CITY OF LOWER BURRELL

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2015 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT
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CITY OF LOWER BURRELL
WESTMORELAND COUNTY, PENNSYLVANIA
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To the Members of City Council
City of Lower Burrell
Westmoreland County, Pennsylvania

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

I have audited the Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statement of Capital Expenditures and Employee Compensation included in the accompanying special purpose Commonwealth of Pennsylvania Annual Audit and Financial Report (special purpose financial report) of the City of Lower Burrell, Westmoreland County, Pennsylvania as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Lower Burrell'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 this special purpose financial report in accordance with the accounting practices and procedures prescribed by the Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED), which is a comprehensive basis of accounting other than 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Borough'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 Borough's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

The Schedules are prepared by the City of Lower Burrell on the basis of the financial reporting provisions prescribed or permitted by the DCED in the instructions to the Annual Audit and Financial Report to demonstrate compliance with the DCED's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the DCED. These requirements permit the Schedules to be prepared on the cash basis of accounting without the presentation of the management's discussion and analysis, the government-wide financial statements, budget and actual information and certain financial statements disclosures.

The effects on the Schedules of the variances between the regulatory basis of accounting described above and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the Schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Lower Burrell as of December 31, 2015, or changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the Schedules referred to above present fairly, in all material respects, the assets, liabilities and fund equity of the City of Lower Burrell as of December 31,2015, and its revenues, expenditures and other financing sources and uses for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the DCED described above.

Report on Other Legal and Regulatory Requirements

This report is intended solely for the information and use of the governing body and management of the City of Lower Burrell and for filing with the various local and state departments or offices and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Mark C. Turnley

Mark C. Turnley, CPA

June 30, 2016
New Brighton, Pennsylvania

DCED-CLGS-30 (9-09)

BALANCE SHEET

DCED-CLGS-30 (09-09)

LOWER BURRELL CITY, WESTMORELAND County

BALANCE SHEET

December 31, 2015

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Assets and Other Debits											
100-120	Cash and Investments	2,540,684	274,355	454,524		872,128		7,637,373			11,779,064
140-144	Tax Receivable										
121-129, 145-149	Accounts Receivable (excluding taxes)										
130.00	Due From Other Funds	205,962		24,400		58,165					288,527
131-139, 150-159	Other Current Assets										
160-169	Fixed Assets										
180-189	Other Debits										
Total Assets and Other Debits		2,746,646	274,355	478,924		930,293		7,637,373			12,067,591
Liabilities and Other Credits											
210-229	Payroll Taxes and Other Payroll Withholdings	8,905						4,153			13,058
200-209, 231-239	All Other Current Liabilities	6,181						35,519			41,700
230.00	Due To Other Funds	58,165				40,067		190,295			288,527

LOWER BURRELL CITY, WESTMORELAND County

BALANCE SHEET

December 31, 2015

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities										
240-259	Current Portion of Long-Term Debt and Other Credits										
Total Liabilities and Other Credits		73,251				40,067		229,967			343,285
Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets										
270-289	Fund Balance / Retained Earnings on 12/31	2,673,395	274,355	478,924		890,226		7,407,406			11,724,306
291-299	Other Equity										
Total Fund and Account Group Equity		2,673,395	274,355	478,924		890,226		7,407,406			11,724,306
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											12,067,591

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
Taxes									
301.00	Real Estate Taxes	2,535,709							2,535,709
305.00	Occupation Taxes (levied under municipal code)								
308.00	Residence Taxes (levied by cities of the 3rd Class)								
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)								
310.00	Per Capita Taxes	39,733							39,733
310.10	Real Estate Transfer Taxes	143,847							143,847
310.20	Earned Income Taxes / Wage Taxes	1,332,051							1,332,051
310.30	Business Gross Receipts Taxes	305,488							305,488
310.40	Occupation Taxes (levied under Act 511)								
310.50	Local Services Tax **	98,460							98,460
310.60	Amusement / Admission Taxes								
310.70	Mechanical Device Taxes	7,875							7,875
310.90	Other Local Tax Enabling Act / Act 511 / Taxes								
	Other: _____								
Total Taxes		4,463,163							4,463,163
Licenses and Permits									
320-322	All Other Licenses and Permits	19,015							19,015
321.80	Cable Television Franchise Fees	230,729							230,729
Total Licenses and Permits		249,744							249,744
Fines and Forfeits									
330-332	Fines and Forfeits	30,026	66,849						96,875
Total Fines and Forfeits		30,026	66,849						96,875

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
Interest, Rents and Royalties									
341.00	Interest Earnings	6,377	64	530		1,168		106,284	114,423
342.00	Rents and Royalties	13,805							13,805
Total Interest, Rents and Royalties		20,182	64	530		1,168		106,284	128,228
Federal									
351.03	Highways and Streets								
351.09	Community Development								
351.00	All Other Federal Capital and Operating Grants								
352.01	National Forest								
352.00	All Other Federal Shared Revenue and Entitlements								
353.00	Federal Payments in Lieu of Taxes								
Total Federal									
State									
354.03	Highways and Streets								
354.09	Community Development								
354.15	Recycling / Act 101								
354.00	All Other State Capital and Operating Grants	61,495							61,495
355.01	Public Utility Realty Tax (PURTA)	5,276							5,276
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		314,611						314,611
355.04	Alcoholic Beverage Licenses	4,800							4,800
355.05	General Municipal Pension System State Aid	204,696							204,696
355.07	Foreign Fire Insurance Tax Distribution	65,662							65,662
355.08	Local Share Assessment/Gaming Proceeds								
355.09	Marcellus Shale Impact Fee Distribution	25,198							25,198

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

REVENUES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
State									
355.00	All Other State Shared Revenues and Entitlements								
356.00	State Payments in Lieu of Taxes								
Total State		367,127	314,611						681,738
Local Government Units									
357.03	Highways and Streets								
357.00	All Other Local Governmental Units Capital and Operating Grants	5,624							5,624
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services	3,444							3,444
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes	6,407							6,407
Total Local Government Units		15,475							15,475
Charges for Service									
361.00	General Government	122,465							122,465
362.00	Public Safety	73,121							73,121
363.20	Parking								
363.00	All Other Charges for Highway & Street Services	43,057							43,057
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)					2,508,243			2,508,243
364.30	Solid Waste Collection and Disposal Charge (trash)	210,013							210,013
364.60	Host Municipality Benefit Fee for Solid Waste Facility								
364.00	All Other Charges for Sanitation Services								
365.00	Health								
366.00	Human Services								
367.00	Culture and Recreation								
368.00	Airports								

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

REVENUES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
	Charges for Service								
369.00	Bars								
370.00	Cemeteries								
372.00	Electric System								
373.00	Gas System								
374.00	Housing System								
375.00	Markets								
377.00	Transit Systems								
378.00	Water System								
379.00	All Other Charges for Service								
	Total Charges for Service	448,656				2,508,243			2,956,899
	Unclassified Operating Revenues								
383.00	Special Assessments								
386.00	Escheats (sale of personal property)								
387.00	Contributions and Donations from Private Sectors	53,105	570	71,400					125,075
388.00	Fiduciary Fund Pension Contributions							664,593	664,593
389.00	All Other Unclassified Operating Revenues	23,633							23,633
	Total Unclassified Operating Revenues	76,738	570	71,400				664,593	813,301
	Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition	1,659							1,659
392.00	Interfund Operating Transfers	72,060		202,240					274,300
393.00	Proceeds of General Long-Term Debt	118,990							118,990
394.00	Proceeds of Short Term-Debt								

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
Other Financing Sources									
395.00	Refunds of Prior Year Expenditures	136,355							136,355
Total Other Financing Sources		329,064		202,240					531,304
TOTAL REVENUES		6,000,175	382,094	274,170		2,509,411		770,877	9,936,727
EXPENDITURES									
General Government									
400.00	Legislative (Governing) Body	7,308							7,308
401.00	Executive (Manager or Mayor)	225,181							225,181
402.00	Auditing Services / Financial Administration	12,001							12,001
403.00	Tax Collection	120,322							120,322
404.00	Solicitor / Legal Services	36,772							36,772
405.00	Secretary / Clerk	3,606							3,606
406.00	Other General Government Administration								
407.00	IT-Networking Services-Data Processing	8,154							8,154
408.00	Engineering Services								
409.00	General Government Buildings and Plant	84,335							84,335
Total General Government		497,679							497,679
Public Safety									
410.00	Police	1,684,493	6,214						1,690,707
411.00	Fire	151,577							151,577
412.00	Ambulance / Rescue								
413.00	UCC and Code Enforcement	11,697							11,697

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
EXPENDITURES									
Public Safety									
414.00	Planning and Zoning	86,228							86,228
415.00	Emergency Management and Communications	198							198
416.00	Militia and Armories								
417.00	Examination of Licensed Occupations								
418.00	Public Scales (weights and measures)								
419.00	Other Public Safety								
	Total Public Safety	1,934,193	6,214						1,940,407
Health and Human Services									
420.00-425.00	Health and Human Services	25,782							25,782
	Total Health and Human Services	25,782							25,782
Public Works - Sanitation									
426.00	Recycling Collection and Disposal	158,524							158,524
427.00	Solid Waste Collection and Disposal (garbage)								
428.00	Weed Control								
429.00	Wastewater / Sewage Treatment and Collection					2,230,500			2,230,500
	Total Public Works - Sanitation	158,524				2,230,500			2,389,024
Public Works - Highways and Streets									
430.00	General Services - Administration	792,959							792,959
431.00	Cleaning of Streets and Gutters								
432.00	Winter Maintenance – Snow Removal		172,090						172,090
433.00	Traffic Control Devices	21,886							21,886
434.00	Street Lighting	136,561							136,561

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

EXPENDITURES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
Public Works - Highways and Streets									
435.00	Sidewalks and Crosswalks								
436.00	Storm Sewers and Drains		816						816
437.00	Repairs of Tools and Machinery		370						370
438.00	Maintenance and Repairs of Roads and Bridges	37,586	96,606						134,192
439.00	Highway Construction and Rebuilding Projects								
Total Public Works - Highways and Streets		988,992	269,882						1,258,874
Other Public Works Enterprises									
440.00	Airports								
441.00	Cemeteries								
442.00	Electric System								
443.00	Gas System								
444.00	Markets								
445.00	Parking								
446.00	Storm Water and Flood Control								
447.00	Transit System	1,821							1,821
448.00	Water System								
449.00	Water Transport and Terminals								
Total Other Public Works Enterprises		1,821							1,821
Culture and Recreation									
451.00	Culture-Recreation Administration								
452.00	Participant Recreation	4,041							4,041
453.00	Spectator Recreation	6,000							6,000
454.00	Parks	67,944		33,695					101,639

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

EXPENDITURES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
Culture and Recreation									
455.00	Shade Trees								
456.00	Libraries	42,000							42,000
457.00	Civil and Military Celebrations								
458.00	Senior Citizens' Centers	1,000							1,000
459.00	All Other Culture and Recreation		1,753						1,753
Total Culture and Recreation		120,985	1,753	33,695					156,433
Community Development									
461.00	Conservation of Natural Resources								
462.00	Community Development and Housing								
463.00	Economic Development								
464.00	Economic Opportunity								
465-469	All Other Community Development								
Total Community Development									
Debt Service									
471.00	Debt Principal (short-term and long-term)	119,221				254,679			373,900
472.00	Debt Interest (short-term and long-term)	8,181				291,914			300,095
475.00	Fiscal Agent Fees								
Total Debt Service		127,402				546,593			673,995
Employer Paid Benefits and Withholding Items									
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	103,124							103,124
482.00	Judgments and Losses							159,743	159,743
483.00	Pension / Retirement Fund Contributions	663,530							663,530

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2015

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
EXPENDITURES									
Employer Paid Benefits and Withholding Items									
484.00	Worker Compensation Insurance	233,905							233,905
487.00	Other Group Insurance Benefits	802,814							802,814
Total Employer Paid Benefits and Withholding Items		1,803,373						159,743	1,963,116
Insurance									
486.00	Insurance, Casualty, and Surety	125,373							125,373
Total Insurance		125,373							125,373
Unclassified Operating Expenditures									
488.00	Fiduciary Fund Benefits and Refunds Paid							494,750	494,750
489.00	All Other Unclassified Expenditures							45,519	45,519
Total Unclassified Operating Expenditures								540,269	540,269
Other Financing Uses									
491.00	Refund of Prior Year Revenues								
492.00	Interfund Operating Transfers	202,240				72,060			274,300
493.00	All Other Financing Uses								
Total Other Financing Uses		202,240				72,060			274,300
TOTAL EXPENDITURES		5,986,364	277,849	33,695		2,849,153		700,012	9,847,073
EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES		13,811	104,245	240,475		-339,742		70,865	89,654

LOWER BURRELL CITY

December 31, 2015

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES
Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
Building/Park loan	Note	2010	2015	100,000	19,757		19,757		0		0
Park Purchase	Note	2001	2021	185,500	55,050		9,175		45,875		45,875
VACTOR	Note	2013	2017	290,362	114,679		114,679		0		0
TRUCK LOAN	Note	2011	2016	30,648	12,590		12,590		0		0
DUMP TRUCK	Note	2014	2019	80,128	68,836		15,422		53,414		53,414
WHEEL LOADER	Note	2015	2019	119,349	0	119,349	24,252		95,097		95,097
Revenue Bonds and Notes											
Lease Rental Debt											
Sewer Revenue Bond A & B	Bond	2011	2040	1,000,510	5,605,000		140,000		5,465,000		5,465,000
FORD F-750	Captial Leases	2009	2015	91,833	17,425		17,425		0		0
INTERNATIONAL DUMP TRUCK	Captial Leases	2012	2017	125,848	65,230		20,600		44,630		44,630
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	5,704,016
Capitalized lease obligations	0
Net debt	5,704,016

LOWER BURRELL CITY, WESTMORELAND County

STATEMENT OF CAPITAL EXPENDITURES

December 31, 2015

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks	39,028		39,028
Police	49,051		49,051
Recreation			
Sewer			
Solid Waste			
Streets / Highways	118,990		118,990
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	207,069		207,069

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)	2,699,495

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lower Burrell (The City) was incorporated as a Third Class City under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. The administration of the City consists of four (4) Councilmen and a City Mayor. Members of City Council are elected by the voting public. City Council appoints a City Clerk to administer the day-to-day operations of the City. The major functions of the City include public safety, maintenance of City infrastructure (roads), sanitation and sewage control, maintenance of parks and other recreational facilities for use by City residents and general administrative functions necessary to facilitate City resident needs and responsibilities.

The accompanying 2015 Municipal Annual Audit and Financial Report (special purpose financial report) was prepared in conformity with the accounting practices and procedures prescribed by the Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accounting practices and procedures of the DCED permit the preparation of the special purpose financial report without certain financial statement note disclosures, management's discussion and analysis, full-accrual government-wide statements, modified accrual financial statements, and budget to actual statements, as required by accounting principles generally accepted in the United States of America. The effects on the special purpose financial report, as a result of the differences between the DCED accounting practices and procedures and accounting principles generally accepted in the United States of America, are not reasonably determinable.

The most significant of the City's accounting policies are as follows:

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Lower Burrell consists of all funds, departments, boards and agencies that are not legally separate from the City. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on the application of these criteria, the City of Lower Burrell has no component units.

FUND ACCOUNTING

The City uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds utilized by the City of Lower Burrell are classified into two categories: governmental and fiduciary. Fund categories are defined as follows:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's governmental funds:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

GENERAL FUND - Established under 'The City Code' of the Commonwealth of Pennsylvania and is used for the general operations of the City. Income in this fund is derived mainly from assessed revenues such as real estate taxes, local taxes established under Act 511, and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, general administration of the City and other miscellaneous operating expenses.

HIGHWAY AID FUND (SPECIAL REVENUE FUND) - Established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets and bridges for which the City is responsible.

DRUG FORFEITURE FUND (SPECIAL REVENUE FUND) - Established to account for drug forfeiture proceeds and donations to provide the City's police department with additional operating funds for drug investigation activities.

FEDERAL DRUG ASSET FUND (SPECIAL REVENUE FUND) - Established to account for federal drug asset funds to assist the City's police department with drug investigation activities.

B.E.A.T FUND (SPECIAL REVENUE FUND) - Established to account for donations to assist the City with special event activities not funded through the City's General Fund.

POLICE EQUIPMENT ESCROW FUND (CAPITAL PROJECT FUND) - Established to account for donations received from the general public earmarked for police equipment.

CAPITAL EQUIPMENT FUND (CAPITAL PROJECT FUND) - Established to account for appropriations from the General Fund for street capital improvement purchases and projects deemed necessary by City Council.

FIRE FIGHTING EQUIPMENT FUND (CAPITAL PROJECT FUND) - Established to account for appropriations from the General Fund for major fire equipment purchases deemed necessary by City Council.

PARK EQUIPMENT ESCROW FUND (CAPITAL PROJECT FUND) - Established to account for appropriations from the General Fund for recreational equipment purchases deemed necessary by City Council.

BUILDING ESCROW FUND (CAPITAL PROJECT FUND) - Established to account for appropriations from the General Fund for improvements to the City's municipal complex deemed necessary by City Council.

WOLF PACK PARK FUND (CAPITAL PROJECT FUND) - Established to account for donations received from the general public for recreational improvements and equipment for the Derek Kotecki Memorial Park.

Proprietary Funds – Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the City (internal service funds). The City maintains one proprietary fund - the Sewer Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The City has two pension trust funds (police and non-uniform pension funds). The City maintains three (3) agency funds – Gathers Maintenance Escrow Fund and Spiering Maintenance Escrow Fund which maintain funds in escrow for the installation of a small flow treatment facility, and a Clearing Fund which maintains escrow funds held by the City on behalf of developers and City property owners.

ACCOUNT GROUP

In addition to the aforementioned funds, the City maintains one account group: General Long-Term Debt Account Group. The account group is used to account for long-term liabilities to be financed by governmental funds. This account group reports only the unmatured principal of the debt issued.

BASIS OF ACCOUNTING

The City of Lower Burrell utilizes the cash basis of accounting. Under this method revenues are recorded when cash is received rather than earned. Expenditures are recorded when the disbursement is made rather than when the obligation is incurred.

BUDGETS

On December 8, 2014, the City of Lower Burrell adopted its 2015 annual budget for its General Fund totaling $6,177,550 in accordance with the provisions of the Commonwealth of Pennsylvania City Code. The budget is prepared utilizing the cash basis of accounting. Budgetary transfers among various expenditure line items are performed as necessary and as approved by City Council. All appropriations lapse at the end of each calendar year. The accompanying special purpose financial report does not present budgetary information as required by accounting principles generally accepted in the United States of America

CASH AND INVESTMENTS

Cash includes amounts in demand deposit accounts. Provisions of the City Code authorize the following investments:

I. U.S. Treasury Bills.

II. Short-term obligations of the United States Government of its agencies or instrumentalities

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND INVESTMENTS (Continued)

III. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.

IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.

V. Shares of an investment company registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.

VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Fiduciary fund type investments include equity securities, fixed income investments, and mutual funds invested by the City's designated asset managers for its Police Pension Fund (Commonwealth Financial Network and SEI private investment company). The investments of the City's Non-Uniform pension plan are maintained by the Pennsylvania Municipal Retirement System (PMRS) and are not presented as part of this report. Investments are recorded at fair value.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the balance sheet.

CAPITAL ASSETS AND DEPRECIATION

The historical cost of fixed assets purchased by the City of Lower Burrell is not accumulated, maintained and depreciated. Accordingly, the City does not maintain a General Fixed Asset Account Group.

TOTAL COLUMNS

Total columns in the 2015 Municipal Annual Audit and Financial Report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2015, City of Lower Burrell had the following carrying values on its cash and cash equivalent accounts:

	Bank Balance	(Memo Only) Book Balance
General Fund	$ 2,559,938	$ 2,540,684
Special Revenue Funds	274,780	274,355
Capital Project Fund	386,214	454,524
Enterprise Funds	804,700	872,128
Fiduciary Funds	180,235	229,968
Total	**$ 4,025,632**	**$ 4,141,691**

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government account $250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a separate policy for custodial credit risk in addition to the requirements of the City Code. As of December 31, 2015, $3,775,632 of the City's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of $250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

INVESTMENTS:

The fair value of the City's fiduciary fund investments as of December 31, 2015 is as follows:

Commonwealth Financial Network:	
Money Market Funds	$ 177,036
Equity Mutual Funds	525,674
Fixed Income Mutual Funds	1,240,003
Exchange Traded Products (ETP)	2,833,042
	$ 4,775,755
SEI:	
Prime Obligation Mutual Funds	$ 9,810
Domestic/International Equity Mutual Funds	2,166,187
Domestic/International Fixed Income Mutual Funds	455,654
	$ 2,631,651
TOTAL	$ 7,407,406

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

INVESTMENTS:

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City fiduciary fund investments in mutual funds, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The City does not have a specific policy that would limit its investment choices to those with certain credit ratings.

Interest Rate Risk:

The City has no 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:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal investment policy, in addition to the requirements of the City Code and the Intergovernmental Cooperation Act, that limits its investment choices based on credit ratings by nationally recognized rating organizations.

NOTE 3 - PROPERTY TAXES

City of Lower Burrell levies property taxes March 1st of each calendar year. The calendar dates for payment of these taxes is as follows:

PAYMENT PERIOD	
March 1 – April 30, 2015	(Discount period)
May 1 – June 30, 2015	(Face period)
July 1 and after	(Penalty period)

Taxpayers are entitled to a 2% discount if taxes are paid prior to May 1st. Collections after June 30th are assessed a 10% penalty. Unpaid taxes are remitted to the City's delinquent real estate tax collector. As of December 31, 2015, $87,527 of 2015 real estate taxes are unpaid which represents 3.4% of the total assessed property taxes for 2015.

The tax millage assessment for the 2015 calendar year is 21.25 for general purposes. This represents $21.25 of revenue for every $1,000 of assessed value.

NOTE 4 – DUE FROM/TO OTHER FUNDS

Inter-fund receivables and payables at December 31, 2015 are comprised of the following:

	RECEIVABLE	PAYABLE
General Fund	$ 205,962	$ 58,165
Capital Project Funds	24,400	-
Enterprise Funds	58,165	40,067
Proprietary Funds	-	190,295
	$ 288,527	$ 288,527

Due from/to other funds on the balance sheet represents monies due between funds for operating costs advanced over the years between funds.

NOTE 5 – RENTAL OF SEWER SYSTEM

GUARANTEED SEWER REVENUE BONDS – SERIES A AND B OF 2011

The City of Lower Burrell guaranteed the Guaranteed Sewer Revenue Bonds, Series A and B of 2011 issued by the Municipal Authority of the City of Lower Burrell in the amount of $6,105,000. In connection with this bond issue, the City is required to make semi-annual rental payments to the Municipal Authority of the City of Lower Burrell in accordance with the terms of the Fourth Supplemental Agreement of Lease and Guaranty dated December 15, 2011 by and between the City and the Authority. During the calendar year 2014, the City of Lower Burrell Sewer System Fund paid the Authority $350,940 in rental payments. Semi-annual rental payments are required on February 1 and August 1 each year through maturity. The following represents the remaining rental payments due the Authority as of December 31, 2015:

YEAR END DEC 31	AMOUNT
2016	$ 354,344
2017	351,614
2018	353,504
2019	354,880
2020	355,581
2021-2025	1,773,132
2026-2030	1,770,295
2031-2035	1,769,238
2036-2040	1,659,403
	$ 8,741,991

In addition to the payments shown above, the City is obligated under the Agreement of Lease and Guaranty to pay the Authority an amount equal to the Authority's operating budget not paid from restricted assets. For the year ended December 31, 2015, no payments were made to the Authority from the City's Sewer System Fund.

NOTE 6 – NOTES PAYABLE

In December of 2000, the City purchased land from August and Eleanor Moret for $183,500. The land is to be used as a multipurpose facility during the payment period which extends for a period of 20 years interest free at an annual payment of $9,175. The note is scheduled to mature in December of 2020. A summary of the remaining debt service obligations on this note obligation at December 31, 2015 is as follows:

Year End Dec 31	Principal
2016	$ 9,175
2017	9,175
2018	9,175
2019	9,175
2020	9,175
	$ 45,875

On March 5, 2014, the City issued a promissory note to First National Bank in the amount of $80,128 for the purchase of a Ford F-550 Dump Truck. The terms of the lease call for sixty (60) monthly payments of $1,439.20 at an annual interest rate of 2.95%. The note is scheduled to mature on March 1, 2019. A summary of the remaining debt service obligations on this note obligation at December 31, 2015 is as follows:

Year End Dec 31	Principal	Interest	Total
2016	$ 15,886	$ 1,365	$ 17,251
2017	16,365	886	17,251
2018	16,855	397	17,252
2019	4,308	21	4,329
	$ 53,414	$ 2,669	$ 56,083

On April 24, 2015, the City issued a promissory note to First National Bank in the amount of $119,349 for the purchase of a 2015 Caterpillar Wheel Loader. The terms of the lease call for five (5) annual payments of $25,394.14 at an annual interest rate of 2.65%. The note is scheduled to mature on September 1, 2019. A summary of the remaining debt service obligations on this note obligation at December 31, 2015 is as follows:

Year End Dec 31	Principal	Interest	Total
2016	$ 22,874	$ 2,520	$ 25,394
2017	23,480	1,914	25,394
2018	24,103	1,291	25,394
2019	24,640	754	25,394
	$ 95,097	$ 6,479	$ 101,576

NOTE 7 - LEASE PURCHASE OBLIGATIONS

In September of 2011, the City entered into a lease agreement with Catalyst Capital Corporation for the purchase of a 2012 International Dump Truck totaling $125,848. The terms of the lease call for 6 annual payments of $24,154.99 at an annual approximate interest rate of 5.449% scheduled to mature in May of 2017. A summary of the City's remaining lease purchase obligation outstanding at December 31, 2014 is as follows:

Year End Dec 31	Ford F-750 Principal	Interest	Total
2016	$ 21,723	$ 2,432	$ 24,155
2017	22,907	1,248	24,155
	$ 44,630	$ 3,680	$ 48,310

The following represents the changes in the City's debt obligations during 2015:

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15	Due Within One Year
Bonds	$ 5,605,000	$ -	$ (140,000)	$ 5,465,000	$ 145,000
Notes	270,912	119,349	(195,875)	194,386	109,727
Leases	82,655	-	(38,025)	44,630	21,723
	$ 5,958,567	**$ 119,349**	**$ (373,900)**	**$ 5,704,016**	**$ 276,450**

NOTE 8 – COMPENSATED ABSENCES

It is the City's policy to recognize the cost of compensated absences (unused sick and vacation days) as incurred. Accordingly, the accompanying financial statements contain no provision for an accumulated compensated absences liability.

NOTE 9 - CITY PENSION PLANS

Since the City does not present its special purpose financial report in conformity with generally accepted accounting principles, it has not adopted as yet the accounting and reporting requirements as required by Governmental Accounting Standards Board (GASB) Statement No. 68 – "Accounting and Financial Reporting for Pensions". The following is a summary of the City's police and non-uniform pension plans:

POLICE PENSION PLAN - City of Lower Burrell's police pension plan, established on May 19, 1961, is a single-employer defined benefit pension plan established to provide retirement and death benefits to qualified police department employees under the provisions governing pension plans in the Commonwealth of Pennsylvania and City Council ordinances. The plan is governed by the members of City Council who are responsible for the management of plan assets. Council has delegated the authority to manage certain plan assets to Commonwealth Financial Network and SEI.

NOTE 9 - CITY PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Plan membership as of January 1, 2013 was comprised of:

Active employees	17
Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits but not yet receiving them	-
Total	32

A summary of the plan's provisions are as follows:

PARTICIPANTS - All permanent members of the City of Lower Burrell police department.

ELIGIBILITY - All participants are eligible for retirement benefits provided that they have completed 20 years of aggregate service as a full-time City employee and have attained the age of 50.

BENEFITS - 50% of compensation, plus a service increment of 2.5% of the basic normal retirement benefit for each year of service in excess of 20 years (but not greater than $100 per month).

VESTING - Participants are entitled to a vested deferred benefit after 12 years of service.

FUNDING - Employee contributions are currently 5%. City contributions are determined by the Actuary. Annual contributions are received from the Commonwealth as provided by Act 205, the General Municipal Pension System State Aid Program. The City contributed $572,530 to the plan in 2015.

NON-UNIFORM EMPLOYEES PENSION PLAN - The non-uniform employees pension plan of the City of Lower Burrell is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 6-1975 adopted pursuant to Act 15 of 1974, established October 1, 1965, to provide retirement benefits for all qualified non-uniform employees. The plan is governed by the members of City Council who are responsible for the management of plan assets. Council has delegated the authority to manage certain plan assets to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer public employee retirement system.

Plan membership as of December 31, 2014 was comprised of:

Active employees	27
Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	2
Total	51

NOTE 9 - CITY PENSION PLANS (Continued)

NON-UNIFORM EMPLOYEES PENSION PLAN (Continued)

The summary of the plans provisions are as follows:

PARTICIPANTS -	All full-time non-uniformed employees of the City of Lower Burrell.
ELIGIBILITY -	All participants are eligible for retirement benefits provided that they have attained the age of sixty with 12 years of credited service.
BENEFITS -	The plan provides for a monthly benefit equal to 2.5% times credited service times the participant's final average salary based upon the greater of final year's salary or the highest five years annualized salary.
TERMINATION -	The plan provides terminated employees with a return of their accumulated contributions and the members excess investment account standing credited to the member.
FUNDING -	Employee contributions are currently 6%. City contributions are determined by the Actuary. Annual contributions are received from the Commonwealth as provided by Act 205, the General Municipal Pension System State Aid Program. The City contributed $91,000 to the plan in 2015.
VESTING -	Participants are 100% vested after 12 years of service.

FUNDING REQUIREMENTS

On December 18, 1984, act 205 was passed into law, and is known as the "Municipal Pension Plan Funding Standard and Recovery Act." The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability. For financially distressed pension plans, the act provides for delayed implementation of this funding standard over either 10 or 15 years. In addition, supplemental state aid is available to all eligible municipalities and will be paid from the supplemental state assistance account.

In addition to member contributions, the pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program. The entire proceeds of the insurance premium tax on foreign casualty insurance companies and any investment income earned on those proceeds, and the portion of the proceeds of the insurance premium tax on foreign fire insurance companies which represents the amount of the distributions applicable to paid firefighters, and any investment income earned on the amount of those distributions are specifically designated for municipal pension plans. Any remaining obligation with respect to the pension plan shall be paid by the municipality.

NOTE 9 - CITY PENSION PLANS (Continued)

The plan's investment income was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2015. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - CONTINGENT LIABILITIES

LEGAL MATTERS

The City, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2015, the City is unaware of any pending litigation that would be material to the financial position of City of Lower Burrell.

STATE FUNDING

City of Lower Burrell's state funded programs are subject to audit by various governmental agencies. The City is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 12– SUBSEQUENT EVENTS

Management has determined that there are no events subsequent to December 31, 2015 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.