **9. REAL ESTATE TAXES**

Real estate taxes are based on assessed valuations provided by Allegheny County and are levied on July 1. These taxes are billed and collected by an elected tax collector. Taxes paid through August 31 are given a 2% discount. Amounts paid after November 1, 2016 are assessed a 10% penalty. Taxes billed and not collected before May 1 of the year following the billing year are subject to an additional 6% interest charge. Delinquent taxes are also collected by the elected tax collector.

Under the Borough Code, the Borough is permitted to levy real estate taxes up to 30 mills for general purposes. The aggregate tax rate for the year ended December 31, 2016 was \$3.78 per \$1,000 of assessed valuation (2.381 mills for general purposes, 0.47 mills for debt service, 0.585 mills for street improvement, and 0.344 fire protection). Taxable assessed value for 2016 real estate taxes, was \$1,560,320,794 (approximates 100% of fair value).

### **10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBS)**

#### Plan Description

In addition to providing pension benefits under contractual obligations, the Borough provides certain health care and life insurance benefits for certain retired employees who are covered under employment contracts. The Borough does not have a formal plan document for the OPEB plan, but it operates as a single-employer defined benefit plan that is not accounted for as a trust fund. An irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the Borough's General Fund.

All Police officers that have reached 25 years of service which includes the purchase of prior military service and having reached the age of 50 years are eligible to participate in the retirement program. Eligible employees and their spouses may continue health care benefits from the time of retirement until they become eligible for Medicare. Upon being eligible for Medicare, the employee and their spouse are eligible to participate in medical coverage, at a total cost to the Borough, in a Highmark High Deductible 1500/3000 health insurance plan. With ratification of a new bargaining agreement, hospitalization/major Medical benefits for retirees shall not be provided to any officer hired on or after January 1, 2011.

All other covered employees who have reached 60 years of age are eligible to participate in the retirement program. To be eligible for life insurance, employees must also have been

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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employed by the Borough for at least 15 years. Eligible employees may continue to receive benefits until they become eligible for Medicare.

The cost of the premium will be paid in accordance with the following formula:

For police officers, during the first full year of retirement, the Borough will pay 70% of the premium and the retiree will pay 30% of the premium. During the second full year of retirement, the Borough will pay 80% of the premium and the retiree will pay 20% of the premium. During the third full year of retirement, and each year thereafter until the retiree reaches age 65, the Borough will pay 90% of the premium and the retiree will pay 10% of the premium.

For Municipal and Clerical employees, the Borough shall pay for the cost of a retired employee's individual medical coverage under the Borough Plan from age 62 until age 65. The Borough will pay for the cost of a retired employees' individual medical coverage from age 60 to 62 provided the employee pays the stated contribution of \$76 per month.

As of January 1, 2017, there were 60 active employees in the plan and 31 retirees met the eligibility requirements to receive OPEBs.

### **Funding Policy**

The contribution requirements of OPEB Plan members and the Borough are established and may be amended by the Borough. The OPEB plan is not funded. The employer's contributions are financed on a pay-as-you-go basis. In 2016, the Borough paid \$127,289 in OPEB premiums, net of reimbursement.

The Borough's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the component of the Borough's annual OPEB cost for the year, the amount actually contributed, and changes in the Borough's net OPEB obligation:



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Annual required contribution	\$ 460,381
Interest on net OPEB obligation	87,898
Adjustment to annual required contribution	<u>(149,482)</u>
Annual OPEB cost	398,797
Contributions made (includes implicit rate subsidy)	<u>(155,177)</u>
Increase in net OPEB obligation	243,620
Net OPEB obligation - beginning of year	<u>2,929,903</u>
Net OPEB obligation - end of year	<u><u>\$ 3,173,523</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2016	\$ 398,797	38.91%	\$ 3,173,523
December 31, 2015	579,943	28.44%	2,929,903
December 31, 2014	588,428	31.43%	2,514,888

The ARC for the current year was computed as of the latest actuarial valuation using the following actuarial assumptions:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	30 years
Asset valuation method	N/A - the OPEB plan is unfunded
Actuarial assumptions:	
Investment rate of return	3.00%
Assumed retirement age	Police: later of age 58 & 25 years service Other employees: age 62
Healthcare cost trends:	
Years 1, 2, and 3	9%
Years 4, 5, 6, and 7	8%
Years 8, 9, 10, 11, and 12	7%
Years 13, 14, 15, 16, 17, and 18	6%
Years 19 and thereafter	5%

A few assumptions were updated for the January 1, 2017 actuarial report that impacted the calculation of the ARC. As a result, the ARC is significantly lower than at January 1, 2013 (the date of the previous actuarial report). The primary reason for the decline in costs is the change in mortality tables to the RP-2014, no collar adjustment Mortality Table from the UP-94 Mortality table. The Medicare trend has decreased from 5% for all years to 4% for all years.

The schedule of funding progress as of January 1, 2016 for the postemployment medical and life insurance benefits is as follows:

Actuarial of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)
\$ -	\$ 5,817,583	\$ (5,817,583)	0.0%	\$ 4,588,934	-126.77%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and medical care costs. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and

# **BOROUGH OF PLUM**

## **NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

### **11. DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. Participation in the Plan is open to all employees and is optional. The Plan is not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2016, all amounts of compensation deferred under the Plan are held in trust solely for the benefit of the participants. Investments are managed by the Plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2016 totaled \$1,161,111. Under the applicable accounting provisions, the Plan is not required to be included in the Borough's financial statements.

### **12. COMMITMENTS AND CONTINGENCIES**

The Borough is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The Borough maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Borough against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year and settlements have not exceeded insurance coverage in the past three years.

## **Required Supplementary Information**

# BOROUGH OF PLUM

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

		Budgeted Amounts		Variance with
	Actual	Original	Final	Final Budget
<b>Revenues:</b>				
Taxes	\$ 8,505,952	\$ 8,340,862	\$ 8,340,862	\$ 165,090
Licenses and permits	805,391	749,400	749,400	55,991
Fines and forfeits	59,113	69,000	69,000	(9,887)
Interest, rent, and royalties	2,601	500	500	2,101
Intergovernmental	786,965	808,657	808,657	(21,692)
Charges for services	1,818,278	1,744,949	1,744,949	73,329
Miscellaneous	92,837	85,500	85,500	7,337
Total revenues	12,071,137	11,798,868	11,798,868	272,269
<b>Expenditures:</b>				
Current:				
General government	1,642,814	1,685,949	1,685,949	43,135
Public safety	5,164,346	5,297,647	5,297,647	133,301
Public works	4,181,783	3,555,851	3,555,851	(625,932)
Culture and recreation	599,217	548,847	548,847	(50,370)
Debt service:				
Principal	382,905	644,480	644,480	261,575
Interest	10,880	10,880	10,880	-
Total expenditures	11,981,945	11,743,654	11,743,654	(238,291)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	89,192	55,214	55,214	33,978
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease	474,341	-	-	474,341
Transfers out	(465,000)	(15,000)	(465,000)	-
<b>Net Change in Fund Balance</b>	\$ 98,533	\$ 40,214	\$ (409,786)	\$ 508,319

See accompanying notes to supplementary schedules.

# BOROUGH OF PLUM

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

#### POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,

	2016	2015
<b>Total Pension Liability:</b>		
Service cost	\$ 303,908	\$ 305,818
Interest	1,039,343	1,090,961
Differences between expected and actual experience	614,600	-
Changes of assumptions	(11,839)	-
Benefit payments, including refunds of member contributions	(731,666)	(584,918)
<b>Net Changes in Total Pension Liability</b>	1,214,346	811,861
<b>Total Pension Liability - Beginning</b>	14,258,207	13,446,346
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 15,472,553</u>	<u>\$ 14,258,207</u>
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 627,380	\$ 609,987
Contributions - member	136,789	123,591
Net investment income	646,457	(26,375)
Benefit payments, including refunds of member contributions	(731,666)	(584,918)
Administrative expense	(16,217)	(32,323)
<b>Net Change in Plan Fiduciary Net Position</b>	662,743	89,962
<b>Plan Fiduciary Net Position - Beginning</b>	8,779,173	8,689,211
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 9,441,916</u>	<u>\$ 8,779,173</u>
<b>Net Pension Liability - Ending (a-b)</b>	<u>\$ 6,030,637</u>	<u>\$ 5,479,034</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>61.02%</u>	<u>61.57%</u>
<b>Covered Employee Payroll</b>	<u>\$ 2,519,406</u>	<u>\$ 2,392,895</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	239.37%	228.97%

See accompanying notes to supplementary schedules.

# BOROUGH OF PLUM

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULES OF BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

#### POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,

	2016	2015	2014
<b>Schedule of Borough's Contributions</b>			
Actuarially determined contribution	\$ 627,380	\$ 609,987	\$ 498,284
Contributions in relation to the actuarially determined contribution	627,380	609,987	498,284
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,519,406	\$ 2,392,895	\$ 2,343,637
Contributions as a percentage of covered employee payroll	24.90%	25.49%	21.26%
<b>Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	7.68%	7.77%	9.44%

See accompanying notes to supplementary schedules.

# BOROUGH OF PLUM

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULES OF BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

#### NON-UNIFORMED PENSION PLAN

YEARS ENDED DECEMBER 31,

	2016	2015	2014
<b>Schedule of Borough's Contributions</b>			
Actuarially determined contribution	\$ 165,952	\$ 144,739	\$ 157,004
Contributions in relation to the actuarially determined contribution	165,952	144,739	157,004
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,170,384</u>	<u>\$ 1,079,803</u>	<u>\$ 1,058,299</u>
Contributions as a percentage of covered employee payroll	14.18%	13.40%	14.84%

See accompanying notes to supplementary schedules.



# BOROUGH OF PLUM

## SCHEDULE OF FUNDING PROGRESS - OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2010	\$ -	\$ 6,460,601	\$ (6,460,601)	0.00%	\$ 2,075,426	(311.29%)
1/1/2013	-	7,433,877	(7,433,877)	0.00%	4,013,361	(185.23%)
1/1/2017	-	5,817,583	(5,817,583)	0.00%	4,588,934	(126.77%)

See accompanying notes to supplementary schedules.

# BOROUGH OF PLUM

## NOTES TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016

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### 1. BUDGETARY COMPARISON

The Borough of Plum's (Borough) budgetary process accounts for transactions on the modified accrual basis of accounting on the governmental fund statements.

Excess expenditures over budgeted amounts in public works relates to capital leasing activity not budgeted. This excess is offset by proceeds from capital lease.

### 2. PENSION INFORMATION

#### Actuarial Methods and Assumptions Used in Determining the Contribution Rate

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	13 years
Asset valuation method	General Rule
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75%
Underlying inflation rate	2.50%
Cost of living adjustments	2.50%
Mortality Table	UP-94 Mortality Table with rates set forward 10 years for all disabled lives

#### Benefit Changes – Police Plan

In 2015, no benefit terms were modified.

#### Changes in Actuarial Assumptions

No significant changes were made to the actuarial assumptions in the January 1, 2015 valuation since the previous actuarial valuation on January 1, 2013.

# BOROUGH OF PLUM

## NOTES TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016

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### 3. OPEB INFORMATION

The information presented in the required supplementary OPEB schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	30 years
Asset valuation method	N/A - the OPEB plan is unfunded
Actuarial assumptions:	
Investment rate of return	3.00%
Assumed retirement age	Police: later of age 58 & 25 years service Other employees: age 62
Healthcare cost trends:	
Years 1, 2, and 3	9%
Years 4, 5, 6, and 7	8%
Years 8, 9, 10, 11, and 12	7%
Years 13, 14, 15, 16, 17, and 18	6%
Years 19 and thereafter	5%

## **Supplementary Information**

# BOROUGH OF PLUM

## COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	Special Revenue Funds				Capital Projects Fund		Total Other Governmental Funds
	Fire Protection Fund	State Fund	Flood Mitigation Fund	Debt Service Fund	Street Improvement Fund	Capital Improvements Fund	
<b>Assets</b>							
Cash and cash equivalents	\$ 133,146	\$ 62,375	\$ 70,839	\$ 70,389	\$ 297,566	\$ 606,359	\$ 1,240,674
Receivables:							
Taxes	94,300	-	-	126,082	161,123	-	381,505
Other	-	949	142,637	-	-	-	143,586
Prepaid expenditures	12,335	-	-	-	-	-	12,335
<b>Total Assets</b>	<b>\$ 239,781</b>	<b>\$ 63,324</b>	<b>\$ 213,476</b>	<b>\$ 196,471</b>	<b>\$ 458,689</b>	<b>\$ 606,359</b>	<b>\$ 1,778,100</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 5,522	\$ -	\$ 54,715	\$ -	\$ 93,694	\$ -	\$ 153,931
Due to other funds	-	-	25,074	-	401	-	25,475
Total Liabilities	5,522	-	79,789	-	94,095	-	179,406
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	87,549	-	24,093	118,043	148,734	-	378,419
<b>Fund Balance:</b>							
Nonspendable - prepaids	12,335	-	-	-	-	-	12,335
Restricted for:							
Liquid Fuels Tax projects	-	63,324	-	-	-	-	63,324
Fire protection	134,375	-	-	-	-	-	134,375
Street improvements	-	-	-	-	215,860	-	215,860
Debt service	-	-	-	78,428	-	-	78,428
Flood mitigation	-	-	109,594	-	-	-	109,594
Assigned for capital projects	-	-	-	-	-	606,359	606,359
Total Fund Balance	146,710	63,324	109,594	78,428	215,860	606,359	1,220,275
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 239,781</b>	<b>\$ 63,324</b>	<b>\$ 213,476</b>	<b>\$ 196,471</b>	<b>\$ 458,689</b>	<b>\$ 606,359</b>	<b>\$ 1,778,100</b>

# BOROUGH OF PLUM

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds				Capital Projects Funds		Total Other Governmental Funds
	Fire Protection Fund	State Fund	Flood Mitigation Fund	Debt Service Fund	Street Improvement Fund	Capital Improvements Fund	
<b>Revenues:</b>							
Taxes	\$ 517,913	\$ -	\$ -	\$ 704,250	\$ 881,924	\$ -	\$ 2,104,087
Interest, rent, and royalties	15,000	3,108	-	-	320	154	18,582
Intergovernmental	154,440	776,918	-	-	-	3,525	934,883
Charges for services	-	-	699,746	-	-	-	699,746
Miscellaneous	-	-	-	360	-	190,651	191,011
Total revenues	687,353	780,026	699,746	704,610	882,244	194,330	3,948,309
<b>Expenditures:</b>							
Public safety	489,627	-	-	-	-	-	489,627
Public works	-	1,249,196	588,386	-	209,535	-	2,047,117
Capital outlay	-	-	-	-	656,518	633,201	1,289,719
Debt service:							
Principal	131,097	-	-	291,305	78,726	261,575	762,703
Interest	17,961	-	298	395,786	149,764	-	563,809
Total expenditures	638,685	1,249,196	588,684	687,091	1,094,543	894,776	5,152,975
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	48,668	(469,170)	111,062	17,519	(212,299)	(700,446)	(1,204,666)
<b>Other Financing Sources (Uses):</b>							
Proceeds from capital lease	-	-	-	-	-	514,553	514,553
Proceeds of capital asset disposition	-	-	-	-	-	54,453	54,453
Transfers in	-	-	-	30,000	-	450,000	480,000
Transfers out	(15,000)	-	-	-	-	-	(15,000)
Total other financing sources (uses)	(15,000)	-	-	30,000	-	1,019,006	1,034,006
<b>Net Change in Fund Balance</b>	33,668	(469,170)	111,062	47,519	(212,299)	318,560	(170,660)
<b>Fund Balance:</b>							
Beginning of year	113,042	532,494	(1,468)	30,909	428,159	287,799	1,390,935
End of year	\$ 146,710	\$ 63,324	\$ 109,594	\$ 78,428	\$ 215,860	\$ 606,359	\$ 1,220,275

# BOROUGH OF PLUM

## COMBINING STATEMENT OF PLAN NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2016

	Police Pension	Administrative Pension	Total
<b>Assets</b>			
Investments at fair value:			
Guaranteed interest account	\$ -	\$ 175,774	\$ 175,774
Mutual funds	850,863	38,210	889,073
Corporate bonds	201,370	-	201,370
Common stocks	4,555,064	-	4,555,064
Money market funds	144,339	-	144,339
ETFs	462,186	-	462,186
Total investments at fair value	6,213,822	213,984	6,427,806
Investments measured at net asset value (NAV):			
Common/collective trusts	3,228,094	-	3,228,094
Pooled separate accounts - equities	-	276,140	276,140
Pooled separate accounts - balanced/asset allocation	-	619,336	619,336
Pooled separate accounts - fixed income	-	257,667	257,667
Total investments measured at NAV	3,228,094	1,153,143	4,381,237
<b>Total Assets</b>	9,441,916	1,367,127	10,809,043
<b>Liabilities</b>	-	-	-
<b>Net Position Restricted for Pension Benefits</b>	\$ 9,441,916	\$ 1,367,127	\$ 10,809,043

# BOROUGH OF PLUM

## COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2016

	Police Pension Fund	Administrative Pension Fund	Total
<b>Additions:</b>			
Contributions:			
Employer, including state aid	\$ 627,380	\$ 89,582	\$ 716,962
Employee	136,789	-	136,789
Total contributions	764,169	89,582	853,751
Investment income:			
Net appreciation (depreciation) in fair value of investments	543,610	86,799	630,409
Interest and dividends	148,494	1,344	149,838
Total investment income	692,104	88,143	780,247
Total additions	1,456,273	177,725	1,633,998
<b>Deductions:</b>			
Benefits	731,666	207,510	939,176
Administrative expense	61,864	470	62,334
Total deductions	793,530	207,980	1,001,510
<b>Change in Plan Net Position</b>	662,743	(30,255)	632,488
<b>Net Position:</b>			
Beginning of year	8,779,173	1,397,382	10,176,555
End of year	\$ 9,441,916	\$ 1,367,127	\$ 10,809,043



# BOROUGH OF PLUM

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
<b>Assets</b>				
Cash and cash equivalents	\$ 5,109	\$ -	\$ -	\$ 5,109
<b>Liabilities</b>				
Due to Coal Miners' Memorial Committee	\$ 5,109	\$ -	\$ -	\$ 5,109