

Borough of Sewickley

Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2022
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

BOROUGH OF SEWICKLEY

YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

Independent Auditor's Report

Required Supplementary Information:

Management's Discussion and Analysis	i
--------------------------------------	---

Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance — Budget to Actual – General Fund	7
Statement of Net Position – Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10

BOROUGH OF SEWICKLEY

YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

(Continued)

Statement of Fiduciary Net Position – Pension Trust Funds	11
Statement of Changes in Fiduciary Net Position – Pension Trust Funds	12
Notes to Financial Statements	13
Required Supplementary Information:	
Schedule of Changes in the Borough’s Net Pension Liability (Asset) and Related Ratios – Police Pension Plan	48
Schedule of Changes in the Borough’s Net Pension Liability (Asset) and Related Ratios – General Employees’ Pension Plan	49
Schedule of the Borough’s Contributions and Investment Returns – Police Pension Plan	50
Schedule of the Borough’s Contributions and Investment Returns – General Employees’ Pension Plan	51
Note to Required Supplementary Pension Schedules	52
Supplementary Information:	
Combining Balance Sheet – Capital Projects Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Projects Funds	55
Combining Statement of Fiduciary Net Position	56
Combining Statement of Changes in Fiduciary Net Position	57

Independent Auditor's Report

**Borough Council
Borough of Sewickley**

Adverse, Qualified, and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (except as described below), and the aggregate remaining fund information of the Borough of Sewickley, Pennsylvania (Borough), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Qualified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Sewer Fund	Unmodified
Parking Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Parking Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the Parking Fund of the Borough as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on Business-type Activities

In our opinion, except for the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Borough as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, General Fund, Capital Projects Fund, Debt Service Fund, Sewer Fund, and Aggregate Remaining Fund Information

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 other than the Parking Fund, and the aggregate remaining fund information of the Borough, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Parking Fund and Qualified Opinion on Business-type Activities

Management has not included the Parking Fund in the Borough's financial statements. Accounting principles generally accepted in the United States of America require the Parking Fund to be presented as a major enterprise fund and financial information about the Parking Fund to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and omitted major fund has not been determined.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Borough adopted Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Mahe Duessel

Pittsburgh, Pennsylvania
March 15, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

INTRODUCTION

This Management's Discussion and Analysis (MD&A) of the Borough of Sewickley's, Pennsylvania (Borough) financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2022. The intent of the MD&A is to provide readers with an appreciation for the financial status of the Borough, the challenges faced, and accomplishments achieved. The reader should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Borough's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

- The Borough's governmental activities net position increased \$1,168,044 in 2022 to \$14,402,138. The Borough's business-type activities (Sewer Fund) net position increased \$612,373 in 2022 to \$5,190,827.
- Unrestricted net position for the Borough's governmental and business-type activities was \$8,712,945 and \$463,325, respectively, as of December 31, 2022.
- The Borough's governmental funds fund balance increased from \$6,181,856 at December 31, 2021 to \$7,521,206 at December 31, 2022 (22%).

USING THE ANNUAL FINANCIAL REPORT

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

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

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

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

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

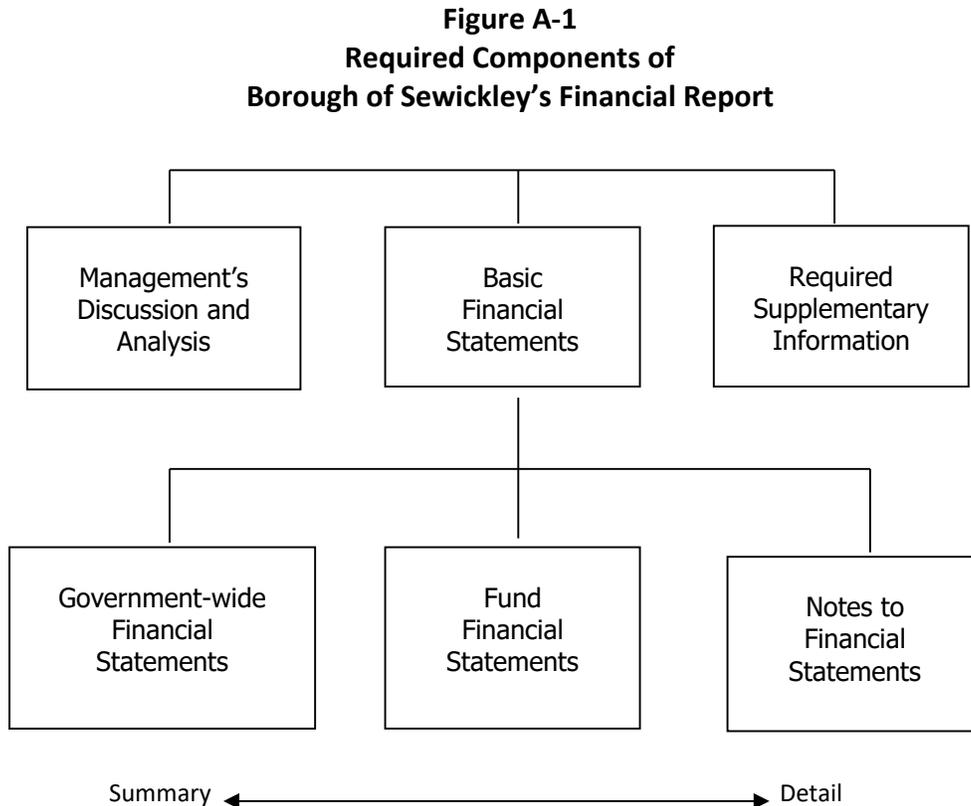


Figure A-2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

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

	Government-wide Financial Statements	<u>Fund Financial Statements</u>	
		<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire Borough (except fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary, such as public safety, public works, and general administration.	Instances in which the Borough is the trustee or agent to someone else's resources – Pension Funds
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The Borough's fund financial statements, which begin on page 3, provide detailed information about the most significant funds – not the Borough as a whole. The General and Highway Aid Funds are required by state law.

The Borough has three kinds of funds:

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

governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

- *Proprietary Funds* – The Borough operates a wastewater treatment facility.
- *Fiduciary Funds* – The Borough is the trustee, or fiduciary, for the police and general employees’ pension funds. All of the Borough’s fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 11 and 12. The Borough excludes these activities from the other financial statements because the Borough cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough’s net position as of December 31, 2022 and 2021 is presented below:

**Table A-1
Summary of Statements of Net Position
Years Ended December 31, 2022 and 2021**

	December 31, 2022		2022 Total	2021 Total
	Governmental Activities	Business-Type Activities		
Current assets	\$ 7,046,230	\$ 1,562,807	\$ 8,609,037	\$ 7,135,359
Capital assets	6,149,673	12,565,422	18,715,095	19,394,472
Other noncurrent assets	1,529,965	(1,180,504)	349,461	2,883,367
Deferred outflows	1,801,402	389,789	2,191,191	343,655
Total Assets and Deferred Outflows	16,527,270	13,337,514	29,864,784	29,756,853
Current liabilities	447,955	981,667	1,429,622	1,412,192
Noncurrent liabilities	1,043,770	7,158,274	8,202,044	9,222,976
Deferred inflows	633,407	6,746	640,153	1,309,137
Total Liabilities and Deferred Inflows	2,125,132	8,146,687	10,271,819	11,944,305
Net Position:				
Net investment in capital assets	5,352,055	4,727,502	10,079,557	9,599,102
Restricted	337,138	-	337,138	3,216,129
Unrestricted	8,712,945	463,325	9,176,270	4,997,317
Total Net Position	\$ 14,402,138	\$ 5,190,827	\$ 19,592,965	\$ 17,812,548

The increase in current assets is mainly the result of an increase in cash and cash equivalents for the General Fund of approximately \$1,300,000, basically attributable to excess revenues over expenditures in the General Fund for calendar year 2022. The change in other noncurrent assets, deferred outflows and deferred inflows of resources is directly related to the updated actuarial valuation received by the Borough related to its pension plan obligations as of December 31, 2022. As noted above, other categories for assets, liabilities and net position were fairly consistent between the calendar years 2021 and 2022.

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

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see the Borough's total revenues, expenses, and change to the net position for 2022 and 2021:

Table A-2
Condensed Statements of Activities
Years Ended December 31, 2022 and 2021

	December 31, 2022		2022 Total	2021 Total
	Governmental Activities	Business-Type Activities		
Revenues:				
Program revenues:				
Charges for services	\$ 1,406,108	\$ 2,167,710	\$ 3,573,818	\$ 3,487,006
Grants and contributions	565,206	-	565,206	705,950
General revenues:				
Real estate taxes	3,201,445	-	3,201,445	3,037,476
Other taxes	2,519,813	-	2,519,813	2,170,934
Interest	83,902	4,036	87,938	43,706
Refunds	73,597	-	73,597	105,166
Miscellaneous	29,916	-	29,916	43,403
Total revenues	7,879,987	2,171,746	10,051,733	9,593,641
Expenses:				
Program expenses:				
General government	1,389,736	-	1,389,736	645,160
Public safety	3,223,377	-	3,223,377	2,669,507
Public works	1,737,449	-	1,737,449	2,232,753
Culture and recreation	356,331	-	356,331	296,801
Debt service	5,050	-	5,050	8,333
Sewer operations	-	1,559,373	1,559,373	1,443,129
Total expenses	6,711,943	1,559,373	8,271,316	7,295,683
Change in net position	1,168,044	612,373	1,780,417	2,297,958
Net position - beginning	13,234,094	4,578,454	17,812,548	15,514,590
Net position - ending	<u>\$ 14,402,138</u>	<u>\$ 5,190,827</u>	<u>\$ 19,592,965</u>	<u>\$ 17,812,548</u>

Total governmental activities revenues of \$7,879,987 were derived primarily from real estate taxes representing 40.6% of the total. Other taxes made up the next largest source of revenue of 32.0%, followed by charges for services at 17.8%.

Table A-3
Years Ended December 31, 2022 and 2021
Net Cost of Governmental Activities

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program:				
General government	\$ 1,389,736	\$ 1,048,800	\$ 645,160	\$ 163,905
Public safety	3,223,377	1,878,026	2,669,507	1,601,231
Public works	1,737,449	1,497,621	2,232,753	1,736,681
Culture and recreation	356,331	311,132	296,801	248,226
Debt service	5,050	5,050	8,333	8,333
Total	<u>\$ 6,711,943</u>	<u>\$ 4,740,629</u>	<u>\$ 5,852,554</u>	<u>\$ 3,758,376</u>

Table A-4 reflects the activities of the Sewer Fund, the business-type activities of the Borough for the years 2022 and 2021:

Table A-4
Years Ended December 31, 2022 and 2021
Net Cost of Business-Type Activities

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program:				
Sewer operations	<u>\$ 1,559,373</u>	<u>\$ (608,337)</u>	<u>\$ 1,443,129</u>	<u>\$ (655,649)</u>

THE BOROUGH FUNDS

The following table compares the revenues, expenditures, and changes in fund balance of the Borough's General Fund for the years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenues:		
Taxes	\$ 5,599,971	\$ 5,111,601
Licenses and permits	75,908	58,203
Fines and forfeits	38,554	62,726
Interest and rents	71,624	40,407
Intergovernmental	379,075	533,840
Contributions and donations	45,425	23,450
Charges for services	1,205,222	1,034,978
Miscellaneous	26,839	33,403
Total revenues	<u>\$ 7,442,618</u>	<u>\$ 6,898,608</u>
Expenses:		
General government	\$ 1,283,903	\$ 922,801
Public safety	2,925,105	3,431,915
Public works	1,456,044	1,268,497
Culture and Recreation	298,886	226,387
Debt service	231,390	110,603
Total expenses	<u>\$ 6,195,328</u>	<u>\$ 5,960,203</u>
Other Financing Sources (Uses):		
Transfers in	\$ -	\$ 79,377
Proceeds from financed purchase	109,109	614,926
Refund of prior year expenditures (revenues)	73,597	105,166
Transfers out	-	(605,119)
Total other financing sources (uses)	<u>\$ 182,706</u>	<u>\$ 194,350</u>
Net change in fund balance:	<u>\$ 1,429,996</u>	<u>\$ 1,132,755</u>

As noted above, revenues were fairly consistent between calendar years 2021 and 2022.

GENERAL FUND BUDGET

In December 2021, the Borough adopted its annual budget for the General Fund in the amount of \$8.3 million. A schedule showing the General Fund's original and final budget amounts compared with actual revenues and expenditures is provided in summary form on page 7.

PROPRIETARY FUND (SEWER FUND)

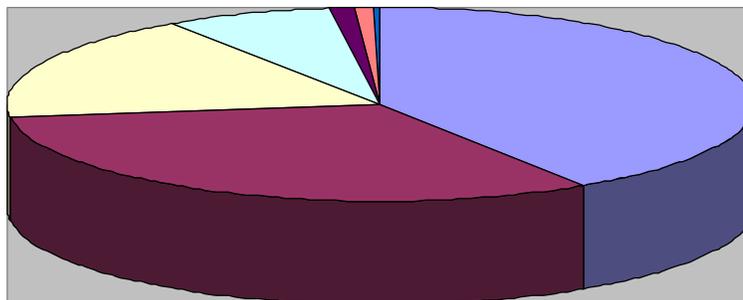
The following table compares the revenues, expenses, and change in net position of the Borough’s Proprietary Fund for the years 2022 and 2021:

	Sewer Fund	
	2022	2021
Operating revenues	\$ 2,167,710	\$ 2,098,778
Operating expenses	(1,340,479)	(1,192,317)
Operating income (loss)	827,231	906,461
Nonoperating revenues (expenses)	(214,858)	(250,399)
Change in net position	\$ 612,373	\$ 656,062

GOVERNMENTAL ACTIVITIES REVENUE

The following chart graphically depicts the governmental activities revenue for the fiscal year ended December 31, 2022.

TOTAL GOVERNMENTAL ACTIVITIES REVENUES: \$7,879,987

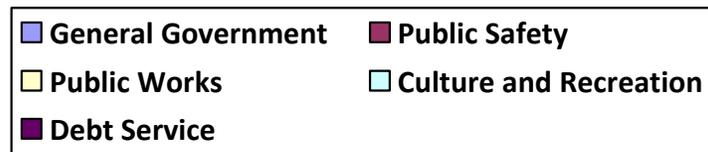
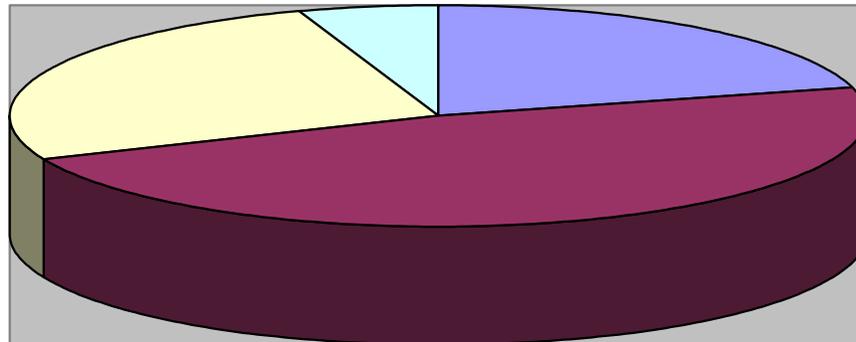


Real Estate Taxes	Other Taxes	Charges for Service
Grants	Refunds	Interest
Miscellaneous		

GOVERNMENTAL ACTIVITIES EXPENSES

The following chart graphically depicts the governmental activities expenses for the fiscal year ended December 31, 2022. The expenses reflect the delivery of a wide range of services, with the two largest areas being public safety at 48.0% and public works at 25.9%. General government expenses were 20.7% of total expenses.

TOTAL GOVERNMENTAL ACTIVITIES EXPENSES: \$6,711,943



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, the Borough had \$18,715,095 invested in capital assets, including land, infrastructure, buildings, machinery and equipment and vehicles net of depreciation. This amount represents a net decrease (including additions, deletions, and depreciation) of \$679,377 from last year. The Borough had \$200,556 in capital additions during the 2022 year which is comprised of additions to public safety and public works vehicles.

Long-Term Debt

During calendar year 2022, the Borough entered into a new financed purchase agreement for a police interceptor and police responder truck in the amount of \$109,109. The outstanding balance due on all of the Borough's long-term indebtedness (bonds, notes, capital leases) totaled \$8,894,755 on December 31, 2022. This represents an approximate decrease of 11.7% from December 31, 2021.

PENSION TRUST FUNDS

The Borough has two pension plans – police and general employees. On December 31, 2022, the assets of the plans were \$11,621,674. An actuarial valuation of both plans determined that the net pension liability for the police and general employee pension plans was \$96,778 and \$145,456, respectively, as of December 31, 2022.

CONTACTING THE BOROUGH

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

Donna Kaib, Borough Manager
Borough of Sewickley
601 Thorn Street
Sewickley, PA 15143

BOROUGH OF SEWICKLEY

STATEMENT OF NET POSITION

DECEMBER 31, 2022

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 6,291,327	\$ 1,266,019	\$ 7,557,346
Taxes receivable, net	721,358	-	721,358
Sewer receivable	-	296,788	296,788
Accounts receivable	33,545	-	33,545
Lease receivable	349,461	-	349,461
Internal balances	1,180,504	(1,180,504)	-
Capital assets, not being depreciated	1,237,904	-	1,237,904
Capital assets, net of accumulated depreciation	4,911,769	12,565,422	17,477,191
Total Assets	14,725,868	12,947,725	27,673,593
Deferred Outflows of Resources			
Deferred charge on refunding	-	259,217	259,217
Pension related	1,801,402	130,572	1,931,974
Total Deferred Outflows of Resources	1,801,402	389,789	2,191,191
Liabilities			
Accounts payable	78,365	-	78,365
Payroll withholdings	77,192	-	77,192
Noncurrent liabilities due within one year:			
Bonds payable	-	690,000	690,000
Notes payable	102,143	291,667	393,810
Financed purchases	190,255	-	190,255
Noncurrent liabilities due in more than one year:			
Bonds payable, net of premium	-	6,823,804	6,823,804
Notes payable	-	291,666	291,666
Financed purchases	505,220	-	505,220
Compensated absences	318,134	20,986	339,120
Net pension liability	220,416	21,818	242,234
Total Liabilities	1,491,725	8,139,941	9,631,666
Deferred Inflows of Resources			
Pension related	304,842	6,746	311,588
Lease related	328,565	-	328,565
Total Deferred Inflows of Resources	633,407	6,746	640,153
Net Position			
Net investment in capital assets	5,352,055	4,727,502	10,079,557
Restricted for:			
Highways and streets	337,138	-	337,138
Unrestricted	8,712,945	463,325	9,176,270
Total Net Position	\$ 14,402,138	\$ 5,190,827	\$ 19,592,965

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental Activities:							
General government	\$ 1,389,736	\$ 107,533	\$ 233,403	\$ -	\$ (1,048,800)	\$ -	\$ (1,048,800)
Public safety	3,223,377	1,173,992	171,359	-	(1,878,026)	-	(1,878,026)
Public works	1,737,449	123,309	116,519	-	(1,497,621)	-	(1,497,621)
Culture and recreation	356,331	1,274	43,925	-	(311,132)	-	(311,132)
Debt service	5,050	-	-	-	(5,050)	-	(5,050)
Total government activities	6,711,943	1,406,108	565,206	-	(4,740,629)	-	(4,740,629)
Business-Type Activities:							
Sewer	1,559,373	2,167,710	-	-	-	608,337	608,337
Total business-type activities	1,559,373	2,167,710	-	-	-	608,337	608,337
Total	\$ 8,271,316	\$ 3,573,818	\$ 565,206	\$ -	(4,740,629)	608,337	(4,132,292)
General revenues and transfers:							
General revenues:							
Real estate taxes							
3,201,445							
Earned income taxes							
1,540,717							
Business privilege taxes							
294,266							
Other taxes							
684,830							
Interest and rents							
83,902							
Refund prior year expenditures (revenues)							
73,597							
Miscellaneous							
29,916							
Total general revenues and transfers							
5,908,673							
Change in Net Position							
1,168,044							
Net Position:							
Beginning of year							
13,234,094							
Ending of year							
\$ 14,402,138							
\$ 5,190,827							
\$ 19,592,965							

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Fund Highway Aid Fund	Total
Assets					
Cash and cash equivalents	\$ 5,138,727	\$ 705,670	\$ 90,771	\$ 356,159	\$ 6,291,327
Taxes receivable, net	721,358	-	-	-	721,358
Accounts receivable	33,545	-	-	-	33,545
Lease receivable	349,461	-	-	-	349,461
Due from other funds	1,121,679	751,902	913,025	-	2,786,606
Total Assets	\$ 7,364,770	\$ 1,457,572	\$ 1,003,796	\$ 356,159	\$ 10,182,297
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 78,365	\$ -	\$ -	\$ -	\$ 78,365
Accrued payroll and withholdings	77,192	-	-	-	77,192
Due to other funds	438,591	144,694	1,003,796	19,021	1,606,102
Total Liabilities	594,148	144,694	1,003,796	19,021	1,761,659
Deferred Inflows of Resources:					
Unavailable revenue - property and other taxes Lease related	570,867	-	-	-	570,867
	328,565	-	-	-	328,565
Total Deferred Inflows of Resources	899,432	-	-	-	899,432
Fund Balance:					
Restricted - Highways and streets	-	-	-	337,138	337,138
Assigned - Capital improvements	-	1,312,878	-	-	1,312,878
Unassigned	5,871,190	-	-	-	5,871,190
Total Fund Balance	5,871,190	1,312,878	-	337,138	7,521,206
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,364,770	\$ 1,457,572	\$ 1,003,796	\$ 356,159	\$ 10,182,297

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2022

Total Fund Balance - Governmental Funds	\$	7,521,206
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.</p>		6,149,673
<p>Property and other taxes receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		570,867
<p>The net pension liability, deferred inflows and outflows of resources for pensions are recorded and amortized in the statement of net position. However, these items are not recorded on the fund statements.</p>		1,276,144
<p>Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
	Notes payable	\$ (102,143)
	Financed purchases	(695,475)
	Compensated absences	(318,134)
		(1,115,752)
Total Net Position - Governmental Activities	\$	14,402,138

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

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

YEAR ENDED DECEMBER 31, 2022

	General Fund	Capital Projects Funds	Debt Service Fund	Nonmajor Fund Highway Aid Fund	Total
Revenues:					
Taxes	\$ 5,599,971	\$ -	\$ -	\$ -	\$ 5,599,971
Licenses and permits	75,908	-	-	-	75,908
Fines and forfeitures	38,554	-	-	-	38,554
Interest and rents	71,624	8,354	-	3,924	83,902
Intergovernmental	379,075	25,000	-	115,706	519,781
Contributions and donations	45,425	-	-	-	45,425
Charges for services	1,205,222	86,424	-	-	1,291,646
Miscellaneous	26,839	3,077	-	-	29,916
Total revenues	<u>7,442,618</u>	<u>122,855</u>	<u>-</u>	<u>119,630</u>	<u>7,685,103</u>
Expenditures:					
General government	1,283,903	-	-	-	1,283,903
Public safety	2,925,105	148,583	-	-	3,073,688
Public works	1,456,044	-	-	115,254	1,571,298
Culture and recreation	298,886	-	-	-	298,886
Debt service:					
Principal	226,340	69,294	-	-	295,634
Interest	5,050	-	-	-	5,050
Total expenditures	<u>6,195,328</u>	<u>217,877</u>	<u>-</u>	<u>115,254</u>	<u>6,528,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,247,290</u>	<u>(95,022)</u>	<u>-</u>	<u>4,376</u>	<u>1,156,644</u>
Other Financing Sources (Uses):					
Proceeds from financed purchase	109,109	-	-	-	109,109
Refund prior year expenditures	89,484	-	-	-	89,484
Refund prior year revenues	(15,887)	-	-	-	(15,887)
Total other financing sources (uses)	<u>182,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,706</u>
Net Change in Fund Balance	1,429,996	(95,022)	-	4,376	1,339,350
Fund Balance:					
Beginning of year	4,441,194	1,407,900	-	332,762	6,181,856
End of year	<u>\$ 5,871,190</u>	<u>\$ 1,312,878</u>	<u>\$ -</u>	<u>\$ 337,138</u>	<u>\$ 7,521,206</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKELY

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

YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balance - Governmental Funds \$ 1,339,350

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. (257,575)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 121,287

Changes in the net pension liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. The value of these items changed by this amount during the year. (250,335)

The issuance of long-term debt (e.g. notes, financed purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 186,525

Changes in the long-term portion of the compensated absence liability are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. 28,792

Change in Net Position of Governmental Activities \$ 1,168,044

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

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

YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 4,860,988	\$ 4,860,988	\$ 5,599,971	\$ 738,983
Licenses and permits	78,450	78,450	75,908	(2,542)
Fines and forfeitures	60,000	60,000	38,554	(21,446)
Interest and rents	39,200	39,200	71,624	32,424
Intergovernmental	1,187,690	1,187,690	379,075	(808,615)
Contributions and donations	26,000	26,000	45,425	19,425
Charges for services	1,114,073	1,114,073	1,205,222	91,149
Miscellaneous	15,000	15,000	26,839	11,839
Total revenues	7,381,401	7,381,401	7,442,618	61,217
Expenditures:				
General government	1,183,356	1,183,356	1,283,903	100,547
Public safety	3,018,921	3,018,921	2,925,105	(93,816)
Public works	2,679,845	2,679,845	1,456,044	(1,223,801)
Culture and recreation	1,276,690	1,276,690	298,886	(977,804)
Debt service	110,604	110,604	231,390	120,786
Total expenditures	8,269,416	8,269,416	6,195,328	(2,074,088)
Excess (Deficiency) of Revenues Over Expenditures	(888,015)	(888,015)	1,247,290	2,135,305
Other Financing Sources (Uses):				
Transfers out	(4,876)	(4,876)	-	4,876
Proceeds from financed purchase	-	-	109,109	109,109
Refund prior year expenditures	128,000	128,000	89,484	(38,516)
Refund prior year revenues	(24,000)	(24,000)	(15,887)	8,113
Total other financing sources (uses)	99,124	99,124	182,706	83,582
Net Change in Fund Balance	(788,891)	(788,891)	1,429,996	2,218,887
Fund Balance:				
Beginning of year	4,441,194	4,441,194	4,441,194	-
End of year	<u>\$ 3,652,303</u>	<u>\$ 3,652,303</u>	<u>\$ 5,871,190</u>	<u>\$ 2,218,887</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2022

	<u>Sewer</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 1,266,019
Sewer receivable	296,788
Due from other funds	<u>15,981</u>
Total current assets	<u>1,578,788</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>12,565,422</u>
Total Assets	<u>14,144,210</u>
<hr/>	
Deferred Outflows of Resources	
Deferred charge on refunding	259,217
Pension related	<u>130,572</u>
Total Deferred Outflows of Resources	<u>389,789</u>
<hr/>	
Liabilities	
<hr/>	
Current liabilities:	
Due to other funds	1,196,485
Bonds payable, current	690,000
Notes payable, current	<u>291,667</u>
Total current liabilities	<u>2,178,152</u>
Noncurrent liabilities:	
Bonds payable, net of premium	6,823,804
Notes payable	291,666
Net pension liability	21,818
Compensated absences	<u>20,986</u>
Total noncurrent liabilities	<u>7,158,274</u>
Total Liabilities	<u>9,336,426</u>
<hr/>	
Deferred Inflows of Resources	
Pension related	<u>6,746</u>
<hr/>	
Net Position	
<hr/>	
Net investment in capital assets	4,727,502
Unrestricted	<u>463,325</u>
Total Net Position	<u>\$ 5,190,827</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKELY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2022

	<u>Sewer</u>
Operating Revenues:	
<u>Sewer rentals</u>	<u>\$ 2,167,710</u>
Total operating revenues	<u>2,167,710</u>
Operating Expenses:	
Operations and maintenance	674,841
Administration	243,836
Depreciation	<u>421,802</u>
Total operating expenses	<u>1,340,479</u>
Operating Income (Loss)	<u>827,231</u>
Nonoperating Revenues (Expenses):	
<u>Interest income</u>	4,036
Interest expense	<u>(218,894)</u>
Total nonoperating revenues (expenses)	<u>(214,858)</u>
Change in Net Position	612,373
Net Position:	
<u>Beginning of year</u>	<u>4,578,454</u>
End of year	<u><u>\$ 5,190,827</u></u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2022

	Sewer
Cash Flows From Operating Activities:	
Cash received from user charges	\$ 2,158,962
Cash paid to employees for wages and benefits	(228,056)
Cash paid to vendors for goods and services	(705,970)
	1,224,936
Cash Flows From Noncapital Financing Activities:	
Transfers to and from other funds	218,238
Cash Flows From Capital and Related Financing Activities:	
Principal paid on long-term debt	(956,667)
Interest paid on long-term debt	(235,534)
	(1,192,201)
Cash Flows From Investing Activities:	
Interest income	4,036
Net Increase (Decrease) in Cash and Cash Equivalents	255,009
Cash and Cash Equivalents:	
Beginning of year	1,011,010
End of year	\$ 1,266,019
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Operating income (loss)	\$ 827,231
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	421,802
Changes in operating assets and liabilities:	
Sewer receivable	(11,072)
Accounts receivable	2,324
Net pension asset (liability)	218,468
Deferred outflows of resources - pension related	(130,572)
Accounts payable	(16,994)
Due to other governments	(14,135)
Deferred inflows of resources - pension related	(72,116)
	1,224,936
Net cash provided by (used in) operating activities	\$ 1,224,936

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2022

	<u>Pension Trust Funds</u>
Assets	
<hr/>	
Cash and cash equivalents	\$ 1,177,098
Investments:	
Equity mutual funds	3,601,496
Fixed income mutual funds	3,436,046
Common stock	3,382,878
Accrued interest	24,156
	<hr/>
Total Assets	11,621,674
	<hr/>
Liabilities	
<hr/>	
Benefits payable	73
	<hr/>
Net Position	
<hr/>	
Restricted for pension benefits	<u><u>\$ 11,621,601</u></u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2022

	<u>Pension Trust Funds</u>
Additions:	
<hr/>	
Contributions:	
Employer	\$ 137,095
Total contributions	<u>137,095</u>
Investment income (loss):	
Net appreciation (depreciation) in fair value of investments	(2,539,576)
Interest and dividends	240,395
Less investment expenses	<u>(161,369)</u>
Total investment income (loss)	<u>(2,460,550)</u>
Total additions	<u>(2,323,455)</u>
Deductions:	
<hr/>	
Benefits	521,970
Administrative expenses	24,960
Other	<u>1,072</u>
Total deductions	<u>548,002</u>
Change in Fiduciary Net Position	(2,871,457)
Net Position:	
<hr/>	
Beginning of year	<u>14,493,058</u>
End of year	<u>\$ 11,621,601</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Summary of Significant Accounting Policies

Reporting Entity

The Borough of Sewickley, Pennsylvania (Borough) was incorporated in 1853 and operates under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. Members of Borough Council (Council) are elected by the voting public. These Council members have complete authority over the operations and administration of the Borough's activities. The major functions of the Borough include public safety, maintenance of Borough infrastructure (roads), maintenance of parks and other recreational facilities for use by Borough residents and general administrative functions necessary to facilitate Borough resident needs and responsibilities.

Component units are legally separate organizations for which the Borough is financially accountable. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough designates management, approves their budget, and guarantees their debt. The Borough of Sewickley Parking Authority (Parking Authority) meets the criteria for inclusion in the Borough's financial statements as a discretely presented component unit. The Parking Authority had immaterial activity to report in 2022. Additionally, in January 2022, Borough Council and the Parking Authority Board approved the termination of the Parking Authority effective October 12, 2022. Going forward from that date, parking activities are operated by the Borough and all related activity is reported as a Parking Fund (enterprise fund) of the Borough. Due to the limited activity incurred by the fund in 2022, management has not included the Parking Fund in the Borough's financial statements.

No other potential component units meet the criteria for inclusion in the Borough reporting entity.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the Borough. All fiduciary activities are reported only in the fiduciary fund financial statements. Governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues while business-type activities are supported by user charges and fees. The statement of activities demonstrates the level to which the direct expenses of a given function to the Borough are offset by program revenues related to that function. Direct expenses are those that are

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

directly related to and clearly identified with a function. Program revenues include charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function or grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

As a general rule, any effect of interfund activity has been eliminated from the government-wide financial statements. The only exception to this rule is payments made between the Borough's General Fund and Sewer Fund. Elimination of these amounts would distort the direct costs and program revenue reported for the various concerned functions.

Fund Financial Statements

The fund financial statements provide information about the government, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Borough considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Borough. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, pension expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The Borough reports the following major governmental funds:

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

The *Capital Projects Fund* was established by Council to provide for capital projects related to the Borough.

The *Debt Service Fund* was established by Council to report all governmental fund debt related activity.

The Borough also has the following special revenue fund, which is non-major:

The *Highway Aid Fund* was established and is restricted under Act 655 of the Commonwealth. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets, and bridges for which the Borough is responsible.

The Borough maintains one proprietary fund. The Borough's *Sewer Fund* is operated as a self-sustaining utility and is used to account for resources derived from sewer billings to Borough residents and related disbursements and is reported as major.

Additionally, the Borough reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for the assets held by the Borough in a trustee capacity for future payment of retirement benefits to employees or former employees. The Borough has two separate pension trust funds: the Police Plan and the General Employees Plan.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Cash and Cash Equivalents

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

Investments

Investments for the Borough are reported at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Borough categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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

Delinquent real estate tax receivables are shown net of an allowance for uncollectible accounts, which is calculated at 25% of delinquent real estate tax receivable, as deemed appropriate by Borough management.

Sewer fees are recorded to the extent services have been provided even though not billed as of the end of the year.

Leases

The Borough is a lessor for land leased to a local non-profit entity, an antenna lease, and cell tower lease. The Borough recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Interfund Receivables and Payables

The Borough reports outstanding balances between funds as interfund receivables and payables. Any residual balances outstanding between governmental activities and business-type activities at the end of the year are reported in the government-wide financial statements as internal balances.

Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported as part of governmental activities on the government-wide statement of net position.

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

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

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Site improvements	20 years
Buildings and improvements	7-30 years
Machinery and equipment	3-10 years
Vehicles	3-20 years
Infrastructure	10-40 years

Compensated Absences

Unused vacation, sick, and personal days for Borough employees are accrued at their respective hourly rates of pay per each bargaining contract. Compensated absences accrue when incurred in the government-wide financial statements. 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, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate governmental or business-type activity. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issues are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets/liabilities, the statement of net position and/or balance sheet will sometimes report separate sections for deferred outflows/inflows of resources. This separate financial statement element, deferred outflows/inflows of resources, represents a consumption of net position and/or fund balance that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. The Borough has the following items that qualify for reporting in these categories:

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Certain amounts determined in connection with pension accounting requirements are reported as deferred inflows/outflows of resources on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the plans. Note 8 presents additional information about the pension plans.

Certain amounts determined in connection with lease accounting are reported as deferred inflows of resources on the government-wide financial statements and the governmental funds balance sheet. This amount will be recognized as an inflow of resources on the straight-line basis over the life of the leases.

Unavailable revenue is reported on the balance sheet and represents taxes which will not be collected within the available period. These amounts will be recognized as an inflow of resources in the period the amounts become available.

Pension

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, employer contributions are recognized as a reduction (addition) of the net pension liability (asset) upon payment into the pension trust.

Net Position

Accounting standards require the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any 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

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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 presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position represents the balance of funds in the Borough's Highway Aid Fund restricted under Act 655 of the Commonwealth of Pennsylvania.
- Unrestricted - Consists of net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

- Nonspendable – This category represents funds that are not in spendable form. The Borough did not have any nonspendable fund balance as of December 31, 2022.
- 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. Restricted fund balance represents the balance of funds in the Borough's Highway Aid Fund restricted under Act 655 of the Commonwealth of Pennsylvania.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Borough's highest level of decision-making authority. Council is the highest level of decision-making authority for the Borough and can make such commitment via an ordinance or resolution prior to the end of the fiscal year. A commitment can only be modified or removed by an equal action of Council. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Borough did not have any committed fund balance as of December 31, 2022.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

- Assigned – This category represents the intentions of the Borough to use the funds for specific purposes but do not meet the criteria to be classified as committed. Council has authorized the Borough Manager to assign fund balance. The Capital Projects Fund has an assigned fund balance which is to be used for future capital improvements.
- Unassigned – This category includes the residual classification for the Borough's General Fund and includes all spendable amounts not contained in other classifications.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Borough, these revenues are sewer usage charges and other miscellaneous revenues directly related to the operations of the Borough's Sewer Fund. Operating expenses are the necessary costs incurred to operate the Borough's sewer system. Non-operating revenues of the Borough's Sewer Fund consist of investment earnings. Non-operating expenses consist of interest expense related to the Borough's bond obligations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

An annual appropriated budget was adopted for 2022 for the General Fund on the same basis of accounting described above for governmental fund types. Budgetary transfers among various expenditure line items are performed as approved by Council. The adjusted

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

budgetary amounts, if any, are reflected in these financial statements. All appropriations lapse at the end of each calendar year.

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

In accordance with the Borough Code, beginning at least 30 days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year shall be prepared. The proposed budget shall be kept on file with the Borough and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published in a newspaper of general circulation. After expiration of the ten days, Council makes such revisions in the budget as deemed advisable and shall adopt the budget by motion.

Transfers of budget amounts are authorized between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Council. For the year ended December 31, 2022, General Fund expenditures for general government and debt service exceeded their budget.

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the financial statements:

GASB Statement No. 87, "*Leases*," requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of this implementation, a lease receivable and deferred inflow of resources have been reflected for the year ended December 31, 2022. As the lease receivable approximated the deferred inflow of resources as of December 31, 2021, there was no restatement to fund balance or net position.

The following GASB Statements were also adopted for the year ended December 31, 2022: Statement Nos. 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022 – paragraphs 26 through 32). These statements had no significant impact on the Borough's financial statements for the year ended December 31, 2022.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Pending Pronouncements

GASB has issued statements that will become effective in future years including Nos. 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences) and 102 (Certain Risk Disclosures). Management has not yet determined the impact of these statements on the financial statements.

2. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury bills, other short-term U.S. and Pennsylvania 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 also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Borough adheres to state statutes. Governmental funds are either maintained in demand deposits or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Borough's policy.

Deposits

The following is a description of the Borough's deposit risk:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is to follow state law. As of December 31, 2022, \$250,000 of the Borough's bank balance of \$7,678,077 was insured by the Federal Deposit Insurance Corporation. The remaining balance of \$7,428,077 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 institution's name. These deposits have carrying amounts of \$7,557,346 as of December 31, 2022.

Pension Trust Funds – Investments

The Pension Trust Funds' investments are held separately from those of other Borough funds. Borough Council determines the investment managers of the General Employees'

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

and Police Pension Plans. The types of investments are further restricted by applicable laws of the Commonwealth of Pennsylvania. Investments were consistent with those authorized.

As of December 31, 2022, the Borough had the following investments in its Pension Trust Funds:

Investment Type	Fair Value	Investment Maturities (In Years) from December 31, 2022			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Fixed income mutual funds	\$ 3,436,046	\$ 823,528	\$ 1,031,751	\$ 1,211,741	\$ 369,026
Total debt securities	3,436,046	\$ 823,528	\$ 1,031,751	\$ 1,211,741	\$ 369,026
Money market	1,177,098				
Common stock	3,382,878				
Equity mutual funds	3,601,496				
Total other investments	8,161,472				
Total cash and cash equivalents and investments reported on the statement of fiduciary net position	\$ 11,597,518				

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The Borough's Pension Trust Funds categorize its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The Pension Trust Funds have the following recurring fair value measurements at December 31, 2022:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income mutual funds	\$ 3,436,046	\$ 3,436,046	\$ -	\$ -
Equity mutual funds:				
Small growth	337,794	337,794	-	-
Small value	270,458	270,458	-	-
Mid-cap growth	623,213	623,213	-	-
Mid-cap value	632,250	632,250	-	-
Large growth	270,983	270,983	-	-
Large value	226,729	226,729	-	-
Commodities focused	156,069	156,069	-	-
Foreign large blend	1,084,000	1,084,000	-	-
Total equity mutual funds	3,601,496	3,601,496	-	-
Common stock:				
Basic materials	77,631	77,631	-	-
Communication services	271,871	271,871	-	-
Consumer cyclical	257,831	257,831	-	-
Consumer defensive	277,081	277,081	-	-
Energy	220,231	220,231	-	-
Financial services	370,474	370,474	-	-
Healthcare	598,467	598,467	-	-
Industrials	251,955	251,955	-	-
Other	106,771	106,771	-	-
Real estate	89,483	89,483	-	-
Technology	782,666	782,666	-	-
Utilities	78,417	78,417	-	-
Total common stock	3,382,878	3,382,878	-	-
Money market	1,177,098	1,177,098	-	-
Total investments by fair value level	\$ 11,597,518	\$ 11,597,518	\$ -	\$ -

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Mutual funds, common stock and money markets are valued using prices quoted in active markets for those securities (Level 1 inputs).

The following is a description of the Pension Trust Funds' deposit and investment risks:

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the pension trust funds will not be able to recover the value of their investments or collateral security that are in the possession of an outside entity. The Borough's policy is to follow state law. The Borough's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The Borough does not have a specific policy that would limit its investment choices to those with certain credit ratings. As of December 31, 2022, the Borough's money market balance of \$1,177,098 included in investments (bank and book balance) was exposed to custodial credit risk.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough has no formal investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2022, the Boroughs' Pension Trust Fund have received the following ratings from Standard & Poor's and had the following credit quality distribution for fixed income investments with credit exposure:

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Rating	Fair Value	Percentage of Total Fixed Income Investments with Credit Exposure
AAA	\$ 678,052	21%
AA+	1,169,730	36%
AA-	183,714	6%
A	100,163	3%
A-	325,528	10%
BBB+	280,019	9%
BBB	426,708	13%
BB	36,815	1%
B	38,972	1%
Subtotal	3,239,701	100%
Not rated	196,345	
Total fixed income investments	\$ 3,436,046	

Concentration of Credit Risk – The Borough places no limit on the amount the Borough may invest in any one issuer. The Borough has no investments in excess of 5% with the same issuer.

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Pension Trust Funds are invested in various types of financial instruments. The diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near-term and that such changes could materially affect the amount reported on the statement of fiduciary net position.

3. Property Taxes

The Borough levies property taxes on March 1st of each calendar year based on assessed valuations provided by the County of Allegheny. The schedule for property taxes levied for 2022 at 6.25 mills (\$.625 per \$100 assessed valuation) is as follows:

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

March 1	Tax date
March 1 – April 30	2% discount applied
May 1 – June 30	Face amount period
July 1 – December 31	10% penalty period
January 1, 2023	Lien date

Delinquent real estate taxes receivable is reduced by a 25% allowance for uncollectable amounts as deemed appropriate by Borough management. As of December 31, 2022, the allowance for real estate taxes receivable was \$132,815.

4. Leases

Lessor

In August 2014, the Borough entered into a 20-year lease agreement with the Village Theater Company d/b/a The Lindsay Theater and Cultural Center (Theater) for a parcel of land to be used for the construction of a theater. Unless notice of non-renewal is provided, the lease will automatically renew for three renewal terms of three years each. Monthly rent payments of \$1,000 began in May 2016. In addition to the monthly rent payment, the Theater will make payments beginning in the sixth year of the lease that represent 1% of the gross sales for the preceding lease year (percentage rent), with the payment for year six being calculated based on the mean average gross sales during lease years two through five. In September 2021, the Borough approved eliminating the clause related to the percentage rent payment which was replaced with a 10% increase in the monthly rent payment to \$1,100 per month. This change is effective January 1, 2022 through December 31, 2024. The Theater maintains an option to purchase the property (subject to potential credit and/or modification).

The Borough has a lease for an antenna and a lease for a cell tower with communication technology companies. The term of the antenna lease is for five years, with payments of \$1,900 due monthly. The term of the cell tower lease is for 25 years, with payments due annually, ranging from \$5,000 to \$10,000.

The Borough recognized \$34,755 in lease revenue and \$6,576 in interest revenue during 2022 related to these leases. As of December 31, 2022, the Borough's receivable for lease payments was \$349,461. The Borough has a deferred inflows of resources associated with

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

these leases that will be recognized as revenue over the lease terms. As of December 31, 2022, the balance of the deferred inflows of resources was \$328,565.

Future minimum lease payments to be received are as follows for the years ending December 31:

	Principal	Interest	Total
2023	\$ 35,391	\$ 6,100	\$ 41,491
2024	36,044	5,612	41,656
2025	35,497	5,128	40,625
2026	17,097	4,703	21,800
2027	13,806	4,374	18,180
2028-2032	77,206	16,589	93,795
2033-2037	72,069	7,110	79,179
2038-2042	42,586	2,833	45,419
2043-2044	19,765	367	20,132
	\$ 349,461	\$ 52,816	\$ 402,277

5. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers at December 31, 2022 were as follows:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 1,121,679	\$ 438,591
Capital Projects	751,902	144,694
Debt Service	913,025	1,003,796
Sewer	15,981	1,196,485
Nonmajor Governmental Funds:		
Highway Aid	-	19,021
Total	\$ 2,802,587	\$ 2,802,587

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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

6. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2022 was:

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 1,237,904	\$ -	\$ -	\$ 1,237,904
Total capital assets, not being depreciated	<u>1,237,904</u>	<u>-</u>	<u>-</u>	<u>1,237,904</u>
Capital assets, being depreciated:				
Infrastructure	5,448,016	-	-	5,448,016
Site improvements	1,857,670	-	-	1,857,670
Buildings and improvements	1,122,027	-	-	1,122,027
Machinery and equipment	1,002,887	-	-	1,002,887
Vehicles	3,356,843	200,556	-	3,557,399
Total capital assets, being depreciated	<u>12,787,443</u>	<u>200,556</u>	<u>-</u>	<u>12,987,999</u>
Less accumulated depreciation:				
Infrastructure	(2,651,078)	(158,556)	-	(2,809,634)
Site improvements	(1,115,819)	(57,907)	-	(1,173,726)
Buildings and improvements	(815,183)	(29,740)	-	(844,923)
Machinery and equipment	(839,340)	(25,398)	-	(864,738)
Vehicles	(2,196,679)	(186,530)	-	(2,383,209)
Total accumulated depreciation	<u>(7,618,099)</u>	<u>(458,131)</u>	<u>-</u>	<u>(8,076,230)</u>
Total capital assets, being depreciated	<u>5,169,344</u>	<u>(257,575)</u>	<u>-</u>	<u>4,911,769</u>
Total capital assets, net	<u>\$ 6,407,248</u>	<u>\$ (257,575)</u>	<u>\$ -</u>	<u>\$ 6,149,673</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Depreciation expense was allocated to governmental functions as follows:

General government	\$	16,519
Public safety		127,087
Public works		257,080
Culture and recreation		57,445
	\$	<u>458,131</u>

Capital asset activity for business-type activities for the year ended December 31, 2022 was:

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2022
Capital assets, being depreciated:				
Buildings	\$ 3,718,740	\$ -	\$ -	\$ 3,718,740
Equipment	2,239,641	-	-	2,239,641
Storm sewers	6,434,453	-	-	6,434,453
Headworks dewatering project	6,253,893	-	-	6,253,893
Boundary Street pump station	667,009	-	-	667,009
Vehicles	163,499	-	-	163,499
Total capital assets, being depreciated	<u>19,477,235</u>	<u>-</u>	<u>-</u>	<u>19,477,235</u>
Less accumulated depreciation:				
Buildings	(2,321,427)	(105,350)	-	(2,426,777)
Equipment	(1,886,389)	(46,925)	-	(1,933,314)
Storm sewers	(1,013,772)	(128,689)	-	(1,142,461)
Headworks dewatering project	(1,000,623)	(125,078)	-	(1,125,701)
Boundary Street pump station	(106,721)	(13,340)	-	(120,061)
Vehicles	(161,079)	(2,420)	-	(163,499)
Total accumulated depreciation	<u>(6,490,011)</u>	<u>(421,802)</u>	<u>-</u>	<u>(6,911,813)</u>
Total capital assets, net	<u>\$ 12,987,224</u>	<u>\$ (421,802)</u>	<u>\$ -</u>	<u>\$ 12,565,422</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

7. Long-Term Liabilities

General Obligation Bonds

In May 2014, the Borough issued General Obligation Bonds, Series A of 2014 in the amount of \$980,000 to provide permanent financing of the completed Glen Osborne Interconnect Project, to complete various sanitary sewer improvements in the Borough of Glen Osborne, and to pay all costs incurred with the issuance of the Series A of 2014 Bonds. The Series A of 2014 Bonds were fully paid in 2022.

In October 2020, the Borough issued General Obligation Bonds, Series of 2020 in the amount of \$8,055,000 to current refund the Borough's General Obligation Bonds, Series B of 2014, current refund the Borough's General Obligation Bonds, Series of 2015, and pay costs and expenses incurred by the Borough in connection with the issuance and sale of the Series of 2020 Bonds. The Series of 2020 Bonds are scheduled to mature on December 1, 2040 and range in interest rates from 2% to 5%.

The Series of 2020 Bonds were issued at a premium of \$620,829 for business-type activities. This amount is amortized over the life of the Series of 2020 Bonds. The Sewer Fund makes all business-type activities long-term liability payments.

The Bonds are general obligations of the Borough which are secured by the full faith, credit, and taxing power of the Borough. In the event of failure of the Borough to pay interest or principal on the Bonds as they become due and payable, the holders of the Bonds shall be entitled to certain remedies. Among the remedies holders of the Bonds shall have the right to recover the amount due by bringing an action in the Court of Common Pleas of Allegheny County, Pennsylvania.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The annual debt service requirements to maturity for the General Obligation Bonds are as follows:

	Business-type Activities	
	Principal	Interest
2023	\$ 690,000	\$ 194,670
2024	500,000	160,170
2025	530,000	135,170
2026	560,000	108,670
2027	565,000	97,470
2028-2032	2,225,000	320,250
2033-2037	1,220,000	160,650
2038-2040	<u>785,000</u>	<u>34,650</u>
	<u>\$ 7,075,000</u>	<u>\$ 1,211,700</u>

General Obligation Notes

In July 2012, the Borough issued General Obligation Note, Series of 2012 in the amount of \$3,500,000 for certain capital improvements to the Borough's Wastewater Treatment System, other capital and equipment projects as determined by Borough Council, interest during the construction period, and to pay all costs incurred with the issuance of the Series of 2012 Note. The Series of 2012 Note has an interest rate of 3.00% and is scheduled to mature on June 1, 2024.

The Series of 2012 Note is a general obligation of the Borough, and the Borough has pledged its full faith, credit, taxing power. If the Borough fails or refuses to make adequate provisions in its budget for the amount payable, the Court of Common Pleas of Allegheny County, Pennsylvania, will require the Borough to pay into the Sinking Fund the first tax monies or other available revenues received in the fiscal year until the sum on deposit equals the moneys that should have been budgeted for the Series of 2012 Note. If the Borough fails to make any required deposit in the Sinking Fund, to pay the principal and interest on the Series of 2012 Note after it becomes due, and such failure continues for 30 days, the Sinking Fund Depository may exercise any remedy provided by law for the benefit of the registered owner of the Series of 2012 Note and shall disburse all funds collected to the persons entitled to receive payments pursuant to the terms of the Series of 2012 Note.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

In November 2013, the Borough issued General Obligation Note, Series of 2013, in the amount of \$950,000 for the acquisition of 418 Walnut Street, Sewickley, Pennsylvania. The Series of 2013 Note has an interest rate of 3.12% and is scheduled to mature on November 13, 2023. The Series of 2013 Note is secured by the general tax collections and revenues of the Borough. In the event of default, the entire outstanding principal balance and accrued interest shall be immediately due and payable without demand and without notice.

The annual debt service requirements to maturity for the General Obligation Notes are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 102,143	\$ 1,562	\$ 291,667	\$ 13,125
2024	-	-	291,666	4,375
	<u>\$ 102,143</u>	<u>\$ 1,562</u>	<u>\$ 583,333</u>	<u>\$ 17,500</u>

Financed Purchases

In February 2020, the Borough entered into a financed purchase agreement for financing the purchase of a vehicle and equipment totaling \$96,085. The terms of the agreement call for annual principal and interest payments of \$21,500 through February 2024.

In April 2020, the Borough entered into a financed purchase agreement for financing the purchase of a leaf machine totaling \$208,088. The terms of the agreement call for annual principal and interest payments of \$54,389 through April 2023.

In June 2021, the Borough entered into a financed purchase agreement for financing the purchase of a 2021 Pierce Enforcer Pumper totaling \$614,926. The terms of the agreement call for annual principal and interest payments of \$95,672 through June 2028.

In January 2022, the Borough into a financed purchase agreement for financing the purchase of a police interceptor and police responder truck in the amount of \$109,109. The terms of the agreement call for annual principal and interest payments of \$38,520 through January 2024.

As of December 31, 2022, \$1,028,208 of the assets have been recorded as capital assets in the statement of net position. Reductions to the financed purchase liabilities are recorded

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

to expenses in which they relate on the statement of revenues, expenditures, and changes in fund balance – governmental funds. The Borough will own the vehicles and equipment at the end of the agreements. The financed purchases are secured by the assets pledged as collateral. Upon the occurrence of any event of defaults, the lessor may declare the amounts to be immediately due and payable and may retain the right, title, and interest in the leased assets.

The future minimum financed purchase obligations are as follows:

Year	Governmental Activities Amount
2023	\$ 190,255
2024	142,513
2025	87,765
2026	89,678
2027	91,633
2028	93,631
	\$ 695,475

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Governmental Activities:					
Notes payable	\$ 207,696	\$ -	\$ (105,553)	\$ 102,143	\$ 102,143
Finance purchases	776,447	109,109	(190,081)	695,475	190,255
Compensated absences	346,926	-	(28,792)	318,134	-
Net pension (asset) liability	(2,686,717)	2,907,133	-	220,416	-
Governmental activities long-term liabilities	<u>\$ (1,355,648)</u>	<u>\$ 3,016,242</u>	<u>\$ (324,426)</u>	<u>\$ 1,336,168</u>	<u>\$ 292,398</u>
Business-type Activities:					
Bonds payable	\$ 7,740,000	\$ -	\$ (665,000)	\$ 7,075,000	\$ 690,000
Plus deferred amounts:					
Bond premium	469,845	-	(31,041)	438,804	-
Notes payable	875,000	-	(291,667)	583,333	291,667
Compensated absences	20,986	-	-	20,986	-
Net pension (asset) liability	(196,650)	218,468	-	21,818	-
Business-type activities long-term liabilities	<u>\$ 8,909,181</u>	<u>\$ 218,468</u>	<u>\$ (987,708)</u>	<u>\$ 8,139,941</u>	<u>\$ 981,667</u>

8. Pension Plans

Defined Benefit Plans

Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Plan Descriptions

The Borough administers two single-employer, defined benefit pension plans established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The Plans are governed by Borough Council, who are responsible for the management of Plan assets. Plan provisions and contribution requirements are established and may be amended by the Borough. The activity of the Plans is reported as the Pension Trust Funds in the accompanying financial statements. Separate plan financial statements are not available.

At December 31, 2022, Plan membership consisted of the following:

	<u>Police</u>	<u>General Employees</u>
Inactive plan members or beneficiaries currently receiving benefits	10	13
Inactive plan members entitled to but not yet receiving benefits	0	3
Active plan members	<u>11</u>	<u>9</u>
Total plan members	<u><u>21</u></u>	<u><u>25</u></u>

Benefits Provided – Police Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 50 for employment. The scheduled monthly retirement benefit is 50% of the participant's final 36 months' average compensation at retirement plus a service increment. A participant who completes 26 years of service will be entitled to a service increment of \$100 per month, increasing by \$100 per month for each additional year of service to a maximum of \$500 per month for 30 or more years of service. Compensation if hired prior to August 31, 1983 is total compensation. For those employees hired after August 31, 1983, compensation excludes irregular or extra forms of compensation.

Survivor Benefit – For a vested participant or retiree, the benefit payable is 50% of what the pension participant was receiving or would have been receiving had they been retired at death, payable to their spouse until death or children under age 18, or age 23 if attending college. For a non-vested participant or retiree, the spouse or children under age 18, or 23 if attending college, shall be entitled to receive repayment of all money which the member invested in the pension fund plus interest, unless the member has designated another beneficiary for this purpose.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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 of 50% of the participant's salary at the time the disability was incurred, less Social Security disability benefits, and to the extent permitted by law offset by worker's compensation benefits, any benefits as a result of federal law similar to Social Security, any state unemployment compensation or disability benefits, benefits payable under the Pennsylvania Motor Vehicle Financial Responsibility Law, and any other disability benefit provided by the Borough.

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. For active participants retiring on or after January 1, 2001, the monthly benefit after retirement will be increased annually based on the Consumer Price Index. The maximum total increase is 10% of the original monthly benefit.

Benefits Provided – General Employees Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing five years of service and attaining age 65. As of January 1, 2013, this plan was closed to new entrants. The monthly retirement benefit is equal to 1.95% of the participant's final 36 months average compensation at retirement multiplied by years of service.

Disability Benefit – If a participant becomes totally and permanently disabled, the participant is entitled to receive their accrued benefit at disablement date.

Termination Benefit – If a participant's employment is terminated, the participant is entitled to a vested deferred benefit after five years of service. A participant who terminates before five years of service is entitled to a return of prior employee contribution plus interest.

Contributions

The Plans are funded by the Borough on an annual basis pursuant to the provisions of the Act. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. For the year ended December 31, 2022, participating employees in the Police and General Employees Plans were not required to contribute. During the year, the Borough made its required

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

contributions of \$135,762 and \$0 to the Police and General Employees Plans, respectively, based upon the MMO.

Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Borough’s net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations as of January 1, 2023.

The components of the net pension liability (asset) of the Plans at December 31, 2022 were as follows:

	<u>Police</u>	<u>General Employees</u>	<u>Total</u>
Total pension liability	\$ 6,366,755	\$ 5,497,080	\$ 11,863,835
Plan fiduciary net position	<u>6,269,977</u>	<u>5,351,624</u>	<u>11,621,601</u>
Net pension liability	<u>\$ 96,778</u>	<u>\$ 145,456</u>	<u>\$ 242,234</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.48%</u>	<u>97.35%</u>	

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Changes in the Net Pension Liability (Asset) – The changes in the net pension liability (asset) of the Borough for the Police Plan for the year ended December 31, 2022 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 6,232,991	\$ 7,805,356	\$ (1,572,365)
Changes for the year:			
Service cost	188,683	-	188,683
Interest	431,244	-	431,244
Changes of benefit terms	(152,762)	-	(152,762)
Contributions - employer	-	137,095	(137,095)
Net investment income (loss)	-	(1,325,338)	1,325,338
Benefit payments, including refunds	(333,401)	(333,401)	-
Administrative expense	-	(13,200)	13,200
Other changes	-	(535)	535
Net changes	133,764	(1,535,379)	1,669,143
Balances at December 31, 2022	\$ 6,366,755	\$ 6,269,977	\$ 96,778

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The changes in the net pension liability (asset) of the Borough for the General Employees Plan for the year ended December 31, 2022 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 5,376,700	\$ 6,687,702	\$ (1,311,002)
Changes for the year:			
Service cost	45,034	-	45,034
Interest	371,345	-	371,345
Changes of benefit terms	(107,430)	-	(107,430)
Net investment income (loss)	-	(1,135,212)	1,135,212
Benefit payments, including refunds	(188,569)	(188,569)	-
Administrative expense	-	(11,760)	11,760
Other changes	-	(537)	537
Net changes	120,380	(1,336,078)	1,456,458
Balances at December 31, 2022	\$ 5,497,080	\$ 5,351,624	\$ 145,456

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2023, using the following actuarial assumptions, applied to all periods in the measurement:

	Police	General Employees
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	5.00%	5.00%
Cost-of-living adjustments increase	2.00%	n/a
Mortality rates	Pub-2010 Safety Employees Amount- Weight Mortality Table with different rates of actives, disableds, retirees, and contingent survivors	Pub-2010 General Employees Amount- Weight Mortality Table with different rates for actives, disableds, retirees, and contingent survivors

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Changes in Actuarial Assumptions – The following changes were made to the actuarial assumptions used in the January 1, 2023 valuation compared to the previous actuarial valuation on January 1, 2021. For the Police Plan and the General Employees Plan, the mortality improvement scale was updated from MP-2020 to MP-2021.

Investment Policy – The Plans’ policies in regard to the allocation of invested assets are established and may be amended by Borough Council. It is the policy of Council to pursue an overall asset allocation strategy that identifies a portfolio structure and sets a long-term percentage target for the amount of the Plans’ market value that is to be invested in each asset class. Numerous asset classes are considered to provide the Plans with a diversified investment portfolio.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 Plans’ target asset allocation as of December 31, 2022:

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	Police	General Employees	Police	General Employees
Fixed income	35.00%	35.00%	4.11%	4.11%
Equities	60.00%	60.00%	8.95%	8.95%
Cash and equivalents	5.00%	5.00%	2.28%	2.28%
	<u>100.00%</u>	<u>100.00%</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, 2022, the annual money-weighted rate of return on the Police Plan and General Employees and investments, net of investment expense, was (17.30%) and (17.22%), respectively.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Concentrations – At December 31, 2022, the Plans had no investments (other than mutual funds or other pooled investments) in any one issuer that represented 5% or more of either Plan’s fiduciary net position.

Discount Rate – The discount rate used to measure the total pension liability for the Police Plan and General Employees Plan was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, expenses would continue at their current level, and that the Borough would contribute the MMO in the future. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the lifetime of the plan. 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. For periods or projected benefit payments where assets are insufficient to meet benefit payments, an average 20-year municipal bond rate for bonds rated As and above as of December 31, 2022 of 3.40% is applied.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans’ net pension liabilities (assets) 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Police Plan	<u>\$ 826,881</u>	<u>\$ 96,778</u>	<u>\$ (518,163)</u>
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
General Employees Plan	<u>\$ 700,603</u>	<u>\$ 145,456</u>	<u>\$ (326,836)</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Borough recognized pension expense of \$403,216. At December 31, 2022, the Borough reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Police	General Employees	Total
<u>Deferred Outflows of Resources:</u>			
Assumption changes	\$ 54,220	\$ -	\$ 54,220
Net difference between projected and actual earnings	1,007,271	870,483	1,877,754
Total deferred outflows of resources	\$ 1,061,491	\$ 870,483	\$ 1,931,974
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 266,617	\$ 44,971	\$ 311,588
Net difference between expected and actual earnings	-	-	-
Total deferred inflows of resources	\$ 266,617	\$ 44,971	\$ 311,588

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

Year ending December 31,	Police	General Employees	Total
2023	\$ 57,141	\$ 39,456	\$ 96,597
2024	196,293	198,923	395,216
2025	277,036	267,876	544,912
2026	340,907	319,257	660,164
2027	(29,351)	-	(29,351)
Thereafter	(47,152)	-	(47,152)
	\$ 794,874	\$ 825,512	\$ 1,620,386

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Defined Contribution Plan

All full-time employees, other than police officers, who are hired by the Borough on or after January 1, 2013 are eligible to participate in the defined contribution plan. The Borough administers the plan with MissionSquare acting as the agent for the funds. All plan provisions were established by Council ordinance and any changes to those provisions are required to be made via ordinance.

Participants are required to contribute 5% of their compensation on the last day of each payroll period. The Borough contributes 1% of the participants compensation through the end of the participant's fourth full calendar year of employment and contributes 2% beginning with the fifth full year of employment. All amounts contributed vest immediately to the employee. All amounts forfeited by terminated participants shall be allocated to a suspense account and used to reduce dollar for dollar employer contributions required under the Plan. During 2022, employees contributed \$7,569 and the Borough contributed \$5,935.

Deferred Compensation Plan

Employees of the Borough may participate in a voluntary deferred compensation plan (plan) adopted under the provisions of Internal Revenue Code Section 457, which is considered a defined contribution plan. As part of its fiduciary role, the Borough has an obligation of due care in selecting the third-party administrator. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. During 2022, the employee and employer contributions were \$22,950.

9. Risk Financing

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

For its dental, vision, short-term and long-term disability insurance, the Borough participates as a member of the Municipal Employers Insurance Trust (MEIT) (d/b/a Municipal Benefits Services). MEIT was formed in 1968 for the purpose of providing certain benefits for eligible employers (any municipality, municipal authority, association of

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

municipal employees of any city, town, township, or borough of the Commonwealth of Pennsylvania), and those employers who may later become eligible. MEIT acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The Borough pays a monthly premium to MEIT for its insurance. The trust agreement provides that MEIT will be self-sustaining through employer contributions sufficient to pay all insurance premiums from commercial insurance carriers and all administrative costs of MEIT. The Borough may withdraw from MEIT by giving 30 days' notice. The trust was established solely for the purpose of administering, holding, and maintaining insurance policies and other agreements related to the provision of benefits. Therefore, the Borough has no right, title, or interest in the Trust fund, and it has no right to the return of any monies paid into the Trust fund.

For its workers' compensation insurance coverage, the Borough participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of over 200 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2021 were \$75,083. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant of the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The Trust purchases excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust. Estimates of any additional assessments are unknown.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Commitments and Contingencies

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

BOROUGH OF SEWICKLEY

SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 188,683	\$ 176,339	\$ 137,144	\$ 128,172	\$ 112,330	\$ 104,981	\$ 110,407	\$ 103,184	\$ 103,122
Interest	431,244	410,108	395,489	375,613	358,702	340,195	348,424	328,623	320,614
Changes of benefit terms	(152,762)	-	(93,057)	-	(175,600)	-	(408,661)	-	(158,864)
Changes to assumptions	-	-	2,983	-	129,671	-	-	-	-
Benefit payments	(333,401)	(247,957)	(258,661)	(189,999)	(192,865)	(176,067)	(153,971)	(151,105)	(149,892)
Net Changes in Total Pension Liability	133,764	338,490	183,898	313,786	232,238	269,109	(103,801)	280,702	114,980
Total Pension Liability - Beginning	6,232,991	5,894,501	5,710,603	5,396,817	5,164,579	4,895,470	4,999,271	4,718,569	4,603,589
Total Pension Liability - Ending (a)	\$ 6,366,755	\$ 6,232,991	\$ 5,894,501	\$ 5,710,603	\$ 5,396,817	\$ 5,164,579	\$ 4,895,470	\$ 4,999,271	\$ 4,718,569
Plan Fiduciary Net Position:									
Contributions - employer	\$ 137,095	\$ 139,086	\$ 111,565	\$ 98,794	\$ 82,241	\$ 180,683	\$ 176,326	\$ 206,064	\$ 163,494
Net investment income	(1,325,338)	802,378	845,986	1,071,840	(311,219)	770,547	309,737	5,379	329,929
Benefits payments	(333,401)	(247,957)	(258,661)	(189,999)	(192,865)	(176,067)	(153,971)	(151,105)	(149,892)
Actuarial costs	(13,200)	(8,784)	(3,400)	(2,620)	-	(9,865)	(3,035)	(9,590)	(5,525)
Other	(535)	-	(455)	(350)	(352)	(26,372)	(18,113)	(578)	(12,441)
Net Change in Plan Fiduciary Net Position	(1,535,379)	684,723	695,035	977,665	(422,195)	738,926	310,944	50,170	325,565
Plan Fiduciary Net Position - Beginning	7,805,356	7,120,633	6,425,598	5,447,933	5,870,128	5,131,202	4,820,258	4,770,088	4,444,523
Plan Fiduciary Net Position - Ending (b)	\$ 6,269,977	\$ 7,805,356	\$ 7,120,633	\$ 6,425,598	\$ 5,447,933	\$ 5,870,128	\$ 5,131,202	\$ 4,820,258	\$ 4,770,088
Net Pension Liability (Asset) - Ending (a-b)	\$ 96,778	\$ (1,572,365)	\$ (1,226,132)	\$ (714,995)	\$ (51,116)	\$ (705,549)	\$ (235,732)	\$ 179,013	\$ (51,519)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.48%	125.23%	120.80%	112.52%	100.95%	113.66%	104.82%	96.42%	101.09%
Covered Payroll	\$ 1,202,511	\$ 1,242,723	\$ 1,250,484	\$ 993,481	\$ 1,081,019	\$ 753,051	\$ 772,365	\$ 720,851	\$ 791,978
Net Pension Liability (Asset) as a Percentage of Covered Payroll	8.05%	-126.53%	-98.05%	-71.97%	-4.73%	-93.69%	-30.52%	24.83%	-6.51%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

BOROUGH OF SEWICKLEY

SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

GENERAL EMPLOYEES PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 45,034	\$ 42,088	\$ 65,757	\$ 61,455	\$ 117,272	\$ 109,600	\$ 155,251	\$ 145,094	\$ 153,101
Interest	371,345	356,083	350,556	334,194	335,877	316,451	302,137	282,484	261,511
Changes of benefit terms	(107,430)	-	(256,234)	-	(401,856)	-	(73,902)	-	44,166
Changes to assumptions	-	-	100,041	-	104,363	-	-	-	-
Benefit payments	(188,569)	(174,641)	(164,021)	(164,114)	(139,458)	(165,290)	(147,056)	(156,729)	(153,594)
Net Changes in Total Pension Liability	120,380	223,530	96,099	231,535	16,198	260,761	236,430	270,849	305,184
Total Pension Liability - Beginning	5,376,700	5,153,170	5,057,071	4,825,536	4,809,338	4,548,577	4,312,148	4,041,299	3,736,115
Total Pension Liability - Ending (a)	\$ 5,497,080	\$ 5,376,700	\$ 5,153,170	\$ 5,057,071	\$ 4,825,536	\$ 4,809,338	\$ 4,548,578	\$ 4,312,148	\$ 4,041,299
Plan Fiduciary Net Position:									
Contributions - employer	\$ -	\$ 71,004	\$ 68,360	\$ 196,904	\$ 213,711	\$ 257,528	\$ 270,930	\$ 290,032	\$ 251,073
Net investment income	(1,135,212)	686,362	724,013	889,592	(247,500)	600,465	240,320	4,956	250,692
Benefits payments	(188,569)	(174,641)	(164,021)	(164,114)	(139,458)	(165,290)	(147,056)	(156,729)	(153,594)
Actuarial costs	(11,760)	(6,754)	(3,160)	(10,500)	-	(7,045)	(3,875)	(9,815)	(5,565)
Other	(537)	-	(534)	(459)	(366)	(20,975)	(14,292)	(770)	(10,499)
Net Change in Plan Fiduciary Net Position	(1,336,078)	575,971	624,658	911,423	(173,613)	664,683	346,027	127,674	332,107
Plan Fiduciary Net Position - Beginning	6,687,702	6,111,731	5,487,073	4,575,650	4,749,263	4,084,580	3,738,553	3,610,879	3,278,772
Plan Fiduciary Net Position - Ending (b)	\$ 5,351,624	\$ 6,687,702	\$ 6,111,731	\$ 5,487,073	\$ 4,575,650	\$ 4,749,263	\$ 4,084,580	\$ 3,738,553	\$ 3,610,879
Net Pension Liability (Asset) - Ending (a-b)	\$ 145,456	\$ (1,311,002)	\$ (958,561)	\$ (430,002)	\$ 249,886	\$ 60,075	\$ 463,998	\$ 573,595	\$ 430,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.35%	124.38%	118.60%	108.50%	94.82%	98.75%	89.80%	86.70%	89.35%
Covered Payroll	\$ 734,740	\$ 698,199	\$ 619,806	\$ 619,806	\$ 877,291	\$ 951,659	\$ 914,467	\$ 915,453	\$ 979,041
Net Pension Liability (Asset) as a Percentage of Covered Payroll	19.80%	-187.77%	-154.66%	-69.38%	28.48%	6.31%	50.74%	62.66%	43.96%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

BOROUGH OF SEWICKLEY

SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS
AND INVESTMENT RETURNS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

POLICE PENSION PLAN:	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Borough Contributions									
Actuarially determined contribution	\$ 135,762	\$ 139,086	\$ 111,565	\$ 98,794	\$ 82,241	\$ 180,683	\$ 176,326	\$ 206,061	\$ 163,494
Contributions	<u>137,095</u>	<u>139,086</u>	<u>111,565</u>	<u>98,794</u>	<u>82,241</u>	<u>180,683</u>	<u>176,326</u>	<u>206,064</u>	<u>163,494</u>
Contribution deficiency (excess)	<u>\$ (1,333)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,202,511</u>	<u>\$ 1,242,723</u>	<u>\$ 1,250,484</u>	<u>\$ 993,481</u>	<u>\$ 1,081,019</u>	<u>\$ 753,051</u>	<u>\$ 772,365</u>	<u>\$ 720,851</u>	<u>\$ 791,978</u>
Contributions as a percentage of covered payroll	11.40%	11.19%	8.92%	9.94%	7.61%	23.99%	22.83%	28.59%	20.64%
Investment Returns									
Annual money-weighted rate of return, net of investment expense	-17.30%	11.29%	13.38%	19.94%	-5.37%	15.25%	6.49%	11.00%	7.48%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

BOROUGH OF SEWICKLEY

SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS
AND INVESTMENT RETURNS

GENERAL EMPLOYEES PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

GENERAL EMPLOYEE'S PENSION PLAN:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Borough Contributions									
Actuarially determined contribution	\$ -	\$ 71,004	\$ 68,360	\$ 196,904	\$ 213,711	\$ 257,528	\$ 270,930	\$ 290,026	\$ 251,073
Contributions	-	71,004	68,360	196,904	213,711	257,528	270,930	290,032	251,073
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6)	\$ -
Covered payroll	\$ 734,740	\$ 698,199	\$ 687,920	\$ 619,806	\$ 877,291	\$ 951,659	\$ 914,467	\$ 915,453	\$ 979,041
Contributions as a percentage of covered payroll	0.00%	10.17%	9.94%	31.77%	24.36%	27.06%	29.63%	31.68%	25.64%
Investment Returns									
Annual money-weighted rate of return, net of investment expense	-17.22%	11.24%	13.35%	19.63%	-5.24%	14.95%	6.48%	-0.15%	7.72%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

BOROUGH OF SEWICKLEY

NOTE TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuation at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

	Police	General Employees
Actuarial valuation date	1/1/2021	1/1/2021
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Dollar, Closed
Asset valuation method	Market Value	Market Value
Investment rate of return	7.00%	7.00%
Projected salary increases	5.00%	5.00%
Cost of living adjustments	2.00%	N/A
Mortality	MP 2020	MP 2020

Changes in Benefit Terms

There were no changes in benefit terms.

Changes in Assumptions

Effective January 1, 2021, for the Police Plan, the cost of living adjustment was lowered from 4.00% to 2.00%. The mortality was also changed from the RP-2014 Fully Generational Mortality Table with mortality improvement MP-2018 from 2006 to Pub-2010 Safety Employees Amount-Weighted Mortality with Scale MP-2020.

BOROUGH OF SEWICKLEY

NOTE TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Effective January 1, 2021, for the General Employees Plan, the mortality was changed from the RP-2014 Fully Generational Mortality Table with mortality improvement MP-2018 from 2006 to Pub-2010 General Employees Amount-Weighted Mortality with Scale MP-2020.

SUPPLEMENTARY INFORMATION

BOROUGH OF SEWICKLEY

COMBINING BALANCE SHEET CAPITAL PROJECT FUNDS

DECEMBER 31, 2022

	Road Construction and Maintenance Fund	Fire Fund	Total
Assets			
Cash and cash equivalents	\$ 140,482	\$ 565,188	\$ 705,670
Due from other funds	178,591	573,311	751,902
Total Assets	\$ 319,073	\$ 1,138,499	\$ 1,457,572
Liabilities and Fund Balance			
Liabilities:			
Due to other funds	\$ 144,694	\$ -	\$ 144,694
Total Liabilities	144,694	-	144,694
Fund Balance:			
Assigned	174,379	1,138,499	1,312,878
Total Liabilities and Fund Balance	\$ 319,073	\$ 1,138,499	\$ 1,457,572

BOROUGH OF SEWICKLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE CAPITAL PROJECT FUNDS

YEAR ENDED DECEMBER 31, 2022

	Road Construction and Maintenance Fund	Fire Fund	Total
Revenues:			
Interest	\$ 1,792	\$ 6,562	\$ 8,354
Intergovernmental	25,000	-	25,000
Charges for services	-	86,424	86,424
Miscellaneous	-	3,077	3,077
Total revenues	26,792	96,063	122,855
Expenditures:			
Public safety	69,000	79,583	148,583
Debt service:			
Principal	69,294	-	69,294
Total expenditures	138,294	79,583	217,877
Excess (Deficiency) of Revenues Over Expenditures	(111,502)	16,480	(95,022)
Net Change in Fund Balance	(111,502)	16,480	(95,022)
Fund Balance:			
Beginning of year	285,881	1,122,019	1,407,900
End of year	\$ 174,379	\$ 1,138,499	\$ 1,312,878

BOROUGH OF SEWICKLEY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2022

	<u>Police</u>	<u>General Employees</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 627,635	\$ 549,463	\$ 1,177,098
Investments:			
Equity mutual funds	1,952,454	1,649,042	3,601,496
Fixed income mutual funds	1,843,254	1,592,792	3,436,046
Common stock	1,833,744	1,549,134	3,382,878
Accrued interest	12,963	11,193	24,156
Total Assets	<u>6,270,050</u>	<u>5,351,624</u>	<u>11,621,674</u>
Liabilities			
Benefits payable	<u>73</u>	<u>-</u>	<u>73</u>
Net Position			
Restricted for pension benefits	<u>\$ 6,269,977</u>	<u>\$ 5,351,624</u>	<u>\$ 11,621,601</u>

BOROUGH OF SEWICKLEY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2022

	Police	General Employees	Total
Additions:			
<hr/>			
Contributions:			
Employer	\$ 137,095	\$ -	\$ 137,095
Total contributions	137,095	-	137,095
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	(1,369,695)	(1,169,881)	(2,539,576)
Interest and dividends	129,294	111,101	240,395
Less investment expenses	(84,937)	(76,432)	(161,369)
Total investment income (loss)	(1,325,338)	(1,135,212)	(2,460,550)
Total additions	(1,188,243)	(1,135,212)	(2,323,455)
Deductions:			
<hr/>			
Benefits	333,401	188,569	521,970
Administrative expenses	13,200	11,760	24,960
Other	535	537	1,072
Total deductions	347,136	200,866	548,002
Change in Fiduciary Net Position	(1,535,379)	(1,336,078)	(2,871,457)
Net Position:			
<hr/>			
Beginning of year	7,805,356	6,687,702	14,493,058
End of year	\$ 6,269,977	\$ 5,351,624	\$ 11,621,601