

Borough of Sewickley

Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2023
with Independent Auditor's Report

MaherDuessel

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BOROUGH OF SEWICKLEY

YEAR ENDED DECEMBER 31, 2023

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BOROUGH OF SEWICKLEY

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Borough Council
Borough of Sewickley**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Sewickley, Pennsylvania (Borough), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 audit opinions.

Emphasis of Matter

As further described in Note 1 to the financial statements, beginning net position and fund balance have been restated to properly account for the Parking Authority transfer of operations. 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
September 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

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, 2023. 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 2023 are as follows:

- The Borough's governmental activities net position decreased \$704,240 in 2023 to \$14,581,016. The Borough's business-type activities (Sewer Fund) net position increased \$1,427,351 in 2023 to \$6,618,178.
- Unrestricted net position for the Borough's governmental and business-type activities was \$8,250,363 and \$1,294,911, respectively, as of December 31, 2023.
- The Borough's governmental funds fund balance decreased from \$8,290,715 at December 31, 2022 to \$7,457,245 at December 31, 2023 (10%).
- In January 2022, Borough Council and the Borough of Sewickley Parking Authority Board approved termination of the Parking Authority effective October 12, 2022, at which time parking operations were transferred to the Borough. Due to the limited activity in 2022, management did not include the parking activity in the Borough's 2022 financial statements. For 2023, the Borough reported all parking activity in the General Fund. This resulted in adjustments to and restatements of beginning net position and fund balance.

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. The proprietary fund statements account for the Borough’s sewer operations. 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-1
Required Components of
Borough of Sewickley’s Financial Report**

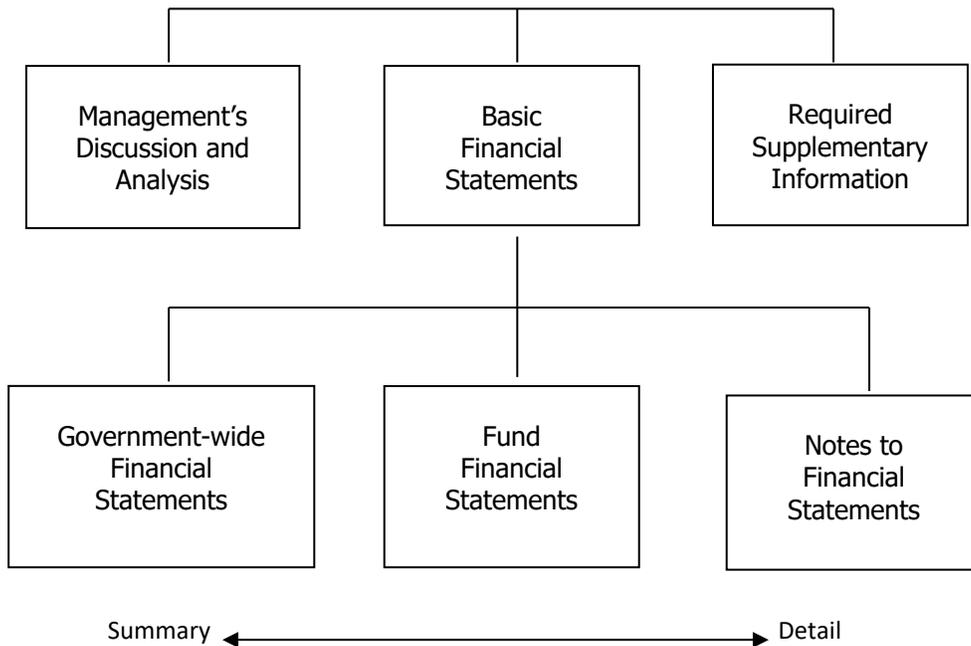


Figure A-2 summarizes the major features of the Borough’s financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

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

	Government-wide Financial Statements and <u>Proprietary Funds</u>	<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, 2023 and 2022 is presented below:

Table A-1
Summary of Statements of Net Position
Years Ended December 31, 2023 and 2022

	December 31, 2023			2022 Total (as restated)
	Governmental Activities	Business-Type Activities	2023 Total	
Current assets	\$ 8,768,020	\$ 1,510,985	\$ 10,279,005	\$ 9,389,351
Internal balances	262,479	(262,479)	-	-
Capital assets	6,123,815	12,143,863	18,267,678	18,828,704
Other noncurrent assets	644,561	19,017	663,578	349,461
Deferred outflows	1,064,148	322,198	1,386,346	2,191,191
Total Assets and Deferred Outflows	16,863,023	13,733,584	30,596,607	30,758,707
Current liabilities	1,124,474	801,657	1,926,131	1,440,427
Noncurrent liabilities	650,721	6,313,749	6,964,470	8,202,044
Deferred inflows	506,812	-	506,812	640,153
Total Liabilities and Deferred Inflows	2,282,007	7,115,406	9,397,413	10,282,624
Net Position:				
Net investment in capital assets	5,618,595	5,304,250	10,922,845	10,193,166
Restricted	712,058	19,017	731,075	337,138
Unrestricted	8,250,363	1,294,911	9,545,274	9,945,779
Total Net Position	\$ 14,581,016	\$ 6,618,178	\$ 21,199,194	\$ 20,476,083

The increase in current assets is mainly the result of an increase in cash and cash equivalents for the General Fund due to the addition of parking activity in 2023. 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, 2023. Restricted net position increased as the net pension liability became a net pension asset between 2022 and 2023.

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 2023 and 2022:

Table A-2
Condensed Statements of Activities
Years Ended December 31, 2023 and 2022

	December 31, 2023		2023 Total	2022 Total (As Restated)
	Governmental Activities	Business-Type Activities		
Revenues:				
Program revenues:				
Charges for services	\$ 1,818,297	\$ 2,063,521	\$ 3,881,818	\$ 3,742,493
Grants and contributions	1,244,075	-	1,244,075	565,206
General revenues:				
Real estate taxes	3,291,446	-	3,291,446	3,201,445
Other taxes	2,253,792	-	2,253,792	2,519,813
Interest and rents	137,942	45,001	182,943	89,066
Sale of capital assets	18,847	-	18,847	-
Refunds	47,676	-	47,676	73,597
Miscellaneous	59,834	-	59,834	29,916
Total revenues	8,871,909	2,108,522	10,980,431	10,221,536
Expenses:				
Program expenses:				
General government	1,420,590	-	1,420,590	1,389,736
Public safety	3,208,502	-	3,208,502	3,223,377
Public works	2,269,378	-	2,269,378	1,830,436
Culture and recreation	1,698,406	-	1,698,406	356,331
Debt service	1,670	-	1,670	5,050
Transfers (in) out	977,603	(977,603)	-	-
Sewer operations	-	1,658,774	1,658,774	1,559,373
Total expenses	9,576,149	681,171	10,257,320	8,364,303
Change in net position	(704,240)	1,427,351	723,111	1,857,233
Net position - beginning, as restated	15,285,256	5,190,827	20,476,083	18,618,850
Net position - ending	<u>\$ 14,581,016</u>	<u>\$ 6,618,178</u>	<u>\$ 21,199,194</u>	<u>\$ 20,476,083</u>

Total governmental activities revenues of \$8,871,909 were derived primarily from real estate taxes representing 37.1% of the total. Other taxes made up the next largest source of revenue of 25.4%, followed by charges for services at 20.5%.

Grants and contributions increased by approximately \$679,000, and culture and recreation expenses increased by approximately \$1.3 million, due to the Borough receiving a \$750,000 Keystone Grant for Public Library Facilities from the Commonwealth of Pennsylvania which was passed-through to the Sewickley Public Library. Public works expenses increased by approximately \$439,000 due to an increase in repair and restoration projects, as well as an increase in paving projects in 2023.

Table A-3
Years Ended December 31, 2023 and 2022
Net Cost of Governmental Activities

	2023		2022 (As Restated)	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program:				
General government	\$ 1,420,590	\$ 575,936	\$ 1,389,736	\$ 1,048,800
Public safety	3,208,502	1,937,194	3,223,377	1,878,026
Public works	2,269,378	2,143,816	1,830,436	1,590,608
Culture and recreation	1,698,406	877,558	356,331	311,132
Debt service	1,670	1,670	5,050	5,050
Total	<u>\$ 8,598,546</u>	<u>\$ 5,536,174</u>	<u>\$ 6,804,930</u>	<u>\$ 4,833,616</u>

Table A-4 reflects the activities of the Sewer Fund, the business-type activities of the Borough for the years 2023 and 2022:

Table A-4
Years Ended December 31, 2023 and 2022
Net Cost of Business-Type Activities

	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program:				
Sewer operations	<u>\$ 1,658,774</u>	<u>\$ (404,747)</u>	<u>\$ 1,559,373</u>	<u>\$ (608,337)</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 2023 and 2022:

	2023	2022 (As Restated)
Revenues:		
Taxes	\$ 5,501,592	\$ 5,599,971
Licenses and permits	75,163	75,908
Fines and forfeits	21,721	38,554
Interest and rents	95,655	72,752
Intergovernmental	1,039,159	379,075
Contributions and donations	85,625	45,425
Charges for services	1,721,413	1,373,897
Miscellaneous	59,834	26,839
Total revenues	<u>\$ 8,600,162</u>	<u>\$ 7,612,421</u>
Expenses:		
General government	\$ 1,368,856	\$ 1,283,903
Public safety	3,082,664	2,925,105
Public works	2,209,684	1,549,031
Culture and Recreation	1,641,046	298,886
Debt service	294,068	231,390
Total expenses	<u>\$ 8,596,318</u>	<u>\$ 6,288,315</u>
Other Financing Sources (Uses):		
Transfers in	\$ 408,053	\$ -
Sale of capital assets	18,847	-
Proceeds from financed purchase	-	109,109
Refund of prior year expenditures (revenues)	47,676	73,597
Transfers out	(966,760)	-
Total other financing sources (uses)	<u>\$ (492,184)</u>	<u>\$ 182,706</u>
Net change in fund balance:	<u>\$ (488,340)</u>	<u>\$ 1,506,812</u>

Intergovernmental revenue increased by approximately \$660,000, and culture and recreation expenses increased by approximately \$1.3 million, due to the Borough receiving a \$750,000 Keystone Grant for Public Library Facilities from the Commonwealth of Pennsylvania which was passed-through to the Sewickley Public Library.

GENERAL FUND BUDGET

In December 2022, the Borough adopted its annual budget for the General Fund in the amount of \$9.8 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)

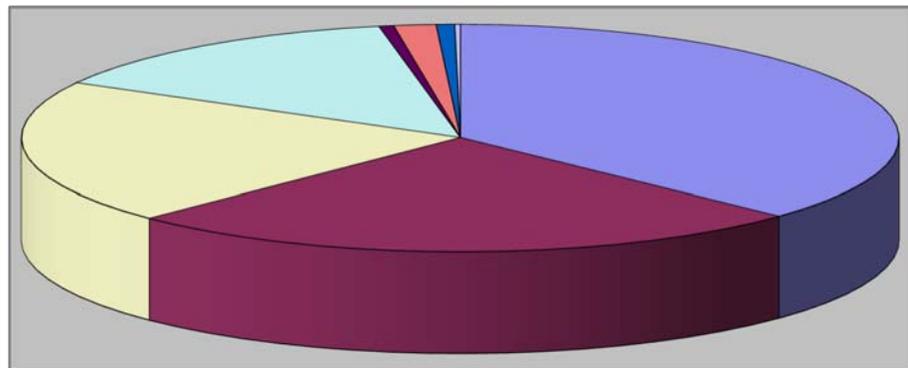
The following table compares the revenues, expenses, and change in net position of the Borough’s Proprietary Fund for the years 2023 and 2022:

	Sewer Fund	
	2023	2022
Operating revenues	\$ 2,063,521	\$ 2,167,710
Operating expenses	(1,466,869)	(1,340,479)
Operating income (loss)	596,652	827,231
Nonoperating revenues (expenses)	(146,904)	(214,858)
Transfer in (out)	977,603	-
Change in net position	<u>\$ 1,427,351</u>	<u>\$ 612,373</u>

GOVERNMENTAL ACTIVITIES REVENUE

The following chart graphically depicts the governmental activities revenue for the fiscal year ended December 31, 2023.

TOTAL GOVERNMENTAL ACTIVITIES REVENUES: \$8,871,909

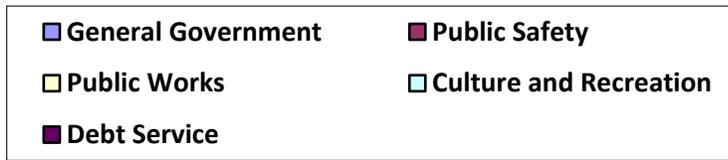
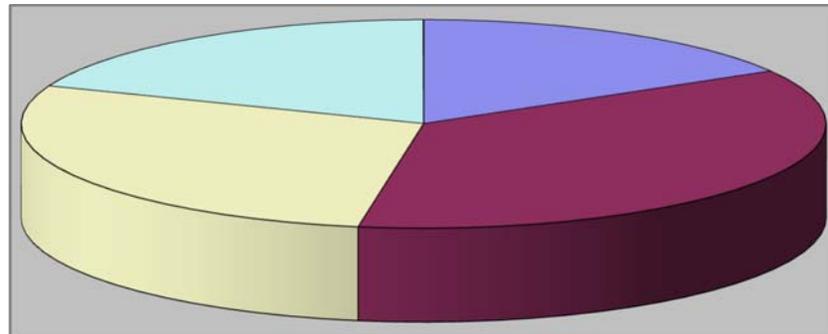


■ Real Estate Taxes	■ Other Taxes	■ Charges for Service
■ Grants	■ Refunds	■ Interest
■ Miscellaneous	■ Sale of capital assets	

GOVERNMENTAL ACTIVITIES EXPENSES

The following chart graphically depicts the governmental activities expenses for the fiscal year ended December 31, 2023. The expenses reflect the delivery of a wide range of services, with the two largest areas being public safety at 37.3% and public works at 26.4%. General government expenses were 16.5% of total expenses.

TOTAL GOVERNMENTAL ACTIVITIES EXPENSES: \$8,598,546



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the Borough had \$18,267,678 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 \$561,026 from last year. The Borough had \$374,012 in capital additions during the 2023 year which is comprised of additions to public works machinery and equipment, and vehicles.

Long-Term Debt

The outstanding balance due on all of the Borough’s long-term indebtedness (bonds, notes, financed purchases) totaled \$7,589,649 on December 31, 2023. This represents an approximate decrease of 14.7% from December 31, 2022.

PENSION TRUST FUNDS

The Borough has two pension plans – police and general employees. On December 31, 2023, the assets of the plans were \$12,687,419. An actuarial valuation of both plans determined that the net pension liability (asset) for the police and general employee pension plans was (\$222,726) and (\$126,782), respectively, as of December 31, 2023.

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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,122,026	\$ 1,080,857	\$ 8,202,883
Taxes receivable, net	772,943	-	772,943
Sewer receivable	-	430,128	430,128
Accounts receivable	873,051	-	873,051
Lease receivable	314,070	-	314,070
Internal balances	262,479	(262,479)	-
Capital assets, not being depreciated	1,237,904	-	1,237,904
Capital assets, net of accumulated depreciation	4,885,911	12,143,863	17,029,774
Net pension asset	330,491	19,017	349,508
Total Assets	15,798,875	13,411,386	29,210,261
Deferred Outflows of Resources			
Deferred charge on refunding	-	244,816	244,816
Pension related	1,064,148	77,382	1,141,530
Total Deferred Outflows of Resources	1,064,148	322,198	1,386,346
Liabilities			
Accounts payable	874,892	9,991	884,883
Payroll withholdings	107,069	-	107,069
Noncurrent liabilities due within one year:			
Bonds payable	-	500,000	500,000
Notes payable	-	291,666	291,666
Financed purchases	142,513	-	142,513
Noncurrent liabilities due in more than one year:			
Bonds payable, net of premium	-	6,292,763	6,292,763
Financed purchases	362,707	-	362,707
Compensated absences	288,014	20,986	309,000
Total Liabilities	1,775,195	7,115,406	8,890,601
Deferred Inflows of Resources			
Pension related	215,962	-	215,962
Lease related	290,850	-	290,850
Total Deferred Inflows of Resources	506,812	-	506,812
Net Position			
Net investment in capital assets	5,618,595	5,304,250	10,922,845
Restricted for:			
Highways and streets	381,567	-	381,567
Pension	330,491	19,017	349,508
Unrestricted	8,250,363	1,294,911	9,545,274
Total Net Position	\$ 14,581,016	\$ 6,618,178	\$ 21,199,194

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

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	\$ 1,420,590	\$ 822,714	\$ 21,940	\$ -	\$ (575,936)	\$ -	\$ (575,936)
Public safety	3,208,502	992,378	278,930	-	(1,937,194)	-	(1,937,194)
Public works	2,269,378	3,205	122,357	-	(2,143,816)	-	(2,143,816)
Culture and recreation	1,698,406	-	820,848	-	(877,558)	-	(877,558)
Debt service	1,670	-	-	-	(1,670)	-	(1,670)
Total government activities	8,598,546	1,818,297	1,244,075	-	(5,536,174)	-	(5,536,174)
Business-Type Activities:							
Sewer	1,658,774	2,063,521	-	-	-	404,747	404,747
Total business-type activities	1,658,774	2,063,521	-	-	-	404,747	404,747
Total	\$ 10,257,320	\$ 3,881,818	\$ 1,244,075	\$ -	(5,536,174)	404,747	(5,131,427)
General revenues and transfers:							
General revenues:							
Real estate taxes							
3,291,446							
Earned income taxes							
1,383,434							
Business privilege taxes							
318,773							
Other taxes							
551,585							
Interest and rents							
137,942							
45,001							
Sale of capital assets							
18,847							
Refund prior year expenditures (revenues)							
47,676							
Miscellaneous							
59,834							
Transfers							
(977,603)							
977,603							
Total general revenues and transfers							
4,831,934							
1,022,604							
5,854,538							
Change in Net Position							
(704,240)							
1,427,351							
723,111							
Net Position:							
Beginning of year, as restated							
15,285,256							
5,190,827							
20,476,083							
Ending of year							
\$ 14,581,016							
\$ 6,618,178							
\$ 21,199,194							

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Fund Highway Aid Fund	Total
Assets					
Cash and cash equivalents	\$ 6,070,122	\$ 651,316	\$ -	\$ 400,588	\$ 7,122,026
Taxes receivable, net	772,943	-	-	-	772,943
Accounts receivable	873,051	-	-	-	873,051
Lease receivable	314,070	-	-	-	314,070
Due from other funds	274,497	272,003	-	-	546,500
Total Assets	\$ 8,304,683	\$ 923,319	\$ -	\$ 400,588	\$ 9,628,590
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 874,892	\$ -	\$ -	\$ -	\$ 874,892
Accrued payroll and withholdings	107,069	-	-	-	107,069
Due to other funds	265,000	-	-	19,021	284,021
Total Liabilities	1,246,961	-	-	19,021	1,265,982
Deferred Inflows of Resources:					
Unavailable revenue - property and other taxes	614,513	-	-	-	614,513
Lease related	290,850	-	-	-	290,850
Total Deferred Inflows of Resources	905,363	-	-	-	905,363
Fund Balance:					
Restricted - Highways and streets	-	-	-	381,567	381,567
Assigned - Capital improvements	-	923,319	-	-	923,319
Unassigned	6,152,359	-	-	-	6,152,359
Total Fund Balance	6,152,359	923,319	-	381,567	7,457,245
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,304,683	\$ 923,319	\$ -	\$ 400,588	\$ 9,628,590

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, 2023

Total Fund Balance - Governmental Funds \$ 7,457,245

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. 6,123,815

Property and other taxes receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 614,513

The net pension liability (asset), 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. 1,178,677

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:

Financed purchases	\$ (505,220)	
Compensated absences	<u>(288,014)</u>	<u>(793,234)</u>

Total Net Position - Governmental Activities \$ 14,581,016

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

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

YEAR ENDED DECEMBER 31, 2023

	General Fund	Capital Projects Funds	Debt Service Fund	Nonmajor Fund Highway Aid Fund	Total
Revenues:					
Taxes	\$ 5,501,592	\$ -	\$ -	\$ -	\$ 5,501,592
Licenses and permits	75,163	-	-	-	75,163
Fines and forfeitures	21,721	-	-	-	21,721
Interest and rents	95,655	28,095	1,242	12,950	137,942
Intergovernmental	1,039,159	-	-	119,291	1,158,450
Contributions and donations	85,625	-	-	-	85,625
Charges for services	1,721,413	-	-	-	1,721,413
Miscellaneous	59,834	-	-	-	59,834
Total revenues	8,600,162	28,095	1,242	132,241	8,761,740
Expenditures:					
General government	1,368,856	-	-	-	1,368,856
Public safety	3,082,664	-	-	-	3,082,664
Public works	2,209,684	-	-	87,812	2,297,496
Culture and recreation	1,641,046	-	-	-	1,641,046
Debt service:					
Principal	292,398	-	-	-	292,398
Interest	1,670	-	-	-	1,670
Total expenditures	8,596,318	-	-	87,812	8,684,130
Excess (Deficiency) of Revenues Over Expenditures	3,844	28,095	1,242	44,429	77,610
Other Financing Sources (Uses):					
Transfers in	408,053	204,694	1,003,796	-	1,616,543
Transfers out	(966,760)	(622,348)	(1,005,038)	-	(2,594,146)
Sale of capital assets	18,847	-	-	-	18,847
Refund prior year expenditures	47,676	-	-	-	47,676
Total other financing sources (uses)	(492,184)	(417,654)	(1,242)	-	(911,080)
Net Change in Fund Balance	(488,340)	(389,559)	-	44,429	(833,470)
Fund Balance:					
Beginning of year, as restated	6,640,699	1,312,878	-	337,138	8,290,715
End of year	\$ 6,152,359	\$ 923,319	\$ -	\$ 381,567	\$ 7,457,245

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, 2023

Net Change in Fund Balance - Governmental Funds \$ (833,470)

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. (139,467)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 43,646

Changes in the net pension liability (asset) 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. (97,467)

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. 292,398

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. 30,120

Change in Net Position of Governmental Activities \$ (704,240)

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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 5,144,307	\$ 5,144,307	\$ 5,501,592	\$ 357,285
Licenses and permits	81,350	81,350	75,163	(6,187)
Fines and forfeitures	25,000	25,000	21,721	(3,279)
Interest and rents	45,100	45,100	95,655	50,555
Intergovernmental	466,500	466,500	1,039,159	572,659
Contributions and donations	34,500	34,500	85,625	51,125
Charges for services	1,737,096	1,737,096	1,721,413	(15,683)
Miscellaneous	68,400	68,400	59,834	(8,566)
Total revenues	7,602,253	7,602,253	8,600,162	997,909
Expenditures:				
General government	1,342,815	1,342,815	1,368,856	26,041
Public safety	3,143,701	3,143,701	3,082,664	(61,037)
Public works	3,350,068	3,350,068	2,209,684	(1,140,384)
Culture and recreation	1,813,350	1,813,350	1,641,046	(172,304)
Debt service	101,531	101,531	294,068	192,537
Total expenditures	9,751,465	9,751,465	8,596,318	(1,155,147)
Excess (Deficiency) of Revenues Over Expenditures	(2,149,212)	(2,149,212)	3,844	2,153,056
Other Financing Sources (Uses):				
Transfers in	-	-	408,053	408,053
Transfers out	(60,000)	(60,000)	(966,760)	(906,760)
Sale of capital assets	-	-	18,847	18,847
Refund prior year expenditures	84,000	84,000	47,676	(36,324)
Total other financing sources (uses)	24,000	24,000	(492,184)	(516,184)
Net Change in Fund Balance	(2,125,212)	(2,125,212)	(488,340)	1,636,872
Fund Balance:				
Beginning of year, as restated	6,640,699	6,640,699	6,640,699	-
End of year	<u>\$ 4,515,487</u>	<u>\$ 4,515,487</u>	<u>\$ 6,152,359</u>	<u>\$ 1,636,872</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2023

<u>Assets</u>	<u>Sewer</u>
Current assets:	
Cash and cash equivalents	\$ 1,080,857
Sewer receivable	430,128
Due from other funds	15,981
Total current assets	<u>1,526,966</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	12,143,863
Net pension asset	19,017
Total noncurrent assets	<u>12,162,880</u>
Total Assets	<u>13,689,846</u>
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	244,816
Pension related	77,382
Total Deferred Outflows of Resources	<u>322,198</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	9,991
Due to other funds	278,460
Bonds payable, current	500,000
Notes payable, current	291,666
Total current liabilities	<u>1,080,117</u>
Noncurrent liabilities:	
Bonds payable, net of premium	6,292,763
Compensated absences	20,986
Total noncurrent liabilities	<u>6,313,749</u>
Total Liabilities	<u>7,393,866</u>
<u>Net Position</u>	
Net investment in capital assets	5,304,250
Restricted - pension	19,017
Unrestricted	1,294,911
Total Net Position	<u>\$ 6,618,178</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, 2023

	<u>Sewer</u>
Operating Revenues:	
<u>Sewer rentals</u>	<u>\$ 2,063,521</u>
Total operating revenues	<u>2,063,521</u>
Operating Expenses:	
Operations and maintenance	774,654
Administration	270,656
Depreciation	<u>421,559</u>
Total operating expenses	<u>1,466,869</u>
Operating Income (Loss)	<u>596,652</u>
Nonoperating Revenues (Expenses):	
Interest income	45,001
Interest expense	<u>(191,905)</u>
Total nonoperating revenues (expenses)	<u>(146,904)</u>
Transfer in (out)	<u>977,603</u>
Change in Net Position	1,427,351
Net Position:	
<u>Beginning of year</u>	<u>5,190,827</u>
End of year	<u><u>\$ 6,618,178</u></u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2023

	<u>Sewer</u>
Cash Flows From Operating Activities:	
Cash received from user charges	\$ 1,930,181
Cash paid to employees for wages and benefits	(265,047)
Cash paid to vendors for goods and services	(764,663)
Net cash provided by (used in) operating activities	<u>900,471</u>
Cash Flows From Noncapital Financing Activities:	
Transfers to and from other funds	<u>59,578</u>
Cash Flows From Capital and Related Financing Activities:	
Principal paid on long-term debt	(981,667)
Interest paid on long-term debt	(208,545)
Net cash provided by (used in) capital and related financing activities	<u>(1,190,212)</u>
Cash Flows From Investing Activities:	
Interest income	<u>45,001</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(185,162)
Cash and Cash Equivalents:	
Beginning of year	<u>1,266,019</u>
End of year	<u>\$ 1,080,857</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Operating income (loss)	\$ 596,652
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	421,559
Changes in operating assets and liabilities:	
Sewer receivable	(133,340)
Net pension asset (liability)	(40,835)
Deferred outflows of resources - pension related	53,190
Accounts payable	9,991
Deferred inflows of resources - pension related	(6,746)
Net cash provided by (used in) operating activities	<u>\$ 900,471</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2023

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 613,519
Investments:	
Equity mutual funds	3,847,959
Fixed income mutual funds	4,402,662
Common stock	3,793,929
Accrued interest	29,350
Total Assets	<u>12,687,419</u>
Liabilities	
Benefits payable	<u>6,152</u>
Net Position	
Restricted for pension benefits	<u><u>\$ 12,681,267</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, 2023

	<u>Pension Trust Funds</u>
Additions:	
<hr/>	
Contributions:	
Employer	\$ 118,308
Investment income (loss):	
Net appreciation (depreciation) in fair value of investments	1,332,976
Interest and dividends	303,120
Less investment expenses	<u>(93,868)</u>
Total investment income (loss)	<u>1,542,228</u>
Total additions	<u>1,660,536</u>
Deductions:	
<hr/>	
Benefits	580,857
Administrative expenses	17,975
Other	<u>2,038</u>
Total deductions	<u>600,870</u>
Change in Fiduciary Net Position	1,059,666
Net Position:	
<hr/>	
Beginning of year	<u>11,621,601</u>
End of year	<u>\$ 12,681,267</u>

See accompanying notes to financial statements.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

Parking Authority Transfer of Operations and Restatement of Net Position and Fund Balance

In January 2022, Borough Council and the Borough of Sewickley Parking Authority Board approved termination of the Parking Authority effective October 12, 2022, at which time parking operations were transferred to the Borough. Due to the limited activity in 2022, management did not include the parking activity in the Borough's 2022 financial statements. For 2023, the Borough reported all parking activity in the General Fund. The amounts recognized as of December 31, 2022 were as follows: current assets of \$780,314, capital assets of \$113,609, current liabilities of \$10,805, governmental fund balance of \$769,509, and governmental activities net position of \$883,118. This resulted in adjustments to and restatements of beginning net position and fund balance, as follows:

	<u>Funds</u>	<u>Government-Wide</u>
	<u>General Fund</u>	<u>Governmental Activities</u>
12/31/22, as previously reported	\$ 5,871,190	\$ 14,402,138
Transfer of Parking Authority operations	<u>769,509</u>	<u>883,118</u>
12/31/22, as restated	<u>\$ 6,640,699</u>	<u>\$ 15,285,256</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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:

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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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:

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

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 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.
- 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, 2023.
 - 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
-

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023.
- **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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 2023 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 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, 2023, General Fund expenditures for general government and debt service exceeded their budget.

Adopted Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Borough's financial statements for the year ended December 31, 2023.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), and 103 (Financial Reporting Model Improvements). 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, 2023, \$253,333 of the Borough's bank balance of \$5,248,743 was insured by the Federal Deposit Insurance Corporation. The remaining balance of \$4,995,410 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 \$5,057,350 as of December 31, 2023.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Cash Equivalent Investments

As of December 31, 2023, the entire PLGIT book and bank balance of \$3,145,533 is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

The Borough can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net assets to compute share prices. It is PLGIT's policy to maintain a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

The fair value of the Borough's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. As of December 31, 2023, investments in PLGIT have received an AAAM rating from Standard & Poor's.

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' 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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

As of December 31, 2023, the Borough had the following investments in its Pension Trust Funds:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years) from December 31, 2023</u>			
		<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 years</u>
Fixed income mutual funds	\$ 4,402,662	\$ -	\$ 1,155,565	\$ 2,722,900	\$ 524,197
Total debt securities	4,402,662	\$ -	\$ 1,155,565	\$ 2,722,900	\$ 524,197
Money market	613,519				
Common stock	3,793,929				
Equity mutual funds	3,847,959				
Total other investments	8,255,407				
Total cash and cash equivalents and investments reported on the statement of fiduciary net position	\$ 12,658,069				

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023:

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	\$ 4,402,662	\$ 4,402,662	\$ -	\$ -
Equity mutual funds:				
Small growth	327,830	327,830	-	-
Small value	334,740	334,740	-	-
Mid-cap growth	548,608	548,608	-	-
Mid-cap value	572,731	572,731	-	-
Large growth	434,991	434,991	-	-
Large value	334,710	334,710	-	-
Commodities focused	148,348	148,348	-	-
Foreign large blend	1,146,001	1,146,001	-	-
Total equity mutual funds	3,847,959	3,847,959	-	-
Common stock:				
Basic materials	71,053	71,053	-	-
Communication services	389,428	389,428	-	-
Consumer cyclical	429,931	429,931	-	-
Consumer defensive	237,794	237,794	-	-
Energy	159,495	159,495	-	-
Financial services	306,769	306,769	-	-
Healthcare	579,615	579,615	-	-
Industrials	203,351	203,351	-	-
Other	83,152	83,152	-	-
Real Estate	73,156	73,156	-	-
Technology	1,185,839	1,185,839	-	-
Utilities	74,346	74,346	-	-
Total common stock	3,793,929	3,793,929	-	-
Money market	613,519	613,519	-	-
Total investments by fair value level	\$ 12,658,069	\$ 12,658,069	\$ -	\$ -

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023, the Borough's money market balance of \$613,519 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, 2023, 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:

Rating	Fair Value	Percentage of Total Fixed Income Investments with Credit Exposure
AA+	\$ 1,146,298	25%
A+	127,549	3%
AA-	424,078	10%
A	128,239	3%
A-	523,032	12%
BBB+	311,339	7%
BBB	207,588	5%
B	1,534,539	35%
Total fixed income investments	<u>\$ 4,402,662</u>	<u>100%</u>

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.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 2023 at 6.25 mills (\$.625 per \$100 assessed valuation) is as follows:

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, 2023, the allowance for real estate taxes receivable was \$148,181.

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

BOROUGH OF SEWICKLEY

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YEAR ENDED DECEMBER 31, 2023

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 \$35,391 in lease revenue and \$6,100 in interest revenue during 2023 related to these leases. As of December 31, 2023, the Borough's receivable for lease payments was \$314,070. The Borough has a deferred inflows of resources associated with these leases that will be recognized as revenue over the lease terms. As of December 31, 2023, the balance of the deferred inflows of resources was \$290,850.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	14,328	4,038	18,366
2029-2033	80,082	14,727	94,809
2034-2038	62,653	5,701	68,354
2039-2043	44,472	2,309	46,781
2044	10,091	124	10,215
	<u>\$ 314,070</u>	<u>\$ 46,716</u>	<u>\$ 360,786</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

5. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers at December 31, 2023 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:				
General	\$ 274,497	\$ 265,000	\$ 408,053	\$ 966,760
Capital Projects	272,003	-	204,694	622,348
Debt Service	-	-	1,003,796	1,005,038
Sewer	15,981	278,460	977,603	-
Nonmajor Governmental Funds:				
Highway Aid	-	19,021	-	-
Total	<u>\$ 562,481</u>	<u>\$ 562,481</u>	<u>\$ 2,594,146</u>	<u>\$ 2,594,146</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The interfund receivables and payables between funds are due to funds paying certain expenses on behalf of the other funds. These will be reimbursed by the noted fund. The transfers between the funds represent reimbursements made by other funds for expenditures on their behalf.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2023 was:

	Balance at December 31, 2022 (As Restated)	Additions	Deletions	Balance at December 31, 2023
Governmental Activities:				
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	1,403,373	330,000	-	1,733,373
Vehicles	3,557,399	44,012	(39,707)	3,561,704
Total capital assets, being depreciated	<u>13,388,485</u>	<u>374,012</u>	<u>(39,707)</u>	<u>13,722,790</u>
Less accumulated depreciation:				
Infrastructure	(2,809,634)	(158,556)	-	(2,968,190)
Site improvements	(1,173,726)	(57,907)	-	(1,231,633)
Buildings and improvements	(844,923)	(29,655)	-	(874,578)
Machinery and equipment	(1,151,615)	(98,873)	-	(1,250,488)
Vehicles	(2,383,209)	(168,488)	39,707	(2,511,990)
Total accumulated depreciation	<u>(8,363,107)</u>	<u>(513,479)</u>	<u>39,707</u>	<u>(8,836,879)</u>
Total capital assets, being depreciated, net	<u>5,025,378</u>	<u>(139,467)</u>	<u>-</u>	<u>4,885,911</u>
Governmental activities capital assets, net	<u>\$ 6,263,282</u>	<u>\$ (139,467)</u>	<u>\$ -</u>	<u>\$ 6,123,815</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Depreciation expense was allocated to governmental functions as follows:

Governmental activities:	
General government	\$ 16,519
Public safety	102,687
Public service	336,913
Culture and recreation	<u>57,360</u>
Total	<u><u>\$ 513,479</u></u>

Capital asset activity for business-type activities for the year ended December 31, 2023 was:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2023</u>
Business-type Activities:				
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	<u>163,499</u>	<u>-</u>	<u>-</u>	<u>163,499</u>
Total capital assets, being depreciated	<u>19,477,235</u>	<u>-</u>	<u>-</u>	<u>19,477,235</u>
Less accumulated depreciation:				
Buildings	(2,426,777)	(105,350)	-	(2,532,127)
Equipment	(1,933,314)	(49,102)	-	(1,982,416)
Storm sewers	(1,142,461)	(128,689)	-	(1,271,150)
Headworks dewatering project	(1,125,701)	(125,078)	-	(1,250,779)
Boundary street pump station	(120,061)	(13,340)	-	(133,401)
Vehicles	<u>(163,499)</u>	<u>-</u>	<u>-</u>	<u>(163,499)</u>
Total accumulated depreciation	<u>(6,911,813)</u>	<u>(421,559)</u>	<u>-</u>	<u>(7,333,372)</u>
Total capital assets, net	<u><u>\$ 12,565,422</u></u>	<u><u>\$ (421,559)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,143,863</u></u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

7. Long-Term Liabilities

General Obligation Bonds

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.

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

	Business-type Activities	
	Principal	Interest
2024	\$ 500,000	\$ 160,170
2025	530,000	135,170
2026	560,000	108,670
2027	565,000	97,470
2028	580,000	86,170
2029-2033	1,880,000	275,750
2034-2038	1,245,000	136,250
2039-2040	525,000	17,380
	<u>\$ 6,385,000</u>	<u>\$ 1,017,030</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

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 Series of 2023 Note was fully paid in 2023.

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

	Business-type Activities	
	Principal	Interest
2024	\$ 291,666	\$ 4,375

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 financed purchase agreement was fully paid in 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, 2023, \$820,120 of the assets have been recorded as capital assets in the statement of net position. Reductions to the financed purchase liabilities are recorded 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	
	Principal	Interest
2024	\$ 142,513	\$ 13,178
2025	87,765	7,907
2026	89,678	5,994
2027	91,633	4,039
2028	93,631	2,041
	<u>\$ 505,220</u>	<u>\$ 33,159</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Balance at December 31, 2022	Additions	Deletions	Balance at December 31, 2023	Due Within One Year
Governmental Activities:					
Notes payable	\$ 102,143	\$ -	\$ (102,143)	\$ -	\$ -
Finance purchases	695,475	-	(190,255)	505,220	142,513
Compensated absences	318,134	-	(30,120)	288,014	-
Net pension liability (asset)	220,416	-	(550,907)	(330,491)	-
Governmental activities long-term liabilities	<u>\$ 1,336,168</u>	<u>\$ -</u>	<u>\$ (873,425)</u>	<u>\$ 462,743</u>	<u>\$ 142,513</u>
Business-Type Activities:					
Bonds payable	\$ 7,075,000	\$ -	\$ (690,000)	\$ 6,385,000	\$ 500,000
Plus deferred amounts:					-
Bond premium	438,804	-	(31,041)	407,763	-
Notes payable	583,333	-	(291,667)	291,666	291,666
Compensated absences	20,986	-	-	20,986	-
Net pension liability (asset)	21,818	-	(40,835)	(19,017)	-
Business-type activities long-term liabilities	<u>\$ 8,139,941</u>	<u>\$ -</u>	<u>\$ (1,053,543)</u>	<u>\$ 7,086,398</u>	<u>\$ 791,666</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, 2023

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, 2023, 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, 2023

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, 2023, 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, 2023

contributions of \$106,126 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, 2023, 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, 2023 were as follows:

	Police	General Employees	Total
Total pension liability	\$ 6,668,300	\$ 5,663,459	\$ 12,331,759
Plan fiduciary net position	6,891,026	5,790,241	12,681,267
Net pension liability (asset)	\$ (222,726)	\$ (126,782)	\$ (349,508)
Plan fiduciary net position as a percentage of the total pension liability	103.34%	102.24%	

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, 2023 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2022	\$ 6,366,755	\$ 6,269,977	\$ 96,778
Changes for the year:			
Service cost	187,191	-	187,191
Interest	440,799	-	440,799
Contributions - employer	-	118,308	(118,308)
Net investment income (loss)	-	839,169	(839,169)
Benefit payments, including refunds	(326,445)	(326,445)	-
Administrative expense	-	(9,125)	9,125
Other changes	-	(858)	858
Net changes	301,545	621,049	(319,504)
Balances at December 31, 2023	\$ 6,668,300	\$ 6,891,026	\$ (222,726)

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The changes in the net pension liability (asset) of the Borough for the General Employees Plan for the year ended December 31, 2023 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2022	\$ 5,497,080	\$ 5,351,624	\$ 145,456
Changes for the year:			
Service cost	43,381	-	43,381
Interest	377,410	-	377,410
Contributions - employer	-	-	-
Net investment income (loss)	-	703,059	(703,059)
Benefit payments, including refunds	(254,412)	(254,412)	-
Administrative expense	-	(8,850)	8,850
Other changes	-	(1,180)	1,180
Net changes	166,379	438,617	(272,238)
Balances at December 31, 2023	\$ 5,663,459	\$ 5,790,241	\$ (126,782)

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
	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
Mortality rates		

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023:

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, 2023, the annual money-weighted rate of return on the Police Plan and General Employees and investments, net of investment expense, was 13.66% and 13.41%, respectively.

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Concentrations – At December 31, 2023, 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 Aa and above as of December 31, 2023 of 3.30% 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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Police Plan	<u>\$ 541,691</u>	<u>\$ (222,726)</u>	<u>\$ (867,057)</u>
	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
General Employees Plan	<u>\$ 444,633</u>	<u>\$ (126,782)</u>	<u>\$ (613,903)</u>

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

For the year ended December 31, 2023, the Borough recognized pension expense of \$220,613. At December 31, 2023, 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	\$ 38,403	\$ -	\$ 38,403
Net difference between projected and actual earnings	587,246	515,881	1,103,127
Total deferred outflows of resources	\$ 625,649	\$ 515,881	\$1,141,530
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 215,962	\$ -	\$ 215,962
Total deferred inflows of resources	\$ 215,962	\$ -	\$ 215,962

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
2024	\$ 114,282	\$ 131,379	\$ 245,661
2025	195,204	200,332	395,536
2026	258,895	251,713	510,608
2027	(111,362)	(67,543)	(178,905)
2028	(29,350)	-	(29,350)
Thereafter	(17,802)	-	(17,802)
	\$ 409,867	\$ 515,881	\$ 925,748

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

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 2023, employees contributed \$7,018 and the Borough contributed \$22,705.

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 2023, the employee and employer contributions were \$29,723.

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 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

BOROUGH OF SEWICKLEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 187,191	\$ 188,683	\$ 176,339	\$ 137,144	\$ 128,172	\$ 112,330	\$ 104,981	\$ 110,407	\$ 103,184	\$ 103,122
Interest	440,799	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	(326,445)	(333,401)	(247,957)	(258,661)	(189,999)	(192,865)	(176,067)	(153,971)	(151,105)	(149,892)
Net Changes in Total Pension Liability	301,545	133,764	338,490	183,898	313,786	232,238	269,109	(103,801)	280,702	114,980
Total Pension Liability - Beginning	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	4,603,589
Total Pension Liability - Ending (a)	<u>\$ 6,668,300</u>	<u>\$ 6,366,755</u>	<u>\$ 6,232,991</u>	<u>\$ 5,894,501</u>	<u>\$ 5,710,603</u>	<u>\$ 5,396,817</u>	<u>\$ 5,164,579</u>	<u>\$ 4,895,470</u>	<u>\$ 4,999,271</u>	<u>\$ 4,718,569</u>
Plan Fiduciary Net Position:										
Contributions - employer	\$ 118,308	\$ 137,095	\$ 139,086	\$ 111,565	\$ 98,794	\$ 82,241	\$ 180,683	\$ 176,326	\$ 206,064	\$ 163,494
Net investment income	839,169	(1,325,338)	802,378	845,986	1,071,840	(311,219)	770,547	309,737	5,379	329,929
Benefits payments	(326,445)	(333,401)	(247,957)	(258,661)	(189,999)	(192,865)	(176,067)	(153,971)	(151,105)	(149,892)
Actuarial costs	(9,125)	(13,200)	(8,784)	(3,400)	(2,620)	-	(9,865)	(3,035)	(9,590)	(5,525)
Other	(858)	(535)	-	(455)	(350)	(352)	(26,372)	(18,113)	(578)	(12,441)
Net Change in Plan Fiduciary Net Position	621,049	(1,535,379)	684,723	695,035	977,665	(422,195)	738,926	310,944	50,170	325,565
Plan Fiduciary Net Position - Beginning	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	4,444,523
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,891,026</u>	<u>\$ 6,269,977</u>	<u>\$ 7,805,356</u>	<u>\$ 7,120,633</u>	<u>\$ 6,425,598</u>	<u>\$ 5,447,933</u>	<u>\$ 5,870,128</u>	<u>\$ 5,131,202</u>	<u>\$ 4,820,258</u>	<u>\$ 4,770,088</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (222,726)</u>	<u>\$ 96,778</u>	<u>\$ (1,572,365)</u>	<u>\$ (1,226,132)</u>	<u>\$ (714,995)</u>	<u>\$ (51,116)</u>	<u>\$ (705,549)</u>	<u>\$ (235,732)</u>	<u>\$ 179,013</u>	<u>\$ (51,519)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>103.34%</u>	<u>98.48%</u>	<u>125.23%</u>	<u>120.80%</u>	<u>112.52%</u>	<u>100.95%</u>	<u>113.66%</u>	<u>104.82%</u>	<u>96.42%</u>	<u>101.09%</u>
Covered Payroll	<u>\$ 1,132,796</u>	<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>
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-19.66%	8.05%	-126.53%	-98.05%	-71.97%	-4.73%	-93.69%	-30.52%	24.83%	-6.51%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 43,381	\$ 45,034	\$ 42,088	\$ 65,757	\$ 61,455	\$ 117,272	\$ 109,600	\$ 155,251	\$ 145,094	\$ 153,101
Interest	377,410	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	(254,412)	(188,569)	(174,641)	(164,021)	(164,114)	(139,458)	(165,290)	(147,056)	(156,729)	(153,594)
Net Changes in Total Pension Liability	166,379	120,380	223,530	96,099	231,535	16,198	260,761	236,430	270,849	305,184
Total Pension Liability - Beginning	5,497,080	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)	<u>\$ 5,663,459</u>	<u>\$ 5,497,080</u>	<u>\$ 5,376,700</u>	<u>\$ 5,153,170</u>	<u>\$ 5,057,071</u>	<u>\$ 4,825,536</u>	<u>\$ 4,809,338</u>	<u>\$ 4,548,578</u>	<u>\$ 4,312,148</u>	<u>\$ 4,041,299</u>
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	703,059	(1,135,212)	686,362	724,013	889,592	(247,500)	600,465	240,320	4,956	250,692
Benefits payments	(254,412)	(188,569)	(174,641)	(164,021)	(164,114)	(139,458)	(165,290)	(147,056)	(156,729)	(153,594)
Actuarial costs	(8,850)	(11,760)	(6,754)	(3,160)	(10,500)	-	(7,045)	(3,875)	(9,815)	(5,565)
Other	(1,180)	(537)	-	(534)	(459)	(366)	(20,975)	(14,292)	(770)	(10,499)
Net Change in Plan Fiduciary Net Position	438,617	(1,336,078)	575,971	624,658	911,423	(173,613)	664,683	346,027	127,674	332,107
Plan Fiduciary Net Position - Beginning	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	3,278,772
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,790,241</u>	<u>\$ 5,351,624</u>	<u>\$ 6,687,702</u>	<u>\$ 6,111,731</u>	<u>\$ 5,487,073</u>	<u>\$ 4,575,650</u>	<u>\$ 4,749,263</u>	<u>\$ 4,084,580</u>	<u>\$ 3,738,553</u>	<u>\$ 3,610,879</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (126,782)</u>	<u>\$ 145,456</u>	<u>\$ (1,311,002)</u>	<u>\$ (958,561)</u>	<u>\$ (430,002)</u>	<u>\$ 249,886</u>	<u>\$ 60,075</u>	<u>\$ 463,998</u>	<u>\$ 573,595</u>	<u>\$ 430,420</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>102.24%</u>	<u>97.35%</u>	<u>124.38%</u>	<u>118.60%</u>	<u>108.50%</u>	<u>94.82%</u>	<u>98.75%</u>	<u>89.80%</u>	<u>86.70%</u>	<u>89.35%</u>
Covered Payroll	<u>\$ 611,440</u>	<u>\$ 734,740</u>	<u>\$ 698,199</u>	<u>\$ 619,806</u>	<u>\$ 619,806</u>	<u>\$ 877,291</u>	<u>\$ 951,659</u>	<u>\$ 914,467</u>	<u>\$ 915,453</u>	<u>\$ 979,041</u>
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-20.73%	19.80%	-187.77%	-154.66%	-69.38%	28.48%	6.31%	50.74%	62.66%	43.96%

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>2023</u>	<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	\$ 106,126	\$ 135,762	\$ 139,086	\$ 111,565	\$ 98,794	\$ 82,241	\$ 180,683	\$ 176,326	\$ 206,061	\$ 163,494
Contributions	<u>118,308</u>	<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>\$ (12,182)</u>	<u>\$ (1,333)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,132,796</u>	<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	10.44%	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	13.66%	-17.30%	11.29%	13.38%	19.94%	-5.37%	15.25%	6.49%	11.00%	7.48%

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:	2023	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	\$ 611,440	\$ 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%	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	13.41%	-17.22%	11.24%	13.35%	19.63%	-5.24%	14.95%	6.48%	-0.15%	7.72%

See accompanying note to required supplementary pension schedules.

BOROUGH OF SEWICKLEY

NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2023

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:

	<u>Police</u>	<u>General Employees</u>
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.

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, 2023

	Road Construction and Maintenance Fund	Fire Fund	Total
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ -	\$ 651,316	\$ 651,316
Due from other funds	-	272,003	272,003
Total Assets	\$ -	\$ 923,319	\$ 923,319
<hr/>			
Fund Balance <hr/>			
Fund Balance:			
Assigned	-	923,319	923,319
Total Liabilities and Fund Balance	\$ -	\$ 923,319	\$ 923,319

BOROUGH OF SEWICKLEY

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

YEAR ENDED DECEMBER 31, 2023

	Road Construction and Maintenance Fund	Fire Fund	Total
Revenues:			
Interest	\$ 1,967	\$ 26,128	\$ 28,095
Total revenues	1,967	26,128	28,095
Excess (Deficiency) of Revenues Over Expenditures	1,967	26,128	28,095
Other Financing Sources (Uses):			
Transfers in	144,694	60,000	204,694
Transfers out	(321,040)	(301,308)	(622,348)
Total other financing sources (uses)	(176,346)	(241,308)	(417,654)
Net Change in Fund Balance	(174,379)	(215,180)	(389,559)
Fund Balance:			
Beginning of year	174,379	1,138,499	1,312,878
End of year	\$ -	\$ 923,319	\$ 923,319

BOROUGH OF SEWICKLEY

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2023

	<u>Police</u>	<u>General Employees</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 389,349	\$ 224,170	\$ 613,519
Investments:			
Equity mutual funds	2,072,118	1,775,841	3,847,959
Fixed income mutual funds	2,373,155	2,029,507	4,402,662
Common stock	2,046,471	1,747,458	3,793,929
Accrued interest	16,085	13,265	29,350
Total Assets	<u>6,897,178</u>	<u>5,790,241</u>	<u>12,687,419</u>
Liabilities			
Benefits payable	<u>6,152</u>	<u>-</u>	<u>6,152</u>
Net Position			
Restricted for pension benefits	<u>\$ 6,891,026</u>	<u>\$ 5,790,241</u>	<u>\$ 12,681,267</u>

BOROUGH OF SEWICKLEY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2023

	Police	General Employees	Total
Additions:			
<hr/>			
Contributions:			
Employer	\$ 118,308	\$ -	\$ 118,308
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	724,718	608,258	1,332,976
Interest and dividends	163,675	139,445	303,120
Less investment expenses	(49,224)	(44,644)	(93,868)
Total investment income (loss)	839,169	703,059	1,542,228
Total additions	957,477	703,059	1,660,536
Deductions:			
<hr/>			
Benefits	326,445	254,412	580,857
Administrative expenses	9,125	8,850	17,975
Other	858	1,180	2,038
Total deductions	336,428	264,442	600,870
Change in Fiduciary Net Position	621,049	438,617	1,059,666
Net Position:			
<hr/>			
Beginning of year	6,269,977	5,351,624	11,621,601
End of year	\$ 6,891,026	\$ 5,790,241	\$ 12,681,267