

# THE BOROUGH OF BRENTWOOD



MUNICIPAL BUILDING - 3624 BROWNSVILLE ROAD  
PITTSBURGH, PA 15227-3109

Office 412 - 884-1500 FAX 412 - 884-1911

March 5, 2008

Hosack, Specht, Muetzel & Wood LLP  
Certified Public Accountants  
305 Mt. Lebanon Boulevard, Suite 301  
Pittsburgh, PA 1234-1500

RE: Response to Management Letter for 2006 Year End Audit

To Whom It May Concern:

I am writing in response to the Management letter from the 2006 Year End Audit. During the audit you noted the following:

General Fund:

December 31, 2005 beginning balance sheet per the general ledger did not agree to the January 1, 2006 ending balance sheet. This error occurred in the transferring of the all financial information from the QuickBooks financial operating system to the new proSoft operating system which was put into operation as of January 1, 2006. The borough will make every effort in the future to make sure these balance remain the same once rolled over to a new accounting year.

Borough Council has also filled the position of Borough Manager as of January 1, 2008 so there will a management monitor in place as suggested.

Real Estate Tax:

The Real Estate Tax Collector has been informed that she is to provide an unpaid list of delinquent real estate tax collections on December 31, 2006 of each year to the Borough Manager.

Borough Council has hired a Borough Manager as of January 1, 2008 so there will be a management monitor in place to follow up on this issue.

March 5, 2008  
Hosack, Specht, Muetzel & Wood LLP

Fixed Asset Accounting

As of February 19, 2008 Borough Council awarded a contract to with a company that will compile a list of fixed assets for the Borough so that the Borough can take the necessary steps to implement a fixed asset accounting system as required by GASB Statement No. 34.

We apologize that this response has taken so long. If you would like to discuss any of these further, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Dawn R. Lane".

Dawn R. Lane  
Treasurer

CC: File

**Borough of Brentwood  
Financial Statements  
December 31, 2006**

**Borough of Brentwood  
Table of Contents**

	Exhibit	Page No.
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		1 - 2
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets - Modified Cash Basis	1	3
Statement of Activities - Modified Cash Basis	2	4
Fund Financial Statements		
Balance Sheet - Modified Cash Basis - Governmental Funds	3	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	4	6
Statement of Net Assets - Modified Cash Basis - Fiduciary Funds	5	7
Statement of Changes in Net Assets - Modified Cash Basis - Fiduciary Funds	6	8
Notes to Financial Statements		9 - 21
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - General Fund - Budget and Actual		22 - 27
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Sewer Fund - Budget and Actual		28
Defined Benefit Pension Trust Funds		29 - 30
Supplementary Information		
Combining Fund Statements		
Combining Balance Sheet - Modified Cash Basis - Nonmajor Governmental Funds	A	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds	B	32

**Borough of Brentwood  
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION (CONT'D)		
Supplementary Information (Cont'd)		
Combining Fund Statements (Cont'd)		
Combining Statement of Net Assets - Fiduciary Funds - Modified Cash Basis - Pension Trust Funds	C	33
Combining Statement of Changes of Net Assets - Fiduciary Funds - Modified Cash Basis - Pension Trust Funds	D	34
Additional Information		
Schedule of Brentwood Library Fund Receipts and Disbursements Included in the Special Revenue Funds		35

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### Independent Auditor's Report

Members of Council  
Borough of Brentwood  
Allegheny County, 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, 2006, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1C, the Borough prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As further discussed in Note 1C to the financial statements, management has not recorded capital assets and related accumulated depreciation and depreciation expense on those assets. Accounting principles generally accepted in the United States of America, when applied to such cash basis of accounting, require that those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the modified cash basis assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1C, the modified cash basis financial position of the governmental activities of the Borough of Brentwood, as of December 31, 2006, and the changes in modified cash basis financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the respective modified cash basis financial position of each major fund, and the aggregate remaining fund information of the Borough of Brentwood, and the respective changes in modified cash basis financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

The budgetary comparison information and pension information as shown in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Borough of Brentwood has not presented the management's discussion and analysis that the Governmental Accounting Standards Board also requires to supplement, although not to be a part of, the basic financial statements.

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 fiduciary fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor and fiduciary fund financial statements and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
July 16, 2007

Borough of Brentwood  
Statement of Net Assets - Modified Cash Basis  
December 31, 2006

Exhibit 1

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$2,690,341
Investments	<u>65,184</u>
TOTAL ASSETS	<u>\$2,755,525</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Due to Other Governments	\$ 36,252
Payroll Deductions and Withholdings	<u>2,071</u>
Total Current Liabilities	<u>38,323</u>
Net Assets	
Unrestricted	<u>2,717,202</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,755,525</u>

See Accompanying Notes

Borough of Brentwood  
Statement of Activities - Modified Cash Basis  
Year Ended December 31, 2006

Exhibit 2

Functions/Programs	Cash Disbursements	Charges for Services	Program Cash Receipts Operating Grants and Contributions	Net (Disburse- ments) Receipts and Changes in Net Assets	Governmental Activities
Governmental Activities					
General Government	\$ 528,591	\$ 4,376	\$ -	\$ (524,215)	
Public Safety	2,049,232	137,500	162,907	(1,748,825)	
Public Works - Sanitation	1,461,213	1,542,250	-	81,037	
Public Works - Highways	882,180	-	234,246	(647,934)	
Culture - Recreation	889,456	53,603	228,453	(607,400)	
Community Development	28,500	-	-	(28,500)	
Principal and Interest on Indebtedness	244,043	-	-	(244,043)	
Miscellaneous	403,672	-	-	(403,672)	
Other	<u>19,119</u>	<u>-</u>	<u>-</u>	<u>(19,119)</u>	
Total Governmental Activities	<u>\$6,506,006</u>	<u>\$1,737,729</u>	<u>\$625,606</u>	<u>(4,142,671)</u>	
General Receipts					
Taxes					
Property Taxes, Levied for General Purposes (Net)					2,767,799
Earned Income Taxes					767,104
Other Taxes, Levied for General Purposes (Net)					431,435
Grants, Subsidies and Contributions Not Restricted					160,242
Investment Earnings					170,148
Miscellaneous					<u>406,233</u>
Total General Receipts					<u>4,702,961</u>
Change in Net Assets					560,290
Net Assets - January 1, 2006 (Restated - See Note 14)					<u>2,156,912</u>
Net Assets - December 31, 2006					<u>\$ 2,717,202</u>

See Accompanying Notes

Borough of Brentwood  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 December 31, 2006

Exhibit 3

	General Fund	Sewer Fund	Library Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$1,012,371	\$1,553,903	\$ 72,246	\$51,821	\$2,690,341
Investments	-	-	65,184	-	65,184
Due from Other Funds	<u>-</u>	<u>19,710</u>	<u>5,431</u>	<u>-</u>	<u>25,141</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,012,371</u></b>	<b><u>\$1,573,613</u></b>	<b><u>\$142,861</u></b>	<b><u>\$51,821</u></b>	<b><u>\$2,780,666</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Due to Other Funds	\$ 25,141	\$ -	\$ -	\$ -	\$ 25,141
Due to Other Governments	36,252	-	-	-	36,252
Payroll Deductions and Withholdings	<u>2,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,071</u>
<b>Total Liabilities</b>	<b><u>63,464</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>63,464</u></b>
<b>Fund Balances</b>					
Unreserved - Undesignated					
General Fund	948,907	-	-	-	948,907
Special Revenue Fund	-	1,573,613	142,861	51,581	1,768,055
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>240</u>
<b>Total Fund Balances</b>	<b><u>948,907</u></b>	<b><u>1,573,613</u></b>	<b><u>142,861</u></b>	<b><u>51,821</u></b>	<b><u>2,717,202</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$1,012,371</u></b>	<b><u>\$1,573,613</u></b>	<b><u>\$142,861</u></b>	<b><u>\$51,821</u></b>	<b><u>\$2,780,666</u></b>

See Accompanying Notes

Borough of Brentwood  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended December 31, 2006

Exhibit 4

	General Fund	Sewer Fund	Library Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$3,966,338	\$ -	\$ -	\$ -	\$3,966,338
Licenses & Permits	182,272	-	-	-	182,272
Fines & Forfeits	109,313	-	-	-	109,313
Interest, Rents & Royalties	98,395	60,965	5,174	5,614	170,148
Intergovernmental	234,758	-	313,453	237,637	785,848
Charges for Services	183,925	1,519,205	11,554	-	1,714,684
Miscellaneous	<u>114,811</u>	<u>22,426</u>	<u>456</u>	<u>-</u>	<u>137,693</u>
Total Revenues	<u>4,889,812</u>	<u>1,602,596</u>	<u>330,637</u>	<u>243,251</u>	<u>7,066,296</u>
Expenditures					
Current:					
General Government	528,591	-	-	-	528,591
Public Safety	2,048,712	-	-	520	2,049,232
Public Works - Sanitation	16,867	1,444,888	-	-	1,461,755
Public Works - Highways	708,117	-	-	174,063	882,180
Culture - Recreation	516,953	-	323,982	48,521	889,456
Conservation & Development	28,500	-	-	-	28,500
Miscellaneous	415,078	-	5,690	1,484	422,249
Debt Service:					
Principal	85,678	48,215	-	28,479	162,372
Interest	<u>47,919</u>	<u>15,075</u>	<u>-</u>	<u>18,677</u>	<u>81,671</u>
Total Expenditures	<u>4,396,415</u>	<u>1,508,178</u>	<u>329,672</u>	<u>271,741</u>	<u>6,506,006</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>493,397</u>	<u>94,418</u>	<u>965</u>	<u>(28,490)</u>	<u>560,290</u>
Other Financing Sources (Uses)					
Transfers In	30,772	-	-	60,427	91,199
Transfers Out	<u>(60,427)</u>	<u>-</u>	<u>-</u>	<u>(30,772)</u>	<u>(91,199)</u>
Total Other Financing Sources (Uses)	<u>(29,655)</u>	<u>-</u>	<u>-</u>	<u>29,655</u>	<u>-</u>
Net Changes in Fund Balances	463,742	94,418	965	1,165	560,290
Fund Balances - January 1, 2006 (Restated - See Note 14)	485,165	1,479,195	141,896	41,027	2,147,283
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,629</u>	<u>9,629</u>
Fund Balances - December 31, 2006	<u>\$ 948,907</u>	<u>\$1,573,613</u>	<u>\$142,861</u>	<u>\$ 51,821</u>	<u>\$2,717,202</u>

See Accompanying Notes

Borough of Brentwood  
Statement of Net Assets - Modified Cash Basis  
Fiduciary Funds  
December 31, 2006

Exhibit 5

	Pension Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 28,816
Investments	
Mutual Funds	<u>5,142,190</u>
TOTAL ASSETS	<u>\$5,171,006</u>
NET ASSETS	
Held in Trust for Pension Benefits	<u>\$5,171,006</u>

See Accompanying Notes

Borough of Brentwood  
Statement of Changes in Net Assets  
Fiduciary Funds - Modified Cash Basis  
Year Ended December 31, 2006

Exhibit 6

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 132,132
Plan Members	50,485
Other	<u>12,200</u>
Total Contributions	<u>194,817</u>
Investment Income	
Net Appreciation	
in Fair Value of Investments	202,752
Interest, Dividends and Gains	<u>280,025</u>
Net Investment Income	<u>482,777</u>
Total Additions	<u>677,594</u>
Deductions	
Benefits	241,938
Administrative Expenses	<u>59,707</u>
Total Deductions	<u>301,645</u>
Change in Net Assets	375,949
Net Assets - January 1, 2006	<u>4,795,057</u>
Net Assets - December 31, 2006	<u>\$5,171,006</u>

See Accompanying Notes

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 1 - Summary of Significant Accounting Policies**

The Borough of Brentwood 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 a Mayor/Council form of government.

As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**A. Financial Reporting Entity**

In evaluating how to define a government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and more specifically, the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The following summarizes the guidance provided by the Governmental Accounting Standards Board (GASB) in determining the governmental activities, organizations, functions and component units that should be included in the governing entity's financial statements. The criterion for inclusion of a component unit is if the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, it has been determined that the Borough (the primary government) has no potential component units to be included in its financial reporting entity.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006

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

B. Basis of Presentation (Cont'd)

Fund Financial Statements

Fund financial statements of the reporting entity 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/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the entity or meets certain criteria.

The Borough reports the following major governmental funds:

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

The *sewer fund*, a special revenue fund, accounts for revenues and expenditures related to sanitation services provided to Borough residents.

The *library fund* accounts for revenues from proceeds of special revenue sources that are legally restricted to expenditures for certain purposes. The Borough has elected to report this fund as a major fund although it does not meet the criteria.

Additionally, the Borough reports the following fund type:

The *pension trust fund(s)* account for the activities of the police and non-uniform pension plans, which accumulate resources for pension benefit payments to covered employees.

The Borough also reports as nonmajor governmental funds the following:

*Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The Highway Aid and DCED Grant and Development Funds are considered special revenue funds.

*Debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-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, 2006**

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

**B. Basis of Presentation (Cont'd)**

**Fund Financial Statements (Cont'd)**

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

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

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide statement of net assets and the statement of activities, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in the basis of accounting note below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental and fiduciary funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide statement of net assets and statement of activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

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

**C. Measurement Focus and Basis of Accounting (Cont'd)**

**Basis of Accounting (Cont'd)**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The Borough has not recorded capital assets and infrastructure arising from cash transactions or the provision for accumulated depreciation and depreciation expense in the government-wide statements, which should be included to be in conformity with the modified cash basis of accounting.

Outside debt and other long-term liabilities have not been recognized in the government-wide statement of net assets and the fund financial statements.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**Note 2 - Budgets and Budgetary Accounting**

Budgets are adopted on a cash basis for the general fund and the sewer fund, a special revenue fund. Expenditures may not legally exceed budget appropriations at the fund level. As a matter of policy, all budget transfers are approved by Council.

The budgetary procedures utilized by the Borough are prescribed in the Borough Code. These procedures are as follows:

- A. The budget is prepared in any manner designated by Council.
- B. Boroughs must prepare the budget not less than thirty days before adoption.
- C. 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.
- D. On or before December 31, Council must finally adopt the budget. Upon completion of the budget, Council shall adopt the real estate tax ordinance.

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 3 - Interfund Receivable and Payable Balances**

Individual fund interfund receivable and payable balances at December 31, 2006 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$25,141
Sewer Fund	19,710	-
Library Fund	<u>5,431</u>	<u>-</u>
	<u>\$25,141</u>	<u>\$25,141</u>

**Note 4 - 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.

The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the 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 governments and have the collateral held by an approved custodian in the institution's name. As of December 31, 2006, \$2,459,191 of the Borough's bank balance of \$2,936,756 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the Borough's Name	<u>\$2,459,191</u>
---	--------------------

As of December 31, 2006, the Borough had the following investments:

**Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006**

**Note 4 - Deposits and Investments (Cont'd)**

Investments	Fair Value
RMA Money Market Funds	\$ 28,816
Mutual Funds	<u>5,142,190</u>
	<u>\$5,171,006</u>

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

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

**Credit Risk** - Pennsylvania statutes authorize the type of investments allowed and are described above. The Borough has no investment policy that would further limit its investments choices. The Borough's money market funds are rated AAAM by Standard and Poor's.

**Custodial Credit Risk Investments** - This is the risk that in the event of failure of the counterparty, the Borough will not be able to recover the value of its investments. The Borough does not have an investment policy for custodial credit risk. None of the Borough's investments are subject to custodial risk.

**Concentration of Credit Risk** - At December 31, 2006, the Borough did not have a policy for concentration of credit risk.

**Note 5 - Real Estate Taxes**

At the time of the adoption of the budget, Council also enacts an ordinance which levies the property tax for the upcoming year. Property taxes become due as of July 1. Between the period of July 1 and August 31, they are payable at a 2% discount. After September 1 until October 31, they are due at the face amount of the tax. Following October 31, a 10% penalty is assessed against all outstanding property taxes. The real estate tax rate of 8.5 mills is allocated to the general fund.

**Note 6 - Long-Term Debt**

The following is a summary of general long-term debt transactions for the year ended December 31, 2006:

	Balance 01/01/06	Additions	Retirements	Balance 12/31/06	Due Within One Year
Governmental Activities					
General Obligation Note	\$ 85,816	\$ -	\$ 85,816	\$ -	\$ -

**Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006**

**Note 6 - Long-Term Debt (Cont'd)**

	Balance 01/01/06	Additions	Retirements	Balance 12/31/06	Due Within One Year
Governmental Activities (Cont'd)					
Loan Payable - Pennvest	\$ 168,837	\$ -	\$ 18,764	\$ 150,073	\$ 19,592
Loan Payable - PWSA	369,569	-	29,450	340,119	17,193
Loan Payable - Fire Truck Obligation	534,460	-	28,479	505,981	58,489
Capital Lease Obligations	<u>95,175</u>	<u>-</u>	<u>17,301</u>	<u>77,874</u>	<u>18,121</u>
<b>Total Governmental Activities</b>	<b><u>\$1,253,857</u></b>	<b><u>\$ -</u></b>	<b><u>\$179,810</u></b>	<b><u>\$1,074,047</u></b>	<b><u>\$113,395</u></b>

Note that the balance on January 1, 2006 changed from the ending December 31, 2005 balance due to the recording of a loan payable for a fire truck. This beginning balance has been restated by \$534,460.

As of December 31, 2006, the long-term debt arising from cash transactions payable from governmental fund resources consisted of the following:

**Loans Payable**

Pennvest loan of 1995, due in monthly installments of \$2,141 including principal and interest through September 1, 2013; interest rate of 4.324%.

\$150,073

PWSA loan of 2005, due in monthly installments of \$1,925 including principal and interest from September 1, 2006 to January 2024; interest rate of 1.8%.

340,119

Brentwood Bank fire truck loan of 2004; due in monthly installments of \$6,288 including principal and interest through August 2014; interest rate of 3.49%.

505,981

\$996,173

**Capital Lease Payable**

Sky Bank lease, interest at 4.76% due in quarterly installments of \$5,370; final payment due December 15, 2010.

\$ 77,874

**Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006**

**Note 6 - Long-Term Debt (Cont'd)**

The annual requirements to amortize all debt outstanding as of December 31, 2006 are as follows:

Year Ended December 31,	Governmental Activities								
	Loan Payable Pennvest		Loan Payable PWSA		Loan Payable Brentwood Bank		Capital Lease Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 19,592	\$ 6,112	\$ 17,193	\$ 5,908	\$ 58,489	\$ 16,962	\$ 18,121	\$ 3,360	\$ 145,737
2008	20,457	5,247	17,501	5,599	60,593	14,858	18,985	2,496	145,736
2009	21,359	4,345	16,423	8,544	62,772	12,679	19,905	1,576	147,603
2010	22,301	3,403	16,780	8,356	65,029	10,421	20,863	618	147,771
2011	23,286	2,418	17,285	7,851	67,368	8,083	-	-	126,291
2012-2024	<u>43,078</u>	<u>1,648</u>	<u>254,937</u>	<u>48,787</u>	<u>191,730</u>	<u>9,470</u>	-	-	<u>549,650</u>
	<u>\$150,073</u>	<u>\$23,173</u>	<u>\$340,119</u>	<u>\$85,045</u>	<u>\$505,981</u>	<u>\$72,473</u>	<u>\$77,874</u>	<u>\$8,050</u>	<u>\$1,262,788</u>

**Note 7 - 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 and debt expenditures are made beginning January 1, whereas tax collections are normally received starting in July.

Short-term debt activity for the year ended December 31, 2006, was as follows:

	Balance 01/01/06	Issued	Redeemed	Balance 12/31/06
Tax Anticipation Notes	\$ <u>-</u>	<u>\$1,300,000</u>	<u>\$1,300,000</u>	\$ <u>-</u>

**Note 8 - Defined Benefit Pension Plans**

**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 Plans.

**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 Police Department is eligible to participate in the Plan.

**Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006**

**Note 8 - Defined Benefit Pension Plans (Cont'd)**

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

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 basis by the Borough, excluding any uniformed employee, is eligible to participate in the Plan.

Actuarial valuations are performed biannually. For additional information related to basis of accounting and reported investment values, see notes 1C. and 4. 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 31, 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	\$112,018	\$20,114
Plan Members	5.0% of salary currently reduced to 3.5%	3.0% of wages
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' Department Employees, age 65 for all others
Early Retirement	None	Later of age 55 or completion of 25 years of service for Public Works Department Employees, age 62 for all others

**Borough of Brentwood  
Notes to Financial Statements  
December 31, 2006**

**Note 8 - 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)		
Vesting	12 years of service	Completed Years of Service
		<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

Memberships of the Plans are as follows, based on the latest actuarial valuation reports dated January 1, 2005:

	<u>PPP</u>	<u>NPPP</u>
Nonvested Active Members	11	3
Fully Vested Active Members	4	12

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 8 - Defined Benefit Pension Plans (Cont'd)**

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

	<u>PPP</u>	<u>NPPP</u>
Retirees and Beneficiaries		
Currently Receiving Benefits	<u>11</u>	<u>1</u>
Total	<u>26</u>	<u>16</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)	\$112,018	\$20,114
Interest on Net Pension Obligations	(5,161)	(4,346)
Adjustment to Annual Required Contributions	<u>10,497</u>	<u>7,617</u>
Annual Pension Cost	117,354	23,385
Contributions Made	<u>112,018</u>	<u>20,114</u>
Change in Net Pension Obligation	5,336	3,271
Net Pension Obligations (Assets)		
Beginning of Year	<u>(70,735)</u>	<u>(61,156)</u>
End of Year	<u>\$(65,399)</u>	<u>\$(57,885)</u>

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

At December 31, 2006, 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.

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 8 - Defined Benefit Pension Plans (Cont'd)**

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)
2004	\$ 57,808	160%	\$(73,728)	\$24,492	122%	\$(62,084)
2005	111,712	97%	(70,735)	23,354	96%	(61,156)
2006	117,354	95%	(65,399)	23,385	56%	(57,885)

**Note 9 - Post Employment Benefits**

In addition to the pension benefits described in Note 8, the Borough provides post-employment health care. The Borough of Brentwood police contract, January 1, 2005 to December 31, 2007, states that any police officer who retires will be entitled to 50% of the monthly premium as long as the retiree remains eligible under the then existing contract.

During 2006, expenditures of \$9,019 were recognized for post-employment health care for four (4) retirees. The Borough records these as expenditures when paid in the general fund.

**Note 10 - 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.

**Note 11 - Interfund Reimbursement Agreement**

The Borough and the Library have come to an agreement whereby the Library will make annual installment payments to the Borough at a rate of one-half of the collectible portion of one mill of real estate property taxation. 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 2006 under this agreement.

**Borough of Brentwood**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 12 - Lease Rental Revenue**

The Borough's athletic stadium located in Brentwood Park is leased without a contract 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. Although there is no contract, the Borough continued to receive payments from the School District for rental payments.

For the year ended December 31, 2006, the Borough received \$16,390 which is one-half of stadium lease rental revenue.

**Note 13 - 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.

**Note 14 - Restatement of Beginning Fund Balance**

As a result of the discovery of a debt service checking account opened during 2004, there was a change in the beginning fund balance in the debt service fund. The beginning fund balance as of January 1, 2006 is \$9,629 in the debt service fund.

**Note 15 - Subsequent Events**

There were two debt issues in January 2007. On January 23, 2007, the Borough issued debt of \$4,020,000 with PNC Capital Markets at a variable interest rate. An interest only payment is due on September 1, 2007. Principal and interest payments begin on March 1, 2007 and mature on March 1, 2027. The purpose of this debt issue is to fund resurfacing projects for several Borough roads and capital improvement projects on various Borough properties. Also on January 23, 2007, the Borough issued debt of \$3,027,945 with PennVest at an annual interest rate of 1.278%. The purpose of this debt issue is to fund three major point repair and sewer lining projects within the Borough. PennVest will reimburse the Borough monthly during the duration of the project which is expected to be completed in July 2008. Payments will begin upon completion of the project and will continue for two hundred and forty (240) months.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**Borough of Brentwood**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Modified Cash Basis**  
**General Fund - Budget and Actual**  
**Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Real Estate Taxes				
Current	\$2,485,000	\$2,585,000	\$2,624,018	\$ 39,018
Delinquent	45,000	45,000	143,781	98,781
Regional Asset District Sales Taxes	220,000	220,000	255,828	35,828
Real Estate Transfer Taxes	45,000	45,000	80,244	35,244
Earned Income Taxes/Wage Taxes	750,000	750,000	767,104	17,104
Emergency & Municipal Services Taxes	<u>75,000</u>	<u>75,000</u>	<u>95,363</u>	<u>20,363</u>
Total Taxes	<u>3,620,000</u>	<u>3,720,000</u>	<u>3,966,338</u>	<u>246,338</u>
Licenses and Permits				
Cable Television Franchise	110,000	110,000	122,145	12,145
All Other Licenses and Permits	<u>45,000</u>	<u>45,000</u>	<u>60,127</u>	<u>15,127</u>
Total Licenses and Permits	<u>155,000</u>	<u>155,000</u>	<u>182,272</u>	<u>27,272</u>
Fines and Forfeits	<u>102,000</u>	<u>102,000</u>	<u>109,313</u>	<u>7,313</u>
Interest, Rents and Royalties				
Interest Earnings	10,000	10,000	56,018	46,018
Rents and Royalties	<u>56,800</u>	<u>56,800</u>	<u>42,377</u>	<u>(14,423)</u>
Total Interest, Rents and Royalties	<u>66,800</u>	<u>66,800</u>	<u>98,395</u>	<u>31,595</u>
Intergovernmental				
State				
All Other State Capital and Operating Grants	5,000	5,000	-	(5,000)
Public Utility Realty Tax	4,000	4,000	5,742	1,742
Gen. Muni. Pension System State Aid	132,000	132,000	130,506	(1,494)
Alcoholic Beverage Taxes	3,600	3,600	4,500	900
All Other State Shared Rev. & Entitl.	<u>54,000</u>	<u>54,000</u>	<u>94,010</u>	<u>40,010</u>
Total Intergovernmental Revenues	<u>198,600</u>	<u>198,600</u>	<u>234,758</u>	<u>36,158</u>
Charges for Services				
General Government	2,100	2,100	4,376	2,276
Public Safety	62,500	62,500	84,231	21,731

Borough of Brentwood  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Modified Cash Basis  
General Fund - Budget and Actual  
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
Charges for Services (Cont'd)				
Parking/Parking Meters, Permits	\$ 60,000	\$ 60,000	\$ 53,269	\$ (6,731)
Culture - Recreation	<u>42,000</u>	<u>42,000</u>	<u>42,049</u>	<u>49</u>
Total Charges for Services	<u>166,600</u>	<u>166,600</u>	<u>183,925</u>	<u>17,325</u>
Miscellaneous Revenue				
Other Miscellaneous Revenues	10,000	-	6,731	6,731
Refund of Prior Year's Expenditures	<u>18,000</u>	<u>18,000</u>	<u>108,080</u>	<u>90,080</u>
Total Miscellaneous Revenue	<u>28,000</u>	<u>18,000</u>	<u>114,811</u>	<u>96,811</u>
Total Revenues	<u>4,337,000</u>	<u>4,427,000</u>	<u>4,889,812</u>	<u>462,812</u>
Expenditures				
Current:				
General Government				
Legislative Body				
Personal Services	18,585	18,585	16,485	2,100
Supplies	-	-	64	(64)
Other Services & Charges	34,600	34,000	9,005	24,995
Contributions, Grants & Subs.	2,000	2,000	5,984	(3,984)
Executive				
Personal Services	3,700	3,700	3,660	40
Supplies	-	-	528	(528)
Other Services & Charges	1,700	1,400	1,606	(206)
Tax Collection				
Personal Services	5,000	5,000	5,013	(13)
Supplies	2,500	2,500	1,163	1,337
Other Services & Charges	21,100	21,100	27,451	(6,351)
Law				
Other Services & Charges	60,000	60,000	88,954	(28,954)
Clerk/Secretary				
Personal Services	106,300	142,100	59,744	82,356
Supplies	8,500	9,500	7,370	2,130
Other Services & Charges	47,200	67,150	64,194	2,956
Capital Purchase	2,000	2,000	7,346	(5,346)

Borough of Brentwood  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Modified Cash Basis  
General Fund - Budget and Actual  
Year Ended December 31, 2006

	<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)				
Engineer				
Other Services & Charges	\$ 60,000	\$ 60,000	\$ 102,760	\$ (42,760)
General Gov't. Buildings & Plant				
Personal Services	42,025	41,925	43,648	(1,723)
Supplies	7,000	7,000	8,047	(1,047)
Other Services & Charges	78,132	82,125	55,459	26,666
Capital Purchase	<u>2,000</u>	<u>2,000</u>	<u>20,110</u>	<u>(18,110)</u>
Total General Government	<u>502,342</u>	<u>562,085</u>	<u>528,591</u>	<u>33,494</u>
Public Safety				
Police				
Personal Services	1,354,000	1,341,750	1,357,725	(15,975)
Supplies	36,000	36,000	43,196	(7,196)
Other Services & Charges	113,248	113,248	97,783	15,465
Capital Purchase	33,000	33,000	26,960	6,040
Fire				
Personal Services	3,500	3,500	5,072	(1,572)
Supplies	25,850	25,850	33,041	(7,191)
Contr., Grants & Subs.	129,000	129,000	130,102	(1,102)
Ambulance/Rescue				
Supplies	8,000	8,000	6,089	1,911
Other Services & Charges	3,500	3,500	3,220	280
Contr., Grants & Subs.	41,100	41,100	41,100	-
Planning and Zoning				
Personal Services	60,015	58,025	63,665	(5,640)
Supplies	2,000	2,000	2,717	(717)
Other Services & Charges	10,300	7,800	6,069	1,731
Emergency Management				
Personal Services	75,575	158,750	147,467	11,283
Other Public Safety				
Personal Services	<u>68,550</u>	<u>68,550</u>	<u>84,506</u>	<u>(15,956)</u>
Total Public Safety	<u>1,963,638</u>	<u>2,030,073</u>	<u>2,048,712</u>	<u>(18,639)</u>
Public Works - Sanitation				
Recycling Collection and Disposal				
Other Services & Charges	-	-	5,741	(5,741)

**Borough of Brentwood**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Modified Cash Basis**  
**General Fund - Budget and Actual**  
**Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current: (Cont'd)				
Public Works - Sanitation (Cont'd)				
Solid Waste Collection and Disposal				
Other Services & Charges	\$ -	\$ -	\$ 11,126	\$ (11,126)
Total Sanitation	<u>-</u>	<u>-</u>	<u>16,867</u>	<u>(16,867)</u>
Public Works - Highways				
General Services				
Personal Services	246,750	372,125	374,591	(2,466)
Supplies	56,600	56,600	40,507	16,093
Other Services & Charges	19,900	19,900	15,353	4,547
Capital Construction	100,000	100,000	256,185	(156,185)
Capital Purchase	<u>152,000</u>	<u>152,000</u>	<u>21,481</u>	<u>130,519</u>
Total Highways	<u>575,250</u>	<u>700,625</u>	<u>708,117</u>	<u>(7,492)</u>
Total Public Works	<u>575,250</u>	<u>700,625</u>	<u>724,984</u>	<u>(24,359)</u>
Culture - Recreation				
Administration				
Contr. Grants & Subs.	7,500	7,500	9,069	(1,569)
Participant Recreation				
Swimming Pool				
Personal Services	51,900	52,200	64,105	(11,905)
Supplies	20,000	16,500	16,209	291
Other Services & Charges	14,400	15,400	10,261	5,139
Capital Construction	16,000	16,000	-	16,000
Spectator Recreation				
Supplies	3,000	3,000	3,315	(315)
Other Services & Charges	2,850	5,850	6,094	(244)
Capital Purchase	1,000	1,000	-	1,000
Parks				
Personal Services	99,700	99,700	132,827	(33,127)
Supplies	11,000	11,000	5,778	5,222
Other Services & Charges	53,500	53,500	58,138	(4,638)
Capital Purchase	5,000	5,000	-	5,000
Libraries				
Supplies	3,000	3,000	6,950	(3,950)
Other Services & Charges	36,000	36,000	40,870	(4,870)

Borough of Brentwood  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Modified Cash Basis  
General Fund - Budget and Actual  
Year Ended December 31, 2006

	<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)				
Libraries (Cont'd)				
Contributions, Grants & Subs.	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Capital Construction	2,000	2,000	-	2,000
Senior Citizens' Centers				
Other Services & Charges	-	-	170	(170)
Other				
Supplies	5,000	5,000	5,904	(904)
Other Services & Charges	<u>8,000</u>	<u>8,000</u>	<u>7,263</u>	<u>737</u>
Total Culture - Recreation	<u>489,850</u>	<u>490,650</u>	<u>516,953</u>	<u>(26,303)</u>
Conservation and Development				
Economic Development & Assist.				
Other Services & Charges	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Miscellaneous				
Retirement Fund Contributions	120,000	132,000	132,132	(132)
Workers Comp. Contrib.	169,000	169,000	169,421	(421)
Other Group Insurance Benefits	72,000	72,000	73,843	(1,843)
Other Misc. Expenditures	17,000	17,000	34,515	(17,515)
Refunds of Prior Year's Revenues	<u>10,700</u>	<u>10,700</u>	<u>5,167</u>	<u>5,533</u>
Total Miscellaneous	<u>388,700</u>	<u>400,700</u>	<u>415,078</u>	<u>(14,378)</u>
Debt Service:				
Debt				
Principal	84,000	84,000	85,678	(1,678)
Interest	4,000	4,000	1,382	2,618
Tax Anticipation Loan				
Interest	<u>52,000</u>	<u>36,000</u>	<u>46,537</u>	<u>(10,537)</u>
Total Debt Service	<u>140,000</u>	<u>124,000</u>	<u>133,597</u>	<u>(9,597)</u>
Total Expenditures	<u>4,088,280</u>	<u>4,336,633</u>	<u>4,396,415</u>	<u>(59,782)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>248,720</u>	<u>90,367</u>	<u>493,397</u>	<u>403,030</u>

**Borough of Brentwood**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Modified Cash Basis**  
**General Fund - Budget and Actual**  
**Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Other Financing Sources (Uses)				
Operating Transfers In	\$ -	\$ -	\$ 30,772	\$ 30,772
Operating Transfers Out				
Special Revenue Fund	-	-	(22,701)	(22,701)
Debt Service Fund	(18,500)	(47,000)	(37,726)	9,274
Budgetary Reserve	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Total Other Financing Sources (Uses)	<u>(38,500)</u>	<u>(67,000)</u>	<u>(29,655)</u>	<u>37,345</u>
Net Change in Fund Balance	210,220	23,367	463,742	440,375
Fund Balance - January 1, 2006	<u>-</u>	<u>126,633</u>	<u>485,165</u>	<u>358,532</u>
Fund Balance - December 31, 2006	<u>\$ 210,220</u>	<u>\$ 150,000</u>	<u>\$ 948,907</u>	<u>\$ 798,907</u>

**Borough of Brentwood**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Modified Cash Basis**  
**Major Fund - Sewer Fund**  
**Budget and Actual**  
**Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest, Rents & Royalties				
Interest Earnings	\$ 1,000	\$ 1,000	\$ 60,965	\$ 59,965
Charges for Services				
Sewage Charges	1,630,000	1,630,000	1,519,205	(110,795)
Miscellaneous Revenue				
Municipal Lien Letters	14,000	14,000	11,523	(2,477)
Other Miscellaneous Revenues	<u>5,000</u>	<u>5,000</u>	<u>10,903</u>	<u>5,903</u>
<b>Total Revenues</b>	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,602,596</u>	<u>(47,404)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Works - Sanitation				
Other Services & Charges	<u>1,574,000</u>	<u>1,387,250</u>	<u>1,444,888</u>	<u>(57,638)</u>
<b>Debt Service:</b>				
Principal	19,000	19,000	48,215	(29,215)
Interest	<u>7,000</u>	<u>7,000</u>	<u>15,075</u>	<u>(8,075)</u>
<b>Total Debt Service</b>	<u>26,000</u>	<u>26,000</u>	<u>63,290</u>	<u>(37,290)</u>
<b>Total Expenditures</b>	<u>1,600,000</u>	<u>1,413,250</u>	<u>1,508,178</u>	<u>(94,928)</u>
<b>Net Changes in Fund Balance</b>	50,000	236,750	94,418	(142,332)
<b>Fund Balance - January 1, 2006</b>	<u>450,000</u>	<u>450,000</u>	<u>1,479,195</u>	<u>1,029,195</u>
<b>Fund Balance - December 31, 2006</b>	<u>\$ 500,000</u>	<u>\$ 686,750</u>	<u>\$1,573,613</u>	<u>\$ 886,863</u>

**Borough of Brentwood  
Required Supplementary Information  
Defined Benefit Pension Trust Funds  
December 31, 2006**

**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)
01/01/01	\$3,478,420	\$3,251,163	\$(227,257)	106.99%	\$727,458	N/A
01/01/03	3,263,444	3,350,915	87,471	97.39%	793,064	11.03%
01/01/05	3,774,255	3,559,559	(214,696)	106.03%	891,012	N/A

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)
01/01/01	\$809,913	\$834,017	\$24,104	97.11%	\$632,795	3.81%
01/01/03	888,697	930,522	41,825	95.51%	645,671	6.48%
01/01/05	914,921	869,500	(45,421)	105.22%	524,592	N/A

Source: Actuarial Reports

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

**2. Schedules of Employer's Contributions**

Year Ended December 31,	<u>Police Pension Plan</u>		<u>Non-Police Pension Plan</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2001	\$ 13,671	100%	\$13,597	310%
2002	49,868	100%	13,789	243%
2003	55,136	106%	20,893	100%
2004	56,385	160%	21,747	134%
2005	106,376	102%	20,083	112%
2006	112,018	100%	20,114	100%

Note: Contributions include state pension aid.

**Borough of Brentwood**  
**Required Supplementary Information**  
**Defined Benefit Pension Trust Funds**  
**December 31, 2006**

**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, 2005	January 1, 2005
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar - Open	Level Dollar - Open
Remaining Amortization Period	16 Years	16 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%

**SUPPLEMENTARY  
INFORMATION SECTION**

Borough of Brentwood  
 Combining Balance Sheet - Modified Cash Basis  
 Nonmajor Governmental Funds  
 December 31, 2006

Exhibit A

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	Total Nonmajor Governmental Funds
	Highway Aid Fund	DCED Grant Fund	Debt Service Fund	
ASSETS				
Cash and Cash Equivalents	<u>\$35,102</u>	<u>\$16,479</u>	<u>\$240</u>	<u>\$51,821</u>
FUND BALANCES				
Unreserved - Undesignated				
Special Revenue Fund	\$35,102	\$16,479	\$ -	\$51,581
Debt Service Fund	<u>-</u>	<u>-</u>	<u>240</u>	<u>240</u>
TOTAL FUND BALANCES	<u>\$35,102</u>	<u>\$16,479</u>	<u>\$240</u>	<u>\$51,821</u>

Borough of Brentwood  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances - Modified Cash Basis  
Nonmajor Governmental Funds  
Year Ended December 31, 2006

Exhibit B

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Highway Aid Fund	DCED Grant Fund	Develop- ment Fund	Debt Service Fund	
<b>Revenues</b>					
Interest, Rents and Royalties	\$ 5,394	\$ 179	\$ -	\$ 41	\$ 5,614
Intergovernmental	<u>172,637</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>237,637</u>
<b>Total Revenues</b>	<u>178,031</u>	<u>65,179</u>	<u>-</u>	<u>41</u>	<u>243,251</u>
<b>Expenditures</b>					
<b>Current:</b>					
Public Safety - Police	-	520	-	-	520
Public Works - Highways	144,063	30,000	-	-	174,063
Culture - Recreation	-	48,521	-	-	48,521
Refund of Prior Year's Revenues	-	1,481	-	-	1,481
<b>Debt Service:</b>					
Principal	-	-	-	28,479	28,479
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,677</u>	<u>18,677</u>
<b>Total Expenditures</b>	<u>144,063</u>	<u>80,522</u>	<u>-</u>	<u>47,156</u>	<u>271,741</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>33,968</u>	<u>(15,343)</u>	<u>-</u>	<u>(47,115)</u>	<u>(28,490)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	22,701	-	-	37,726	60,427
Transfers Out	<u>-</u>	<u>-</u>	<u>(30,772)</u>	<u>-</u>	<u>(30,772)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>22,701</u>	<u>(15,343)</u>	<u>(30,772)</u>	<u>37,729</u>	<u>29,655</u>
<b>Net Changes in Fund Balances</b>	56,669	(15,343)	(30,772)	(9,389)	1,165
<b>Fund Balances - January 1, 2006</b>	<u>(21,567)</u>	<u>31,822</u>	<u>30,772</u>	<u>9,629</u>	<u>50,656</u>
<b>Fund Balances - December 31, 2006</b>	<u>\$ 35,102</u>	<u>\$ 16,479</u>	<u>\$ -</u>	<u>\$ 240</u>	<u>\$ 51,821</u>

Borough of Brentwood  
 Combining Statement of Net Assets  
 Fiduciary Funds - Modified Cash Basis  
 Pension Trust Funds  
 December 31, 2006

Exhibit C

	Police Pension Fund	Non-Police Pension Fund	Totals
ASSETS			
Cash and Cash Equivalents	\$ 25,772	\$ 3,044	\$ 28,816
Investments			
Mutual Funds	<u>4,161,856</u>	<u>980,334</u>	<u>5,142,190</u>
TOTAL ASSETS	<u>\$4,187,628</u>	<u>\$983,378</u>	<u>\$5,171,006</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$4,187,628</u>	<u>\$983,378</u>	<u>\$5,171,006</u>

Borough of Brentwood  
Combining Statement of Changes in Net Assets  
Fiduciary Funds - Modified Cash Basis  
Pension Trust Funds  
Year Ended December 31, 2006

Exhibit D

	Police Pension Fund	Non-Police Pension Fund	Totals
Additions			
Contributions			
Employer	\$ 112,018	\$ 20,114	\$ 132,132
Plan Members	34,638	15,847	50,485
Other	<u>9,477</u>	<u>2,723</u>	<u>12,200</u>
Total Contributions	<u>156,133</u>	<u>38,684</u>	<u>194,817</u>
Investment Income			
Net Appreciation			
in Fair Value of Investments	150,568	52,184	202,752
Interest, Dividends & Gains	<u>227,783</u>	<u>52,242</u>	<u>280,025</u>
Net Investment Income	<u>378,351</u>	<u>104,426</u>	<u>482,777</u>
Total Additions	<u>534,484</u>	<u>143,110</u>	<u>677,594</u>
Deductions			
Benefits	198,395	43,543	241,938
Administrative Expenses	<u>39,635</u>	<u>20,072</u>	<u>59,707</u>
Total Deductions	<u>238,030</u>	<u>63,615</u>	<u>301,645</u>
Changes in Net Assets	296,454	79,495	375,949
Net Assets - January 1, 2006	<u>3,891,174</u>	<u>903,883</u>	<u>4,795,057</u>
Net Assets - December 31, 2006	<u>\$4,187,628</u>	<u>\$983,378</u>	<u>\$5,171,006</u>

**ADDITIONAL INFORMATION**

**Borough of Brentwood**  
**Schedule of Brentwood Library Fund**  
**Receipts and Disbursements**  
**Included in the Special Revenue Fund**  
**Year Ended December 31, 2006**

Receipts

Regional Asset District Tax Funds passed through ACLA	\$ 77,219
Regional Use Reimbursement	21,880
State Library Aid & Access	54,006
Payments in Lieu of Taxes - Borough Contribution	150,000
Interest Earned	5,174
Fines and Miscellaneous	<u>22,358</u>
 Total Receipts	 <u>\$330,637</u>

Disbursements

Salaries	\$181,902
Benefits	25,861
Utilities	1,879
Office Supplies	6,502
Insurance	3,574
Rental of Equipment	4,973
Library Books	44,784
Adult Programs	3,376
Equipment	1,664
Borough Reimbursement	25,187
Technology	7,769
Refund of Prior Year's Expenditures	5,690
Miscellaneous	<u>16,511</u>
 Total Disbursements	 <u>\$329,672</u>



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### Management Letter

Members of Council  
Borough of Brentwood  
Allegheny County, Pennsylvania

Dear Members:

In planning and performing our audit of the financial statements of the Borough of Brentwood for the year ended December 31, 2006, we considered the Borough's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters:

#### General Fund

During the course of our audit, we noted that the December 31, 2005 beginning balance sheet per the general ledger did not agree to the January 1, 2006 ending balance sheet.

We recommend that management monitor beginning balance sheet accounts so that they agree to the previous year final balances.

#### Real Estate Tax

During the course of our audit, we noted that the Real Estate Tax Collector did not provide an unpaid list of delinquent real estate tax due to the Borough as of December 31, 2006. Instead, we obtained an unpaid list as of March 19, 2007 and added back deposits made during 2007 to determine the unpaid balance on December 31, 2006.

We recommend that the Real Estate Tax Collector print out an unpaid list of delinquent real estate tax collections on December 31, 2006.

#### Fixed Asset Accounting

Generally accepted accounting principles require that fixed assets be recorded at either historical cost or estimated historical cost. The Borough has not maintained fixed asset historical cost records.

Fixed Asset Accounting (Cont'd)

Under GASB Statement No. 34, fixed assets are required to be reported at their historical cost and depreciation expense will be recorded in the financial statements. Also, infrastructure assets, which include roads, bridges, tunnels, drainage systems, water and sewer systems and street lighting systems, will need to be reported.

We recommend the Borough take the necessary steps to implement a fixed asset accounting system as required by GASB Statement No. 34.

This letter does not affect our report dated July 16, 2007 on the financial statements of the Borough of Brentwood.

We will review these status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
July 16, 2007