



BOROUGH *of* BROOKVILLE

BOROUGH OF BROOKVILLE

Brookville, Pennsylvania

December 31, 2016

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Borough of Brookville

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INDEPENDENT AUDITOR'S REPORT

Honorable Borough Council
Borough of Brookville
Brookville, PA 15825

Members of Council:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Brookville, Pennsylvania, as of December 31, 2016, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the governmental funds, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Brookville, PA's basic financial statements. The management's discussion and analysis on pages __ to __ and the combining and individual non major fund financial statements, and other supplemental information on pages __ to __ are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The management's discussion and analysis and the combining and individual nonmajor fund financial statements and the other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 management's discussion and analysis and the combining and individual nonmajor fund financial statements and the other supplemental information are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
TBD

Borough of Brookville

Statement of Net Position - Cash Basis

December 31, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,075,564
Due from Brookville Municipal Authority	<u>135</u>
Total Assets	<u><u>\$ 1,075,699</u></u>
<u>LIABILITIES</u>	
Developer Escrow	\$ 1,200
Due to Brookville Municipal Authority	600
Payroll Withholdings and Deductions	<u>24,386</u>
Total Liabilities	<u><u>\$ 26,186</u></u>
<u>NET POSITION</u>	
Restricted	\$ 172,987
Unrestricted	<u>876,526</u>
Total Net Position	<u><u>1,049,513</u></u>
Total Liabilities and Net Position	<u><u>\$ 1,075,699</u></u>

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

Functions/Programs	Expenditures	Program Revenues			Net (Expenditures) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	\$ 528,668	\$ 240,009	\$	\$	\$ (288,659)
Public Safety	905,927	77,176	47,883		(780,868)
Health and Human Services	2,000				(2,000)
Collection	510				(510)
Public Works	1,164,110	64,601	155,638		(943,871)
Culture and Recreation	87,482	855	40,900		(45,727)
Debt Service	95,106				(95,106)
Total Governmental Activities	\$ 2,783,803	\$ 382,641	\$ 244,421	\$ - 0 -	(2,156,741)
General Revenues:					
Taxes:					
Real Estate					1,037,927
Occupation and Per Capita					14,630
Local Earned Income					333,635
Local Services Tax					136,649
Other Enabling Taxes					39,271
Permits and Fees					55,917
Grants, Subsidies and Contributions					101,943
Miscellaneous Income					724
Interest Income					1,429
Total General Revenues					1,722,125
Change in Net Position					(434,616)
Net Position - January 1, 2016					1,484,129
Net Position - December 31, 2016					\$ 1,049,513

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Governmental Funds
 Balance Sheet - Cash Basis
 December 31, 2016

	General Fund	Permanent Fund - Walter Dick Park Endowment Fund	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 722,180	\$ 117,670	\$ 235,714	\$ 1,075,564
Due from Brookville Municipal Authority	135			135
Due from Other Funds	3,028			3,028
Total Assets	<u>\$ 725,343</u>	<u>\$ 117,670</u>	<u>\$ 235,714</u>	<u>\$ 1,078,727</u>
<u>LIABILITIES</u>				
Developer Escrow	\$ 1,200	\$	\$	\$ 1,200
Due to Other Funds			3,028	3,028
Due to Brookville Municipal Auth.	600			600
Payroll Withholdings and Ded.	24,386			24,386
Total Liabilities	<u>26,186</u>	<u>- 0 -</u>	<u>3,028</u>	<u>29,214</u>
<u>FUND BALANCE</u>				
Non-Spendable		115,895		115,895
Restricted		1,775	55,317	57,092
Committed			54,450	54,450
Assigned			122,919	122,919
Unassigned	699,157			699,157
Total Fund Balance	<u>699,157</u>	<u>117,670</u>	<u>232,686</u>	<u>1,049,513</u>
Total Liabilities and Fund Balance	<u>\$ 725,343</u>	<u>\$ 117,670</u>	<u>\$ 235,714</u>	<u>\$ 1,078,727</u>

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis

For the Year Ended December 31, 2016

	General Fund	Permanent Fund - Walter Dick Park Endowment Fund	Non-Major Funds	Total Governmental Funds
<i>Revenues:</i>				
Taxes	\$ 1,404,092	\$	\$ 158,020	\$ 1,562,112
Licenses, Permits and Fees	67,633			67,633
Grants, Gifts and Intergovernmental Revenues	199,235		147,129	346,364
Fines, Forfeits and Costs	47,738			47,738
Earnings for Services	100,760			100,760
Other Revenues	223,466	760	354	224,580
Total Revenues	2,042,924	760	305,503	2,349,187
<i>Expenditures:</i>				
General Government	525,476		3,192	528,668
Public Safety	778,359		127,568	905,927
Health and Human Services	2,000			2,000
Collection	510			510
Public Works	876,643		287,467	1,164,110
Culture and Recreation	70,482		17,000	87,482
Debt Service	95,106			95,106
Total Expenditures	2,348,576	- 0 -	435,227	2,783,803
Excess (Deficiency) of Revenues Over Expenditures	(305,652)	760	(129,724)	(434,616)
Transfers - Net	197,400	- 0 -	(197,400)	- 0 -
Excess (Deficiency) of Revenues Over Expenditures and Transfers	(108,252)	760	(327,124)	(434,616)
Fund Balance, January 1, 2016	807,409	116,910	559,810	1,484,129
Fund Balance, December 31, 2016	\$ 699,157	\$ 117,670	\$ 232,686	\$ 1,049,513

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
<i>Taxes:</i>				
<i>Real Estate and Occupation Taxes:</i>				
Current Real Estate	\$ 732,000	\$ 732,000	\$ 809,608	\$ 77,608
Delinquent Real Estate	3,750	3,750	70,951	67,201
Current Occupation	2,350	2,350	2,894	544
Delinquent Occupation	100	100	390	290
Total Real Estate and Occupation Taxes	738,200	738,200	883,843	145,643
<i>Local Enabling Taxes:</i>				
Current Per Capita	8,100	8,100	8,138	38
Delinquent Per Capita	2,500	2,500	2,556	56
Local Services	140,000	140,000	136,649	(3,351)
Earned Income	337,500	337,500	333,635	(3,865)
Real Estate Transfer	30,000	30,000	39,271	9,271
Total Local Enabling Taxes	518,100	518,100	520,249	2,149
Total Taxes	1,256,300	1,256,300	1,404,092	147,792
<i>Licenses, Permits and Fees:</i>				
Health Licenses	3,000	3,000	3,558	558
Amusements	2,000	2,000	3,564	1,564
TV Cable Franchise Fee	45,000	45,000	55,917	10,917
Other Business Licenses and Permits	996	996	2,214	1,218
Non-Business Licenses and Permits	1,040	1,040	2,380	1,340
Total Licenses, Permits and Fees	52,036	52,036	67,633	15,597

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Grants, Gifts and Intergovernmental Revenues:</i>				
Foreign Fire Insurance	23,000	23,000	20,678	(2,322)
State Aid for Pensions	91,000	91,000	91,868	868
Tavern Games Tax	- 0 -	- 0 -	5,634	5,634
Alcoholic Beverage Taxes	2,000	2,000	2,200	200
State Road Turnback Payments	1,000	1,000	- 0 -	1,000
Act 13 Impact Fees	6,000	6,000	8,509	2,509
State Police Fines	1,000	1,000	2,241	1,241
Contributions from Private Sources	- 0 -	- 0 -	68,105	68,105
Total Grants, Gifts and Intergovernmental Revenues	124,000	124,000	199,235	77,235
<i>Fines, Forfeits and Costs:</i>				
Title 18	10,000	10,000	8,444	(1,556)
Vehicle and Ordinance Violations	12,300	12,300	11,705	(595)
Clerk of Courts	15,000	15,000	11,503	(3,497)
Court DUI Revenues	9,000	9,000	- 0 -	(9,000)
Parking Meter Fines	14,000	14,000	15,621	1,621
Miscellaneous Fines	5,000	5,000	251	(4,749)
Restitution	3,000	3,000	214	(2,786)
Total Fines, Forfeits and Costs	68,300	68,300	47,738	(20,562)
<i>Earnings for Services:</i>				
General Government	24,600	24,600	17,903	(6,697)
Public Safety	18,000	18,000	22,316	4,316
Highway and Streets	49,650	49,650	59,722	10,072
Culture and Recreation	100	100	95	(5)
Other Revenue	100	100	724	624
Total Earnings for Services	92,450	92,450	100,760	8,310

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Other Revenues:</i>				
Interest Income	250	250	1,360	1,110
Rents - Borough Complex	230,975	230,975	222,106	(8,869)
Total Other Revenues	231,225	231,225	223,466	(7,759)
Total Revenues	1,824,311	1,824,311	2,042,924	218,613
<i>Other Financing Sources:</i>				
Tax Increase	82,600	- 0 -	- 0 -	- 0 -
Proceeds of Bank Loans	75,000	- 0 -	- 0 -	- 0 -
Total Other Financing Sources	157,600	- 0 -	- 0 -	- 0 -
Total Revenues and Other Financing Sources	1,981,911	1,824,311	2,042,924	218,613
<i>Expenditures:</i>				
General Government:				
Legislative Body:				
Council Salaries	4,200	4,200	4,200	- 0 -
Mayor Salary	1,200	1,200	1,200	- 0 -
Other Operating Expenditures	50	50	37	13
Total Legislative Body	5,450	5,450	5,437	13
<i>Executive:</i>				
Salary - Borough Manager	26,750	26,750	28,557	(1,807)
Salary - Staff	42,000	42,000	43,970	(1,970)
Social Security/Medicare	9,000	9,000	7,469	1,531
Employee Benefits	24,900	21,900	27,971	(6,071)
Total Executive	102,650	99,650	107,967	(8,317)
<i>Financial Administration:</i>				
Audit Fees	14,250	14,250	14,500	(250)
<i>Tax Collection:</i>				
Collector's Commission	11,000	11,000	10,546	454
Other Operating Expenditures	2,950	2,950	2,563	387
Berkheimer EIT Commission	6,000	6,000	5,847	153
County Delinquent Commission	- 0 -	- 0 -	2,227	(2,227)
Total Tax Collection	19,950	19,950	21,183	(1,233)

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Legal Services:</i>				
Professional Services	20,000	23,000	40,843	(17,843)
Ordinance Codification	10,000	5,000	1,967	3,033
Advertising Costs	2,500	4,500	3,938	562
Total Legal Services	<u>32,500</u>	<u>32,500</u>	<u>46,748</u>	<u>(14,248)</u>
<i>Administration:</i>				
Insurances - Property	8,000	28,250	22,891	(5,359)
Insurances - Liability	14,600	14,600	13,230	(1,370)
Workers Compensation		46,855	37,734	(9,121)
Employee Retirement	35,000	35,000	35,000	- 0 -
Employee Pension	65,000	65,000	56,866	(8,134)
Other Administration	21,900	21,900	25,609	3,709
Total Administration	<u>144,500</u>	<u>211,605</u>	<u>191,330</u>	<u>(20,275)</u>
<i>IT-Networking:</i>				
Equipment Maintenance and Supplies	<u>10,800</u>	<u>10,800</u>	<u>5,233</u>	<u>5,567</u>
<i>Engineer:</i>				
Professional Services	<u>6,000</u>	<u>6,000</u>	<u>6,304</u>	<u>(304)</u>
<i>Buildings and Plant:</i>				
Operating Supplies	3,300	3,300	2,534	766
Utilities	63,500	63,500	53,454	10,046
Maintenance	70,000	70,000	50,756	19,244
Property Taxes	11,450	11,450	10,455	995
Part-time Help	9,000	9,000	9,575	(575)
Total Buildings and Plant	<u>157,250</u>	<u>157,250</u>	<u>126,774</u>	<u>30,476</u>
Total General Government	<u>493,350</u>	<u>557,455</u>	<u>525,476</u>	<u>31,979</u>

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Public Safety:</i>				
Police:				
Salaries and Wages	441,820	441,820	445,574	(3,754)
Other Compensation	37,000	37,000	27,689	9,311
Employee Benefits	111,400	111,400	133,919	(22,519)
Employee Pension	36,000	36,000	35,925	75
Social Security Tax	12,500	12,500	11,394	1,106
Insurance - Liability	14,500	14,500	9,273	5,227
Special Programs	9,000	9,000	1,631	7,369
New Patrol Vehicle	- 0 -	- 0 -	33,510	(33,510)
Other Operating Expenditures	100,300	73,550	38,821	34,729
Total Police	762,520	735,770	737,736	(1,966)
Fire Protection:				
Insurance - Workers Comp.	12,750	13,395	13,395	- 0 -
Firemen's Relief Fund	23,000	23,000	20,678	2,322
Total Fire Protection	35,750	36,395	34,073	2,322
<i>UCC and Code Enforcement:</i>				
Salary - Code Officer	6,000	6,000	3,300	2,700
Enforcement/Inspection Costs	26,000	26,000	3,250	22,750
Total UCC and Code Enforcement	32,000	32,000	6,550	25,450
<i>Planning and Zoning:</i>				
Advertising	1,500	1,500	- 0 -	1,500
Total Public Safety	831,770	805,665	778,359	27,306
<i>Health and Human Services:</i>				
Salary - Health Inspector	2,000	2,000	2,000	- 0 -
Total Health and Human Services	2,000	2,000	2,000	- 0 -
<i>Collection:</i>				
Solid Waste Collection/Disposal	500	- 0 -	- 0 -	- 0 -
Jefferson County Tax Collection	510	510	510	- 0 -
Total Collection	1,010	510	510	- 0 -

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Public Works:</i>				
<i>General Services:</i>				
Salaries and Wages	260,000	260,000	307,994	(47,994)
Other Compensation	35,000	35,000	13,306	21,694
Employee Benefits	183,000	160,000	149,668	10,332
Insurance	21,000	6,000	4,638	1,362
Purchase of Equipment	120,000	110,815	78,415	32,400
Other Operating Expenditures	40,100	43,600	42,663	937
Total General Services	<u>659,100</u>	<u>615,415</u>	<u>596,684</u>	<u>18,731</u>
<i>Cleaning Streets and Gutters:</i>				
Equipment Rental	5,000	5,000	200	4,800
<i>Winter Maintenance:</i>				
Snow Removal Supplies	65,000	33,900	33,860	40
<i>Traffic Control Devices:</i>				
Utility - Electric	4,000	4,000	4,495	(495)
Materials and Supplies	6,000	6,000	4,682	1,318
Total Traffic Control Devices	<u>10,000</u>	<u>10,000</u>	<u>9,177</u>	<u>823</u>
<i>Sidewalks and Crosswalks:</i>				
Line Painting - Maintenance	15,000	15,000	8,047	6,953
<i>Repairs of Tools and Machinery:</i>				
Vehicle Parts and Supplies	31,200	34,293	22,596	11,697
Small Tools and Maintenance	2,900	5,492	3,618	1,874
Parking Meter Supplies	2,000	2,000	1,798	202
Contracted Vehicle Repairs	20,000	20,000	15,373	4,627
Total Repairs of Tools and Machinery	<u>56,100</u>	<u>61,785</u>	<u>43,385</u>	<u>18,400</u>
<i>Highway Construction Projects:</i>				
Street Maintenance	40,000	40,000	23,797	16,203

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Storm Water - Flood Control:</i>				
Maintenance	50,000	81,600	161,493	(79,893)
Total Public Works	900,200	862,700	876,643	(13,943)
<i>Culture and Recreation:</i>				
<i>Participant Recreation:</i>				
Salary - Staff	11,000	11,000	9,695	1,305
Other Supplies	175	175	103	72
Park Projects and Improvements	17,500	17,500	1,457	16,043
Total Participant Recreation	28,675	28,675	11,255	17,420
<i>Parks:</i>				
Repairs and Maintenance	750	750	6,630	(5,880)
Sanitation Supplies	3,000	3,000	4,438	(1,438)
Utility - Electric	1,200	1,200	1,209	(9)
Total Parks	4,950	4,950	12,277	(7,327)
<i>Projects:</i>				
Depot Street Trail Head	- 0 -	- 0 -	43,688	(43,688)
DEP Environmental Ed	- 0 -	- 0 -	3,262	(3,262)
Total Projects	- 0 -	- 0 -	46,950	(46,950)
Total Culture and Recreation	33,625	33,625	70,482	(36,857)
<i>Debt Service:</i>				
Fiscal Fees - Bank Loan Interest	500	500	- 0 -	500
Principal on Bank Loans	- 0 -	- 0 -	86,528	(86,528)
Interest on Bank Loans	67,250	67,250	8,578	58,672
Total Debt Service	67,750	67,750	95,106	(27,356)
Total Expenditures	2,329,705	2,329,705	2,348,576	(18,871)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	(347,794)	(505,394)	(305,652)	199,742

The accompanying notes are an integral part of the financial statements

Borough of Brookville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Actual and Budget - Cash Basis (continued)

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Transfers:</i>				
Transfer from Walter Dick Park				
Endowment Fund	1,500	1,500	- 0 -	(1,500)
Transfer from Reserves	124,284	124,284	- 0 -	(124,284)
Transfer from Captial Projects Fund	300,000	300,000	300,000	- 0 -
Transfer to Street Light Fund	- 0 -	- 0 -	(24,610)	(24,610)
Transfer to Liquid Fuels Funds	(77,990)	(77,990)	(77,990)	- 0 -
Total Transfers (Net)	<u>347,794</u>	<u>347,794</u>	<u>197,400</u>	<u>(150,394)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Transfers	<u>\$ - 0 -</u>	<u>\$ (157,600)</u>	(108,252)	<u>\$ 49,348</u>
Fund Balance, January 1, 2016			<u>807,409</u>	
Fund Balance, December 31, 2016			<u>\$ 699,157</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Permanent Fund - Walter Dick Park Endowment Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget - Cash Basis
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>				
Other Revenues:				
Interest Income	\$ 1,500	\$ 1,500	\$ 760	\$ (740)
<i>Expenditures</i>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess (Deficiency) of Revenues Over Expenditures	1,500	1,500	760	(740)
Transfer to General Fund	<u>(1,500)</u>	<u>(1,500)</u>	<u>- 0 -</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfer	<u>\$</u>	<u>\$</u>	760	<u>\$ 760</u>
Fund Balance, January 1, 2016			<u>116,910</u>	
Fund Balance, December 31, 2016			<u>\$ 117,670</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Notes to Financial Statements

December 31, 2016

Note 1 – Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Borough of Brookville.

Government

The Borough of Brookville is organized under the Mayor-Council form of government, with seven members of Council. The Mayor and Council Members are elected to four-year terms by the residents of the Borough, with council terms staggered. The Council is responsible for setting policy, enacting ordinances, adopting the annual operation budget, and establishing tax rates.

Basis of Presentation

As discussed further in Note 1, these financial statements are presented on a cash basis of accounting. They include only the funds and activities of the Borough of Brookville. The Brookville Municipal Authority, which is an operating water and sewer authority incorporated by the Borough of Brookville under the Municipal Authorities Act of 1945, as amended, is not considered a component unit of the Borough of Brookville. The financial activity of the Municipal Authority has not been included in the financial statements of the Borough. Separate financial statements are issued for the Brookville Municipal Authority.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Borough of Brookville as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Borough of Brookville does not have any business-type activities to be reported on the government-wide financial statements.

Fund Financial Statements

Fund financial statements of the Borough of Brookville are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The Borough of Brookville's funds are organized into one major category (governmental funds). The Borough presently has no proprietary (business-type) or fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Borough (the General Fund) or the fund's assets, liabilities, revenues, or expenditures are at least 10 percent of the total for all funds of the governmental fund category, or the fund is considered to be of special importance that reporting as a major fund is considered appropriate. The Borough considers the General Fund and the Walter Dick Park Endowment Fund to be major funds.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements (continued)

The funds of the Borough of Brookville as included in these financial statements are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for and report all activities of the Borough except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Borough of Brookville includes the following Special Revenue Funds, all of which are reported as nonmajor funds:

Liquid Fuel Fund - Accounts for revenues received from the Commonwealth of Pennsylvania from the State Liquid Fuels Tax Fund and the related expenditures for building, improving or maintaining local roads and bridges.

Street Light Fund - Accounts for local tax revenues and expenditures to provide street lighting within the Borough.

Fire Protection Fund - Accounts for local tax revenues and expenditures to provide fire protection services to the Borough.

Library Fund - Accounts for local tax revenues and expenditures to assist the local library to provide services to the residents of the Borough.

Capital Projects Fund - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned for the acquisition or construction of specific capital projects or items. The Borough of Brookville has one Capital Projects Fund which accounts for contributions and specific revenues and transfers from the Borough's General Fund and expenditures for various capital acquisitions as the Borough Council may designate. The fund is reported as a nonmajor fund.

Permanent Fund - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government programs. The Borough of Brookville has one Permanent Fund, the Walter Dick Park Endowment Fund, which accounts for contributions and other revenues to be used to provide funds for the maintenance and upkeep of the Walter Dick Memorial Park. This fund is reported as a major fund.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable resources during a given period.

Both the government-wide financial statements (Statement of Net Position and the Statement of Activities) and the fund financial statements (Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, all governmental funds) are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues and expenditures when they result from cash transactions. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Fixed assets and infrastructure are not capitalized and no provision has been made for depreciation in the government-wide financial statements. Outside debt and other long-term liabilities have not been recognized in the government-wide Statement of Net Position and the fund financial statements.

Since both the government-wide financial statements and the fund financial statements are prepared on the cash basis of accounting, there are no reconciliation statements necessary for the Balance Sheet to the Statement of Net Position nor for the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities as would be necessary under accounting principles generally accepted in the United States of America.

Budgets and Budgetary Accounting

Budgets are adopted annually by the Borough Council for all governmental funds, using the cash basis of accounting. Any transfers or revisions of budgeted amounts must be approved by Borough Council, and unused appropriations of all funds lapse at the end of the year.

Cash and Cash Equivalents

The deposit and investment policy of the Borough adhere to state statutes. There were no deposits or investment transactions during the year that were in violation of either state statutes or the policy of the Borough.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

Custodial credit risk related to deposits is risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. Deposits for all accounts are insured to the maximum limit as provided by law and amounts in excess of the insured amount must be collateralized under Act 72 as provided by law. At year-end, \$503,248 of the Borough's bank balance of \$1,146,504 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Borough's name.

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 503,248
Plus: Insured Amount	643,256
Less: Outstanding Checks	(70,940)
Add: Deposits in Transit	<u>- 0 -</u>
Carrying Amount – Cash and Cash Equivalents	<u>\$ 1,075,564</u>

Included in the cash and cash equivalents balance of \$1,075,564 are the following items:

Bank Certificates of Deposit	3 - 12 months	\$ 332,269
Pennsylvania Local Government Investment Trust Accounts (PLGIT)		<u>169,776</u>
Total Cash Equivalents		<u>\$ 502,045</u>

The Pennsylvania Local Government Investment Trust (PLGIT) is governed by a Board of Trustees each of whom is an active local government or Borough official. The Board monitors the Trust and its investments. The allowable investments of the Trust consist of obligations of the United States Government or its agencies or instrumentalities; the Commonwealth of Pennsylvania or its agencies, instrumentalities or political subdivision; and deposits in savings accounts or time deposits of institutions fully insured by the Federal Deposit Insurance Corporation and, when required, collateralized under the provisions of Act 72 (P.L. 181, No. 72 as amended).

The Borough does not have an investment policy for credit risk.

Property Taxes

Real estate property taxes for 2016 were levied in March of 2016, and payment dates were as follows:

- Face less 2% discount - 60 days from levy date (3-3-16 to 5-5-16)
- At face - 61 days to 120 days from levy date (5-6-16 to 7-8-16)
- Face plus 10% penalty - after 120 days from levy date (after 7-8-16)

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Unpaid current year property taxes of \$68,140 were returned by the Borough's elected tax collector to the Jefferson County Tax Claim Bureau during January 2017.

Total adjusted market value of taxable real estate for 2016 was \$82,855,680. The total tax assessed against this value was \$1,070,082 or 12.915 mills on the market value, for which 10.99 mills was designated for general purposes, .60 mill for street lighting, 1.10 mills for fire protection and .225 mill for library support. The total tax millage of 12.915 mills is an increase of .600 mill over the previous year, which increased general purposes by 1 mill and decreased fire protection by .4 mill.

Other Taxes

The Borough also imposes a \$5.00 per capita tax, a \$47.00 local services tax, an occupation tax of 36 mills on assessed value of \$150,420, a one-half percent earned income tax and a one-half percent real estate transfer tax.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Borough. Appropriations lapse at year-end, and any encumbrances outstanding would need to be reappropriated in the following year.

Subsequent Events

Management has evaluated subsequent events through TBD, the date the financial statements were available.

Compensated Absences

Employees earn vacation based upon years of continuous service to the Borough. Vacation time earned is to be used during the year earned unless the demands of the work schedule prohibit the employee from using the vacation, in which case the vacation time may be carried over for one year with the consent of the Borough or payment in lieu of vacation may be made.

Employees also earn twelve days of sick leave annually, which may be accumulated up to a maximum of 104 days for non-uniformed employees and 180 days for uniformed employees. Sick leave must be used during employment with the Borough. Termination of employment also terminates any accumulated sick leave, except for uniformed employees who meet certain qualifications, in which case 1/8 to 1/4 of total accumulated sick days will be paid at their current annual salary.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

The cost of vacation and sick leave is recognized when payment is made to the employee. No provision has been made to record accumulated cost of unused vacation or sick leave as of December 31, 2016.

Note 2 – Due from/to Other Fund

Due from/to Other Funds of \$3,028 consists of the following:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Liquid Fuels	General	3,000	Advance for Cash Flow
Library	General	<u>28</u>	Expenditure Reimbursement
		<u>\$ 3,028</u>	

Due from/to Brookville Municipal Authority consist of the following:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Water	General (Clearing)	\$ 68	Share of Payroll Taxes
Sewer	General (Clearing)	<u>67</u>	Share of Payroll Taxes
	Total Due From	<u>\$ 135</u>	
		\$	
General (Clearing)	Sewer	<u>600</u>	Reimburse Expenditures
	Total Due To	<u>\$ 600</u>	

Note 3 – Pension Plans

Borough employees are eligible to participate in one of two separate pension plans. All full-time uniformed employees of the Borough are eligible to participate in the Police Pension Plan and non-uniformed employees participate in the State administered Municipal Retirement System.

Police Pension Plan

The Borough of Brookville Police Pension Plan is a single employer defined benefit pension plan administered through the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan was established by Ordinance No. 471, effective January 1, 1985, amended and restated by Ordinance No. 984, effective January 1, 1996, and restated effective December 1, 2013. Disclosures required by the Governmental Accounting Standards Board are included in a separately issued financial report, which can be obtained by contacting the Borough of Brookville.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 3 – Pension Plans (continued)

Police Pension Plan (continued)

The Plan covers all full-time police officers of the Borough and provides various retirement, disability and death benefits to plan members and their beneficiaries. During the year ended December 31, 2016 members contributed 1.03 percent of compensation to the plan. The minimum municipal obligation for the plan year 2016 was \$35,925 which was fully funded by the Borough of Brookville.

Based upon the January 1, 2017 Act 205 Actuarial Valuation Report, the actuarial accrued liability was \$1,957,320, the actuarial value of assets was \$2,231,162 and the plan's unfunded actuarial accrued liability was (\$273,842) (excess funding).

GASB 68 Disclosures:

Update procedures were used to roll forward January 1, 2015 liabilities to the plan's fiscal plan year ending December 31, 2015. The components of the net pension liability as of December 31, 2015 were as follows:

Total Pension Liability	\$ 1,897,042
Plan Fiduciary Net Position	\$ 2,234,352
Net Pension Liability	\$ (337,310)
Plan Fiduciary Net Position as a percentage of total Pension Liability	117.8%

The discount rate used to measure the total pension liability was 7.50%. The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u> <u>6.50%</u>	<u>Current Rate</u> <u>7.50%</u>	<u>1% Increase</u> <u>8.50%</u>
Net Pension Liability	\$ (125,031)	\$ (337,310)	\$ (516,770)

Borough of Brookville

Notes to the Financial Statements (continued)

Last 10 Years*

December 31, 2016

Schedule of Changes in Net Pension Liability (as Available)*

	Measurement Year Ending	
	12/31/2014	12/31/2015
<u>Total Pension Liability</u>		
Service Cost	\$ 53,686	\$ 62,235
Interest	134,057	136,807
Changes of Benefit Terms		
Differences between Expected and Actual Experience		(93,373)
Changes of Assumptions		41,102
Benefit Payments, including Refunds of Member Contributions	(86,998)	(127,714)
<i>Net Change in Total Pension Liability</i>	\$ 100,745	\$ 19,057
<i>Total Pension Liability - Beginning</i>	1,777,240	1,877,985
<i>Total Pension Liability - Ending</i>	\$ 1,877,985	\$ 1,897,042
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$	\$
Contributions - State Aid	28,891	30,379
Contributions - Member	3,362	3,796
Net Investment Income	137,886	(13,521)
Benefit Payments, including Refunds of Employee Contributions	(86,998)	(127,714)
Administrative Expense	(14,661)	(18,414)
<i>Net Change in Plan Fiduciary Net Position</i>	\$ 68,480	\$ (125,474)
<i>Plan Fiduciary Net Position - Beginning</i>	2,291,346	2,359,826
<i>Plan Fiduciary Net Position - Ending</i>	\$ 2,359,826	\$ 2,234,352
<i>Net Pension Liability - Ending</i>	\$ (481,841)	\$ (337,310)
<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>	125.7%	117.8%
<i>Covered Employee Payroll</i>	\$ 324,530	\$ 333,970
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	(148.5)%	(101.0)%

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 3 – Pension Plans (continued)

Police Pension Plan (continued)

Schedule of Employer Contributions (as Available)

	<u>December 31, 2014</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Actuarial Determined Contributions	\$ 28,891	\$ 30,379	\$ 35,925
Contributions Made	<u>28,891</u>	<u>30,379</u>	<u>35,925</u>
Contribution Deficiency (Excess)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Covered Employee Payroll	<u>\$ 324,530</u>	<u>\$ 333,970</u>	<u>\$ 401,778</u>
Contributions as a Percentage of Covered Employee Payroll	8.90%	9.10%	8.94%

Municipal Retirement Plan

The Borough maintains a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 1016 adopted pursuant to Act 15 and amended by Ordinance No. 1055, effective September 1, 2007. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The plans assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by the Governmental Accounting Standards Board are included in PMRS's separately issued Comprehensive Annual Financial Report, which can be obtained by contacting the PMRS accounting office.

The plan covers substantially all full-time non-uniformed employees and provides retirement, disability and death benefits to plan members and their beneficiaries. Members are required to contribute 3.50 percent of compensation to the plan, and may contribute an additional percentage, with the total not to exceed 15 percent of the member's compensation.

Based upon the January 1, 2015 Act 205 Actuarial Valuation Report, the actuarial value of plan assets was \$2,576,804, the actuarial accrued liability was \$2,752,945, and the plan had an unfunded accrued liability of \$176,141.

The minimum municipal obligation for the plan year 2016 was \$56,866 which was fully funded by the Borough of Brookville. The Borough has fully funded the minimum municipal obligation for the past 10 years.

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 3 – Pension Plans (continued)

Municipal Retirement Plan (continued)

GASB 68 Disclosures:

Update procedures were used to roll forward December 31, 2014 liabilities to the plan's fiscal plan year ending December 31, 2015, which is no earlier than the end of the employer's prior fiscal year as allowed by GASB 68. The components of the net pension liability as of December 31, 2015 were as follows:

Total Pension Liability	\$ 2,754,917
Plan Fiduciary Net Position	\$ 2,349,032
Net Pension Liability	\$ 405,885
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.3%

The discount rate used to measure the total pension liability was 5.50%. The following presents the net pension liability, calculated using the discount rate of 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate:

	<u>1% Decrease</u> <u>4.50%</u>	<u>Current Rate</u> <u>5.50%</u>	<u>1% Increase</u> <u>6.50%</u>
Net Pension Liability	\$ 660,987	\$ 405,885	\$ 183,587

Borough of Brookville

Notes to the Financial Statements (continued)

Last 10 Years*

December 31, 2016

Schedule of Changes in Net Pension Liability (as Available)*

	Measurement Year Ending	
	12/31/2014	12/31/2015
<u>Total Pension Liability</u>		
Service Cost (beginning of Year)	\$ 39,197	\$ 37,993
Interest (includes Interest on Service Cost)	140,928	147,735
Changes of Benefit Terms		
Differences between Expected and Actual Experience	85,778	
Changes of Assumptions		28,778
Transfers		
Benefit Payments, including Refunds of Member Contributions	(71,239)	(212,534)
<i>Net Change in Total Pension Liability</i>	\$ 194,664	\$ 1,972
<i>Total Pension Liability - Beginning</i>	2,558,281	2,752,945
<i>Total Pension Liability - Ending</i>	<u>\$ 2,752,945</u>	<u>\$ 2,754,917</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 61,517	\$ 60,263
Contributions - PMRS Assessment		320
Contributions - Employee	14,046	12,901
PMRS Investment Income	134,007	121,037
Market Value Investment Income	3,635	(153,745)
Transfers		
Benefit Payments, including Refunds of Employee Contributions	(71,239)	(212,534)
PMRS Administrative Expense	(300)	(320)
Additional Administrative Expense	(5,139)	(5,046)
<i>Net Change in Plan Fiduciary Net Position</i>	\$ 136,527	\$ (177,124)
<i>Plan Fiduciary Net Position - Beginning</i>	2,389,629	2,526,156
<i>Plan Fiduciary Net Position - Ending</i>	<u>\$ 2,526,156</u>	<u>\$ 2,349,032</u>
<i>Net Pension Liability - Ending</i>	<u>* \$ 226,789</u>	<u>\$ 405,885</u>
<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>	<u>91.76%</u>	<u>85.27%</u>
<i>Covered Employee Payroll</i>	<u>\$ 380,671</u>	<u>\$ 368,582</u>
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	<u>59.58%</u>	<u>110.12%</u>

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 3 – Pension Plans (continued)

Municipal Retirement Plan (continued)

Schedule of Employer Contributions (as Available)

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Actuarial Determined Contributions	\$ 61,497	\$ 60,563
Contributions Made	<u>61,517</u>	<u>60,583</u>
Contribution Deficiency (Excess)	<u>\$ (20)</u>	<u>\$ (20)</u>
Covered Employee Payroll	<u>\$ 380,671</u>	<u>\$ 368,582</u>
Contributions as a Percentage of Covered Employee Payroll	16.16%	16.44%

State Aid for Pensions

During 2016, the Borough received \$91,867 from the Commonwealth of Pennsylvania for the Borough's share of General Municipal Pension System State Aid. The total amount received was allocated into the Borough's sponsored pension plans as detailed above.

Note 4 – Short-Term Debt

To provide short-term financing for the purchase of a new 2015 GMC Truck, the Borough obtained a time note from S&T Bank in the amount of \$30,100. The loan was dated October 21, 2015 and matures on May 1, 2016. Interest only payments are due monthly beginning on December 1, 2015 at the rate of 3.25 percent. Single payment of \$30,100 plus interest is due May 1, 2016. Early payment is permitted. Interest paid during 2015 was \$195.65. The Borough paid-off the note on February 2, 2016 with the payment of principal of \$30,100.00 and interest of \$89.67.

Note 5 – Long-Term Debt

General Obligation Note

The Borough obtained a general obligation note, series of 2015 from the S&T Bank in the amount of \$300,000.00 to provide funds for various capital expenditures. The note is dated November 25, 2015 and is to be repaid in 60 monthly payments of \$5,409.70 beginning December 25, 2015. The note payment includes interest at the rate of 3.10 percent per annum. The Borough may prepay all or part of the note balance without penalty. The note is secured by the Borough's irrevocable pledge of its full faith, credit and taxing power. Principal payments of \$56,427.99 and interest of \$8,488.41 were paid during the current year. The outstanding note balance as of December 31, 2016 is \$238,937.31 and debt service requirements are as follows:

<u>Budget Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 58,312.36	\$ 6,604.04	\$ 64,916.40
2018	60,167.13	4,749.27	64,916.40
2019	62,059.03	2,857.37	64,916.40
2020	<u>58,398.79</u>	<u>906.48</u>	<u>59,305.27</u>
	<u>\$ 238,937.31</u>	<u>\$ 15,117.16</u>	<u>\$ 254,054.47</u>

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 6 – Fire Protection

By agreement between the Borough and the Brookville Volunteer Fire Company dated January 6, 1992, the Borough recognized the Fire Company as the only fire company to receive tax millage for fire protection from the Borough. The Fire Company was to purchase real estate and construct a fire hall to house all fire equipment, as well as provide for equipment needs in the immediate future. The Borough appropriated tax revenues of 3 mills for fire protection and 1 mill for general purposes (a total of 4 mills), which was amended in 2005 to adjust for change in the rate of tax assessment to 1.1 mill for fire protection and .3 mill for general purposes (a total 1.4 mills). The Fire Company was to use \$38,000 of the tax revenues for retirement of debt incurred for the acquisition of real estate and construction of the fire hall, and the balance of tax revenue was to be used for operational costs of providing fire protection, including maintenance, upkeep, repair and replacement of the fire hall and equipment, including insurance, utilities and fuel. The term of the agreement was for 15 years.

A new agreement between the Borough and the Brookville Volunteer Fire Company dated January 31, 2007 continued to recognize the Brookville Volunteer Fire Company as the only fire company to receive tax millage for fire protection from the Borough. The Borough will appropriate annually the amount of money generated from taxes assessed on real estate (for 2016, the millage was 1.10 mills) and 3.00 mills of tax on all occupations within the Borough. The Borough transferred a total of \$127,568.19 to the Brookville Volunteer Fire Company from the Borough's Fire Protection Fund during 2016, which included \$36,708.19 from 2015 tax revenues and \$90,860.00 from 2016 tax revenues.

Note 7 – Permanent Fund – Walter Dick Park Endowment Fund

In 1997, the Borough was the recipient of a gift from a local citizen which is subject to certain restrictive conditions. This principal is permanently restricted and may not be liquidated, pledged or hypothecated in any manner. Interest, dividends or other income earned on the principal balance each year is to be allocated 20% to the restricted principal balance and 80% may be used exclusively for the maintenance and improvements of the Dr. Walter Dick Memorial Park or for any expenses reasonably related thereto and for no other purpose. In the event the Borough of Brookville materially breaches the conditions of the gift and fails to correct the breach within 60 days of written notice, then the gift will be forfeited in its entirety and the existing principal balance shall become the property of a local nonprofit organization.

A summary of restricted/non-spendable fund balance is as follows:

	<u>Restricted</u>	<u>Non-Spendable</u>
Beginning Balance, January 1, 2016	\$ 1,167.58	\$ 115,742.70
Contributions Received	- 0 -	- 0 -
Interest Income	607.65	151.91
Disbursement for Park	<u>- 0 -</u>	<u>- 0 -</u>
Ending Balance, December 31, 2016	<u>\$ 1,775.23</u>	<u>\$ 115,894.61</u>

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 8 – Contribution from Fire Company

During 2013, the Borough received a \$55,000 contribution from the Brookville Fire Company to be used for a future purchase of a new fire truck. The money was deposited into the Borough's Fire Protection Fund and along with interest earned of \$316.69 is reflected as restricted fund balance in the Fire Protection Fund.

Note 9 – Fund Balance

The Borough has implemented the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which classifies fund balances based upon the relative strength of the constraints that control the purposes for which specific amounts can be spent. From the most restrictive to the least restrictive, fund balance classifications are:

1. Non-spendable – amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
2. Restricted – amounts that are constrained for a specific purpose through restrictions of external parties or by enabling legislation.
3. Committed – amounts that are constrained for specific purposes as approved by formal action of the government's highest level of decision-making authority.
4. Assigned – amounts that are constrained for specific purposes but are neither restricted nor committed.
5. Unassigned – residual classification for the general fund, it includes all amounts that are not constrained as reported in all other classifications.

The Borough Council is the borough's highest-level decision-making authority. The council must approve the commitment or modification of fund balance. The Borough considers committed fund balance to be spent when expenditures have been specifically identified to release the commitment. Other classifications of fund balance can be made by the management of the Borough.

Fund Balance on the Balance Sheet – Cash Basis of all the governmental funds consists of the following:

Non-Spendable	- Principal Balance of the Walter Dick Park Endowment Fund		\$ 115,895
Restricted	- Eighty Percent Portion of Earnings in the Walter Dick Park Endowment Fund	1,775	
	- Contributed Funds for the Purchase of a Fire Truck	<u>55,317</u>	57,092
Committed	- For Capital Projects and Acquisitions		54,450
Assigned	- For Highway Re-Surfacing	52,404	
	- For Street Lighting	36,091	
	- For Fire Protection	26,437	
	- For Library Services	<u>7,987</u>	122,919
Unassigned	- General Fund		<u>699,157</u>
Total Fund Balance			<u><u>\$1,049,513</u></u>

Borough of Brookville

Notes to Financial Statements (continued)

December 31, 2016

Note 10 – Contingencies

The Borough participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Loan Guarantee Agreement

The Borough of Brookville has entered into a loan guarantee agreement dated December 30, 2015 among the Borough of Brookville, the Brookville Municipal Authority, and S&T Bank in which the Borough pledges its full faith, credit and taxing power to guarantee the Brookville Municipal Authority's short-term construction loan in the maximum principal amount of \$9,742,000. The loan proceeds are to be used in connection with the Authority's Wastewater System Improvement project. The short-term loan is scheduled to mature no later than December 1, 2018 along with all unpaid interest. The Brookville Municipal Authority is to repay the short-term loan at the completion of the project through a permanent financing loan received from the U.S. Department of Agriculture, Rural Utilities Service. The amount advanced on the short-term loan as of December 31, 2016 was \$1,820,146.98.

Note 11 – Risk Management

The Borough is exposed to various risks of loss related to limited torts, theft, damage or destruction of assets; errors and omissions and natural disasters for which the Borough carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Borough of Brookville

Combining Balance Sheet - Cash Basis

Non-Major Funds

December 31, 2016

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Funds</u>
<u>ASSETS</u>			
Cash	\$ 181,264	\$ 54,450	\$ 235,714
Total Assets	<u>\$ 181,264</u>	<u>\$ 54,450</u>	<u>\$ 235,714</u>
<u>LIABILITIES</u>			
Liabilities-Due to Other Funds	\$ 3,028	\$ - 0 -	\$ 3,028
<u>NET ASSETS</u>			
Restricted	55,317		55,317
Committed		54,450	54,450
Assigned	<u>122,919</u>		<u>122,919</u>
Total Fund Balances	<u>178,236</u>	<u>54,450</u>	<u>232,686</u>
Total Liabilities and Fund Balances	<u>\$ 181,264</u>	<u>\$ 54,450</u>	<u>\$ 235,714</u>

The accompanying notes are an integral part of the financial statements

Borough of BrookvilleCombining Statement of Revenues, Expenditures
and Changes in Fund Balances - Cash Basis

Non-Major Funds

For the Year Ended December 31, 2016

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Funds</u>
<i>Revenues:</i>			
Taxes	\$ 158,020	\$	\$ 158,020
Grants, Gifts and Intergovernmental Revenues	147,129		147,129
Other Revenues	354		354
Total Revenues	<u>305,503</u>	<u>- 0 -</u>	<u>305,503</u>
<i>Expenditures:</i>			
General Government	3,192		3,192
Public Safety	127,568		127,568
Public Works	287,467		287,467
Culture and Recreation	17,000		17,000
Total Expenditures	<u>435,227</u>	<u>- 0 -</u>	<u>435,227</u>
Excess (Deficiency) of Revenues Over Expenditures	(129,724)	- 0 -	(129,724)
Transfers (Net)	<u>102,600</u>	<u>(300,000)</u>	<u>(197,400)</u>
Excess (Deficiency) of Revenues over Expenditures and Transfers	(27,124)	(300,000)	(327,124)
Fund Balance, January 1, 2016	<u>205,360</u>	<u>354,450</u>	<u>559,810</u>
Fund Balance, December 31, 2016	<u>\$ 178,236</u>	<u>\$ 54,450</u>	<u>\$ 232,686</u>

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Combining Balance Sheet - Cash Basis

All Special Revenue Funds

December 31, 2016

	<u>Liquid Fuel Fund</u>	<u>Street Light Fund</u>	<u>Fire Protection Fund</u>	<u>Library Fund</u>	<u>Total Special Revenue Funds</u>
<u>ASSETS</u>					
Cash	\$ 55,404	\$ 36,091	\$ 81,754	\$ 8,015	\$ 181,264
Total Assets	<u>\$ 55,404</u>	<u>\$ 36,091</u>	<u>\$ 81,754</u>	<u>\$ 8,015</u>	<u>\$ 181,264</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities-Due to Other Funds	<u>\$ 3,000</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 28</u>	<u>\$ 3,028</u>
<i>Fund Balance:</i>					
Restricted			55,317		55,317
Assigned	52,404	36,091	26,437	7,987	122,919
Total Fund Balance	<u>52,404</u>	<u>36,091</u>	<u>81,754</u>	<u>7,987</u>	<u>178,236</u>
Total Liabilities and Fund Balance	<u>\$ 55,404</u>	<u>\$ 36,091</u>	<u>\$ 81,754</u>	<u>\$ 8,015</u>	<u>\$ 181,264</u>

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Cash Basis
All Special Revenue Funds
For the Year Ended December 31, 2016

	Liquid Fuel Fund	Street Light Fund	Fire Protection Fund	Library Fund	Total Special Revenue Funds
<i>Revenues:</i>					
Taxes	\$	\$ 48,924	\$ 90,871	\$ 18,225	\$ 158,020
Grants, Gifts and Intergovernmental Revenues	147,129				147,129
Other Revenues	285	3	66		354
Total Revenues	<u>147,414</u>	<u>48,927</u>	<u>90,937</u>	<u>18,225</u>	<u>305,503</u>
<i>Expenditures:</i>					
General Government		1,038	1,797	357	3,192
Public Safety			127,568		127,568
Public Works	206,352	81,115			287,467
Culture and Recreation				17,000	17,000
Total Expenditures	<u>206,352</u>	<u>82,153</u>	<u>129,365</u>	<u>17,357</u>	<u>435,227</u>
Excess (Deficiency) of Revenues Over Expenditures	(58,938)	(33,226)	(38,428)	868	(129,724)
Transfer from General Fund	77,990	24,610	- 0 -	- 0 -	102,600
Excess (Deficiency) of Revenues Over Expenditures and Transfers	19,052	(8,616)	(38,428)	868	(27,124)
Fund Balance, January 1, 2016	<u>33,352</u>	<u>44,707</u>	<u>120,182</u>	<u>7,119</u>	<u>205,360</u>
Fund Balance, December 31, 2016	<u>\$ 52,404</u>	<u>\$ 36,091</u>	<u>\$ 81,754</u>	<u>\$ 7,987</u>	<u>\$ 178,236</u>

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The accompanying notes are an integral part of the financial statements

Borough of Brookville

Liquid Fuel Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Grants, Gifts and Intergovernmental Revenues:				
State Liquid Fuel Tax Grant	\$ 141,760	\$ 141,760	\$ 144,729	\$ 2,969
State Turnback Allocation	1,250	1,250	2,400	1,150
Total Grants, Gifts and Intergovernmental Revenues	<u>143,010</u>	<u>143,010</u>	<u>147,129</u>	<u>4,119</u>
Other Revenues:				
Interest Income	- 0 -	- 0 -	285	285
Total Revenues	<u>143,010</u>	<u>143,010</u>	<u>147,414</u>	<u>4,404</u>
<i>Expenditures:</i>				
Public Works:				
Street Paving Projects	200,000	200,000	206,352	6,352
Debt Service:				
Principal - Dump Truck Loan	21,000	21,000	- 0 -	(21,000)
Total Expenditures	<u>221,000</u>	<u>221,000</u>	<u>206,352</u>	<u>(14,648)</u>
Excess (Deficiency) of Revenues Over Expenditures	(77,990)	(77,990)	(58,938)	19,052
Transfer from General Fund	<u>77,990</u>	<u>77,990</u>	<u>77,990</u>	<u>- 0 -</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	19,052	<u>\$ 19,052</u>
Fund Balance, January 1, 2016			<u>33,352</u>	
Fund Balance, December 31, 2016			<u>\$ 52,404</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Street Light Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes:				
Current Real Estate	\$ 47,525	\$ 47,525	\$ 44,200	\$ (3,325)
Delinquent Real Estate	200	200	4,398	4,198
Current Occupation	300	300	287	(13)
Delinquent Occupation	10	10	39	29
Total Taxes	<u>48,035</u>	<u>48,035</u>	<u>48,924</u>	<u>889</u>
Other Revenues:				
Interest Income	- 0 -	- 0 -	3	3
Total Revenues	<u>48,035</u>	<u>48,035</u>	<u>48,927</u>	<u>892</u>
<i>Expenditures:</i>				
General Government:				
Tax Collection	1,120	1,120	917	203
Property Tax - Local	125	125	121	4
Total General Government	<u>1,245</u>	<u>1,245</u>	<u>1,038</u>	<u>207</u>
Public Works:				
Streets and Highways:				
Street Lighting	50,000	50,000	59,795	(9,795)
Capital Purchases - Light Poles	18,000	18,000	15,400	2,600
Maintenance	3,400	3,400	5,920	(2,520)
Total Public Works	<u>71,400</u>	<u>71,400</u>	<u>81,115</u>	<u>(9,715)</u>
Total Expenditures	<u>72,645</u>	<u>72,645</u>	<u>82,153</u>	<u>(9,508)</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,610)	(24,610)	(33,226)	(8,616)
Transfer from General Fund	<u>24,610</u>	<u>24,610</u>	<u>24,610</u>	<u>- 0 -</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	(8,616)	<u>\$ (8,616)</u>
Fund Balance, January 1, 2016			<u>44,707</u>	
Fund Balance, December 31, 2016			<u>\$ 36,091</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Fire Protection Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes:				
Current Real Estate	\$ 89,300	\$ 89,300	\$ 81,035	\$ (8,265)
Delinquent Real Estate	100	100	9,510	9,410
Current Occupation	275	275	287	12
Delinquent Occupation	5	5	39	34
Total Taxes	<u>89,680</u>	<u>89,680</u>	<u>90,871</u>	<u>1,191</u>
Other Revenues:				
Interest Income	<u>40</u>	<u>40</u>	<u>66</u>	<u>26</u>
Total Revenues	<u>89,720</u>	<u>89,720</u>	<u>90,937</u>	<u>1,217</u>
<i>Expenditures:</i>				
General Government:				
Tax Collection	1,700	1,700	1,575	125
Property Tax - Local	<u>320</u>	<u>320</u>	<u>222</u>	<u>98</u>
Total General Government	<u>2,020</u>	<u>2,020</u>	<u>1,797</u>	<u>223</u>
Public Safety:				
Fire Protection:				
Fire Operations				
Contribution to Fire Department	<u>87,700</u>	<u>87,700</u>	<u>127,568</u>	<u>(39,868)</u>
Total Expenditures	<u>89,720</u>	<u>89,720</u>	<u>129,365</u>	<u>(39,645)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	(38,428)	<u>\$ (38,428)</u>
Fund Balance, January 1, 2016			<u>120,182</u>	
Fund Balance, December 31, 2016			<u>\$ 81,754</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Library Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
<i>Taxes:</i>				
Current Real Estate	\$ 17,850	\$ 17,850	\$ 16,576	\$ (1,274)
Delinquent Real Estate	75	75	1,649	1,574
Total Taxes	17,925	17,925	18,225	300
Total Revenues	17,925	17,925	18,225	300
<i>Expenditures:</i>				
<i>General Government:</i>				
Tax Collection	875	875	312	563
Proper Tax - Local	50	50	45	5
Total General Government	925	925	357	568
<i>Culture and Recreation:</i>				
Arthurs Library Subsidy	17,000	17,000	17,000	- 0 -
Total Expenditures	17,925	17,925	17,357	568
Excess (Deficiency) of Revenues Over Expenditures	\$ - 0 -	\$ - 0 -	868	\$ 868
Fund Balance, January 1, 2016			7,119	
Fund Balance, December 31, 2016			\$ 7,987	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Actual and Budget - Cash Basis

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
Expenditures:	- 0 -	- 0 -	- 0 -	- 0 -
Excess (Deficiency) of Revenues Over Expenditures	- 0 -	- 0 -	- 0 -	- 0 -
Transfer to General Fund	- 0 -	- 0 -	(300,000)	(300,000)
Excess (Deficiency) of Revenues Over Expenditures and Transfers	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	(300,000)	<u>\$ (300,000)</u>
Fund Balance, January 1, 2016			<u>354,450</u>	
Fund Balance, December 31, 2016			<u>\$ 54,450</u>	

The accompanying notes are an integral part of the financial statements

Borough of Brookville

Other Supplemental Information

December 31, 2016

BORROWING BASE CERTIFICATE

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Revenues Received	\$ 2,145,606	\$ 2,580,319	\$ 2,349,187
<i>Less:</i>			
Special Tax Levies	92,444	120,092	90,871
Interest Income Pledged for Specific Purpose	957	562	1,111
Grants and Gifts for Specific Purpose	218,744	229,044	327,780
Non-Recurring Receipts	<u>- 0 -</u>	<u>363,871</u>	<u>- 0 -</u>
Net Revenues	<u>\$ 1,833,461</u>	<u>\$ 1,866,750</u>	<u>\$ 1,929,425</u>
Total Net Revenues			<u>\$ 5,629,636</u>
Borrowing Base			<u>\$ 1,876,545</u>

DEBT STATEMENT PURSUANT TO SECTION 410
LOCAL GOVERNMENT UNIT DEBT ACT

Gross Debt Outstanding	<u>\$ 238,937</u>
Borrowing Base per Certificate	<u>\$ 1,876,545</u>
<i>Debt Limitations:</i>	
Non-Electoral	<u>\$ 4,691,362</u>
Non-Electoral and Lease Rental	<u>\$ 5,629,636</u>

REAL ESTATE - ASSESSED VALUATIONS

Taxable	<u>\$ 82,855,680</u>
Exempt	<u>\$ 26,488,330</u>

The accompanying notes are an integral part of the financial statements