

**Borough of Brentwood
Financial Statements
December 31, 2012**

**Borough of Brentwood
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 15
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	16
Statement of Activities	2	17
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	20 - 21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	22 - 23
Statement of Net Position - Fiduciary Funds	7	24
Statement of Changes in Net Position - Fiduciary Funds	8	25
Notes to Financial Statements		26 - 51
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual		52 - 58
Schedule of Revenues, Expenditures and Changes in Fund Balance Sewer Fund - Budget and Actual		59
Note to Required Supplementary Information		60
Defined Benefit Pension Trust Funds		61 - 62
Other Post-Employment Benefits		63

**Borough of Brentwood
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION (CONT'D)		
Supplementary Information		
Combining Fund Statements		
Combining Balance Sheet - Nonmajor Governmental Funds	A	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	B	65
Combining Statement of Net Position - Fiduciary Funds - Pension Trust Funds	C	66
Combining Statement of Changes of Net Position - Fiduciary Funds - Pension Trust Funds	D	67
Individual Fund Statements		
Statement of Changes in Net Position - Special Revenue Fund - Borough of Brentwood Library	E	68

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

305 MT. LEBANON BOULEVARD, SUITE 301

PITTSBURGH, PENNSYLVANIA 15234-1500

PHONE - 412-343-9200

FAX - 412-343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

Independent Auditor's Report

Members of Council
Borough of Brentwood
Pittsburgh, Pennsylvania

Dear Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Brentwood as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough of Brentwood's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Brentwood as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Brentwood's basic financial statements. The combining nonmajor and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Respectfully submitted,



HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
August 12, 2013

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

The discussion and analysis of the Borough of Brentwood's financial performance provides an overall review of the Borough's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

2012

- General fund revenues totaled \$9,039,378 and general fund expenditures totaled \$8,605,157, yielding an operating position ratio of 0.015. The general fund revenues include \$3,430,000 of refunding bond proceeds. The general fund expenditures include a \$3,295,000 repayment from the refunding of 2007 GOB issuance. The refunding was not budgeted.
- General fund liabilities totaled \$509,483 and general fund assets totaled \$2,635,412, yielding a liability to asset ratio of 0.19.
- Significant general fund expenditure outlays continued in the following areas: public safety - \$2,206,676; general government operations - \$654,759; public works activities of \$862,257; and debt service of \$298,906.
- The real estate taxation rate for the general fund was 8.0 mills and 0.5 for the library fund. There has been no increase in the millage rate since 2006.
- Major components of the Borough's general fund revenue include real estate taxes of \$2,658,212, which 13% includes delinquent collections, or 29% of all revenue received and earned income taxes of \$1,199,973, or 14% of the general fund revenues received. Also, general fund revenues include \$3,430,000 from the refunding bond proceeds, or 38% of general fund revenues.

The breakdown of general fund real estate tax collections is as follows:

Current	\$2,327,886
Delinquent	255,464
TIF	<u>74,862</u>
	<u>\$2,658,212</u>

The Library portion of real estate tax allocation was \$150,172.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Financial Highlights (Cont'd)

2012 (Cont'd)

- The general fund was responsible for \$45,388 of the pension fund costs in order to meet the pensions MMO requirements. This constitutes a \$16,513 increase from the 2011 MMO requirement which represents a 57.2% increase.

Additionally, the general fund balance increased by \$410,210 to \$2,125,929. The increase in the general fund balance was the first surplus after three consecutive years of decreases.

2011

- General fund revenues totaled \$5,305,171 and general fund expenditures totaled \$5,488,938, yielding an operating position ratio of 1.03.
- General fund liabilities totaled \$524,210 and general fund assets totaled \$2,239,929, yielding a liability to asset ratio of 0.23.
- Significant general fund expenditure outlays continued in the following areas: public safety - \$2,206,676; general government operations - \$615,692 and public works activities of \$804,479.
- The real estate taxation rate for the general fund was 8.0 mills and 0.5 for the library fund. There has been no increase in the millage rate since 2006.
- Major components of the Borough's general fund revenue include real estate taxes of \$2,654,121, which includes delinquent collections, or 53% of all revenue received and earned income taxes of \$887,633, or 18% of the general fund revenues received.

The breakdown of general fund real estate tax collections is as follows:

Current	\$2,327,990
Prior Year	8,116
Delinquent	238,474
TIF	<u>79,541</u>
	<u>\$2,654,121</u>

The Library portion of real estate tax allocation was \$145,499.

- The general fund was responsible for \$28,875 of the pension fund costs in order to meet the pensions MMO requirements.

Additionally, the general fund balance decreased by \$183,767 to \$1,715,719. The decrease in the general fund balance was the third consecutive decrease after several years of surpluses.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Using the Annual Financial Report

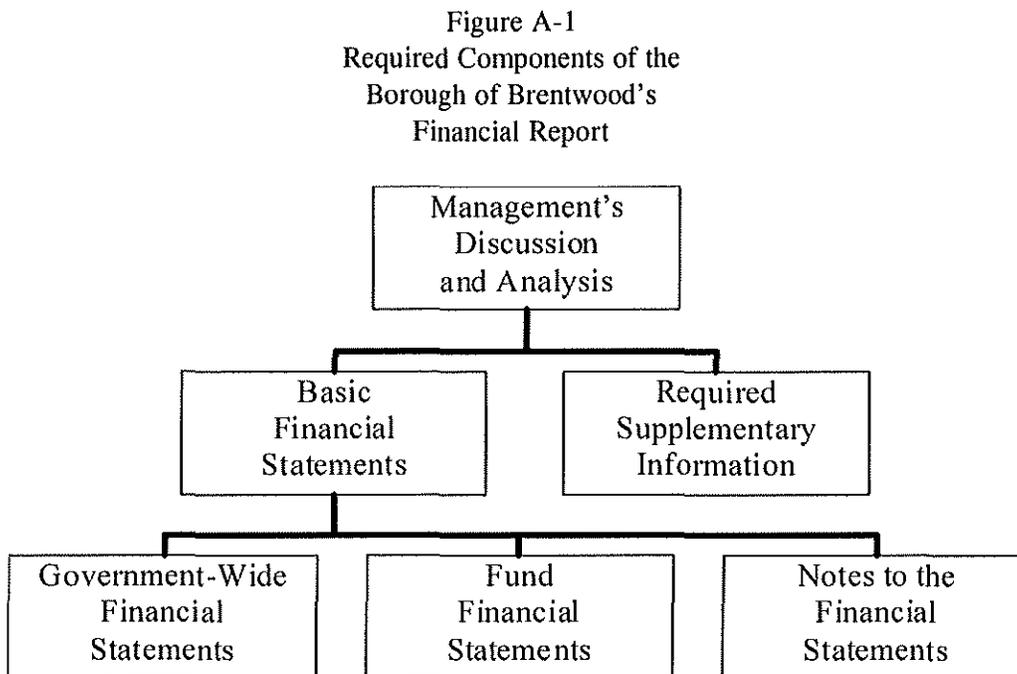
The financial section of this report consists of three parts: management's discussion and analysis, the basic financial statements (including notes to the financial statements) and other financial information including required pension supplementary information, combining and individual fund statements with detailed budgetary comparison schedules, and other additional information. The basic financial statements present two different views of the Borough through the use of government-wide financial statements and fund financial statements.

The first two statements are government-wide financial statements - the statement of net assets 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 statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to 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:



**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Using the Annual Financial Report (Cont'd)

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

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Municipal Government (except fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary, such as public safety, highways and recreation services	Instances in which the Borough is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	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	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the Borough's net assets and how they have changed. Net assets, the difference between the Borough's assets and liabilities, are one way to measure the Borough's financial health or position.

Over time, increases or decreases in the Borough's net assets are 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 services provided to its taxpayers.

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

- **Governmental activities** - All of the Borough's basic services are included here, such as general government, public safety, public works and culture and recreation. Property and other local taxes finance most of these activities.

Fund Financial Statements

The Borough's fund financial statements, which begin with Exhibit 3 of the annual financial report, provide detailed information about the most significant funds - not the Borough as a whole. Some funds are required by state law and by bond requirements.

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 assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds - The Borough is the trustee, or fiduciary, for two single-employee pension plans for the police and non-police employees. All of the Borough's fiduciary activities are reported in separate statements of fiduciary net assets on Exhibit 7 and changes in net assets on Exhibit 8. We exclude these activities from the Borough's other financial statement because the Borough cannot use these assets to finance its operations.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Financial Analysis of the Borough as a Whole

The Borough's total net position was \$4,012,523 at December 31, 2012 and \$3,564,127 at December 31, 2011.

Table A-1
Years Ended December 31, 2012 and 2011
Net Position

	Governmental Activities	
	2012	2011
Current and Other Assets	\$ 6,799,943	\$ 6,449,736
Capital Assets	<u>2,730,498</u>	<u>2,855,873</u>
Total Assets	<u>9,530,441</u>	<u>9,305,609</u>
Current and Other Liabilities	669,617	655,555
Long-Term Liabilities	<u>4,848,301</u>	<u>5,085,927</u>
Total Liabilities	<u>5,517,918</u>	<u>5,741,482</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	(2,204,148)	(2,562,270)
Restricted	192,226	172,144
Unrestricted	<u>6,024,445</u>	<u>5,954,253</u>
Total Net Position	<u>\$ 4,012,523</u>	<u>\$ 3,564,127</u>

The restricted portion consists of library fund, debt service fund and highway aid fund. The remaining portion is unrestricted.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, 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 the local taxes assessed to community taxpayers and sanitary sewer charges to Borough customers.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Financial Analysis of the Borough as a Whole (Cont'd)

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Years Ended December 31, 2012 and 2011
Changes in Net Position

	Governmental Activities	
	2012	2011
Revenues		
Program Revenues		
Charges for Services	\$2,850,444	\$2,592,308
Operating Grants and Contributions	392,621	659,453
General Revenues		
Property Taxes	2,772,259	2,791,934
Earned Income Taxes	1,199,973	887,633
RAD	320,122	312,524
Other Taxes	203,673	169,049
Investment Earnings	6,515	6,568
Miscellaneous Income	<u>277,580</u>	<u>332,249</u>
Total Revenues	<u>8,023,187</u>	<u>7,751,718</u>
Expenses		
General Government	695,333	735,745
Public Safety	2,641,124	2,711,272
Public Works - Sanitation	1,992,772	1,674,545
Public Works - Highways	1,394,995	1,289,217
Public Works - Other	36,153	35,853
Culture - Recreation	592,153	646,176
Community Development	44,972	36,225
Interest on Long-Term Debt	162,494	202,563
Loss on Sale of Assets	<u>14,563</u>	<u>-</u>
Total Expenses	<u>7,574,559</u>	<u>7,331,596</u>
Change in Net Position	448,628	420,122
Net Position - Beginning (Restated - See Note 19)	<u>3,563,895</u>	<u>3,144,005</u>
Net Position - Ending	<u>\$4,012,523</u>	<u>\$3,564,127</u>

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Financial Analysis of the Borough as a Whole (Cont'd)

Please note there was a change in the beginning net position at January 1, 2012 compared to the ending net position at December 31, 2011. The restatement of the beginning net position of \$232 was the result of the following:

Accrued Payroll Payable	\$(9,974)
Net Other Post Employment Benefit Obligation	<u>9,742</u>
Change in Beginning Net Position	\$ <u>(232)</u>

Borough Finances

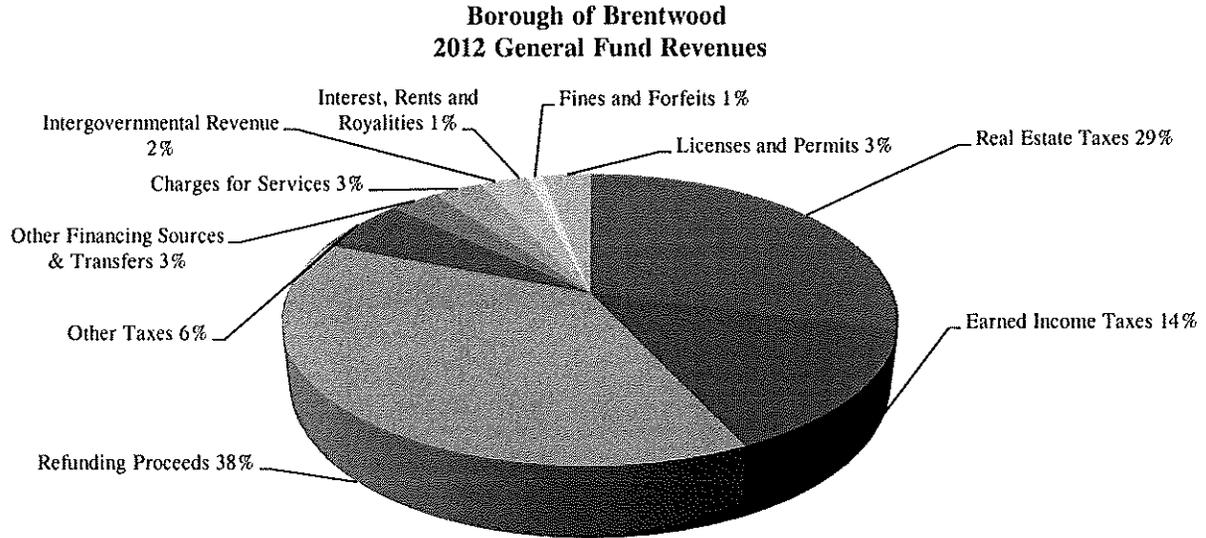
In order to provide for adequate service levels, as do many mature and mostly developed communities in Allegheny County, the Borough of Brentwood conservatively estimates revenue streams and expenditure levels. Overall general fund revenues and other financing sources totaled \$9,039,378 and general fund expenditures and other financing uses totaled \$8,605,157.

Major General Fund Revenue Categories

	2012	2011
Taxes	\$4,389,191	\$4,026,327
Licenses and Permits	216,034	256,751
Fines and Forfeits	156,678	122,880
Interest, Rents and Royalties	100,732	87,034
Intergovernmental	195,229	297,929
Charges for Services	246,301	252,477
Miscellaneous	43,213	6,773
Other Financing Sources	<u>3,692,000</u>	<u>255,000</u>
Total Revenues and Other Financing Sources	<u>\$9,039,378</u>	<u>\$5,305,171</u>

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Borough Finances (Cont'd)



Major expenditure categories continued to be in the following areas listed below:

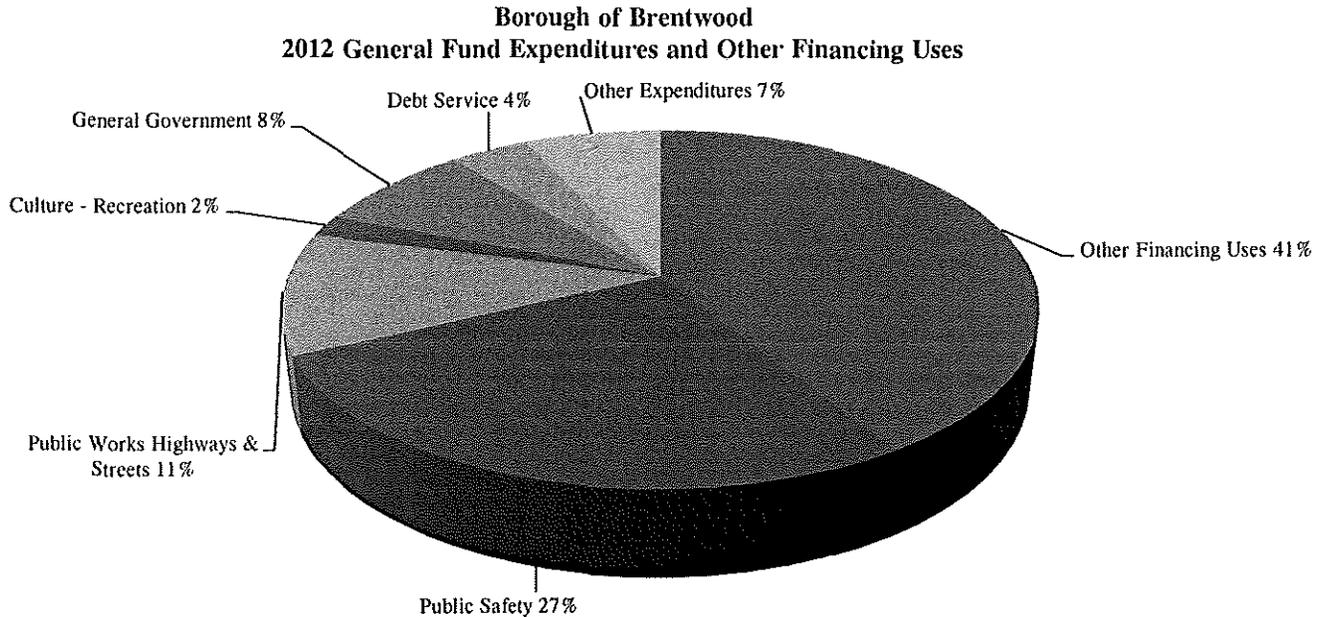
Major General Fund Expenditure Categories

	2012	2011
General Government	\$ 654,759	\$ 615,692
Public Safety	2,206,676	2,266,167
Public Works - Sanitation	14,519	16,236
Public Works - Highways	811,585	752,390
Public Works - Other Services	36,153	35,853
Culture - Recreation	156,032	199,174
Conservation and Development	44,972	36,325
Miscellaneous	577,171	570,713
Debt Service	298,906	331,179
Other Financing Uses	<u>3,348,517</u>	<u>665,209</u>
Total Expenditures and Other Financing Uses	<u>\$8,149,290</u>	<u>\$5,488,938</u>

The chart below illustrates the above expenditure categories as a percentage of the general fund:

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

Borough Finances (Cont'd)



The Borough of Brentwood, for all intents and purposes, is a fully-developed community. With limited property available for either large scale residential or commercial development and with a current appreciation freeze on property assessments, revenue streams are generally stable.

The overall real estate tax rate was 8.5 mills for 2012.

2012 Highlighted Budget Components

As in previous years, this past fiscal year saw a number of significant accomplishments.

2012 Capital Improvement Program

The Borough completed nearly \$1 million worth of capital projects in 2012 which included the following:

- Police Department (\$35,004)

The Borough purchased a new police vehicle and retired the lease on a 2010 police cruiser.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

2012 Highlighted Budget Components (Cont'd)

- Planning and Zoning (\$22,794)

The Borough awarded the contract to Delta Development to work with Borough staff to revise and update the Borough's antiquated zoning code. The new zoning code was ready for adoption in April 2013.

- Public Works (\$28,376)

In 2012, the Borough began the process of investigating the plan to relocate the DPW to a new 12,000 pre-fabricated steel structure to the site of the DPW current materials' storage yard. This involved a geotechnical investigation as well as a property/site survey. The project was bid out in 2012 and a design/build contract was awarded to Allegheny Construction Group in the amount of \$1.25 million. Construction began in early 2013.

- The DPW also purchased a new truck to replace an older and maintenance ridden truck (\$35,662).
- Pinkney Way Rehabilitation Project (\$93,590)

Partially funded through a SHACOG Community Development Block Grant, the Borough was able to complete the roadway and storm water controls project of \$23,000.

- Daub Way Rehabilitation Project (\$78,923)

The Borough fully funded this much-needed project to prevent residents in this area from being flooded during storms. The Borough was able to complete the roadway and storm water controls project.

- Kaufmann Avenue Cantilever Project (\$22,060)

The Borough was also able to rectify a hazardous cantilevered sidewalk along Kaufmann Avenue that was in a state of disrepair for years and was actually closed to the public.

- 2012 Sanitary Sewer Repairs Project - Consent Order Phase I (\$442,715)

This project involved sanitary sewer repair including any combination of the following items: sanitary sewer excavation point repair and replacement; wye branch and lateral repairs, CCTV verification of the repair locations and post-repair CCTV documentation; additional CCTV; location and adjustment of buried sanitary sewer manholes; lamp hole replacement; manhole installation and sanitary sewer pipe cleaning. All related traffic control and residence notification and the restoration of disturbed areas including driveways, sidewalks, roadways, curbs, walls, lawn areas, shrubbery, etc., are included in the project.

The Borough is required by the Consent Order to Closed Circuit Televising (CCTV) and makes repairs to structural Level 5 defects in the sewers.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

2012 Highlighted Budget Components (Cont'd)

Brentwood Park Initiative

The Borough saw the coming together of a community to focus on the rehabilitation of the Brentwood stadium, pool and park facilities. Grassroots efforts by the community group, Brentwood Park Initiative, were successful in raising the nearly \$250,000 that will be needed to match the \$438,000 and \$400,000 DCNR grant as well as the \$200,000 Allegheny County Community Infrastructure and Tourism Fund grant that will be required to fund the multi-million dollar capital construction project. In 2012, the Borough hired J. T. Sauer & Associates to prepare the final construction documents associated with the construction of Phase I and Phase II.

New Additions to the Borough Family

The Borough welcomed three (3) new employees to the Borough. Two (2) new police officers were hired. Officer John Skrip and Officer David Coleman were brought on board to bring the police department back up to 13 full-time officers. New DPW employee, William Hubenthal was its newest member to the Borough's family.

Grants

Grants are a welcomed source to any Borough's fiscal well-being and although they are harder and harder to come by, in 2012, the Borough of Brentwood was once again the recipient of a few. The Borough received notice that they were the recipient of a \$400,000 grant from the Department of Community and Natural Resources to be used toward Phase II of the Brentwood Park Initiative Project. In addition, the Borough received a \$6,000 grant from PennDOT's ARLE program for new school warning signals. Also, the Borough will receive a \$15,000 grant from the South Hills Area Council of Governments (SHACOG) to help bring the Brentwood pool closer to ADA compliance. These grants will be received during 2013.

Administration

Through a 50% matching Local Government Academy (LGA) grant, the Borough was able to hire Ms. Simona Gabriela Gavrilă as a summer intern in 2012. Gabi took on with zeal the immense task of identifying and cataloging the vacant properties in the Borough. Gabi also assisted with the research and preparation of various ordinances.

Briefly Brentwood - Borough Newsletter

The Borough continued to receive and welcome the community source of information. The "Briefly Brentwood" community newsletter made its debut in April 2008. Since then, the quarterly newsletter has grown and in November 2010 evolved into the very professional, IN Brentwood, Baldwin-Whitehall Community Magazine.

**Borough of Brentwood
Management's Discussion and Analysis
December 31, 2012**

2012 Highlighted Budget Components (Cont'd)

Consent Decree Order

The Borough of Brentwood's sewage fund and its related projects are vital components of the services provided to the Borough's community. The Environmental Protection Agency (EPA) Consent Decree Order requires the implementation of various projects to keep sewers running efficiently. Such projects include:

- Lining and repairs of sewer lines
- Closed Circuit Television (CCTV) inspection of the sewer lines
- Inlet testing
- Manhole inspections
- Mapping of the sewer system

With the vast network of sewer pipes and manholes, this is a costly undertaking which is totally financed with the sewage user fees. In 2012, \$663,215 was expended on these projects.

Contacts for Borough Financial Management Information

This report provides a snapshot to our citizens, taxpayers, customers and creditors with a general overview of the Borough's finances and demonstrates the Borough's accountability for the money it received.

If you have any questions about this report or need additional information, please contact George Zboyovsky, Borough Manager, Borough of Brentwood, 3624 Brownsville Road, Pittsburgh, Pennsylvania 15227.

**Borough of Brentwood
Statement of Net Position
December 31, 2012**

Exhibit 1

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,449,963
Taxes Receivable (Net)	642,973
Due from Other Governments	48,037
Other Receivables	402,070
Prepaid Items	59,283
Net Pension Asset	124,885
Bond Closing Costs, Net	72,732
Capital Assets	
Land	255,560
Construction in Progress	97,483
Land Improvements (Net)	354,436
Buildings and Building Improvements	1,267,099
Furniture and Equipment	<u>755,920</u>
TOTAL ASSETS	<u>9,530,441</u>
LIABILITIES	
Accounts Payable	279,290
Accrued Interest	27,071
Accrued Salaries and Benefits	24,752
Unearned Revenue	30,000
Other Current Liabilities	7,023
Noncurrent Liabilities	
Due Within One Year	301,481
Due in More Than One Year	
Notes Payable	1,070,948
Bonds Payable	3,310,213
Capital Leases	252,005
Compensated Absences	62,285
Net Other Post-Employment Benefit Obligation	<u>152,850</u>
TOTAL LIABILITIES	<u>5,517,918</u>
NET POSITION	
Invested in Capital Assets (Net of Related Debt)	(2,204,148)
Restricted for	
Debt Service	11,829
Library	180,340
Highways	57
Unrestricted	<u>6,024,445</u>
TOTAL NET POSITION	<u>\$ 4,012,523</u>

See Accompanying Notes

**Borough of Brentwood
Statement of Activities
Year Ended December 31, 2012**

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 695,333	\$ -	\$ 22,991	\$ (672,342)
Public Safety	2,641,124	335,553	138,764	(2,166,807)
Public Works - Sanitation	1,992,772	2,230,452	-	237,680
Public Works - Highways	1,394,995	-	230,866	(1,164,129)
Public Works - Other	36,153	71,827	-	35,674
Culture - Recreation	592,153	212,612	-	(379,541)
Community Development	44,972	-	-	(44,972)
Interest on Long-Term Debt	<u>162,494</u>	<u>-</u>	<u>-</u>	<u>(162,494)</u>
Total Governmental Activities	<u>\$7,559,996</u>	<u>\$2,850,444</u>	<u>\$392,621</u>	<u>(4,316,931)</u>
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes, Net				2,772,259
Earned Income Taxes				1,199,973
RAD				320,122
Other Taxes Levied for General Purposes, Net				203,673
Rental Income				99,424
Investment Earnings				6,515
Cable TV Franchise				178,156
Loss on Sale of Fixed Assets				<u>(14,563)</u>
Total General Revenues				<u>4,765,559</u>
Change in Net Position				448,628
Net Position - January 1, 2012 (Restated - See Note 19)				<u>3,563,895</u>
Net Position - December 31, 2012				<u>\$ 4,012,523</u>

See Accompanying Notes

**Borough of Brentwood
Balance Sheet
Governmental Funds
December 31, 2012**

Exhibit 3

	General Fund	Sewer Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$1,726,444	\$2,926,039	\$797,480	\$5,449,963
Taxes Receivable (Net)	642,973	-	-	642,973
Due from Other Funds	101,179	-	41,062	142,241
Due from Other Governments	48,037	-	-	48,037
Other Receivables	57,496	343,098	1,476	402,070
Prepaid Items	<u>59,283</u>	<u>-</u>	<u>-</u>	<u>59,283</u>
TOTAL ASSETS	<u>\$2,635,412</u>	<u>\$3,269,137</u>	<u>\$840,018</u>	<u>\$6,744,567</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 48,084	\$ 101,180	\$ -	\$ 149,264
Accounts Payable	38,202	222,697	18,391	279,290
Accrued Salaries and Benefits	24,752	-	-	24,752
Deferred Revenues	<u>398,445</u>	<u>-</u>	<u>-</u>	<u>398,445</u>
Total Liabilities	<u>509,483</u>	<u>323,877</u>	<u>18,391</u>	<u>851,751</u>
Fund Balances				
Nonspendable	59,283	-	-	59,283
Restricted	-	-	192,226	192,226
Committed	-	2,945,260	629,401	3,574,661
Unassigned	<u>2,066,646</u>	<u>-</u>	<u>-</u>	<u>2,066,646</u>
Total Fund Balances	<u>2,125,929</u>	<u>2,945,260</u>	<u>821,627</u>	<u>5,892,816</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,635,412</u>	<u>\$3,269,137</u>	<u>\$840,018</u>	<u>\$6,744,567</u>

See Accompanying Notes

Borough of Brentwood
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 5,892,816
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$7,692,562, and the accumulated depreciation is \$4,962,064.</p>		2,730,498
<p>Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.</p>		368,445
<p>Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.</p>		143,771
<p>The negative pension benefit obligation (asset) is considered an asset in the government-wide financial statements.</p>		124,885
<p>Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	\$(3,430,000)	
Original Issue Discount (Net)	33,748	
Accrued Interest on the Bonds	(27,071)	
Capital Leases Payable	(271,240)	
Notes Payable	(1,338,193)	
Other Post-Employment Benefit Obligation (OPEB)	(152,850)	
Compensated Absences	(62,286)	(5,247,892)
Total Net Position - Governmental Activities		<u>\$ 4,012,523</u>

See Accompanying Notes

Borough of Brentwood
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012

Exhibit 5

	General Fund	Sewer Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,389,191	\$ -	\$ 150,172	\$ 4,539,363
Licenses and Permits	216,034	-	-	216,034
Fines and Forfeits	156,678	-	-	156,678
Interest, Rents and Royalties	100,732	4,536	671	105,939
Intergovernmental	195,229	-	205,469	400,698
Charges for Services	246,301	2,230,187	179,400	2,655,888
Miscellaneous	<u>43,213</u>	<u>-</u>	<u>-</u>	<u>43,213</u>
Total Revenues	<u>5,347,378</u>	<u>2,234,723</u>	<u>535,712</u>	<u>8,117,813</u>
Expenditures				
Current:				
General Government	654,759	-	28,924	683,683
Public Safety	2,206,676	-	81,688	2,288,364
Public Works - Sanitation	14,519	1,988,343	-	2,002,862
Public Works - Highways	811,585	-	445,706	1,257,291
Public Works - Other Services	36,153	-	-	36,153
Culture - Recreation	156,032	-	405,031	561,063
Conservation and Development	44,972	-	-	44,972
Miscellaneous	577,171	3,269	1	580,441
Debt Service:				
Principal	173,344	231,166	77,840	482,350
Interest	<u>125,562</u>	<u>23,048</u>	<u>6,006</u>	<u>154,616</u>
Total Expenditures	<u>4,800,773</u>	<u>2,245,826</u>	<u>1,045,196</u>	<u>8,091,795</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>546,605</u>	<u>(11,103)</u>	<u>(509,484)</u>	<u>26,018</u>
Other Financing Sources (Uses)				
Refunding Bond Proceeds	3,430,000	-	-	3,430,000
(Discount) Premium on Bonds Issued	(35,733)	-	-	(35,733)
Transfers In	262,000	-	505,867	767,867
Sale/Compensation for Capital Assets	-	-	3,500	3,500
Payment to Refunded Bond Escrow Agent	(3,312,784)	-	-	(3,312,784)
Transfers Out	<u>(455,867)</u>	<u>(312,000)</u>	<u>-</u>	<u>(767,867)</u>
Total Other Financing				
Sources (Uses)	<u>(112,384)</u>	<u>(312,000)</u>	<u>509,367</u>	<u>84,983</u>

**Borough of Brentwood
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012**

Exhibit 5

	General Fund	Sewer Fund	Nonmajor Funds	Total Governmental Funds
Net Changes in Fund Balances	\$ 434,221	\$ (323,103)	\$ (117)	\$ 111,001
Fund Balances - January 1, 2012 (Restated - See Note 19)	<u>1,691,708</u>	<u>3,268,363</u>	<u>821,744</u>	<u>5,781,815</u>
Fund Balances - December 31, 2012	<u>\$ 2,125,929</u>	<u>\$2,945,260</u>	<u>\$ 821,627</u>	<u>\$ 5,892,816</u>

See Accompanying Notes

**Borough of Brentwood
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended December 31, 2012**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 111,001

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation Expense	\$(227,169)	
Capital Outlays	<u>182,656</u>	(44,513)

Assets that were sold are reported in governmental funds as revenue. However, in the statement of activities, any proceeds from assets sold or disposed of are excluded from revenue and a gain (loss) is calculated on the sale of the asset. (18,063)

Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (35,078)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 482,350

The Borough's bonded debt was reduced by a refunding of debt. Resources of \$3,312,784 were paid to the escrow agent for the refunding of outstanding bonds of \$3,295,000. The difference between those amounts was \$17,785 and will be amortized as an adjustment of interest expense in the statement of activities. 3,295,000

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were:

2012 General Obligation Bond	(3,430,000)
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**Borough of Brentwood
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended December 31, 2012**

Exhibit 6

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations) and other post-retirement benefit obligations (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts accrued).

Compensated Absences	\$ (4,106)	
Other Post-Employment Benefit Obligations (OPEB)	<u>(25,333)</u>	\$ (29,439)

Some expenses reported in the fund financial statements relating to pension expense are recognized based on the annual required contribution or amount actually paid and in the government-wide statements are recognized based on the annual pension cost.

		(5,280)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on the Bonds		21,861
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Bond issuance costs and bond discount are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Issuance Costs	\$ 77,011	
Bond Discount	35,733	
Amortization of Issuance Costs, Discount and Deferred Loss on Refunding	<u>(11,955)</u>	<u>100,789</u>

Change in Net Position of Governmental Activities		\$ <u>448,628</u>
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See Accompanying Notes

**Borough of Brentwood
Statement of Net Position
Fiduciary Funds
December 31, 2012**

Exhibit 7

	Pension Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 242,632
Investments - Mutual Funds	5,978,384
Due from Other Funds	<u>7,703</u>
TOTAL ASSETS	<u>6,228,719</u>
LIABILITIES	
Accounts Payable	1,034
Due to Other Funds	<u>680</u>
TOTAL LIABILITIES	<u>1,714</u>
NET POSITION	
Held in Trust for Pension Benefits	<u>\$6,227,005</u>

See Accompanying Notes

**Borough of Brentwood
Statement of Changes in Net Position
Fiduciary Funds
Year Ended December 31, 2012**

Exhibit 8

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 188,432
Plan Members	<u>66,011</u>
Total Contributions	<u>254,443</u>
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	467,665
Interest and Dividends	<u>251,854</u>
	<u>719,519</u>
Less Investment Expense	<u>38,103</u>
Net Investment Income	<u>681,416</u>
Total Additions	<u>935,859</u>
Deductions	
Benefits	366,631
Administrative Expenses	<u>32,208</u>
Total Deductions	<u>398,839</u>
Change in Net Position	537,020
Net Position - January 1, 2012	<u>5,689,985</u>
Net Position - December 31, 2012	<u>\$6,227,005</u>

See Accompanying Notes

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies

The Borough of Brentwood (the "Borough") was incorporated in 1915 under the provisions of Article 9, Section I of the Constitution of the Commonwealth of Pennsylvania, as amended. The Borough operates under the Borough Code with a Council/Manager form of government.

A. Basic Financial Statements - Government-Wide Statements

The Borough's basic financial statements include both government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Borough's police, highway, parks and general administrative services are all classified as governmental activities. The Borough reports no business-type activities.

In the government-wide statement of net position, governmental activities are presented on a consolidated basis by column.

The government-wide statement of activities reports both the gross and net cost of each of the Borough's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, charges for services, etc.). The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works - sanitation, public works - highways, culture and recreation, etc.). Operating grants include operating-specific and discretionary (either operating or capital).

The net costs by function are normally covered by general revenues including real estate taxes, earned income taxes, intergovernmental revenues, interest income and rents.

The government-wide focus is more on the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the Borough 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 constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental, proprietary and fiduciary. The Borough reports no proprietary-type funds.

The emphasis in fund financial statements is on the major funds in the governmental category. GASBS No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Borough reports these major governmental funds and fund types:

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

The *sewer fund*, a special revenue fund, accounts for the revenues and expenditures related to providing sewer service to residents.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support Borough programs. The reporting focus is on net position and changes in net position. The Borough's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The Borough reports the following fund types:

The *pension trust fund* accounts for the activities of the police and general pension plans, which accumulates resources for pension benefit payments to covered employees.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

2. Fiduciary Funds (Cont'd)

Fiduciary funds are not incorporated into the government-wide financial statements.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

D. Cash and Cash Equivalents

The Borough's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. The market values of the funds approximate cost.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

E. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Expenditures may not legally exceed the budgeted appropriation at the function level. As a matter of policy, supplemental appropriations are requested whenever expenditures exceed appropriations at the function level. Only Council may take action to amend appropriations. The budgetary procedures utilized by the Borough of Brentwood are prescribed by the Commonwealth of Pennsylvania Borough Code. Those procedures are as follows:

- 1) The budget is prepared in any manner designated by Council.
- 2) Boroughs must prepare the budget not less than thirty days before adoption.
- 3) Notice that the proposed budget is available for inspection must be published by the Secretary in a newspaper of general circulation and the proposed budget must be kept on file with and be made available for public inspection by the Secretary for a period of ten days after notice and prior to adoption.
- 4) On or before December 31, Council must finally adopt the budget. Upon completion of the budget, Council shall adopt the real estate tax ordinance.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There were no material inventory balances as of December 31, 2012.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Cont'd)

H. Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

I. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB Statement No. 34, infrastructure has been prospectively capitalized, beginning January 1, 2004. The Borough did not elect retroactive reporting of infrastructure in the year of adoption of GASB Statement No. 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20-30
Furniture	8-20
Vehicles	8
Equipment	8-20
Computer Software	3
Land Improvements	10-30

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Cont'd)

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums, discount and issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. Compensated Absences

The Borough's policies regarding vacation time under various contracts provide for employees to accumulate sick days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

L. Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted - all other net position is reported in this category.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Governmental Fund Balances

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the Borough classifies governmental funds balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action by the Borough's highest level of authority Borough Council. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money, which is the passage of a motion.

Assigned - reflects the Borough's intent to use the money for a specific purpose but is not considered restricted or committed. Fund balance may be assigned by the Borough Manager.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

N. Use of Restricted Resources

The Borough's informal policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

O. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Note 2 - Fund Balance Classifications

The purposes of the fund balance classifications as of December 31, 2012, are as follows:

1. The nonspendable fund balance in the general fund in the amount of \$59,283 is for prepaid insurance.
2. The fund balance in the sewer fund of \$2,945,260 is committed for sewer fund expenditures.
3. The fund balance in the nonmajor funds is restricted for the following purposes:

a. Library	\$180,340
b. Highway Aid	57
c. Debt Service	11,829

4. The fund balance in the nonmajor funds is committed for the following purposes:

a. Brentwood Park Initiative	\$243,869
b. Capital Improvement	385,532

Note 3 - Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U. S. Treasury bills, other short-term U. S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposits. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 3 - Deposits and Investments (Cont'd)

The deposit and investment policy of the Borough adheres to state statutes and/or prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or highly liquid money market funds and are captioned as cash in the combined balance sheet. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of other municipal funds. Investments are reported at fair value. Fair value is based on quoted market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. The investments in fixed income do not have a readily trading market and the estimated market value approximates the original cost of the investments. There were no deposit or investment transactions during the year that were in violation of either their state statutes or the policy of the Borough.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an 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 in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2012, \$4,025,502 of the Borough's bank balance of \$5,828,711 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the Borough's Name	<u>\$4,025,502</u>
---	--------------------

As of December 31, 2012, the Borough had the following investments:

Investment Type	Fair Value
Money Market Funds	\$ 166,984
Mutual Funds	<u>5,978,384</u>
	<u>\$6,145,368</u>

All of the above investments are reported in the Borough's fiduciary funds.

Credit Risks - Pennsylvania statutes authorize the types of investments allowed and are described above. The Borough's investments that are rated by nationally recognized statistical organizations disclosed above are from Standard and Poor's.

Concentration of Credit Risk - The Borough places no limit on the amount it may invest in any one issue.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 4 - Real Estate Taxes

The tax collector bills and collects real estate taxes on behalf of the Borough based upon assessed values provided by the County. The Borough's tax rate for all purposes in 2012 was 8.5 mills (\$8.50 per \$1,000 assessed valuation). The tax rate is allocated to the general fund at 8 mills and the Library at 0.5 mills. The tax calendar for real estate taxes levied for 2012 is as follows:

Tax Levy Date	July 1
2% Discount Period	July 1 - August 31
Face Payment Period	September 1 - October 31
10% Penalty Period	November 1 - February 28
Lien Filing Date	March 1

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$368,445 along with other taxes receivable of \$274,528.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 01/01/12	Additions	Disposals	Balance 12/31/12
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 255,560	\$ -	\$ -	\$ 255,560
Construction in Progress	<u>-</u>	<u>97,483</u>	<u>-</u>	<u>97,483</u>
Total Capital Assets, Not Being Depreciated	<u>255,560</u>	<u>97,483</u>	<u>-</u>	<u>353,043</u>
Capital Assets, Being Depreciated				
Land Improvements	875,968	7,371	-	883,339
Buildings and Building Improvements	3,266,781	-	-	3,266,781
Furniture and Equipment	<u>3,170,619</u>	<u>77,802</u>	<u>59,022</u>	<u>3,189,399</u>
Total Capital Assets Being Depreciated	<u>7,313,368</u>	<u>85,173</u>	<u>59,022</u>	<u>7,339,519</u>
Less Accumulated Depreciation				
Land Improvements	504,331	24,572	-	528,903

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 5 - Capital Assets (Cont'd)

	Balance 01/01/12	Additions	Disposals	Balance 12/31/12
Governmental Activities (Cont'd)				
Less Accumulated Depreciation (Cont'd)				
Buildings and Building Improvements	\$1,931,243	\$ 68,439	\$ -	\$1,999,682
Furniture and Equipment	<u>2,340,280</u>	<u>134,158</u>	<u>40,959</u>	<u>2,433,479</u>
Total Accumulated Depreciation	<u>4,775,854</u>	<u>227,169</u>	<u>40,959</u>	<u>4,962,064</u>
Total Capital Assets Being Depreciated, Net	<u>2,537,514</u>	<u>(141,996)</u>	<u>18,063</u>	<u>2,377,455</u>
Governmental Activities Capital Assets, Net	<u>\$2,793,074</u>	<u>\$ (44,513)</u>	<u>\$18,063</u>	<u>\$2,730,498</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 24,178
Public Safety	43,429
Sanitation	106
Public Works	85,456
Culture - Recreation	<u>74,000</u>
Total Depreciation Expense	<u>\$227,169</u>

Note 6 - Interfund Balances

Interfund balances at December 31, 2012, were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$101,179	\$ 48,084
Sewer Fund	-	101,180
Nonmajor Governmental Funds	41,062	-
Fiduciary Funds	<u>7,703</u>	<u>680</u>
	<u>\$149,944</u>	<u>\$149,944</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 7 - Interfund Transfers

For the year ended December 31, 2012, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		Totals
	General Fund	Sewer Fund	
General Fund	\$ -	\$262,000	\$262,000
Nonmajor Governmental Funds	<u>455,867</u>	<u>50,000</u>	<u>505,867</u>
	<u>\$455,867</u>	<u>\$312,000</u>	<u>\$767,867</u>

The transfer from the general fund to the capital projects fund was to help fund the capital needs of the Borough. The transfer from the sewer fund to the capital projects fund was to help the capital needs of the Borough. The transfer from the sewer fund to the general fund was to reimburse the general fund for expenditures it had previously paid. The transfer from the general fund to the debt service fund was to fund the debt service needs of the Borough.

Note 8 - Long-Term Debt

Long-term liability activity for the year ended December 31, 2012 was as follows :

	Balance 01/01/12	Additions	Reductions	Balance 12/31/12	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$3,450,000	\$3,430,000	\$3,450,000	\$3,430,000	\$ 15,000
Less: Bond Discount	(13,931)	(33,748)	(13,931)	(33,748)	-
Less: Loss on Defeasance	-	(75,218)	(4,179)	(71,039)	-
Total Bonds Payable	<u>3,436,069</u>	<u>3,321,034</u>	<u>3,431,890</u>	<u>3,325,213</u>	<u>15,000</u>
General Obligation Notes	1,639,134	-	300,940	1,338,194	267,246
Capital Leases	297,650	-	26,410	271,240	19,235
Compensated Absences	<u>58,179</u>	<u>4,106</u>	<u>-</u>	<u>62,285</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$5,431,032</u>	<u>\$3,325,140</u>	<u>\$3,759,240</u>	<u>\$4,996,932</u>	<u>\$301,481</u>

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 8 - Long-Term Debt (Cont'd)

As of December 31, 2012, the long-term debt arising from loans payable from governmental fund resources, consisted of the following:

General Obligation Bonds

Series of 2012, in the amount of \$3,430,000; due in annual principal and semi-annual interest installment due on March 1 and a semi-annual only interest installment due on September 1; interest rates from 0.8% - 3.15% through March 2027.

\$3,430,000

In April 2012, the Borough issued \$3,430,000 Series 2012 bonds with interest rates from 0.8% to 3.0% to currently refund the outstanding Series of 2007 bonds (\$3,295,000) with interest rates ranging from 3.525% to 4.20%. The net proceeds of \$3,312,785 (after payment of issuance costs) were used to currently refund the outstanding 2007 bonds and interest due on those bonds through the refunding date. As a result, those bonds are considered defeased, and the liability for those bonds has been removed as a liability in these financial statements. The Borough currently refunded the 2007 Series bonds to reduce its total debt service payments over the next sixteen years by \$267,441 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$293,086.

The annual requirements of the Borough funds to amortize all general obligation bonds as of December 31, 2012, are as follows:

Year Ended December 31,	General Obligation Bonds		Totals
	Principal	Interest	
2013	\$ 15,000	\$ 74,981	\$ 89,981
2014	215,000	74,861	289,861
2015	220,000	73,141	293,141
2016	225,000	70,831	295,831
2017	225,000	68,019	293,019
2018-2022	1,185,000	278,750	1,463,750
2023-2027	<u>1,345,000</u>	<u>121,000</u>	<u>1,466,000</u>
	<u>\$3,430,000</u>	<u>\$761,583</u>	<u>\$4,191,583</u>

General Obligation Notes

Pennvest loan of 2007 in the amount of \$3,027,945; monthly installments of principal and interest of \$14,304 through September 1, 2008.

The loan approved totaled \$3,027,945; however, only \$1,621,133 was drawn since the loan is drawn by an application for payment after a project payment is made.

\$ 960,152

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 8 - Long-Term Debt (Cont'd)

General Obligation Notes (Cont'd)

Pennvest loan of 1995 in the amount of \$329,775; due in monthly installments of \$2,141 including principal and interest through September 1, 2013; interest rate of 4.324%.	\$ 18,935
PWSA loan of 2005 in the amount of \$386,497; due in monthly installments of \$1,925 including principal and interest from September 1, 2006 to January 2024; interest rate of 1.8%.	237,194
Brentwood Bank fire truck loan of 2004 in the amount of \$534,460; due in monthly installments of \$6,288 including principal and interest through August 2014; interest rate of 3.49%.	<u>121,913</u>
	<u>\$1,338,194</u>

The annual requirements of the Borough funds to amortize all notes payable as of December 31, 2012, are as follows:

Year Ended December 31,	General Obligation Notes		Totals
	Principal	Interest	
2013	\$ 267,246	\$ 24,012	\$ 291,258
2014	221,428	25,658	247,086
2015	176,338	20,447	196,785
2016	180,982	15,803	196,785
2017	185,747	11,038	196,785
2018-2022	279,628	14,995	294,623
2023-2024	<u>26,825</u>	<u>405</u>	<u>27,230</u>
	<u>\$1,338,194</u>	<u>\$112,358</u>	<u>\$1,450,552</u>

Capital Leases

The Borough is also currently obligated under a capital leasing arrangement for the HVAC and lighting upgrades.

The assets acquired through the capital lease are as follows:

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 8 - Long-Term Debt (Cont'd)

	Governmental Activities
Assets	
Building Improvements	\$347,831
Less: Accumulated Depreciation	<u>(60,869)</u>
	<u>\$286,962</u>

The future minimum lease obligations as of December 31, 2012, are as follows:

Year Ended December 31,	Amount
2013	\$ 32,026
2014	32,026
2015	32,026
2016	32,026
2017	32,026
2018-2022	160,130
2023	<u>32,026</u>
Total minimum lease payments	352,286
Amount representing interest	<u>(81,046)</u>
Present value of minimum lease payments	<u>\$271,240</u>

Note 9 - Short-Term Debt - Tax Anticipation Notes

The Borough issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because the Borough's payments for operating expenditures are made beginning January 1, whereas tax collections are normally received starting in July. The interest rate for the TAN was 1.47% and the interest expenditure was \$14,578.

Short-term debt activity for the year ended December 31, 2012, was as follows:

	Balance 01/01/12	Issued	Redeemed	Balance 12/31/12
Tax Anticipation Notes	\$ <u> -</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	\$ <u> -</u>

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 10 - Defined Benefit Pension Plans (Cont'd)

A. Plan Descriptions, Contribution Information, and Funding Policies

The Borough of Brentwood contributes to two Defined Benefit Pension Plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective Plans.

Borough of Brentwood Police Pension Plan (PPP) - The Police Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time basis by the Borough as a member of the police force is eligible to participate in the plan.

Borough of Brentwood Non-Police Pension Plan (NPPP) - The Non-Police Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time salaried basis by the Borough (excluding police officers, councilmen and the mayor) are eligible to participate in the plan.

Actuarial valuations are performed biannually. For additional information related to basis of accounting and reported investment values, see Note 1D. The Plans do not issue stand-alone financial reports.

The following is a summary of funding policies, contribution methods, and benefit provisions:

	<u>PPP</u>	<u>NPPP</u>
Date Established	December 11, 1954	February 15, 1958
Governing Authority and Administrator	Borough Council and Ordinances	Borough Council and Ordinances
Determination of Contribution Requirements	Actuarially Determined	Actuarially Determined
Employer	\$124,961	\$63,471
Plan Members	3.5% of salary	3.0% of compensation
Funding of Administrative Costs	Investment Earnings	Investment Earnings
Eligibility Requirements		
Normal Retirement	Age 55 and completion of 25 years of service	Attainment of age 62 for Public Works' Dept. Employees, age 65 for all others

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 10 - Defined Benefit Pension Plans (Cont'd)

A. Plan Descriptions, Contribution Information, and Funding Policies (Cont'd)

	<u>PPP</u>	<u>NPPP</u>																
Eligibility Requirements (Cont'd)																		
Early Retirement	None	Later of age 55 or completion of 25 years of service for Public Works Department Employees, age 62 for all others																
Vesting	12 years of service	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Completed Years of Service</u></th> <th style="text-align: center;"><u>Vested Percentage</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0-4</td> <td style="text-align: center;">0%</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">60%</td> </tr> <tr> <td style="text-align: center;">7</td> <td style="text-align: center;">70%</td> </tr> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">80%</td> </tr> <tr> <td style="text-align: center;">9</td> <td style="text-align: center;">90%</td> </tr> <tr> <td style="text-align: center;">10 or more</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table>	<u>Completed Years of Service</u>	<u>Vested Percentage</u>	0-4	0%	5	50%	6	60%	7	70%	8	80%	9	90%	10 or more	100%
<u>Completed Years of Service</u>	<u>Vested Percentage</u>																	
0-4	0%																	
5	50%																	
6	60%																	
7	70%																	
8	80%																	
9	90%																	
10 or more	100%																	
Retirement Benefit	50% of final 36 months' average salary plus service increment	A monthly benefit payable for life, equal to the actuarial equivalent of the sum of all account balances on the date of determination																
Service Increment	\$25 times years of service in excess of 25; maximum \$100 per month	N/A																
Post-Retirement Benefit Increases	None	None																
Provisions for Disability Benefits	Yes	Yes																
Provisions for Death Benefits	Yes	Yes																

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 10 - Defined Benefit Pension Plans (Cont'd)

A. Plan Descriptions, Contribution Information, and Funding Policies (Cont'd)

Memberships of the Plans area as follows, based on the latest actuarial valuation reports dated January 1, 2011:

	<u>PPP</u>	<u>NPPP</u>
Nonvested Active Members	12	6
Fully Vested Active Members	3	11
Retirees and Beneficiaries		
Currently Receiving Benefits	<u>13</u>	<u>1</u>
Total	<u>28</u>	<u>18</u>

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Supplementary Information Section of this report.

B. Annual Pension Cost, Net Pension Obligation, and Reserves

Current year annual pension costs and net pension obligations (assets) to the Plans are as follows:

	<u>Police Pension</u>	<u>Non-Police Pension</u>
Annual Required Contributions (ARC)	\$124,961	\$ 63,471
Interest on Net Pension Obligations	(5,382)	(3,559)
Adjustment to Annual Required Contributions	<u>8,138</u>	<u>6,083</u>
Annual Pension Cost	127,717	65,995
Contributions Made	<u>(124,961)</u>	<u>(63,471)</u>
Change in Net Pension Obligation	2,756	2,524
Beginning of Year	<u>(76,006)</u>	<u>(54,159)</u>
End of Year	<u>\$(73,250)</u>	<u>\$(51,635)</u>

There are no assets legally reserved for purposes other than the payment of Plan member benefits for the Plans.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 10 - Defined Benefit Pension Plans (Cont'd)

B. Annual Pension Cost, Net Pension Obligation, and Reserves (Cont'd)

At December 31, 2012, the Police Pension Plan and Non-Police Pension Plan assets were with Paine-Webber in the form of mutual funds.

There are no long-term contracts for contributions.

C. Trend Information

Year Ended December 31,	Police Pension			Non-Police Pension		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
2010	\$138,947	98%	\$(76,840)	\$33,683	96%	\$(50,369)
2011	164,523	99%	(76,006)	65,796	106%	(54,159)
2012	127,717	98%	(73,250)	65,995	96%	(51,635)

D. Funded Status and Funding Progress

The following is funded status information for each Plan as of January 1, 2011, the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) Excess of Assets over AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll [(b-a)/c]
Non-Police	\$1,302,060	\$1,598,749	\$296,689	81.44%	\$ 847,590	35.00%
Police	4,334,319	5,246,753	912,434	82.61%	1,229,059	74.24%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 11 - Post-Employment Healthcare Plan

A. Plan Description

The Borough of Brentwood administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, dental and vision for eligible Borough police officers. The benefits provided are for the eligible retirees and their spouses through the Borough group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the Borough and union representing the employees. No post-employment benefits are provided for non-uniform employees. The plan does not issue a publicly available financial report.

B. Funding Policy

The eligibility and the benefits are as follows:

Police Employees

Medical, Dental and Vision Eligibility	Retired from the police pension plan after age 55 and 25 years of service
Persons Covered	Coverage will include retiree, spouse and eligible dependents
Benefits Provided	The Borough shall pay ½ the cost of health insurance premiums including medical, dental and vision for the retiree and his/her family, until the earlier of the death of the retiree or the retiree's Medicare eligibility.
Retiree Contributions	Contribution amounts differ depending on the date of retirement. If a police officer retires after December 31, 1999, the retiree must pay 50% of the premium at the coverage level selected.

For the year ended December 31, 2012, the Borough contributed \$13,395. Plan members receiving benefits contributed \$13,051. The plan is financed on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Borough's net OPEB obligation.

**Borough of Brentwood
Notes to Financial Statements
December 31, 2012**

Note 11 - Post-Employment Healthcare Plan (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

Annual Required Contribution	\$ 40,357
Interest on Net OPEB Obligation	5,738
Adjustment to Annual Required Contribution	<u>(7,828)</u>
Annual OPEB Cost (Expense)	38,267
Contributions Made	<u>(12,934)</u>
Increase in OPEB Obligation	25,333
Net OPEB Obligation - Beginning of Year (Restated)	<u>127,517</u>
Net OPEB Obligation - End of Year	<u>\$152,850</u>

The Borough used the implicit contributions of \$12,934 from the January 1, 2012 actuarial report for purposes of the net OPEB obligation.

The Borough's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2012, 2011 and 2010, is as follows.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$38,267	33.8%	\$152,850
12/31/11	59,089	42.3%	137,259
12/31/10	59,799	11.2%	103,161

The previously reported net OPEB obligation for the year ending December 31, 2011 was \$137,259. However, per the updated OPEB obligation report as of January 1, 2012, the beginning net OPB obligation is \$127,517. A \$9,742 adjustment was made to correct the beginning balance.

D. Funded Status and Funding Progress

As of January 1, 2012, the actuarial accrued liability for benefits was \$409,051, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,090,058 and the ratio of unfunded actuarial accrued liability to the covered payroll was 37.5%.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 11 - Post-Employment Healthcare Plan (Cont'd)

D. Funded Status and Funding Progress (Cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multi-year information will be presented in future years.

E. Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a discount rate of 4.5%, an annual healthcare cost trend rate of 8.0%, decreasing to 7.5% the next year, and reducing by 0.5% thereafter to an ultimate rate of 5% after seven years, and a 3.5% rate for dental/vision with no change over the period. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is thirty years. The period is open.

Note 12 - Risk Management

The Borough of Brentwood 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.

The Borough also purchases commercial insurance for its employee health and accident insurance coverage. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 13 - Interfund Reimbursement Agreement

The Borough and the Library have come to an agreement whereby the Library will make annual installment payments of \$25,187 to the Borough. The reimbursement payments by the Library shall continue until the Borough is reimbursed for the total cost of construction services, materials, labor and the principal and interest of the Library construction loan, as specified in the agreement. The Library paid \$25,187 to the general fund in 2012 under this agreement. It is estimated that the remaining balance that the Library owes the Borough is \$71,056 under this agreement.

Note 14 - Lease Rental Revenue

The Borough's athletic stadium located in Brentwood Park is leased to the Brentwood School District. The Borough is to receive semi-annual payments from the School District on January 31 and July 31 of each year. The lease is for the period July 1, 2012 through June 30, 2014. The rental payments from July 1, 2012 to June 30, 2014 will be as follows:

July 1, 2012 to June 30, 2013	\$ 55,597
July 1, 2013 to June 30, 2014	<u>58,933</u>
	<u>\$114,530</u>

For the year ended December 31, 2012, the Borough received \$54,424 from the School District under this lease.

Note 15 - Tax Increment Financing Plan

The Borough has entered into a Tax Increment Financing Plan with the Brentwood School District and Allegheny County where the Redevelopment Authority of Allegheny County issued notes with tax-exempt and taxable portions generating proceeds totaling approximately \$3.7 million, of which approximately \$3.6 million was used to fund the Brentwood Towne Square Project. This note is repaid by portions of the real estate tax increment realized by Brentwood Borough, Brentwood School District and Allegheny County over 20 years. The TIF agreement will expire at the end of 2013.

Note 16 - Operating Leases - Equipment

The Borough leases various computer and copier equipment. Total lease expense for 2012 was \$12,856. As of December 31, 2012, future minimum rental payments under these leases are as follows:

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 16 - Operating Leases - Equipment (Cont'd)

Year Ended December 31,	Amount
2013	\$14,479
2014	10,489
2015	6,964
2016	3,816
2017	<u>3,816</u>
	<u>\$39,564</u>

Note 17 - Construction Commitment

The Borough has a construction commitment with various contractors in the amount of \$1,570,868 as of December 31, 2012. The majority of the construction commitment was for the design/building of a new DPW facility that will begin in 2013 in the amount of \$1,259,000. In addition, a commitment in the amount of \$158,025 will be for a joint sewer repair project that will begin in 2013.

Note 18 - Subsequent Events

In March 2013, the Borough committed to an equipment lease with PNC Equipment Lease in the amount of \$72,799 to fund a Department of Public Works Vehicle purchase. The lease will be a capital lease and will be repaid semi-annually in the amount of \$9,579 until March 2017.

In addition, on July 3, 2013, the Borough executed an agreement with PNC Bank concerning the Bond Anticipation Note, Series of 2013, a non-revolving line of credit with a maximum amount of \$5,000,000. The rate of interest will be equal to 55% of the prime rate of the bank. The maturity date will be January 3, 2015.

Note 19 - Restatement of Beginning Fund Balance/Net Position

The general fund and library fund beginning fund balance were restated. The general fund beginning balance was changed for two reasons. First, the Borough decided to book accrued payroll payable at the end of 2012 since the accrued payroll was material for the first time since the Borough has implemented a modified accrual basis of

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 19 - Restatement of Beginning Fund Balance/Net Position (Cont'd)

accounting. In addition, there was an error that was discovered in the allocation of real estate tax between the general fund and the Library during the past three years. As a result of the changes, the following summarizes the change in the beginning fund for each fund:

General Fund

Ending Fund Balance at December 31, 2011 per audit report	\$1,715,719
To correct real estate tax allocation from 2009 to 2011	(14,037)
To record accrued payroll payable as of December 31, 2011	<u>(9,974)</u>
Beginning Fund Balance at January 1, 2012 - Restated	<u>\$1,691,708</u>
Nonmajor Fund (Library Fund)	
Ending Fund Balance at December 31, 2011 per audit report	\$ 161,768
To correct real estate tax allocation from 2009 to 2011	<u>14,037</u>
Beginning Fund Balance at January 1, 2012 - Restated	<u>\$ 175,805</u>

The governmental activities beginning net position was restated as of January 1, 2012 for two reasons. First, the Borough corrected accrued payroll payable at the end of 2012 since the accrued payroll at December 31, 2011 was material for the first time since the Borough has implemented a modified accrual basis of accounting. In addition, the net OPEB obligation was restated to the balance per the January 1, 2012 actuarial valuation. As a result of the changes, the following summarizes the change in the beginning net position.

Governmental Activities

Ending Net Position at December 31, 2011 per audit report	\$3,564,127
To record accrued payroll payable as of December 31, 2011	(9,974)
To restate beginning Net OPEB Obligation	<u>9,742</u>
Beginning Net Position at January 1, 2012 - Restated	<u>\$3,563,895</u>

Note 20 - Contingency

The Library has recently raised an issue concerning the Library's share of the real estate tax allocation. The Library's share of the real estate tax allocation is 0.5 mills out of a total Borough millage of 8.5. The Library has indicated that its share should be based on the total real estate assessment of 0.5 mills for the tax year. The Borough is not disputing this; however, the Borough's position has always been that the Library's share includes operations

Borough of Brentwood
Notes to Financial Statements
December 31, 2012

Note 20 - Contingency (Cont'd)

and maintenance expenses paid by the Borough's general fund with the remaining difference distributed in quarterly cash payments. If the Library is correct on its position of the real estate tax allocation, then the amount Due to Library Fund as a liability could increase to a higher amount and lower the revenue for the Borough. However, it is the opinion of management that the Borough's position of the real estate tax allocation is correct and there will be no liability recorded on the Borough's end. The Borough is working on an agreement with the Library to better reflect the allocation.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Real Estate Taxes				
Current	\$ 2,608,100	\$ 2,458,100	\$ 2,402,748	\$ (55,352)
Delinquent	200,000	200,000	255,464	55,464
Liened	7,000	7,000	-	(7,000)
Regional Asset District Sales Taxes	280,000	280,000	335,410	55,410
Real Estate Transfer Taxes	50,000	50,000	85,131	35,131
Earned Income Taxes/Wage Taxes	750,000	750,000	1,199,973	449,973
Local Services Taxes	55,000	55,000	73,265	18,265
Mechanical Device Taxes	<u>33,400</u>	<u>33,400</u>	<u>37,200</u>	<u>3,800</u>
 Total Taxes	 <u>3,983,500</u>	 <u>3,833,500</u>	 <u>4,389,191</u>	 <u>555,691</u>
 Licenses and Permits				
Cable Television Franchise	140,000	140,000	178,156	38,156
All Other Licenses and Permits	<u>21,300</u>	<u>21,300</u>	<u>37,878</u>	<u>16,578</u>
 Total Licenses and Permits	 <u>161,300</u>	 <u>161,300</u>	 <u>216,034</u>	 <u>54,734</u>
 Fines and Forfeits	 <u>85,700</u>	 <u>85,700</u>	 <u>156,678</u>	 <u>70,978</u>
 Interest, Rents and Royalties				
Interest Earnings	1,000	1,000	1,308	308
Rents and Royalties	<u>96,450</u>	<u>96,450</u>	<u>99,424</u>	<u>2,974</u>
 Total Interest, Rents and Royalties	 <u>97,450</u>	 <u>97,450</u>	 <u>100,732</u>	 <u>3,282</u>
 Intergovernmental				
State				
Public Utility Realty Tax	4,500	4,500	5,077	577
Gen. Muni. Pension System State Aid	125,000	125,000	143,044	18,044
Alcoholic Beverage Taxes	4,000	4,000	3,000	(1,000)
All Other State Shared Rev. & Entitl.	<u>55,000</u>	<u>55,000</u>	<u>44,108</u>	<u>(10,892)</u>
 Total Intergovernmental Revenues	 <u>188,500</u>	 <u>188,500</u>	 <u>195,229</u>	 <u>6,729</u>

Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
Charges for Services				
General Government	\$ 3,060	\$ 3,060	\$ 1,939	\$ (1,121)
Public Safety	118,000	118,000	139,058	21,058
Parking/Parking Meters, Permits	65,000	65,000	71,827	6,827
Solid Waste Collection/Trash	150	150	265	115
Culture - Recreation	<u>25,900</u>	<u>25,900</u>	<u>33,212</u>	<u>7,312</u>
Total Charges for Services	<u>212,110</u>	<u>212,110</u>	<u>246,301</u>	<u>34,191</u>
Miscellaneous Revenue				
Special Assessments	250	250	10,158	9,908
Other Miscellaneous Revenues	250	250	4,137	3,887
Refunds of Prior Year's Expenditures	<u>-</u>	<u>-</u>	<u>28,918</u>	<u>28,918</u>
Total Miscellaneous Revenue	<u>500</u>	<u>500</u>	<u>43,213</u>	<u>42,713</u>
Total Revenues	<u>4,729,060</u>	<u>4,579,060</u>	<u>5,347,378</u>	<u>768,318</u>
Expenditures				
Current:				
General Government				
Legislative Body				
Personal Services	18,100	18,100	17,870	230
Supplies	1,600	1,600	234	1,366
Other Services & Charges	7,000	7,000	5,124	1,876
Contributions, Grants & Subs.	3,500	3,500	2,500	1,000
Capital Purchase	2,000	2,000	2,568	(568)
Executive				
Personal Services	3,700	3,700	3,660	40
Supplies	100	100	124	(24)
Other Services & Charges	1,700	1,700	190	1,510
Financial Administrative				
Other Services & Charges	9,990	9,990	87,076	(77,086)
Tax Collection				
Supplies	1,500	1,500	682	818
Other Services & Charges	43,100	43,100	41,977	1,123
Law				
Other Services & Charges	65,000	65,000	43,385	21,615

**Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current: (Cont'd)				
General Government (Cont'd)				
Clerk/Secretary				
Personal Services	\$ 325,968	\$ 325,968	\$ 304,900	\$ 21,068
Supplies	12,200	12,200	8,424	3,776
Other Services & Charges	22,700	22,700	18,255	4,445
Contributions, Grants & Subs.	-	-	130	(130)
Capital Purchase	500	500	-	500
Personnel Administration				
Other Services & Charges	20,000	20,000	20,313	(313)
Data Processing				
Supplies	700	700	337	363
Other Services & Charges	48,200	48,200	43,623	4,577
Engineer				
Other Services & Charges	20,000	20,000	11,146	8,854
General Gov't. Buildings & Plant				
Supplies	5,000	5,000	4,974	26
Other Services & Charges	53,600	53,600	37,113	16,487
Capital Purchase	<u>3,000</u>	<u>3,000</u>	<u>154</u>	<u>2,846</u>
 Total General Government	 <u>669,158</u>	 <u>669,158</u>	 <u>654,759</u>	 <u>14,399</u>
 Public Safety				
Police				
Personal Services	1,589,750	1,600,750	1,539,524	61,226
Supplies	60,700	60,700	52,140	8,560
Other Services & Charges	75,400	75,400	51,306	24,094
Capital Purchase	2,000	2,000	1,814	186
Fire				
Supplies	5,100	5,100	4,175	925
Other Services & Charges	35,864	35,864	34,519	1,345
Contr., Grants & Subs.	145,386	145,386	134,289	11,097
Ambulance/Rescue				
Supplies	14,000	14,000	15,860	(1,860)
Other Services & Charges	3,800	3,800	-	3,800
Contr., Grants & Subs.	50,210	50,210	50,210	-
Planning and Zoning				
Personal Services	83,360	83,360	80,592	2,768
Supplies	3,300	3,300	2,127	1,173

**Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current: (Cont'd)				
Public Safety (Cont'd)				
Planning and Zoning (Cont'd)				
Other Services & Charges	\$ 16,400	\$ 16,400	\$ 18,752	\$ (2,352)
Capital Purchase	1,000	1,000	150	850
Emergency Management & Communication				
Personal Services	118,800	118,800	110,657	8,143
Other Public Safety				
Personal Services	<u>122,000</u>	<u>122,000</u>	<u>110,561</u>	<u>11,439</u>
Total Public Safety	<u>2,327,070</u>	<u>2,338,070</u>	<u>2,206,676</u>	<u>131,394</u>
Public Works - Sanitation				
Recycling Collection and Disposal				
Other Services & Charges	21,000	21,000	9,338	11,662
Solid Waste Collection and Disposal				
Supplies	5,000	5,000	5,181	(181)
Capital Purchase	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total Sanitation	<u>30,000</u>	<u>30,000</u>	<u>14,519</u>	<u>15,481</u>
Public Works - Highways				
General Services - Administration				
Personal Services	800,700	800,700	679,329	121,371
Supplies	65,000	65,000	74,299	(9,299)
Other Services & Charges	27,800	27,800	11,312	16,488
Capital Purchase	3,000	3,000	3,265	(265)
Traffic Control Devices				
Other Services & Charges	11,000	11,000	4,101	6,899
Street Lighting				
Other Services & Charges	<u>2,500</u>	<u>2,500</u>	<u>39,279</u>	<u>(36,779)</u>
Total Highways	<u>910,000</u>	<u>910,000</u>	<u>811,585</u>	<u>98,415</u>

Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current: (Cont'd)				
Public Works - Other Services				
Parking Facilities				
Personal Services	\$ 37,450	\$ 37,450	\$ 35,722	\$ 1,728
Supplies	<u>2,000</u>	<u>2,000</u>	<u>431</u>	<u>1,569</u>
Total Other Services	<u>39,450</u>	<u>39,450</u>	<u>36,153</u>	<u>3,297</u>
Total Public Works	<u>979,450</u>	<u>979,450</u>	<u>862,257</u>	<u>117,193</u>
Culture - Recreation				
Administration				
Other Services & Charges	500	500	-	500
Contr., Grants & Subs.	13,000	13,000	5,392	7,608
Capital Purchase	1,000	1,000	-	1,000
Participant Recreation				
Swimming Pool				
Personal Services	57,300	57,300	55,874	1,426
Supplies	14,500	14,500	4,633	9,867
Other Services & Charges	29,800	29,800	21,062	8,738
Capital Purchase	3,000	3,000	2,556	444
Spectator Recreation				
Supplies	3,000	3,000	1,848	1,152
Other Services & Charges	22,000	22,000	8,736	13,264
Capital Purchase	1,500	1,500	-	1,500
Parks				
Supplies	6,000	6,000	2,040	3,960
Other Services & Charges	26,700	26,700	12,909	13,791
Capital Purchase	5,000	5,000	-	5,000
Libraries				
Supplies	3,000	3,000	2,049	951
Other Services & Charges	31,065	31,065	24,288	6,777
Contr., Grants & Subs	150,000	-	-	-
Capital Purchase	500	500	200	300

Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current: (Cont'd)				
Culture - Recreation (Cont'd)				
Other				
Supplies	\$ 5,000	\$ 5,000	\$ 8,063	\$ (3,063)
Other Services & Charges	10,500	10,500	6,201	4,299
Capital Purchase	<u>2,000</u>	<u>2,000</u>	<u>181</u>	<u>1,819</u>
Total Culture - Recreation	<u>385,365</u>	<u>235,365</u>	<u>156,032</u>	<u>79,333</u>
Conservation and Development				
Economic Development & Assist.				
Other Services & Charges	32,000	32,000	30,622	1,378
Contributions, Grants & Subs.	4,000	4,000	3,129	871
Capital Purchase	3,000	3,000	3,119	(119)
Other Conservation and Development				
Supplies	100	100	-	100
Other Services & Charges	<u>3,500</u>	<u>3,500</u>	<u>8,102</u>	<u>(4,602)</u>
Total Conservation and Development	<u>42,600</u>	<u>42,600</u>	<u>44,972</u>	<u>(2,372)</u>
Miscellaneous				
Retirement Fund Contributions	188,432	188,432	188,432	-
Workers Comp. Contrib.	240,000	240,000	271,028	(31,028)
Insurance, Casualty & Surety	120,000	120,000	92,887	27,113
Other Misc. Expenditures	11,013	11,013	15,602	(4,589)
Refunds of Prior Year's Revenues	<u>600</u>	<u>600</u>	<u>9,222</u>	<u>(8,622)</u>
Total Miscellaneous	<u>560,045</u>	<u>560,045</u>	<u>577,171</u>	<u>(17,126)</u>
Debt Service:				
Debt				
Principal	1,173,344	173,344	173,344	-
Interest	149,977	149,977	110,984	38,993
Tax Anticipation Loan-Interest	<u>28,000</u>	<u>28,000</u>	<u>14,578</u>	<u>13,422</u>
Total Debt Service	<u>1,351,321</u>	<u>351,321</u>	<u>298,906</u>	<u>52,415</u>
Total Expenditures	<u>6,315,009</u>	<u>5,176,009</u>	<u>4,800,773</u>	<u>375,236</u>

Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenues Over (Under)				
Expenditures	\$(1,585,949)	\$ (596,949)	\$ 546,605	\$ 1,143,554
Other Financing Sources (Uses)				
Transfers In	666,158	666,158	262,000	(404,158)
Refunding Bond Proceeds	1,000,000	1,000,000	3,430,000	2,430,000
Transfers Out				
Special Revenue Fund	(80,209)	(80,209)	(76,867)	3,342
Capital Improvement Fund	-	-	(359,000)	(359,000)
Brentwood Park Initiative	-	-	(20,000)	(20,000)
Original Issue Discount	-	-	(35,733)	(35,733)
Payment to Refunded Bond Escrow Agent	-	(1,000,000)	(3,312,784)	(2,312,784)
Total Other Financing Sources (Uses)	<u>1,585,949</u>	<u>585,949</u>	<u>(112,384)</u>	<u>(698,333)</u>
Net Change in Fund Balance	-	(11,000)	434,221	445,221
Fund Balance - January 1, 2012 (Restated - See Note 19)	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,691,708</u>	<u>591,708</u>
Fund Balance - December 31, 2012	<u>\$ 1,100,000</u>	<u>\$ 1,089,000</u>	<u>\$ 2,125,929</u>	<u>\$ 1,036,929</u>

**Borough of Brentwood
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Sewer Fund - Budget and Actual
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest Rents and Royalties				
Interest Earnings	\$ 4,000	\$ 4,000	\$ 4,536	\$ 536
Charges for Services				
Sewage Charges	<u>2,061,420</u>	<u>2,061,420</u>	<u>2,230,187</u>	<u>168,767</u>
Total Revenues	<u>2,065,420</u>	<u>2,065,420</u>	<u>2,234,723</u>	<u>169,303</u>
Expenditures				
Current:				
Public Works - Sanitation				
Other Services and Charges	<u>2,896,995</u>	<u>2,896,995</u>	<u>1,988,343</u>	<u>908,652</u>
Miscellaneous				
Bad Debt Expense	-	-	3,255	(3,255)
Refund of Prior Year's Expenditures	<u>5,000</u>	<u>5,000</u>	<u>14</u>	<u>4,986</u>
Total Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>3,269</u>	<u>1,731</u>
Debt Service:				
Principal	126,540	126,540	231,166	(104,626)
Interest	<u>9,811</u>	<u>9,811</u>	<u>23,048</u>	<u>(13,237)</u>
Total Debt Service	<u>136,351</u>	<u>136,351</u>	<u>254,214</u>	<u>(117,863)</u>
Total Expenditures	<u>3,038,346</u>	<u>3,038,346</u>	<u>2,245,826</u>	<u>792,520</u>
Excess of Revenues Over (Under) Expenditures	<u>(972,926)</u>	<u>(972,926)</u>	<u>(11,103)</u>	<u>961,823</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(312,000)</u>	<u>(312,000)</u>	<u>(312,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,284,926)	(1,284,926)	(323,103)	961,823
Fund Balance - January 1, 2012	<u>1,715,074</u>	<u>1,715,074</u>	<u>3,268,363</u>	<u>1,553,289</u>
Fund Balance - December 31, 2012	<u>\$ 430,148</u>	<u>\$ 430,148</u>	<u>\$2,945,260</u>	<u>\$2,515,112</u>

Borough of Brentwood
Note to the Required Supplementary Information
Budget Comparison
December 31, 2012

Note 1 - Budgetary Information

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

Borough of Brentwood
Required Supplementary Information
Defined Benefit Pension Trust Funds
December 31, 2012

1. Schedules of Funding Progress

Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
01/01/07	\$4,176,829	\$4,024,226	\$(152,603)	103.79%	\$1,020,153	N/A
01/01/09	4,258,162	4,288,707	30,545	99.29%	1,112,399	2.75%
01/01/11	4,334,319	5,246,753	912,434	82.61%	1,229,059	74.24%

Non-Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
01/01/07	\$ 977,258	\$ 951,777	\$ (25,481)	102.68%	\$ 534,616	N/A
01/01/09	928,545	1,161,504	232,959	79.94%	579,172	40.22%
01/01/11	1,302,060	1,598,749	296,689	81.44%	847,590	35.00%

Source: Actuarial Reports

Note: State law requires biennial valuations on the odd numbered years.

2. Schedules of Employer's Contributions

Year Ended December 31,	Police Pension Plan		Non-Police Pension Plan	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$105,646	102%	\$18,681	113%
2009	134,642	100%	35,063	100%
2010	135,879	100%	31,918	100%
2011	161,767	100%	63,272	100%
2012	124,961	100%	63,471	100%

Note: Contributions include state pension aid.

**Borough of Brentwood
Required Supplementary Information
Defined Benefit Pension Trust Funds
December 31, 2012**

3. Notes to Required Supplementary Information

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

	<u>Police Pension Plan</u>	<u>Non-Police Pension Plan</u>
Actuarial Valuation Date	January 1, 2011	January 1, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar - Open	Level Dollar - Open
Remaining Amortization Period	17 Years	12 Years
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	7.00%	7.00%
Projected Salary Increases	5.00%	4.50%
Underlying Inflation Rate	3.00%	3.00%

**Borough of Brentwood
Required Supplementary Information
Other Post-Employment Benefits
December 31, 2012**

Schedule of Funding Progress for Retiree Health and Welfare Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
01/01/12	\$ -	\$409,051	\$409,051	0.0%	\$1,090,058	37.5%
01/01/09	-	516,578	516,578	0.0%	1,112,399	46.0%

**SUPPLEMENTARY
INFORMATION SECTION**

**Borough of Brentwood
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012**

Exhibit A

	Special Revenue Funds		Capital Projects Funds			Total
	Highway Aid Fund	Library Fund	Brentwood Park Initiative Fund	Capital Improvement Fund	Debt Service Fund	Nonmajor Govern- mental Funds
ASSETS						
Cash and Cash Equivalents	\$57	\$177,774	\$244,915	\$362,905	\$11,829	\$797,480
Due from Other Funds	-	1,090	-	39,972	-	41,062
Other Receivables	-	<u>1,476</u>	-	-	-	<u>1,476</u>
TOTAL ASSETS	<u>\$57</u>	<u>\$180,340</u>	<u>\$244,915</u>	<u>\$402,877</u>	<u>\$11,829</u>	<u>\$840,018</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ -	\$ -	\$ 1,046	\$ 17,345	\$ -	\$ 18,391
Fund Balances						
Restricted	57	180,340	-	-	11,829	192,226
Committed	-	-	<u>243,869</u>	<u>385,532</u>	-	<u>629,401</u>
Total Fund Balances	<u>57</u>	<u>180,340</u>	<u>243,869</u>	<u>385,532</u>	<u>11,829</u>	<u>821,627</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$57</u>	<u>\$180,340</u>	<u>\$244,915</u>	<u>\$402,877</u>	<u>\$11,829</u>	<u>\$840,018</u>

**Borough of Brentwood
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2012**

Exhibit B

	Special Revenue Funds		Capital Projects Funds			Debt Service Fund	Total Nonmajor Govern- mental Funds
	Highway Aid Fund	Library Fund	K-9 Fund	Brentwood Park Initiative Fund	Capital Improvement Fund		
Revenues							
Taxes	\$ -	\$150,172	\$ -	\$ -	\$ -	\$ -	\$ 150,172
Interest, Rents and Royalties	53	573	-	-	-	45	671
Intergovernmental	178,719	-	-	-	26,750	-	205,469
Charges for Services	<u>-</u>	<u>179,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,400</u>
Total Revenues	<u>178,772</u>	<u>330,145</u>	<u>-</u>	<u>-</u>	<u>26,750</u>	<u>45</u>	<u>535,712</u>
Expenditures							
Current:							
General Government	-	-	-	-	28,924	-	28,924
Public Safety	-	-	-	-	81,688	-	81,688
Public Works - Highways	178,723	-	-	-	266,983	-	445,706
Culture - Recreation	-	325,610	-	70,297	9,124	-	405,031
Miscellaneous	-	-	1	-	-	-	1
Debt Service:							
Principal	-	-	-	-	8,066	69,774	77,840
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329</u>	<u>5,677</u>	<u>6,006</u>
Total Expenditures	<u>178,723</u>	<u>325,610</u>	<u>1</u>	<u>70,297</u>	<u>395,114</u>	<u>75,451</u>	<u>1,045,196</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>49</u>	<u>4,535</u>	<u>(1)</u>	<u>(70,297)</u>	<u>(368,364)</u>	<u>(75,406)</u>	<u>(509,484)</u>
Other Financing Sources (Uses)							
Transfers In	-	-	-	20,000	409,000	76,867	505,867
Sale/Compensation for Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>412,500</u>	<u>76,867</u>	<u>509,367</u>
Net Changes in Fund Balances	49	4,535	(1)	(50,297)	44,136	1,461	(117)
Fund Balance - January 1, 2012 (Restated - See Note 19)	<u>8</u>	<u>175,805</u>	<u>1</u>	<u>294,166</u>	<u>341,396</u>	<u>10,368</u>	<u>821,744</u>
Fund Balance - December 31, 2012	<u>\$ 57</u>	<u>\$180,340</u>	<u>\$ -</u>	<u>\$243,869</u>	<u>\$385,532</u>	<u>\$ 11,829</u>	<u>\$ 821,627</u>

INDIVIDUAL FUND STATEMENTS

Borough of Brentwood
Combining Statement of Net Position
Fiduciary Funds
December 31, 2012

Exhibit C

	Pension Trust Funds		Totals
	Police Pension Fund	Non-Police Pension Fund	
ASSETS			
Cash and Cash Equivalents	\$ 187,497	\$ 55,135	\$ 242,632
Investments - Mutual Funds	4,396,970	1,581,414	5,978,384
Due from Other Funds	7,703	-	7,703
TOTAL ASSETS	4,592,170	1,636,549	6,228,719
LIABILITIES			
Accounts Payable	219	815	1,034
Due to Other Funds	-	680	680
TOTAL LIABILITIES	219	1,495	1,714
NET POSITION			
Held in Trust for Pension Benefits	\$4,591,951	\$1,635,054	\$6,227,005

Borough of Brentwood
Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended December 31, 2012

Exhibit D

	Pension Trust Funds		Totals
	Police Pension Fund	Non-Police Pension Fund	
Additions			
Contributions			
Employer	\$ 124,961	\$ 63,471	\$ 188,432
Plan Members	<u>39,955</u>	<u>26,056</u>	<u>66,011</u>
Total Contributions	<u>164,916</u>	<u>89,527</u>	<u>254,443</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	355,281	112,384	467,665
Interest and Dividends	<u>186,739</u>	<u>65,115</u>	<u>251,854</u>
	<u>542,020</u>	<u>177,499</u>	<u>719,519</u>
Less: Investment Expense	<u>28,485</u>	<u>9,618</u>	<u>38,103</u>
Net Investment Income	<u>513,535</u>	<u>167,881</u>	<u>681,416</u>
Total Additions	<u>678,451</u>	<u>257,408</u>	<u>935,859</u>
Deductions			
Benefits	351,263	15,368	366,631
Administrative Expenses	<u>21,056</u>	<u>11,152</u>	<u>32,208</u>
Total Deductions	<u>372,319</u>	<u>26,520</u>	<u>398,839</u>
Changes in Net Position	306,132	230,888	537,020
Net Position - January 1, 2012	<u>4,285,819</u>	<u>1,404,166</u>	<u>5,689,985</u>
Net Position - December 31, 2012	<u>\$4,591,951</u>	<u>\$1,635,054</u>	<u>\$6,227,005</u>

**Borough of Brentwood Library
Statement of Changes in Net Position
Special Revenue Fund
Year Ended December 31, 2012**

Exhibit E

Revenues	
Taxes	\$150,172
Gifts, Memorials and Donations	10,008
Fines	9,492
Interest Earned	611
Sales	7,991
Contributions from:	
State Aid	33,751
State Gaming	5,655
Local County Funding - ACLA	109,510
Miscellaneous	<u>2,955</u>
Total Revenues	<u>\$330,145</u>
 Expenditures	
Program Services	
Salaries	\$184,644
Benefits	29,219
Materials and Supplies	
Books	36,329
Other Supplies	10,045
Other Services	
Utilities	1,362
Insurance	3,575
Scholarship Expenditures	300
Equipment Maintenance	2,960
Equipment Purchases	1,146
Audit Services	975
Technology	11,787
Administration	7,012
Promotions	459
Programs	10,610
Borough Reimbursement	<u>25,187</u>
Total Expenditures	<u>\$325,610</u>