

# **TOWNSHIP OF NORTH FAYETTE**

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AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

**TOWNSHIP OF NORTH FAYETTE**  
ALLEGHENY COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NORTH FAYETTE TOWNSHIP**  
**ALLEGHENY COUNTY, PENNSYLVANIA**

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# **Mark C. Turnley**

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## **Board of Township Supervisors Township of North Fayette**

### **Independent Auditor's Report**

#### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental funds, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of North Fayette as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express opinions 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 Township'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 Township'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 opinions.

### **Basis for Qualified Opinion on General Fund**

Management has not identified an unknown credit in the General Fund of \$87,197. The amount by which this unknown credit would affect the revenues or expenditures of the General Fund cannot be determined.

### **Qualified Opinion**

In my opinion, except for the effect of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Township of North Fayette as of December 31, 2012, and the changes in financial position thereof for the year then ended in accordance the basis of accounting as described in Note 1.

### **Unmodified Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, governmental funds, the business-type activities, each major fund (except for the unknown amount in the General Fund), and the aggregate remaining fund information of the Township of North Fayette, Allegheny County, Pennsylvania as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the basis of accounting as described in Note 1.

### **Basis of Accounting**

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

### **Other Matters**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of North Fayette's basic financial statements. The supplementary information (Schedules 1 through 5) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Defined benefit trust funds' historical pension information on pages 42-43 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink, reading "Mark C. Turnley". The signature is written in a cursive style with a large, stylized initial "M".

Mark C. Turnley, CPA

July 28, 2013  
Rochester, Pennsylvania

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

**EXHIBIT A**

|                                               | <b><u>Governmental<br/>Activities</u></b> | <b><u>Business-Type<br/>Activities</u></b> | <b><u>Total</u></b>             |
|-----------------------------------------------|-------------------------------------------|--------------------------------------------|---------------------------------|
| <b>ASSETS</b>                                 |                                           |                                            |                                 |
| <b>Current Assets:</b>                        |                                           |                                            |                                 |
| Cash and Cash Equivalents                     | \$ 4,669,640                              | \$ 1,760,879                               | \$ 6,430,519                    |
| Investments                                   | 6,724,139                                 | -                                          | 6,724,139                       |
| Due from other Governments                    | 489,434                                   | -                                          | 489,434                         |
| Internal Balances                             | 1,213,960                                 | (1,213,960)                                | -                               |
| Utilities Receivable                          | -                                         | 520,088                                    | 520,088                         |
| Taxes Receivable                              | 556,002                                   | -                                          | 556,002                         |
| Other Accounts Receivable (Net)               | 192,671                                   | -                                          | 192,671                         |
| Inventory Fuel Surplus                        | 17,211                                    | -                                          | 17,211                          |
| <b>Total Current Assets</b>                   | <b><u>\$ 13,863,057</u></b>               | <b><u>\$ 1,067,007</u></b>                 | <b><u>\$ 14,930,064</u></b>     |
| <b>Noncurrent Assets:</b>                     |                                           |                                            |                                 |
| Sewer System Improvements                     | \$ -                                      | \$ 10,839,198                              | \$ 10,839,198                   |
| Machinery & Equipment                         | -                                         | 1,022,746                                  | 1,022,746                       |
| Work in Progress                              | -                                         | 83,908                                     | 83,908                          |
| Accumulated Depreciation                      | -                                         | (6,871,673)                                | (6,871,673)                     |
| <b>Total Noncurrent Assets</b>                | <b><u>\$ -</u></b>                        | <b><u>\$ 5,074,179</u></b>                 | <b><u>\$ 5,074,179</u></b>      |
| <br><b>TOTAL ASSETS</b>                       | <br><b><u>\$ 13,863,057</u></b>           | <br><b><u>\$ 6,141,186</u></b>             | <br><b><u>\$ 20,004,243</u></b> |
| <b>LIABILITIES</b>                            |                                           |                                            |                                 |
| <b>Current Liabilities:</b>                   |                                           |                                            |                                 |
| Accounts Payable                              | \$ 723,677                                | \$ 179,655                                 | \$ 903,332                      |
| Payroll Tax Liabilities                       | 12,417                                    | -                                          | 12,417                          |
| Due to Other Governments                      | 102,681                                   | -                                          | 102,681                         |
| Deferred Revenue                              | 1,803                                     | -                                          | 1,803                           |
| Current Portion of Notes Payable              | -                                         | 234,472                                    | 234,472                         |
| Road Bonds Held in Escrow                     | 24,672                                    | -                                          | 24,672                          |
| Other Current Liabilities                     | 35,880                                    | -                                          | 35,880                          |
| <b>Total Current Liabilities</b>              | <b><u>\$ 901,130</u></b>                  | <b><u>\$ 414,127</u></b>                   | <b><u>\$ 1,315,257</u></b>      |
| <b>Noncurrent Liabilities:</b>                |                                           |                                            |                                 |
| Notes Payable                                 | \$ -                                      | \$ 542,861                                 | \$ 542,861                      |
| Leases Payable                                | -                                         | 255,531                                    | 255,531                         |
| <b>Total Noncurrent Liabilities</b>           | <b><u>\$ -</u></b>                        | <b><u>\$ 798,392</u></b>                   | <b><u>\$ 798,392</u></b>        |
| <br><b>TOTAL LIABILITIES</b>                  | <br><b><u>\$ 901,130</u></b>              | <br><b><u>\$ 1,212,519</u></b>             | <br><b><u>\$ 2,113,649</u></b>  |
| <b>NET POSITION</b>                           |                                           |                                            |                                 |
| Net Investment in Capital Assets              | \$ -                                      | \$ 4,041,315                               | \$ 4,041,315                    |
| Unrestricted                                  | 12,961,927                                | 947,896                                    | 13,909,823                      |
| <b>TOTAL NET POSITION</b>                     | <b><u>\$ 12,961,927</u></b>               | <b><u>\$ 4,989,211</u></b>                 | <b><u>\$ 17,951,138</u></b>     |
| <br><b>TOTAL LIABILITIES AND NET POSITION</b> | <br><b><u>\$ 13,863,057</u></b>           | <br><b><u>\$ 6,201,730</u></b>             | <br><b><u>\$ 20,064,787</u></b> |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

| Functions/Programs                                | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|---------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                   |                      |                      |                                    |                                  |                                                   |                          |                        |
| General Government                                | \$ 1,434,942         | \$ 106,833           | \$ 1,357                           | \$ -                             | \$ (1,326,752)                                    |                          | \$ (1,326,752)         |
| Public Safety - Police                            | 3,292,573            | 183,199              | -                                  | -                                | (3,109,374)                                       |                          | (3,109,374)            |
| Public Safety - Fire                              | 295,892              | -                    | 89,288                             | -                                | (206,604)                                         |                          | (206,604)              |
| Public Safety - Other                             | 270,833              | 154,931              | -                                  | -                                | (115,902)                                         |                          | (115,902)              |
| Public Works - Sanitation                         | -                    | -                    | -                                  | -                                | -                                                 |                          | -                      |
| Public Works - Highways                           | 4,870,274            | 45,282               | 2,028,301                          | -                                | (2,796,691)                                       |                          | (2,796,691)            |
| Culture and Recreation                            | 1,316,967            | 283,695              | 218,853                            | -                                | (814,419)                                         |                          | (814,419)              |
| Debt Service                                      | 5,488,274            | -                    | -                                  | -                                | (5,488,274)                                       |                          | (5,488,274)            |
| Insurance and Employee Benefits                   | 755,089              | -                    | 271,784                            | -                                | (483,305)                                         |                          | (483,305)              |
| Miscellaneous                                     | 88,321               | -                    | -                                  | -                                | (88,321)                                          |                          | (88,321)               |
| <b>Total Governmental Activities</b>              | <b>\$ 17,813,165</b> | <b>\$ 773,940</b>    | <b>\$ 2,609,583</b>                | <b>\$ -</b>                      | <b>(14,429,642)</b>                               |                          | <b>\$ (14,429,642)</b> |
| <b>Business-Type activities:</b>                  |                      |                      |                                    |                                  |                                                   |                          |                        |
| Sewer                                             | \$ 1,475,125         | \$ 2,207,324         | \$ -                               | \$ -                             |                                                   | \$ 732,199               | \$ 732,199             |
| Trash                                             | 877,512              | 972,406              | -                                  | -                                |                                                   | 94,894                   | 94,894                 |
| <b>Total Business-Type Activities</b>             | <b>\$ 2,352,637</b>  | <b>\$ 3,179,730</b>  | <b>\$ -</b>                        | <b>\$ -</b>                      |                                                   | <b>\$ 827,093</b>        | <b>\$ 827,093</b>      |
| <b>Total Primary Government</b>                   | <b>\$ 20,165,802</b> | <b>\$ 3,953,670</b>  | <b>\$ 2,609,583</b>                | <b>\$ -</b>                      | <b>\$ (14,429,642)</b>                            | <b>\$ 827,093</b>        | <b>\$ (13,602,549)</b> |
| <b>General Revenues:</b>                          |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                            |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes, Levied for General Purposes (net) |                      |                      |                                    |                                  | \$ 3,734,591                                      | \$ -                     | \$ 3,734,591           |
| Act 511 Taxes                                     |                      |                      |                                    |                                  | 3,104,467                                         | -                        | 3,104,467              |
| Sales Tax                                         |                      |                      |                                    |                                  | 210,741                                           | -                        | 210,741                |
| PURTA/Alcohol Beverage tax                        |                      |                      |                                    |                                  | 16,306                                            | -                        | 16,306                 |
| Cable Franchise Fees                              |                      |                      |                                    |                                  | 281,496                                           | -                        | 281,496                |
| Bond Proceeds                                     |                      |                      |                                    |                                  | 9,800,000                                         | -                        | 9,800,000              |
| Investment Earnings                               |                      |                      |                                    |                                  | 11,187                                            | 862                      | 12,049                 |
| Rents and Royalties                               |                      |                      |                                    |                                  | 64,686                                            | -                        | 64,686                 |
| Donations                                         |                      |                      |                                    |                                  | 29                                                | -                        | 29                     |
| Miscellaneous                                     |                      |                      |                                    |                                  | 167,873                                           | 1,828                    | 169,701                |
| Transfer from Escrow Funds                        |                      |                      |                                    |                                  | 26,001                                            | -                        | 26,001                 |
| Unknown                                           |                      |                      |                                    |                                  | 87,197                                            | -                        | 87,197                 |
| Interfund transfers                               |                      |                      |                                    |                                  | 660,000                                           | (660,000)                | -                      |
| <b>Total General Revenues</b>                     |                      |                      |                                    |                                  | <b>\$ 18,164,574</b>                              | <b>\$ (657,310)</b>      | <b>\$ 17,507,264</b>   |
| <b>Change in Net Position</b>                     |                      |                      |                                    |                                  | <b>\$ 3,734,932</b>                               | <b>\$ 169,783</b>        | <b>\$ 3,904,715</b>    |
| Net Position — January 1, 2012                    |                      |                      |                                    |                                  | 8,612,214                                         | 4,731,224                | 13,343,438             |
| Prior Period Adjustment                           |                      |                      |                                    |                                  | 614,781                                           | 27,661                   | 642,442                |
| <b>Net Position — December 31, 2012</b>           |                      |                      |                                    |                                  | <b>\$ 12,961,927</b>                              | <b>\$ 4,928,668</b>      | <b>\$ 17,890,595</b>   |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

**EXHIBIT C**

|                                                | <b>GENERAL<br/>FUND</b> | <b>CONSTRUCTION<br/>FUND</b> | <b>CAPITAL<br/>IMPROVEMENT<br/>FUND</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|------------------------------------------------|-------------------------|------------------------------|-----------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                 |                         |                              |                                         |                                             |                                         |
| Cash and Cash Equivalents                      | \$ 3,182,902            | \$ -                         | \$ 228,694                              | \$ 1,258,044                                | \$ 4,669,640                            |
| Investments                                    | -                       | 6,724,139                    | -                                       | -                                           | 6,724,139                               |
| Due From Other Governments                     | 489,434                 | -                            | -                                       | -                                           | 489,434                                 |
| Due From Other Funds                           | 1,779,206               | -                            | -                                       | -                                           | 1,779,206                               |
| Taxes Receivable                               | 556,002                 | -                            | -                                       | -                                           | 556,002                                 |
| Other Accounts Receivable (Net)                | 192,671                 | -                            | -                                       | -                                           | 192,671                                 |
| Inventory Fuel Surplus                         | 17,211                  | -                            | -                                       | -                                           | 17,211                                  |
| <b>TOTAL ASSETS</b>                            | <b>\$ 6,217,426</b>     | <b>\$ 6,724,139</b>          | <b>\$ 228,694</b>                       | <b>\$ 1,258,044</b>                         | <b>\$ 14,428,303</b>                    |
| <br><b>LIABILITIES AND FUND BALANCES</b>       |                         |                              |                                         |                                             |                                         |
| <b>LIABILITIES:</b>                            |                         |                              |                                         |                                             |                                         |
| Accounts Payable                               | \$ 723,677              | \$ -                         | \$ -                                    | \$ -                                        | \$ 723,677                              |
| Due to Other Funds                             | -                       | -                            | 205,381                                 | 359,865                                     | 565,246                                 |
| Payroll Tax Liabilities                        | 12,417                  | -                            | -                                       | -                                           | 12,417                                  |
| Due to Other Governments                       | 102,681                 | -                            | -                                       | -                                           | 102,681                                 |
| Deferred Revenue                               | 1,803                   | -                            | -                                       | -                                           | 1,803                                   |
| Road Bonds Held in Escrow                      | 24,672                  | -                            | -                                       | -                                           | 24,672                                  |
| Other Current Liabilities                      | 35,880                  | -                            | -                                       | -                                           | 35,880                                  |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 901,130</b>       | <b>\$ -</b>                  | <b>\$ 205,381</b>                       | <b>\$ 359,865</b>                           | <b>\$ 1,466,376</b>                     |
| <br><b>FUND BALANCES:</b>                      |                         |                              |                                         |                                             |                                         |
| Nonspendable:                                  |                         |                              |                                         |                                             |                                         |
| General Fund                                   | \$ 17,211               | \$ -                         | \$ -                                    | \$ -                                        | \$ 17,211                               |
| Assigned:                                      |                         |                              |                                         |                                             |                                         |
| Construction Fund                              | -                       | 6,724,139                    | -                                       | -                                           | 6,724,139                               |
| Capital Improvement Fund                       | -                       | -                            | 23,313                                  | -                                           | 23,313                                  |
| Non-Major Governmental Funds                   | -                       | -                            | -                                       | 898,179                                     | 898,179                                 |
| Unassigned:                                    |                         |                              |                                         |                                             |                                         |
| General Fund                                   | 5,299,085               | -                            | -                                       | -                                           | 5,299,085                               |
| <b>TOTAL FUND BALANCES</b>                     | <b>\$ 5,316,296</b>     | <b>\$ 6,724,139</b>          | <b>\$ 23,313</b>                        | <b>\$ 898,179</b>                           | <b>\$ 12,961,927</b>                    |
| <br><b>TOTAL LIABILITIES AND FUND BALANCES</b> | <br><b>\$ 6,217,426</b> | <br><b>\$ 6,724,139</b>      | <br><b>\$ 228,694</b>                   | <br><b>\$ 1,258,044</b>                     | <br><b>\$ 14,428,303</b>                |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                              | GENERAL FUND         | CONSTRUCTION<br>FUND | CAPITAL<br>IMPROVEMENT<br>FUND | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|----------------------|----------------------|--------------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                      |                      |                                |                                    |                                |
| Taxes                                                        | \$ 6,839,057         | \$ -                 | \$ -                           | \$ -                               | \$ 6,839,057                   |
| Licenses and Permits                                         | 441,206              | -                    | -                              | -                                  | 441,206                        |
| Fines and Forfeitures                                        | 56,022               | -                    | -                              | -                                  | 56,022                         |
| Interest and Rents                                           | 66,068               | 5,966                | 102                            | 3,737                              | 75,873                         |
| Intergovernmental                                            | 2,296,089            | -                    | 210,210                        | 348,294                            | 2,854,593                      |
| Charges for Services                                         | 540,274              | -                    | -                              | -                                  | 540,274                        |
| Miscellaneous                                                | 1,170                | -                    | -                              | 107,680                            | 108,850                        |
| <b>Total Revenue</b>                                         | <b>\$ 10,239,886</b> | <b>\$ 5,966</b>      | <b>\$ 210,312</b>              | <b>\$ 459,711</b>                  | <b>\$ 10,915,875</b>           |
| <b>EXPENDITURES</b>                                          |                      |                      |                                |                                    |                                |
| General Government                                           | \$ 1,385,766         | \$ -                 | \$ 49,176                      | \$ -                               | \$ 1,434,942                   |
| Public Safety                                                | 3,853,282            | -                    | 128                            | 5,887                              | 3,859,297                      |
| Public Works                                                 | 3,627,079            | -                    | 149,280                        | 1,093,915                          | 4,870,274                      |
| Culture and Recreation                                       | 820,336              | 446,523              | 38,245                         | 11,863                             | 1,316,967                      |
| Debt Service                                                 | 620,057              | -                    | 74,136                         | 4,794,081                          | 5,488,274                      |
| Insurance and Employee Benefits                              | 755,089              | -                    | -                              | -                                  | 755,089                        |
| Miscellaneous                                                | 65                   | -                    | -                              | -                                  | 65                             |
| <b>Total Expenditures</b>                                    | <b>\$ 11,061,674</b> | <b>\$ 446,523</b>    | <b>\$ 310,965</b>              | <b>\$ 5,905,746</b>                | <b>\$ 17,724,908</b>           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (821,788)</b>  | <b>\$ (440,557)</b>  | <b>\$ (100,653)</b>            | <b>\$ (5,446,035)</b>              | <b>\$ (6,809,033)</b>          |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                      |                                |                                    |                                |
| Sale of Township Property                                    | \$ 9,281             | \$ -                 | \$ -                           | \$ -                               | \$ 9,281                       |
| Operating Transfers In                                       | 994,000              | 5,005,919            | -                              | 43,748                             | 6,043,667                      |
| Bond Proceeds                                                | -                    | -                    | -                              | 9,800,000                          | 9,800,000                      |
| Unknown                                                      | 87,197               | -                    | -                              | -                                  | 87,197                         |
| Refund of Prior Year Expenses                                | 18,969               | -                    | -                              | 30,773                             | 49,742                         |
| Refund of Prior Year Receipts                                | (88,256)             | -                    | -                              | -                                  | (88,256)                       |
| Operating Transfers Out                                      | (17,747)             | -                    | -                              | (5,339,919)                        | (5,357,666)                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 1,003,444</b>  | <b>\$ 5,005,919</b>  | <b>\$ -</b>                    | <b>\$ 4,534,602</b>                | <b>\$ 10,543,965</b>           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 181,656</b>    | <b>\$ 4,565,362</b>  | <b>\$ (100,653)</b>            | <b>\$ (911,433)</b>                | <b>\$ 3,734,932</b>            |
| FUND BALANCE - JANUARY 1, 2012                               | 5,162,301            | 2,158,777            | 123,966                        | 1,167,170                          | 8,612,214                      |
| Prior Period Adjustment                                      | (27,661)             | -                    | -                              | 642,442                            | 614,781                        |
| <b>FUND BALANCE - DECEMBER 31, 2012</b>                      | <b>\$ 5,316,296</b>  | <b>\$ 6,724,139</b>  | <b>\$ 23,313</b>               | <b>\$ 898,179</b>                  | <b>\$ 12,961,927</b>           |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                               | Budgeted Amounts      |                       | Actual               | Variance with<br>Final Budget |
|---------------------------------------------------------------|-----------------------|-----------------------|----------------------|-------------------------------|
|                                                               | Original              | Final                 | (Budgetary Basis)    | Positive<br>(Negative)        |
| <b>REVENUES</b>                                               |                       |                       |                      |                               |
| Taxes                                                         | \$ 6,667,400          | \$ 6,667,400          | \$ 6,839,057         | \$ 171,657                    |
| Licenses and Permits                                          | 385,400               | 385,400               | 441,206              | 55,806                        |
| Fines and Forfeitures                                         | 65,500                | 65,500                | 56,022               | (9,478)                       |
| Interest and Rents                                            | 56,500                | 56,500                | 66,068               | 9,568                         |
| Intergovernmental                                             | 540,100               | 540,100               | 2,296,089            | 1,755,989                     |
| Charges for Services                                          | 478,100               | 478,100               | 540,274              | 62,174                        |
| Miscellaneous                                                 | 5,300                 | 5,300                 | 1,170                | (4,130)                       |
| <b>Total Revenues</b>                                         | <b>\$ 8,198,300</b>   | <b>\$ 8,198,300</b>   | <b>\$ 10,239,886</b> | <b>\$ 2,041,586</b>           |
| <b>EXPENDITURES</b>                                           |                       |                       |                      |                               |
| General Government                                            | \$ 1,208,954          | \$ 1,208,954          | \$ 1,385,766         | \$ (176,812)                  |
| Public Safety                                                 | 3,989,271             | 3,989,271             | 3,853,282            | 135,989                       |
| Public Works                                                  | 2,194,124             | 2,194,124             | 3,627,079            | (1,432,955)                   |
| Culture and Recreation                                        | 697,352               | 697,352               | 820,336              | (122,984)                     |
| Debt Service                                                  | 619,300               | 619,300               | 620,057              | (757)                         |
| Insurance and Employee Benefits                               | 642,900               | 642,900               | 755,089              | (112,189)                     |
| Miscellaneous                                                 | 1,000                 | 1,000                 | 65                   | 935                           |
| <b>Total Expenditures</b>                                     | <b>\$ 9,352,901</b>   | <b>\$ 9,352,901</b>   | <b>\$ 11,061,674</b> | <b>\$ (1,708,773)</b>         |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (1,154,601)</b> | <b>\$ (1,154,601)</b> | <b>\$ (821,788)</b>  | <b>\$ 332,813</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                      |                               |
| Sale of Township Property                                     | \$ 25,000             | \$ 25,000             | \$ 9,281             | \$ (15,719)                   |
| Operating Transfers In                                        | -                     | -                     | 994,000              | 994,000                       |
| Unknown                                                       | -                     | -                     | 87,197               | 87,197                        |
| Refund of Prior Year Expenses                                 | -                     | -                     | 18,969               | 18,969                        |
| Refund of Prior Year Receipts                                 | -                     | -                     | (88,256)             | (88,256)                      |
| Operating Transfers Out                                       | -                     | -                     | (17,747)             | (17,747)                      |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ 25,000</b>      | <b>\$ 25,000</b>      | <b>\$ 1,003,444</b>  | <b>\$ 978,444</b>             |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (1,129,601)</b> | <b>\$ (1,129,601)</b> | <b>\$ 181,656</b>    | <b>\$ 1,311,257</b>           |
| FUND BALANCE - JANUARY 1, 2012                                | 67,439                | 67,439                | 5,162,301            | 5,094,862                     |
| Prior Period Adjustment                                       | -                     | -                     | (27,661)             | (27,661)                      |
| <b>FUND BALANCE - DECEMBER 31, 2012</b>                       | <b>\$ (1,062,162)</b> | <b>\$ (1,062,162)</b> | <b>\$ 5,316,296</b>  | <b>\$ 6,378,458</b>           |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

|                                           | <u>SEWER<br/>FUND</u>      | <u>TRASH<br/>FUND</u>      | <u>TOTAL<br/>PROPRIETARY<br/>FUNDS</u> |
|-------------------------------------------|----------------------------|----------------------------|----------------------------------------|
| <b>ASSETS</b>                             |                            |                            |                                        |
| <b>Current Assets:</b>                    |                            |                            |                                        |
| Cash and Cash Equivalents                 | \$ 1,054,451               | \$ 706,428                 | \$ 1,760,879                           |
| Sewer Receivable                          | 404,364                    | -                          | 404,364                                |
| Refuse Receivable                         | -                          | 115,725                    | 115,725                                |
| <b>Total Current Assets</b>               | <b><u>\$ 1,458,815</u></b> | <b><u>\$ 822,153</u></b>   | <b><u>\$ 2,280,968</u></b>             |
| <b>Noncurrent Assets:</b>                 |                            |                            |                                        |
| Sewer System Improvements                 | \$ 10,839,198              | \$ -                       | \$ 10,839,198                          |
| Machinery & Equipment                     | 391,704                    | 631,042                    | 1,022,746                              |
| Work in Progress                          | 83,908                     | -                          | 83,908                                 |
| Accumulated Depreciation                  | (6,620,206)                | (251,467)                  | (6,871,673)                            |
| <b>Total Noncurrent Assets</b>            | <b><u>\$ 4,694,604</u></b> | <b><u>\$ 379,575</u></b>   | <b><u>\$ 5,074,179</u></b>             |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 6,153,419</u></b> | <b><u>\$ 1,201,728</u></b> | <b><u>\$ 7,355,147</u></b>             |
| <b>LIABILITIES</b>                        |                            |                            |                                        |
| <b>Current Liabilities:</b>               |                            |                            |                                        |
| Due to Other Funds                        | \$ 693,537                 | \$ 520,422                 | \$ 1,213,959                           |
| Accounts Payable                          | 153,109                    | 26,546                     | 179,655                                |
| Current Portion Long Term Debt            | 108,547                    | 125,925                    | 234,472                                |
| <b>Total Current Liabilities</b>          | <b><u>\$ 955,193</u></b>   | <b><u>\$ 672,893</u></b>   | <b><u>\$ 1,628,086</u></b>             |
| <b>Noncurrent Liabilities:</b>            |                            |                            |                                        |
| Notes Payable                             | \$ 542,861                 | \$ -                       | \$ 542,861                             |
| Leases Payable                            | -                          | 255,531                    | 255,531                                |
| <b>Total Noncurrent Liabilities</b>       | <b><u>\$ 542,861</u></b>   | <b><u>\$ 255,531</u></b>   | <b><u>\$ 798,392</u></b>               |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ 1,498,054</u></b> | <b><u>\$ 928,424</u></b>   | <b><u>\$ 2,426,478</u></b>             |
| <b>NET POSITION</b>                       |                            |                            |                                        |
| Net Investment in Capital Assets          | \$ 4,043,196               | \$ (1,881)                 | \$ 4,041,315                           |
| Unrestricted                              | 612,168                    | 275,185                    | 887,353                                |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 4,655,364</u></b> | <b><u>\$ 273,304</u></b>   | <b><u>\$ 4,928,668</u></b>             |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 6,153,418</u></b> | <b><u>\$ 1,201,728</u></b> | <b><u>\$ 7,355,146</u></b>             |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                      | <u>SEWER<br/>FUND</u> | <u>TRASH<br/>FUND</u> | <u>TOTAL<br/>PROPRIETARY<br/>FUNDS</u> |
|------------------------------------------------------|-----------------------|-----------------------|----------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>                    |                       |                       |                                        |
| Sewer rentals                                        | \$ 2,009,771          | \$ -                  | \$ 2,009,771                           |
| Tap-in fees                                          | 197,553               | -                     | 197,553                                |
| Solid waste collection                               | -                     | 960,806               | 960,806                                |
| Intergovernmental                                    | -                     | 11,600                | 11,600                                 |
| Miscellaneous                                        | 457                   | 1,371                 | 1,828                                  |
| <b>Total Operating Revenues</b>                      | <b>\$ 2,207,781</b>   | <b>\$ 973,777</b>     | <b>\$ 3,181,558</b>                    |
| <b><u>OPERATING EXPENSES:</u></b>                    |                       |                       |                                        |
| Salaries - sanitation                                | \$ -                  | \$ 269,787            | \$ 269,787                             |
| Payroll taxes - sanitation                           | -                     | 20,372                | 20,372                                 |
| Employee benefits - sanitation                       | -                     | 69,215                | 69,215                                 |
| Sewer treatment charges                              | 897,992               | -                     | 897,992                                |
| Sewer maintenance                                    | 236,355               | -                     | 236,355                                |
| Landfill fees                                        | -                     | 229,476               | 229,476                                |
| Engineer                                             | 120,948               | -                     | 120,948                                |
| General                                              | 36,949                | 146,595               | 183,544                                |
| Legal                                                | 7,705                 | -                     | 7,705                                  |
| Depreciation                                         | 142,207               | 125,308               | 267,515                                |
| <b>Total Operating Expenses</b>                      | <b>\$ 1,442,156</b>   | <b>\$ 860,753</b>     | <b>\$ 2,302,909</b>                    |
| <b>TOTAL OPERATING INCOME</b>                        | <b>\$ 765,625</b>     | <b>\$ 113,024</b>     | <b>\$ 878,649</b>                      |
| <b><u>NON-OPERATING REVENUE &lt;EXPENSE&gt;:</u></b> |                       |                       |                                        |
| Interest income                                      | \$ 635                | \$ 227                | \$ 862                                 |
| Interest expense                                     | (24,768)              | (16,759)              | (41,527)                               |
| Refund of prior year receipts                        | (8,201)               | -                     | (8,201)                                |
| <b>TOTAL NON-OPERATING REVENUE &lt;EXPENSE&gt;</b>   | <b>\$ (32,334)</b>    | <b>\$ (16,532)</b>    | <b>\$ (48,866)</b>                     |
| <b><u>OTHER FINANCING USES:</u></b>                  |                       |                       |                                        |
| Interfund transfer                                   | \$ 630,000            | \$ 30,000             | \$ 660,000                             |
| <b>TOTAL OTHER FINANCING USES</b>                    | <b>\$ 630,000</b>     | <b>\$ 30,000</b>      | <b>\$ 660,000</b>                      |
| <b>CHANGE IN NET POSITION</b>                        | <b>103,291</b>        | <b>66,492</b>         | <b>169,783</b>                         |
| NET POSITION - JANUARY 1, 2012                       | 4,552,073             | 179,151               | \$ 4,731,224                           |
| Prior Period Adjustment                              | -                     | 27,661                | \$ 27,661                              |
| <b>NET POSITION - DECEMBER 31, 2012</b>              | <b>\$ 4,655,364</b>   | <b>\$ 273,304</b>     | <b>\$ 4,928,668</b>                    |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                                                                                    | <u>SEWER<br/>FUND</u> | <u>TRASH<br/>FUND</u> | <u>TOTAL<br/>PROPRIETARY<br/>FUNDS</u> |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|----------------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>                                                                |                       |                       |                                        |
| Cash received from user charges                                                                                    | \$ 2,046,860          | \$ 983,038            | \$ 3,029,898                           |
| Cash received from tap-in fees                                                                                     | 202,437               | -                     | 202,437                                |
| Cash received from miscellaneous sources                                                                           | 457                   | 61,817                | 62,274                                 |
| Cash paid to employees for services and benefits                                                                   | -                     | (359,374)             | (359,374)                              |
| Cash paid to vendors for goods and services                                                                        | (1,323,187)           | (176,853)             | (1,500,040)                            |
| Net cash provided by operating activities                                                                          | <b>\$ 926,567</b>     | <b>\$ 508,628</b>     | <b>\$ 1,435,195</b>                    |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCIAL ACTIVITIES:</u></b>                                        |                       |                       |                                        |
| Capital construction and purchases                                                                                 | \$ (111,497)          | \$ -                  | \$ (111,497)                           |
| PENNVEST principal payments                                                                                        | (114,711)             | -                     | (114,711)                              |
| Lease principal payments                                                                                           | -                     | (121,464)             | (121,464)                              |
| Interest payments on debt                                                                                          | (24,768)              | (16,759)              | (41,527)                               |
| Net cash (used in) capital and related financing activities                                                        | <b>\$ (250,976)</b>   | <b>\$ (138,223)</b>   | <b>\$ (389,199)</b>                    |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>                                                                |                       |                       |                                        |
| Interest income                                                                                                    | \$ 635                | \$ 226                | \$ 861                                 |
| Net cash provided by investing activities                                                                          | <b>\$ 635</b>         | <b>\$ 226</b>         | <b>\$ 861</b>                          |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>                                                    |                       |                       |                                        |
| Refund of Prior Year Receipts                                                                                      | \$ (8,201)            | \$ -                  | \$ (8,201)                             |
| Interfund transfers                                                                                                | \$ (630,000)          | \$ (30,000)           | \$ (660,000)                           |
| Net cash (used in) non-capital financing activities                                                                | <b>\$ (638,201)</b>   | <b>\$ (30,000)</b>    | <b>\$ (668,201)</b>                    |
| <b>Net (decrease) in cash and cash equivalents</b>                                                                 | <b>38,025</b>         | <b>340,631</b>        | <b>\$ 378,656</b>                      |
| <b>Cash and cash equivalents - January 1, 2012</b>                                                                 | <b>1,016,426</b>      | <b>365,797</b>        | <b>1,382,223</b>                       |
| <b>Cash and cash equivalents - December 31, 2012</b>                                                               | <b>\$ 1,054,451</b>   | <b>\$ 706,428</b>     | <b>\$ 1,760,879</b>                    |
| <b><u>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET<br/>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u></b> |                       |                       |                                        |
| Operating Income                                                                                                   | \$ 765,625            | \$ 173,568            | \$ 939,193                             |
| Adjustments to reconcile excess revenues over expenditures<br>provided (used) by operating activities:             |                       |                       |                                        |
| Depreciation                                                                                                       | \$ 142,207            | \$ 125,308            | \$ 267,515                             |
| Changes in assets and liabilities:                                                                                 |                       |                       |                                        |
| (Increase) decrease in accounts receivables                                                                        | 41,973                | 22,232                | \$ 64,205                              |
| Increase (decrease) in accounts payable                                                                            | (23,238)              | (9,032)               | (32,270)                               |
| Increase (decrease) in due to other funds                                                                          | -                     | 196,552               | 196,552                                |
| <b>Net cash provided by operating activities</b>                                                                   | <b>\$ 926,567</b>     | <b>\$ 508,628</b>     | <b>\$ 1,435,195</b>                    |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**

|                                    | <u>POLICE<br/>PENSION<br/>FUND</u> | <u>NON-UNIFORM<br/>PENSION<br/>FUND</u> | <u>AGENCY<br/>(ESCROW)<br/>FUND</u> |
|------------------------------------|------------------------------------|-----------------------------------------|-------------------------------------|
| <b>ASSETS</b>                      |                                    |                                         |                                     |
| Cash and Cash Equivalents          | \$ 179,772                         | \$ 3,118                                | \$ 82,547                           |
| Investments:                       |                                    |                                         | -                                   |
| Mutual Funds                       | 6,493,531                          | 2,311,920                               | -                                   |
| Unallocated Insurance Contracts    | 2,530                              | 227                                     | -                                   |
| <b>TOTAL ASSETS</b>                | <u>\$ 6,675,833</u>                | <u>\$ 2,315,265</u>                     | <u>\$ 82,547</u>                    |
| <b>LIABILITIES</b>                 |                                    |                                         |                                     |
| Due to Developers                  | \$ -                               | \$ -                                    | \$ 82,547                           |
| <b>TOTAL LIABILITIES</b>           | <u>\$ -</u>                        | <u>\$ -</u>                             | <u>\$ 82,547</u>                    |
| <b>NET POSITION</b>                |                                    |                                         |                                     |
| Held in Trust for Pension Benefits | \$ 6,675,833                       | \$ 2,315,265                            |                                     |
| <b>TOTAL NET POSITION</b>          | <u>\$ 6,675,833</u>                | <u>\$ 2,315,265</u>                     |                                     |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                              | <b>POLICE<br/>PENSION<br/>FUND</b>    | <b>NON-UNIFORM<br/>PENSION<br/>FUND</b> |
|----------------------------------------------|---------------------------------------|-----------------------------------------|
|                                              | <u>                    </u>           | <u>                    </u>             |
| <b>ADDITIONS</b>                             |                                       |                                         |
| Interest/Dividends                           | \$ 140,667                            | \$ 54,829                               |
| Net Appreciation in Fair Value               | 440,705                               | 171,017                                 |
| Municipal Pension State Aid                  | 154,910                               | 116,874                                 |
| Employer Contributions                       | 468,040                               | 1,325                                   |
| Employee Contributions                       | 91,157                                | 43,841                                  |
| Transfer from Non Uniform Pension Plan       | 6,017                                 | -                                       |
| <b>TOTAL ADDITIONS</b>                       | <b><u>\$ 1,301,496</u></b>            | <b><u>\$ 387,886</u></b>                |
| <br><b>DEDUCTIONS</b>                        |                                       |                                         |
| Benefit Payments                             | \$ -                                  | \$ (368,504)                            |
| Administrative Expenses                      | (328,023)                             | (30,601)                                |
| Commonwealth of PA - Refund of State Aid     | -                                     | (3,576)                                 |
| Transfer to Police Pension Plan              | -                                     | (6,017)                                 |
| <b>TOTAL DEDUCTIONS</b>                      | <b><u>\$ (328,023)</u></b>            | <b><u>\$ (408,698)</u></b>              |
| <br><b>CHANGE IN NET POSITION</b>            | <br><b>\$ 973,473</b>                 | <br><b>\$ (20,812)</b>                  |
| <br><b>NET POSITION - JANUARY 1, 2012</b>    | <br><u>5,702,360</u>                  | <br><u>2,336,077</u>                    |
| <br><b>NET POSITIOIN - DECEMBER 31, 2012</b> | <br><b><u><u>\$ 6,675,833</u></u></b> | <br><b><u><u>\$ 2,315,265</u></u></b>   |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

The Township of North Fayette was created and organized under the provision governing the creation of municipal corporations by the Commonwealth of Pennsylvania. Township Supervisors are elected by the voting public. The Supervisors have complete authority over the operations and administration of the Township's activities. The major functions of the Township include public safety, maintenance of Township infrastructure (roads), sanitation and sewage control, maintenance of parks and other recreational facilities for use by Township residents and general administrative functions necessary to facilitate Township resident needs and responsibilities. The financial statements of the Township of North Fayette have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units, except for the Statement of Net position and Statement of Activities for its Governmental Activities (See GASB Statement Implementation below). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Township are discussed below.

**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 Township of North Fayette consists of all funds, departments, boards and agencies that are not legally separate from the Township. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Township's reporting entity because of the significance of their operating or financial relationships with the Township. The Township of North Fayette has no component units.

**GASB STATEMENT IMPLEMENTATIONS**

In June of 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, 'Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments'. The provisions of GASB Statement No. 34 were effective January 1, 2004 for the Township of North Fayette. The Township adopted certain provisions of GASB Statement No. 34 including, but not limited to, 1) changing its fund financial statements to focus on the major funds and 2) presentation of government-wide financial statements – Statement of Net Position and Statement of Activities (see Basis of Presentation). However, the governmental activities of the Township of North Fayette were prepared using the modified accrual basis of accounting (Pre-GASB Statement No. 34), as opposed to the full accrual basis of accounting as required by GASB Statement No. 34. Accordingly, the accompanying government-wide statement of net position and statement of activities are not presented in conformity with generally accepted accounting principles.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Township as a whole. These statements include the aggregate financial activities of the Township's governmental funds, except for fiduciary funds, as these funds cannot be used to fund the general operations of the Township.

GASB Statement No. 34 requires that the government-wide statements be prepared using the economic resources measurement focus (full accrual). That is the same approach used in the preparation of the proprietary funds financial statements but differs from the manner in which governmental fund financial statements are prepared (modified accrual).

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

GASB Statement No. 34 also requires reconciliation statements with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The Township however, does not use the economic resources measurement focus in the preparation of its statement of net position and statement of activities for its governmental activities. The Township uses the modified accrual basis of accounting in both the preparation of its fund financial statements and government-wide financial statements. Accordingly, the accompanying financial statements do not include the required reconciliation statements.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the Township's business-type activities and for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Township allocates the following program revenues to each functional disbursement category as follows:

- General Government – Junkyard permits, coin-operated machine licenses and lien letters
- Public Safety (Police) – County and State fines, operating grants, police reports, police car loan
- Public Safety (Fire) – Foreign fire insurance proceeds
- Public Safety (Planning and Zoning) – Building permits, variance and subdivision fees, sale of maps, subdivision plans and zoning ordinances, site plan review fees
- Public Works (General Services) – Act 655 liquid fuels tax proceeds, contracted snow removal services and recycling grant reimbursement
- Culture and Recreation – Recreational facilities fees and community event fees
- Pension and Insurance – Municipal pension state aid and workers compensation rebates

Revenues which are not classified as program revenues are presented as general revenues of the Township. General revenue consists mainly of taxes, unrestricted grants, and miscellaneous receipts not earmarked for a specific function. The comparison of direct expenses with program revenues identifies the extent to which the government function is self-financing or draws from the general revenues of the Township.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. In Exhibit C, non-major funds are segregated and are presented in a single column. Fiduciary funds are reported by fund type.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The Township 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 Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary 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 Township's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - Established under 'The Second Class Township Code' of the Commonwealth of Pennsylvania and is used for the general operations of the Township. Income in this fund is derived mainly from assessed revenues such as real estate taxes, local taxes established under Act 511, charges for sanitation services, 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 Township and other miscellaneous operating expenses.

**CAPITAL PROJECT FUND** (CAPITAL PROJECT) – Established to account for the proceeds of the 2003 bond issue, the 2009 bond issue, and the 2012 bond issue. The proceeds will be used to make capital improvements in the Township.

**CAPITAL IMPROVEMENT FUND** (CAPITAL PROJECT) - Established to provide for certain capital improvement projects relative to Township property as deemed necessary by Township Supervisors.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**NON-MAJOR GOVERNMENTAL FUNDS:**

**HIGHWAY AID FUND** (SPECIAL REVENUE) - 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 Township is responsible. Additionally, the Township also receives funding under Act 1983-32 of the Commonwealth which provides for annual maintenance payments for state highways within the Township for which the Township has agreed to maintain. These funds are subject to the same restrictions as the aforementioned Act 655 (Liquid Fuels) monies.

**COMMUNITY PARK FUND** (SPECIAL REVENUE) - Established to provide for certain improvements to the Township community park as deemed necessary by Township Supervisors.

**TRAFFIC SIGNALIZATION FUND** (SPECIAL REVENUE) - Established to provide for certain improvements to traffic signals throughout the Township through funding received from the Commonwealth of Pennsylvania.

**DEPARTMENT OF JUSTICE FUND** (SPECIAL REVENUE) - Established with monies provided by the Department of Justice for the purchase of drugs by undercover patrolmen for drug investigation and other police expenditures.

**PENWORKS FUND** (SPECIAL REVENUE) – Established to account for the proceeds of the 2007 Pennworks Loan and Pennworks Grant monies. The monies will be passed through the Township allowing Imperial Business Park to construct a water and sewer line along Route 978.

**P.A.L.S. FUND** (SPECIAL REVENUE) - Established to account for monies received from private sources and transfers from the General Funds for various Parks and Recreation program expenses.

**STORMWATER MAINTENANCE FUND** (SPECIAL REVENUE) - Established with monies provided by developers for stormwater maintenance.

**DONALDSON ROAD IMPROVEMENT FUND** (SPECIAL REVENUE) - Established with monies provided from road impact fees for improvements to Donaldson Road.

**TRAFFIC IMPACT FEE FUND** (CAPITAL PROJECT) - Established to provide for certain traffic improvements throughout the Township through funding received from developers.

**DEBT SERVICE FUND** (DEBT SERVICE) - Established to account for proceeds received from General Obligation Bonds – Series of 2012.

**Proprietary Fund** - 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 Township (internal service funds). The Township's Sewer and Trash Funds are responsible for receipting charges for sewage and sanitation services rendered to the Township's residents and using these funds to defray the cost of maintaining these systems of service.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Township has two pension trust funds (police pension and non-uniform pension) and one agency fund (Escrow Fund).

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Business-type activities in the government-wide financial statements and proprietary funds financial statements are prepared using the accrual basis of accounting. Governmental activities in the government-wide financial statements and government funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenue for business-type activities resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the Township receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Township of North Fayette has determined that the revenues most susceptible to accrual at December 31, 2012 are **1)** real estate taxes collected within 60 days following the close of the calendar year, **2)** certain taxpayer assessed Act 511 taxes, **3)** sanitation and sewage billings, **4)** cable franchise fees earned during the year, and **5)** other miscellaneous revenues estimable and available to the Township for 2012 but not as yet collected at December 31, 2012.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures, with certain exceptions, are recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2012 are those for which the Township's intention was to expense these items as budgeted for in the 2012 official budget, and for which the Township has incurred an obligation during 2012, but has not paid as of December 31, 2012.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS**

In December of 2011, the Township of North Fayette adopted its 2012 annual budget for the general fund totaling \$9,352,901 in accordance with the provisions of the Second Class Township Code. In addition, the Township adopts budgets for its special revenue and proprietary fund types. The general and special revenue fund budgets are prepared utilizing the modified accrual method of accounting. The proprietary fund budgets are prepared utilizing the accrual method of accounting. All annual appropriations of the general fund lapse at year end.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts and all highly liquid short-term investments with original maturity terms of less than three months.

**INVESTMENTS**

Governmental fund type investments include money market mutual funds with The Bank of New York Trust Company. Fiduciary fund type investments include mutual funds invested by the firms of Merrill Lynch and Uninvest, and unallocated insurance contracts held with the Guggenheim Life and Annuity Company. Fiduciary fund type investments with Merrill Lynch and Uninvest are stated at fair value. The unallocated insurance contracts held with Guggenheim Life and Annuity Company are stated at contract value.

Provisions of the Second Class Township Code Section 3204 authorize the following investments for governmental funds:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits or 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 these governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

North Fayette Township's investment portfolio is in compliance with these provisions at December 31, 2012.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RECEIVABLES**

Receivables, as reflected in Exhibit A, are shown at net realizable 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.

**INVENTORY**

Inventory represents the cost value of vehicle gasoline purchased by the Township on hand at December 31, 2012. The Township uses the first-in first-out method for costing inventory consumption.

**CAPITAL ASSETS AND DEPRECIATION**

All capital assets of the Township's business-type activities are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Township does not maintain a specific dollar threshold for fixed asset capitalization. The cost of infrastructure is included in the government-wide statement of net position for business-type activities and the proprietary fund financial statements. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense.

All reported capital assets for business-type activities, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>     | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|----------------------------|--------------------------------------------|
| Buildings and Improvements | 10-50 Years                                |
| Office Equipment           | 5-7 Years                                  |
| Vehicles                   | 5-15 Years                                 |
| Infrastructure             | 50 Years                                   |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or 'financial flow' measurement focus. This means that only the current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of 'available spendable resources'. Governmental operating statements present increases revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of 'available spendable resources' during a period. Under the modified accrual method of accounting, capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit D). The Township does not capitalize and depreciate the cost of its governmental activities fixed assets purchases in accordance with generally accepted accounting principles.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements for business-type activities only. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Notes and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Township's general Fund is typically used to liquidate long-term liability obligations.

The Township of North Fayette has not adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 with regard to capitalizing and depreciating general capital assets and recording long-term obligations in the statement of net position for its governmental activities. Accordingly, the accompanying government-wide statements of net position and activities of the Township of Conway do not present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**NET POSITION**

Net position is classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Township obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.
- Restricted-Nonexpendable – Net position subject to externally imposed restrictions which is required to be maintained in perpetuity.
- Restricted-Expendable – Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Township or by the passage of time.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'.

The Township applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

**FUND EQUITY**

Beginning with calendar year 2011, the Township of North Fayette implemented the terminology for Fund Equity as specified in GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, however has not yet developed a formal written GASB 54 policy. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amount constrained to specific purposes by the Township itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned fund balance – amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amount that are available for any purpose

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At December 31, 2012, the Township of North Fayette had the following carrying values on its cash and cash equivalent accounts held at Huntington and First Commonwealth Banks:

|                              | <b><u>Bank Balance</u></b> | <b>(Memo Only)<br/><u>Book Balance</u></b> |
|------------------------------|----------------------------|--------------------------------------------|
| General fund                 | \$ 3,241,822               | \$ 3,182,902                               |
| Capital Improvement Fund     | 228,694                    | 228,694                                    |
| Non-major governmental funds | 1,257,955                  | 1,257,955                                  |
| Business-type activities     | 1,752,007                  | 1,760,879                                  |
| Fiduciary funds              | 216,633                    | 216,633                                    |
| <b>TOTAL</b>                 | <b><u>\$ 6,697,111</u></b> | <b><u>\$ 6,647,063</u></b>                 |

The difference between the bank balance and book balance represents year-end reconciling items such as deposits in transit and outstanding checks. All funds in a 'noninterest-bearing transaction account' are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. On May 20, 2009, the FDIC extended the increased insurance limits of \$250,000 until December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor. Bank deposits at Merrill Lynch are insured up to \$250,000 through Securities Investors Protection Corporation (SIPC).

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a separate policy for custodial credit risk in addition to the requirements of the Second Class Township Code. As of December 31, 2012, \$5,941,201 of the Township'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 Township'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 following represents the fair value of the Township's investments at December 31, 2012:

|                                 | <u>Fair Value</u>   | <u>Investment Maturities (in Years)</u> |                           |             |             |                     |
|---------------------------------|---------------------|-----------------------------------------|---------------------------|-------------|-------------|---------------------|
|                                 |                     | <u>No Stated Maturity</u>               | <u>Less than one year</u> | <u>1-5</u>  | <u>6-10</u> | <u>More Than 10</u> |
| <b>Governmental Funds:</b>      |                     |                                         |                           |             |             |                     |
| Mutual Funds                    | \$ 6,724,139        | \$ 6,724,139                            | \$ -                      | \$ -        | \$ -        | \$ -                |
| <b>Total Governmental Funds</b> | <b>\$ 6,724,139</b> | <b>\$ 6,724,139</b>                     | <b>\$ -</b>               | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>         |
| <b>Fiduciary Funds:</b>         |                     |                                         |                           |             |             |                     |
| <b>Pension Funds:</b>           |                     |                                         |                           |             |             |                     |
| Mutual Funds                    | 8,805,451           | 8,805,451                               | -                         | -           | -           | -                   |
| Unallocated Insurance Contracts | 2,757               | 2,757                                   | -                         | -           | -           | -                   |
| <b>Total Pension Funds</b>      | <b>\$ 8,808,208</b> | <b>\$ 8,808,208</b>                     | <b>\$ -</b>               | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>         |

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Investments in mutual funds have the characteristics of open-end mutual funds and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Township does not have a formal investment policy for custodial credit risk.

**Interest Rate Risk**

The Township 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.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township does not have an investment policy, in addition to the requirements of the Second Class Township Code and the Intergovernmental Cooperation Act, that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of December 31, 2012, the Township's investments in mutual funds were rated A- to AAA by Standard & Poor's and A1 to Aaa by Moody's Investors Service.

**Concentration of Credit Risk**

The Township places no limit on the amount they invest in any one issuer.

**NOTE 3 - PROPERTY TAXES**

The Township of North Fayette levies property taxes May 1st of each calendar year. The calendar dates for payment of these taxes is as follows:

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| May 1 – June 30, 2012    | (Discount period) |
| July 1 – August 31, 2012 | (Face period)     |
| September 1 and after    | (Penalty period)  |

Taxpayers are entitled to a 2% discount if taxes are paid prior to July 1st. Collections after August 31st are assessed a 10% penalty. Taxes unpaid as of November 1 of the year following levy are lien through Allegheny County. As of December 31, 2012, the Township had \$143,199 in unpaid 2012 property taxes, which represents 2.8% of the assessed valuation for 2012.

The Commonwealth of Pennsylvania Second Class Township Code allows a maximum millage rate of 14 for general operating purposes. The Township of North Fayette's tax millage assessment for general purposes is 3.76 mills and for fire protection is .174 mills for a total for the 2012 calendar year of 3.90 (mills on the assessed value of land and buildings (\$976,172,004) assessment for 2012, which represents approximately \$3.90 of revenue for every \$1000 of assessed value. The Township recognized property tax revenue when received during the fiscal year. No provision has been made for amounts estimated to be uncollectable.

**NOTE 4 - OTHER RECEIVABLES**

Other receivables, as reflected in Exhibit A, are comprised of the following:

|                         |                          |
|-------------------------|--------------------------|
| Cable franchise fees    | \$ 72,207                |
| Engineering receivables | 38,658                   |
| Legal receivables       | 11,950                   |
| Miscellaneous           | 69,856                   |
| <b>Total</b>            | <b><u>\$ 192,671</u></b> |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS**

The 'due from other governmental unit' total of \$489,434, as reflected in Exhibit A, is comprised of the following:

|                                   |           |                       |
|-----------------------------------|-----------|-----------------------|
| Regional assets tax               | \$        | 20,544                |
| Tax collection fees               |           | 20,283                |
| Summit Park/Robinson Twp. Project |           | 333,149               |
| Miscellaneous                     |           | 115,458               |
|                                   | <b>\$</b> | <b><u>489,434</u></b> |

**NOTE 6 – ANALYSIS OF INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2012 were comprised of the following amounts:

|                             | <b><u>TRANSFERS<br/>IN</u></b> | <b><u>TRANSFERS<br/>OUT</u></b> |
|-----------------------------|--------------------------------|---------------------------------|
| General Fund                | \$ 994,000                     | \$ 17,747                       |
| Liquid Fuels Fund           | -                              | 334,000                         |
| P.A.L.S Fund                | 17,747                         | -                               |
| Stormwater Maintenance Fund | 26,001                         | -                               |
| Sewer Fund                  | -                              | 630,000                         |
| Trash Fund                  | -                              | 30,000                          |
| Escrow Fund                 | -                              | 26,001                          |
|                             | <b><u>\$ 1,037,748</u></b>     | <b><u>\$ 1,037,748</u></b>      |

Transfers to the General Fund include monies transferred from the Sewer Fund, Trash Fund, and Liquid Fuels Fund, to cover expenditures paid by the General Fund. A transfer was made from the General Fund to the P.A.L.S. Fund to cover expenditures paid by the P.A.L.S. Fund and a transfer was made into the Stormwater Maintenance Fund to close two Escrow Fund bank accounts.

**NOTE 7 – CAPITAL ASSETS – SEWER FUND**

A summary of the Sewer Fund fixed asset activity for the 2012 calendar year was as follows:

|                                 | <b><u>Balance<br/>1/1/12</u></b> | <b><u>Additions</u></b>  | <b><u>Deletions</u></b> | <b><u>Balance<br/>12/31/12</u></b> |
|---------------------------------|----------------------------------|--------------------------|-------------------------|------------------------------------|
| Sewer System                    | \$ 10,649,289                    | \$ 189,908               | \$ -                    | \$ 10,839,197                      |
| Equipment                       | 391,705                          | -                        | -                       | 391,705                            |
| Work in Progress                | 162,319                          | 12,056                   | 90,467                  | 83,908                             |
|                                 | <b><u>\$ 11,203,313</u></b>      | <b><u>\$ 201,964</u></b> | <b><u>\$ 90,467</u></b> | <b><u>\$ 11,314,810</u></b>        |
| Less: Accumulated Depreciation  | \$ 6,477,999                     | \$ 142,207               | \$ -                    | \$ 6,620,206                       |
| <b>Business-Type Activities</b> |                                  |                          |                         |                                    |
| <b>Capital Assets, Net</b>      | <b><u>\$ 4,725,314</u></b>       | <b><u>\$ 142,207</u></b> | <b><u>\$ -</u></b>      | <b><u>\$ 4,694,604</u></b>         |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 8 – CAPITAL ASSETS – TRASH FUND**

A summary of the Trash Fund fixed asset activity for the 2012 calendar year was as follows:

|                                 | <b>Balance<br/>1/1/12</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance<br/>12/31/12</b> |
|---------------------------------|---------------------------|-------------------|------------------|-----------------------------|
| Equipment                       | \$ 631,042                | \$ -              | \$ -             | \$ 631,042                  |
|                                 | <b>\$ 631,042</b>         | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ 631,042</b>           |
| Less: Accumulated Depreciation  | \$ 126,159                | \$ 125,308        | \$ -             | \$ 251,467                  |
| <b>Business-Type Activities</b> |                           |                   |                  |                             |
| <b>Capital Assets, Net</b>      | <b>\$ 504,883</b>         | <b>\$ 125,308</b> | <b>\$ -</b>      | <b>\$ 379,575</b>           |

**NOTE 9 - DUE TO/FROM OTHER FUNDS**

Due to/from other funds is comprised of the following at December 31, 2012:

|                            | <b>DUE TO</b>       | <b>DUE FROM</b>     |
|----------------------------|---------------------|---------------------|
| General Fund               | \$ 1,419,341        | \$ -                |
| Traffic Signalization Fund | -                   | -                   |
| Capital Improvement Fund   | -                   | 205,381             |
| Sewer Fund                 | -                   | 693,537             |
| Trash Fund                 | -                   | 520,422             |
|                            | <b>\$ 1,419,341</b> | <b>\$ 1,419,341</b> |

The amounts due to the General Fund represent monies paid by the General Fund for general expenses of the Traffic Signalization, Capital Improvement, Sewer and Trash Funds. These monies are expected to be paid back to the General Fund in early 2013. The amount due to the Capital Improvement Fund represents a lease payment made out of the Capital Improvement Fund that was to be paid out of the Trash Fund.

**NOTE 10 - PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES) DEBT OBLIGATIONS**

**GENERAL OBLIGATION NOTES**

**PENNVEST**

On November 25, 1996, the Pennsylvania Infrastructure Investment Authority (PENNVEST) awarded the Township a \$780,000 loan, which was increased by \$108,253 in 1997, to partially finance the construction of a sewer system. The Township's final loan amount was \$740,802. The terms of this General Obligation Note call for principal and interest payments from April 1, 1999 through August 1, 2002 of \$5,183.21, and \$5,540.86 per month thereafter through maturity, November 1, 2013.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 10 - PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES) DEBT OBLIGATIONS**

**GENERAL OBLIGATION NOTES (Continued)**

**PENNVEST**

On July 18, 2001, The Township of North Fayette received approval from the Pennsylvania Infrastructure Investment Authority (PENNVEST) for a \$1,413,600 loan to assist the Township in the enhancement of its sewer system. The terms of the loan call for interest to be paid on the unpaid balance for the first five years at 2.623%, and at a rate of 3.392% for the remaining twenty (20) years. The loan was final amortized as of December 31, 2007 with monthly payments of \$6,082.31 and is scheduled to mature on July 1, 2022.

A summary of the Township's Proprietary Fund (Business-Type Activity) outstanding general note obligations at December 31, 2012 is as follows:

| <b>Year End<br/>31-Dec</b> | <b>1996<br/>Pennvest<br/>Principal</b> | <b>2001<br/>Pennvest<br/>Principal</b> | <b>Interest</b>   | <b>Total</b>      |
|----------------------------|----------------------------------------|----------------------------------------|-------------------|-------------------|
| 2013                       | \$ 54,963                              | \$ 53,584                              | \$ 20,429         | \$ 128,976        |
| 2014                       | -                                      | 55,430                                 | 17,558            | 72,988            |
| 2015                       | -                                      | 57,340                                 | 15,648            | 72,988            |
| 2016                       | -                                      | 59,317                                 | 13,671            | 72,988            |
| 2017                       | -                                      | 61,359                                 | 11,629            | 72,988            |
| 2018-2022                  | -                                      | 309,415                                | 25,111            | 334,526           |
|                            | <u>\$ 54,963</u>                       | <u>\$ 596,445</u>                      | <u>\$ 104,046</u> | <u>\$ 755,454</u> |

**NOTE 10 - PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES) DEBT OBLIGATIONS**

**CAPITAL LEASE AGREEMENTS**

In July of 2010, North Fayette Township entered into a lease agreement with Huntington Bank for the purchase of two garbage trucks. The terms of the lease call for monthly principal and interest payments totaling \$8,088.50, with the last payment due on July 23, 2015. The interest rate on the lease is 3.15%.

In October of 2011, North Fayette Township entered into a lease agreement with Huntington Bank for the purchase of a garbage truck. The terms of the lease call for monthly principal and interest payments totaling \$3,430.10, with the last payment due on October 21, 2016. The interest rate on the lease is 5.21%.

The following represents the principal and interest payments on the lease agreements:

| <b>YEAR END<br/>DECEMBER 31</b> | <b>2010<br/>PRINCIPAL</b> | <b>2010<br/>INTEREST</b> | <b>2011<br/>PRINCIPAL</b> | <b>2011<br/>INTEREST</b> | <b>TOTAL</b>      |
|---------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|-------------------|
| 2013                            | \$ 90,792                 | \$ 6,270                 | \$ 35,133                 | \$ 6,028                 | \$ 138,223        |
| 2014                            | 93,692                    | 3,370                    | 36,866                    | 4,295                    | 138,223           |
| 2015                            | 56,031                    | 600                      | 38,684                    | 2,477                    | 97,792            |
| 2016                            | -                         | -                        | 30,259                    | 611                      | 30,870            |
|                                 | <u>\$ 240,515</u>         | <u>\$ 10,240</u>         | <u>\$ 140,942</u>         | <u>\$ 13,411</u>         | <u>\$ 405,108</u> |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 11 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS**

**REVENUE NOTE**

On December 18, 2007, the Commonwealth of Pennsylvania, acting through the Department of Community and Economic Development (DCED), awarded the Township a revenue note in the amount of \$1,457,625. The purpose of the note is to allow the Imperial Business Park, located in the township, to construct a water and sewer line along Route 978. The state required North Fayette Township to be involved for the money to be passed through to the Imperial Business Park. The township applied for a DCED grant of \$784,875 in addition to the revenue note, as the total project cost is \$2,242,500. The Township entered into a loan reimbursement agreement with Imperial Business Park to pay the monthly interest on the note and the principal balance which is due on or before January 1, 2028. Interest payments on the principal balance are at a rate of 2% per annum.

**GENERAL OBLIGATION BONDS**

In July of 2009, the Township of North Fayette issued General Obligation Bonds, Refunding Series of 2009 in the amount of \$9,290,000. The purpose of the issue was to (1) refund a portion of the outstanding balance of the Township's General Obligation Bonds - Series of 2003; (2) make certain capital improvements to the Township's sewer system and other general capital improvements deemed necessary by management (3) pay all costs and expenses related to the issuance of the 2009 bonds. The bonds were issued in denominations of \$5,000, dated July 1, 2009. In June of 2012, a portion of this bond issue was advance refunded by General Obligation Bonds, Series of 2012, leaving a balance of \$4,810,000. Interest payments are made semi-annually on April 15 and October 15 at rates ranging between 2.65% and 4.90%. The bonds are scheduled to mature on April 15, 2030.

In June of 2012, the Township of North Fayette issued General Obligation Bonds, Series of 2012 in the amount of \$9,800,000. The purpose of the issue was (1) to refund a portion of the outstanding balance of the Township's General Obligation Bonds - Series of 2009; (2) for various capital projects, (3) to pay all costs and expenses related to the issuance of the 2012 bonds. The bonds were issued in denominations of \$5,000, dated June 28, 2012. Interest payments are made semi-annually on April 15 and October 15 at rates ranging between .25% and 3.875%. The bonds are scheduled to mature on April 15, 2042.

A summary of the Township's Governmental Activity outstanding debt obligations at December 31, 2012 is as follows:

| <b>Year End<br/>Dec 31</b> | <b>2009 Bond<br/>Principal</b> | <b>2009 Bond<br/>Interest</b> | <b>2012 Bond<br/>Principal</b> | <b>2012 Bond<br/>Interest</b> | <b>Pennworks<br/>Principal</b> | <b>Pennworks<br/>Interest</b> | <b>Total</b>         |
|----------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|----------------------|
| 2013                       | \$ 200,000                     | \$ 191,544                    | \$ 80,000                      | \$ 338,074                    | \$ -                           | \$ 29,153                     | \$ 838,771           |
| 2014                       | 205,000                        | 186,178                       | 80,000                         | 330,074                       | -                              | 29,153                        | 830,405              |
| 2015                       | 210,000                        | 180,311                       | 85,000                         | 335,424                       | -                              | 29,153                        | 839,888              |
| 2016                       | 220,000                        | 173,586                       | 85,000                         | 333,724                       | -                              | 29,153                        | 841,463              |
| 2017                       | 225,000                        | 166,130                       | 85,000                         | 332,024                       | -                              | 29,153                        | 837,307              |
| 2018-2022                  | 1,270,000                      | 693,532                       | 455,000                        | 1,631,719                     | -                              | 145,765                       | 4,196,016            |
| 2023-2027                  | 1,555,000                      | 398,968                       | 530,000                        | 1,568,036                     | -                              | 145,765                       | 4,197,769            |
| 2028-2032                  | 925,000                        | 59,438                        | 1,635,000                      | 1,437,069                     | 1,457,625                      | 2,429                         | 5,516,561            |
| 2033-2037                  | -                              | -                             | 3,055,000                      | 997,263                       | -                              | -                             | 4,052,263            |
| 2038                       | -                              | -                             | 3,685,000                      | 367,603                       | -                              | -                             | 4,052,603            |
|                            | <b>\$ 4,810,000</b>            | <b>\$ 2,049,687</b>           | <b>\$ 9,775,000</b>            | <b>\$ 7,671,010</b>           | <b>\$ 1,457,625</b>            | <b>\$ 439,724</b>             | <b>\$ 26,203,046</b> |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 11 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS (Continued)**

**CAPITAL LEASE AGREEMENTS**

In February of 2008, North Fayette Township entered into a lease agreement with Sun Trust Equipment Finance and Leasing Corp. for the purchase of a fire truck. The terms of the lease call for annual principal and interest payments totaling \$74,136.29, with the last payment due on March 15, 2017. The interest rate on the lease is 3.78%.

The following represents the principal and interest payments on the lease agreements:

| <b>YEAR END</b>           | <b>PRINCIPAL</b>  | <b>INTEREST</b>  | <b>TOTAL</b>      |
|---------------------------|-------------------|------------------|-------------------|
| <b><u>DECEMBER 31</u></b> |                   |                  |                   |
| 2013                      | \$ 61,585         | \$ 12,551        | \$ 74,136         |
| 2014                      | 63,913            | 10,223           | 74,136            |
| 2015                      | 66,328            | 7,808            | 74,136            |
| 2016                      | 68,835            | 5,301            | 74,136            |
| 2017                      | 71,436            | 2,700            | 74,136            |
|                           | <u>\$ 332,097</u> | <u>\$ 38,583</u> | <u>\$ 370,680</u> |

**NOTE 12 - CHANGES IN LONG-TERM DEBT**

The following summarizes the changes in the township's long-term debt obligations during the year ended December 31, 2012:

|                                 | <b>Balance</b>       |                     |                     | <b>Balance</b>         | <b>Due Within</b>      |
|---------------------------------|----------------------|---------------------|---------------------|------------------------|------------------------|
|                                 | <b><u>1/1/12</u></b> | <b>Additions</b>    | <b>Reductions</b>   | <b><u>12/31/12</u></b> | <b><u>One Year</u></b> |
| <b>GOVERNMENTAL ACTIVITIES</b>  |                      |                     |                     |                        |                        |
| General Obligation Bonds        | \$ 9,140,000         | \$ 9,800,000        | \$ 4,355,000        | \$ 14,585,000          | \$ 280,000             |
| General Obligation Notes        | 1,457,625            | -                   | -                   | 1,457,625              | -                      |
| Capital Lease Agreement         | 391,439              | -                   | 59,342              | 332,097                | 61,585                 |
| <b>Total long-term Debt -</b>   |                      |                     |                     |                        |                        |
| <b>Governmental Activities</b>  | <u>\$ 10,989,064</u> | <u>\$ 9,800,000</u> | <u>\$ 4,414,342</u> | <u>\$ 16,374,722</u>   | <u>\$ 341,585</u>      |
| <b>BUSINESS-TYPE ACTIVITIES</b> |                      |                     |                     |                        |                        |
| General Obligation Notes        | \$ 766,119           | \$ -                | \$ 114,711          | \$ 651,408             | \$ 108,547             |
| Capital Lease Agreements        | 502,921              | -                   | 121,464             | 381,457                | 125,925                |
| <b>Total long-term Debt -</b>   |                      |                     |                     |                        |                        |
| <b>Business-Type Activities</b> | <u>\$ 1,269,040</u>  | <u>\$ -</u>         | <u>\$ 236,175</u>   | <u>\$ 1,032,865</u>    | <u>\$ 234,472</u>      |

**NOTE 13 - OPERATING LEASE**

In August of 2009, North Fayette Township entered into a lease agreement with General Electric Capital Corporation for the lease of a Savin 8045 copier. The terms of the lease call for 60 monthly payments of \$595.00. The copier lease expense for the Township for 2012 was \$7,140.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 14 - TOWNSHIP PENSION PLANS**

**POLICE PENSION PLAN** - The Township of North Fayette police pension plan is a single-employer defined benefit pension plan established to provide retirement and death benefits to qualified police department employees under the provisions of Act 600 of the Commonwealth of Pennsylvania and Local Township ordinances. The plan was established on February 24, 1981 and was amended and restated effective January 1, 2002. The plan is governed by the North Fayette Township Board of Supervisors who are responsible for the management of plan assets. The Township Supervisors have delegated the authority to manage certain plan assets to Guggenheim Life and Annuity Company and the investment firms of Merrill Lynch and Univest.

Plan membership as of January 1, 2011 was comprised of:

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time policemen of the Township of North Fayette shall be participants in the plan.
- ELIGIBILITY** - All participants are eligible for retirement benefits at the later of age fifty (50) or the completion of twenty-five (25) years of service.
- BENEFITS** - Based on fifty percent of the participant's average monthly salary earned during the 36 month period preceding retirement. Vesting shall occur after completion of twelve years of eligible service.
- TERMINATION** - The plan provides terminated employees with a return of their contributions, if any, plus 5% interest.
- FUNDING** - Employee contributions are equal to 5% of total compensation. Township contributions are to be determined by the actuary. The Township contributed \$622,950 to the plan in 2012, \$154,910 of which was received from the Commonwealth of Pennsylvania's Municipal Pension State Aid allocation. Eligible Township employees contributed \$91,157 to the plan.

The Township has a net pension asset (a negative net pension obligation (NPO) as of December 31, 2010 calculated as follows:

|                                    |                                  |
|------------------------------------|----------------------------------|
| Annual required contribution (ARC) | \$ 476,897                       |
| Interest on NPO                    | (409)                            |
| Adjustment to the ARC              | 701                              |
| Annual pension cost                | <u>\$ 477,189</u>                |
| Contributions made                 | 491,004                          |
| Change in NPO                      | <u>\$ (13,815)</u>               |
| NPO - January 1, 2009              | <u>(5,842)</u>                   |
| <b>NPO - December 31, 2010</b>     | <b><u><u>\$ (19,657)</u></u></b> |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 14 - TOWNSHIP PENSION PLANS (Continued)**

**SERVICE EMPLOYEES PENSION PLAN** - The Township of North Fayette Service Employees Pension Plan is a single-employer defined contribution pension plan established October 1, 1978 and amended and restated effective January 1, 2002. The plan is governed by the North Fayette Township Board of Supervisors who are responsible for the management of plan assets. The Township Supervisors have delegated the authority to manage certain plan assets to Guggenheim Life and Annuity Company and the investment firms of Merrill Lynch and Univest.

Plan membership as of January 1, 2011 was comprised of:

|                                                                         |                  |
|-------------------------------------------------------------------------|------------------|
| Active employees                                                        | 35               |
| Retirees and beneficiaries currently receiving benefits                 | .                |
| Terminated employees entitled to benefits<br>but not yet receiving them | <u>1</u>         |
| Total                                                                   | <u><u>36</u></u> |

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time employees of the Township of North Fayette shall be participants in the plan.
  
- ELIGIBILITY** - All participants are eligible for retirement benefits at the normal retirement age of sixty-five (65) or early retirement age of sixty (60).
  
- BENEFITS** - The participant's receive the fair market value of their account as a lump sum or used to purchase an annuity. Vesting shall occur after completion of ten years of eligible service.
  
- FUNDING** - Employee contributions are equal to 2.5% of total compensation. Township contributions required to be 7% of each eligible participant's compensation. The Township contributed \$118,199 to the plan in 2012, \$116,874 of which was received from the Commonwealth of Pennsylvania's Municipal Pension State Aid allocation. Eligible Township employees contributed \$43,841 to the plan.

**NOTE 15 - DEFERRED COMPENSATION PLAN**

In March of 1997, The Township of North Fayette established a Deferred Compensation Plan through the Allegheny League of Municipalities and administered by the Prudential Asset Management Company. In accordance with Internal Revenue Code Section 457, assets in the plan remain the property of the Township of North Fayette until paid or made available to the participants, subject only to the claims of the Township's general creditors.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 16 - RISK MANAGEMENT**

**GENERAL**

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

**NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES**

**LEGAL MATTERS**

The Township of North Fayette is a party to various legal actions normally associated with municipalities, the aggregate effect of which, in management's opinion, would not be material to the financial position of the Township.

**FEDERAL AND STATE FUNDING**

The Township of North Fayette's state and federally funded programs are subject to audit by various governmental agencies. The Township is potentially liable for any expenditures 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 18 – PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$27,661 made in both the General and Trash Funds, represents an amount due from other governmental units for a recycling grant posted in the General Fund at December 31, 2011. The prior period adjustment of \$642,442 made in the Non-Major Governmental Funds, represents amounts which were considered maintenance funds with an offsetting liability which is due to developers. The Township has determined that these amounts are not due to developers.

**NOTE 19 – SUBSEQUENT EVENT**

Management has determined that there are no events subsequent to December 31, 2012 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require disclosure in the financial statements.

**NOTE 20 – PENDING GASB PRONOUNCEMENTS**

In June of 2011, GASB issued Statement No. 61, The Financial Reporting Entity. The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this Statement are effective for the Township's December 31, 2013 financial statements.

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for the Township's December 31, 2013 financial statements.

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 20 – PENDING GASB PRONOUNCEMENTS (Continued)**

In March 2012, GASB issued Statement No. 66, Technical Corrections, an Amendment of GASB Statements No. 10 and 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for the Township's December 31, 2013 financial statements.

In June 2012, GASB issued Statements No. 67 and 68, Accounting and Financial Reporting for Pensions, which amend GASB Statements Nos. 25 and 27. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of these Statements are effective for the Township's December 31, 2014 financial statements.

The effects of the implementation of these standards on North Fayette Township's financial statements have not yet been determined.

***SUPPLEMENTARY  
SCHEDULES***

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                       | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(MEMORANDUM ONLY)</u><br><u>2011</u> |
|---------------------------------------|---------------------|---------------------|-----------------------------------------|
| <b><u>TAXES:</u></b>                  |                     |                     |                                         |
| Real Estate Tax - Current             | \$ 3,700,000        | \$ 3,638,342        | \$ 3,566,109                            |
| Real Estate Tax - Prior               | 20,000              | 21,810              | 228,423                                 |
| Real Estate Tax - Prior               | 75,000              | 74,439              | -                                       |
| Deed Transfer Tax                     | 250,000             | 447,341             | 372,268                                 |
| Earned Income Tax                     | 2,120,000           | 2,291,955           | 2,558,728                               |
| Local Service Tax                     | 360,000             | 182,583             | 368,859                                 |
| Local Service Tax - Prior             | 90,000              | 118,341             | -                                       |
| Amusement Tax                         | 4,400               | 4,908               | 4,644                                   |
| Mechanical Device Tax                 | 6,000               | 9,385               | 7,550                                   |
| Parking Tax                           | 42,000              | 49,954              | 51,165                                  |
| <b>TOTAL TAXES</b>                    | <b>\$ 6,667,400</b> | <b>\$ 6,839,057</b> | <b>\$ 7,157,746</b>                     |
| <b><u>LICENSES AND PERMITS:</u></b>   |                     |                     |                                         |
| Cable Franchise Fee - Comcast         | \$ 215,000          | \$ 221,279          | \$ 218,568                              |
| Cable Franchise Fee - Verizon         | 40,000              | 60,216              | 48,973                                  |
| Street Encroachment Permits           | 11,500              | 4,780               | 2,565                                   |
| Building Permits                      | 88,000              | 116,311             | 103,711                                 |
| Occupancy Permits                     | 4,900               | 6,958               | 5,590                                   |
| Subdivision/Land Development          | 15,000              | 27,675              | 15,350                                  |
| Zoning Permits                        | -                   | 530                 | -                                       |
| Other Permits                         | 11,000              | 3,457               | 1,500                                   |
| <b>TOTAL LICENSES AND PERMITS</b>     | <b>\$ 385,400</b>   | <b>\$ 441,206</b>   | <b>\$ 396,258</b>                       |
| <b><u>FINES AND FORFEITURES:</u></b>  |                     |                     |                                         |
| Vehicle Code and Ordinance Violations | \$ 15,000           | \$ 9,651            | \$ 20,013                               |
| State Police Fines                    | 11,000              | 11,080              | 10,956                                  |
| Parking fines                         | 2,500               | 1,749               | 2,126                                   |
| Restitutions                          | -                   | 25                  | -                                       |
| Individual Fines                      | 37,000              | 33,518              | 34,030                                  |
| <b>TOTAL FINES AND FORFEITURES</b>    | <b>\$ 65,500</b>    | <b>\$ 56,022</b>    | <b>\$ 67,125</b>                        |
| <b><u>INTEREST AND RENTS:</u></b>     |                     |                     |                                         |
| Interest earnings                     | \$ 1,500            | \$ 1,382            | \$ 1,785                                |
| Rent                                  | 55,000              | 64,686              | 64,188                                  |
| <b>TOTAL INTEREST AND RENTS</b>       | <b>\$ 56,500</b>    | <b>\$ 66,068</b>    | <b>\$ 65,973</b>                        |
| <b><u>INTERGOVERNMENTAL:</u></b>      |                     |                     |                                         |
| Federal operating grants              | \$ 1,300            | \$ -                | \$ -                                    |
| State capital operating grants        | 14,000              | 1,690,007           | 44,242                                  |
| Recycling grants                      | -                   | -                   | 27,661                                  |
| Public utility realty tax             | 9,000               | 9,206               | 9,135                                   |
| Alcoholic beverage tax                | 8,000               | 7,100               | 8,850                                   |
| Pension state aid                     | 231,000             | 271,784             | 397,347                                 |
| Volunteer fire relief                 | 96,800              | 89,288              | 155,949                                 |
| Act 77 County Sales tax               | 165,000             | 210,741             | 170,135                                 |
| Payment in lieu of taxes              | 15,000              | 17,963              | -                                       |
| <b>TOTAL INTERGOVERNMENTAL</b>        | <b>\$ 540,100</b>   | <b>\$ 2,296,089</b> | <b>\$ 813,319</b>                       |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                       | <u>BUDGET</u>       | <u>ACTUAL</u>        | <u>(MEMORANDUM ONLY)</u><br><u>2011</u> |
|-------------------------------------------------------|---------------------|----------------------|-----------------------------------------|
| <b><u>CHARGES FOR SERVICES:</u></b>                   |                     |                      |                                         |
| Hearing fees                                          | \$ 6,000            | \$ 10,600            | \$ 4,150                                |
| Sale of maps and publications                         | 300                 | 153                  | 355                                     |
| Lien letter fees                                      | 15,000              | 16,105               | 12,310                                  |
| Dye test certification                                | 3,700               | 4,475                | 4,140                                   |
| Tax collection fees - WASD                            | 30,000              | 42,575               | 76,553                                  |
| Special police services                               | 50,000              | 62,109               | 23,428                                  |
| Sale of police reports                                | 2,800               | 5,467                | 3,140                                   |
| SRO - WASD                                            | 60,000              | 58,986               | 53,603                                  |
| Police Event Revenues                                 | 300                 | 615                  | 210                                     |
| Contracted snow removal - PENNDOT                     | 39,000              | 40,502               | 50,622                                  |
| Other contracted services                             | 12,000              | 14,963               | 12,578                                  |
| Rent - fields                                         | -                   | 450                  | 50                                      |
| Rent - community center/gym                           | 9,000               | 9,225                | 9,240                                   |
| Swimming pool receipts                                | 50,000              | 39,150               | 49,736                                  |
| Pool concessions                                      | 6,500               | 16,910               | -                                       |
| Rent - picnic shelters                                | 6,000               | 6,050                | 4,384                                   |
| Donations                                             | -                   | 29                   | -                                       |
| Program revenues                                      | 30,000              | 42,535               | 28,987                                  |
| Seasonal revenues                                     | 123,000             | 111,204              | 129,199                                 |
| Event revenues                                        | 20,000              | 13,423               | 3,495                                   |
| Special fundraising event                             | -                   | 1,890                | 6,050                                   |
| P.A.L.S. receipts                                     | -                   | 34,059               | -                                       |
| Developer paid recreation fees                        | 14,500              | 8,800                | 10,250                                  |
| <b>TOTAL CHARGES FOR SERVICES</b>                     | <b>\$ 478,100</b>   | <b>\$ 540,274</b>    | <b>\$ 482,480</b>                       |
| <b><u>MISCELLANEOUS:</u></b>                          |                     |                      |                                         |
| Miscellaneous revenues                                | \$ 5,000            | \$ 1,170             | \$ 6,608                                |
| Reimbursement - WACL                                  | 300                 | -                    | -                                       |
| <b>TOTAL MISCELLANEOUS</b>                            | <b>\$ 5,300</b>     | <b>\$ 1,170</b>      | <b>\$ 6,608</b>                         |
| <b><u>OTHER FINANCIAL SOURCES:</u></b>                |                     |                      |                                         |
| Sale of Township property                             | \$ 25,000           | \$ 9,281             | \$ 1,212                                |
| Transfer - Sewer Fund                                 | -                   | 630,000              | 669,000                                 |
| Transfer - Highway Aid Fund                           | -                   | 334,000              | 348,000                                 |
| Transfer - Trash Fund                                 | -                   | 30,000               | 50,000                                  |
| Unknown                                               | -                   | 87,197               | -                                       |
| Refund Prior Year Expenses                            | -                   | 18,969               | 17,496                                  |
| <b>TOTAL OTHER FINANCIAL SOURCES</b>                  | <b>\$ 25,000</b>    | <b>\$ 1,109,447</b>  | <b>\$ 1,085,708</b>                     |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCIAL SOURCES</b> | <b>\$ 8,223,300</b> | <b>\$ 11,349,334</b> | <b>\$ 10,075,217</b>                    |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                  | BUDGET              | ACTUAL              | (MEMORANDUM ONLY)<br>2011 |
|----------------------------------|---------------------|---------------------|---------------------------|
| <b>GENERAL GOVERNMENT:</b>       |                     |                     |                           |
| <b>ADMINISTRATION:</b>           |                     |                     |                           |
| Salary - supervisors             | \$ 46,000           | \$ 53,402           | \$ 45,009                 |
| Salary - manager & clerical      | 116,900             | 123,081             | 113,428                   |
| Salary - financial               | 124,700             | 115,536             | 96,662                    |
| Payroll taxes                    | 23,050              | 23,857              | 71,797                    |
| Employee benefits                | 48,600              | 44,938              | 18,998                    |
| Auditing & financial consulting  | 6,000               | 9,473               | 11,818                    |
| Legal expenses                   | 93,000              | 155,294             | 149,634                   |
| Other professional services      | 5,000               | 6,231               | 6,140                     |
| Payroll contracted services      | 14,000              | 12,737              | -                         |
| Communications                   | 12,100              | 8,091               | 10,297                    |
| Advertising                      | 10,000              | 8,128               | 8,845                     |
| Liability & bond insurance       | 14,000              | 23,344              | 12,708                    |
| Data processing                  | 33,100              | 49,019              | 38,967                    |
| Office supplies and printing     | 21,500              | 20,996              | 22,529                    |
| Dues/subscriptions/education     | 8,500               | 11,107              | 9,007                     |
| Travel expenses                  | 4,500               | 2,861               | 2,808                     |
| Postage                          | 23,000              | 17,188              | 17,810                    |
| Capital purchases                | 7,200               | 7,259               | 7,735                     |
| Engineering services             | 50,000              | 181,152             | 49,376                    |
| Miscellaneous                    | 12,700              | 12,595              | 47,185                    |
| <b>TOTAL ADMINISTRATION</b>      | <b>\$ 673,850</b>   | <b>\$ 886,289</b>   | <b>\$ 740,752</b>         |
| <b>TAX COLLECTION:</b>           |                     |                     |                           |
| Commissions                      | \$ 81,300           | \$ 77,826           | \$ 147,638                |
| Payroll taxes                    | 2,166               | 1,622               | 2,943                     |
| Filing fees                      | 2,000               | -                   | -                         |
| Insurance and bonding            | 8,000               | -                   | -                         |
| Office supplies and printing     | 10,000              | 2,713               | 2,969                     |
| Postage                          | 11,000              | 612                 | 9,448                     |
| Other professional services      | 20,000              | 16,032              | 27,671                    |
| <b>TOTAL TAX COLLECTION</b>      | <b>\$ 134,466</b>   | <b>\$ 98,805</b>    | <b>\$ 190,669</b>         |
| <b>MUNICIPAL BUILDING:</b>       |                     |                     |                           |
| Salaries - regular               | \$ 206,162          | \$ 212,452          | \$ 195,157                |
| Salaries - Overtime              | 1,080               | 5,429               | 6,757                     |
| FICA                             | 16,546              | 16,667              | 15,324                    |
| Workmens comp benefits           | 700                 | 7,959               | 597                       |
| Medical Benefits                 | 69,000              | 71,600              | 61,156                    |
| Other Insurance Benefits         | 1,100               | 975                 | 893                       |
| Cleaning supplies                | 400                 | 1,490               | -                         |
| Maintenance supplies             | 4,000               | 3,161               | 4,071                     |
| Uniform allowance                | 1,300               | 1,650               | 1,300                     |
| Safety                           | 12,000              | 9,414               | 8,078                     |
| Small Tools - Maintenance        | 15,000              | 16,654              | 14,056                    |
| Other health care services       | 400                 | 25                  | -                         |
| Communications                   | 7,000               | -                   | 60                        |
| Wireless telephone               | 600                 | 550                 | -                         |
| Travel Expenses                  | 200                 | 91                  | 422                       |
| Insurance and bonding            | 5,700               | 5,035               | -                         |
| Utilities                        | 37,200              | 22,987              | 29,587                    |
| Land maintenance                 | 1,500               | 1,385               | -                         |
| Repairs and maintenance          | 20,000              | 21,822              | 27,285                    |
| RE taxes                         | -                   | 1,039               | -                         |
| CDL Drug & alcohol testing       | 250                 | 216                 | -                         |
| Miscellaneous                    | 500                 | 72                  | 1,316                     |
| <b>TOTAL MUNICIPAL BUILDING</b>  | <b>\$ 400,638</b>   | <b>\$ 400,673</b>   | <b>\$ 366,058</b>         |
| <b>TOTAL GENERAL GOVERNMENT</b>  | <b>\$ 1,208,954</b> | <b>\$ 1,385,766</b> | <b>\$ 1,297,479</b>       |
| <b>PUBLIC SAFETY:</b>            |                     |                     |                           |
| <b>POLICE PROTECTION:</b>        |                     |                     |                           |
| Salaries - regular               | \$ 1,856,643        | \$ 1,820,288        | \$ 1,702,982              |
| Salaries - communications        | 192,666             | 186,352             | 183,748                   |
| Salaries - overtime              | 187,246             | 148,019             | 196,515                   |
| Salaries - overtime - reimbursed | 35,000              | 50,026              | -                         |
| Overtime dispatch/clerical       | 12,064              | 13,596              | 9,389                     |
| Medical benefits                 | 429,700             | 432,432             | 496,361                   |
| FICA                             | 175,080             | 167,824             | 161,919                   |
| Other insurance benefits         | 15,000              | 12,017              | 15,548                    |
| Workmen's Compensation benefits  | 85,300              | 75,970              | 74,498                    |
| Computer hardware                | 10,800              | 10,995              | -                         |
| Computer software                | 3,000               | 2,533               | -                         |
| Office supplies and printing     | 9,000               | 8,201               | 6,032                     |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                       | BUDGET              | ACTUAL              | (MEMORANDUM ONLY)<br>2011 |
|---------------------------------------|---------------------|---------------------|---------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>     |                     |                     |                           |
| <b>POLICE PROTECTION: (Continued)</b> |                     |                     |                           |
| General operating expenses            | 15,300              | 12,466              | 6,802                     |
| Uniforms                              | 24,050              | 23,033              | 22,016                    |
| Vehicle fuel                          | 100,000             | 99,655              | 71,412                    |
| Petty cash                            | 200                 | -                   | 172                       |
| Crime prevention                      | 6,000               | 5,939               | 2,353                     |
| Other health care services            | 868                 | 32                  | -                         |
| Communications                        | 26,300              | 19,311              | 37,995                    |
| Wireless telephone                    | 9,000               | 7,472               | -                         |
| Internet fees                         | 1,300               | 1,491               | -                         |
| Travel expenses                       | 5,000               | 2,920               | 1,428                     |
| Insurance and Bonding                 | 26,000              | 27,997              | 24,105                    |
| Vehicle repair and maintenance        | 21,840              | 24,306              | 10,644                    |
| Data processing                       | -                   | 5,052               | 23,362                    |
| Dues/subscriptions/education          | 15,000              | 14,266              | 12,328                    |
| Contracted IT/networking              | 11,600              | 8,600               | -                         |
| Animal control                        | 5,500               | 4,862               | 4,920                     |
| Preemployment screening               | 2,900               | -                   | -                         |
| Capital purchases                     | 10,000              | 9,733               | 24,267                    |
| Vehicle purchases                     | 90,000              | 89,676              | 1,911                     |
| Event expenses                        | 1,000               | 1,494               | -                         |
| <b>TOTAL POLICE PROTECTION</b>        | <b>\$ 3,383,357</b> | <b>\$ 3,286,558</b> | <b>\$ 3,090,707</b>       |
| <b>FIRE PROTECTION:</b>               |                     |                     |                           |
| Workmen's Compensation benefits       | \$ 11,000           | \$ 32,002           | \$ 9,631                  |
| Computer software                     | -                   | 650                 | -                         |
| Office supplies                       | -                   | 1,567               | -                         |
| Operating supplies                    | 3,000               | -                   | -                         |
| Vehicle fuel                          | 12,400              | 10,760              | -                         |
| Uniforms                              | -                   | 3,739               | -                         |
| Repair parts                          | -                   | 2,611               | -                         |
| Small tools/minor equipment           | 14,500              | 4,511               | -                         |
| Accounting service                    | -                   | 399                 | -                         |
| Communication equipment               | 4,000               | 1,140               | -                         |
| Telephone                             | -                   | 3,244               | -                         |
| Wireless telephone                    | -                   | 2,392               | -                         |
| Internet fees                         | -                   | 120                 | -                         |
| Utilities                             | 21,000              | 11,334              | -                         |
| Building repair & maintenance         | -                   | 2,569               | -                         |
| Equipment repair & maintenance        | -                   | 10,357              | -                         |
| Major equipment                       | 53,000              | 53,806              | -                         |
| Rent - radio tower                    | 1,750               | 1,749               | 1,895                     |
| Rent - fire hydrants                  | 40,200              | 41,273              | 40,312                    |
| Insurance and bonding                 | 11,200              | 3,908               | 8,086                     |
| Contribution to fire department       | 119,100             | 107,762             | 311,949                   |
| <b>TOTAL FIRE PROTECTION</b>          | <b>\$ 291,150</b>   | <b>\$ 295,892</b>   | <b>\$ 371,874</b>         |
| <b>PLANNING AND ZONING:</b>           |                     |                     |                           |
| Salaries- Regular                     | \$ 104,030          | \$ 84,163           | \$ 90,221                 |
| Medical Benefits                      | 40,000              | 30,762              | 43,576                    |
| FICA                                  | 8,890               | 6,301               | 6,863                     |
| Other Insurance Benefits              | 900                 | 373                 | 461                       |
| Workmens Comp Benefits                | 325                 | 307                 | 286                       |
| Office supplies and printing          | 4,000               | 265                 | 1,476                     |
| Vehicle fuel                          | 800                 | 958                 | -                         |
| Other professional services           | 40,000              | 10,208              | 378                       |
| Communications                        | 400                 | -                   | 650                       |
| Wireless telephone                    | 850                 | 375                 | -                         |
| Advertising                           | 3,500               | 4,579               | 2,768                     |
| Legal services                        | 20,000              | 55,268              | 12,432                    |
| Other health care services            | 90                  | -                   | -                         |
| Data Processing                       | 4,000               | 1,257               | 6,021                     |
| Travel expenses                       | 2,500               | 644                 | 113                       |
| Insurance and bonding                 | 1,500               | 521                 | -                         |
| Preemployment screening               | 300                 | 442                 | -                         |
| Volunteer appreciation                | -                   | 3,500               | -                         |
| Dues/Subscriptions/Education          | 2,500               | 1,635               | 15                        |
| <b>TOTAL PLANNING AND ZONING</b>      | <b>\$ 234,585</b>   | <b>\$ 201,557</b>   | <b>\$ 165,259</b>         |
| <b>PROTECTIVE INSPECTION:</b>         |                     |                     |                           |
| Salaries - regular                    | \$ 53,700           | \$ 53,695           | \$ 52,131                 |
| Medical benefits                      | 6,420               | 6,388               | 7,092                     |
| FICA                                  | 4,009               | 4,108               | 3,988                     |
| Other insurance benefits              | 350                 | 279                 | 255                       |
| Workmen's Compensation benefits       | 270                 | 235                 | 234                       |
| Office supplies and printing          | 8,000               | 1,011               | 452                       |
| Vehicle fuel                          | 1,200               | 1,263               | -                         |
| Wireless telephone                    | 300                 | 700                 | -                         |
| Insurance and bonding                 | 1,500               | 521                 | 863                       |
| Data processing                       | 2,000               | -                   | -                         |
| Other health care services            | 30                  | -                   | -                         |
| Communications                        | 400                 | -                   | 325                       |
| Dues/subscriptions/education          | 2,000               | 1,076               | 2,517                     |
| <b>TOTAL PROTECTIVE INSPECTION</b>    | <b>\$ 80,179</b>    | <b>\$ 69,275</b>    | <b>\$ 67,857</b>          |
| <b>TOTAL PUBLIC SAFETY</b>            | <b>\$ 3,989,271</b> | <b>\$ 3,853,282</b> | <b>\$ 3,695,698</b>       |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                       | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(MEMORANDUM ONLY)</u><br><u>2011</u> |
|---------------------------------------|---------------------|---------------------|-----------------------------------------|
| <b>PUBLIC WORKS:</b>                  |                     |                     |                                         |
| <b>SANITATION:</b>                    |                     |                     |                                         |
| Radio Equipment Maintenance           | -                   | -                   | 27                                      |
| <b>TOTAL SANITATION</b>               | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 27</b>                            |
| <b>HIGHWAYS:</b>                      |                     |                     |                                         |
| Salaries - regular                    | \$ 775,660          | \$ 668,734          | \$ 717,574                              |
| Medical benefits                      | 166,500             | 178,573             | 210,119                                 |
| FICA                                  | 64,464              | 54,253              | 58,227                                  |
| Other insurance benefits              | 6,800               | 3,362               | 3,763                                   |
| Workmen's Compensation benefits       | 40,800              | 39,886              | 37,158                                  |
| Salaries - overtime                   | 67,000              | 47,258              | 52,129                                  |
| Office supplies and printing          | 200                 | 359                 | 421                                     |
| Uniforms                              | 5,050               | 4,800               | 4,800                                   |
| Vehicle fuel                          | 90,700              | 86,834              | 67,762                                  |
| Vehicle fluids and oil                | 9,000               | 10,284              | 9,687                                   |
| Safety clothing and supplies          | 3,500               | 3,795               | 3,394                                   |
| Highway materials                     | -                   | 3,042               | 3,052                                   |
| Small tools - Highway Dept.           | 5,000               | 4,770               | 3,977                                   |
| Other health care services            | 450                 | -                   | -                                       |
| Wireless telephone                    | 1,200               | 600                 | -                                       |
| Small tools - Maintenance             | -                   | -                   | 424                                     |
| Communications                        | -                   | -                   | 1,770                                   |
| Radio equipment maintenance           | 5,000               | 27,266              | 4,267                                   |
| Travel expenses                       | 800                 | 560                 | 100                                     |
| Insurance and bonding                 | 18,700              | 8,442               | 16,493                                  |
| Dues/subscriptions/education          | 800                 | 2                   | 1,099                                   |
| Winter maintenance services           | 295,000             | 256,788             | 282,815                                 |
| Traffic control devices               | 52,000              | 59,041              | 48,276                                  |
| Street lights repair & maintenance    | 8,000               | 20,960              | -                                       |
| Street lighting                       | 135,000             | 107,758             | 112,045                                 |
| Storm sewer maintenance               | 25,000              | 6,772               | -                                       |
| Equipment maintenance                 | 130,000             | 126,967             | 125,179                                 |
| Materials                             | -                   | -                   | 19,952                                  |
| Highway materials                     | 277,650             | 218,505             | 252,573                                 |
| Contracted services                   | 5,000               | 5,367               | 2,265                                   |
| CDL Drug & alcohol testing            | 600                 | 970                 | -                                       |
| Preemployment screening               | 250                 | 318                 | -                                       |
| Miscellaneous                         | 1,500               | 800                 | 2,155                                   |
| Summit Park Robinson Township Project | -                   | 1,680,006           | -                                       |
| Building Improvements                 | 2,500               | 8                   | -                                       |
| <b>TOTAL HIGHWAYS</b>                 | <b>\$ 2,194,124</b> | <b>\$ 3,627,079</b> | <b>\$ 2,041,477</b>                     |
| <b>TOTAL PUBLIC WORKS</b>             | <b>\$ 2,194,124</b> | <b>\$ 3,627,079</b> | <b>\$ 2,041,504</b>                     |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                           | BUDGET            | ACTUAL            | (MEMORANDUM ONLY)<br>2011 |
|-------------------------------------------|-------------------|-------------------|---------------------------|
| <b>CULTURE AND RECREATION:</b>            |                   |                   |                           |
| <b>LIBRARIES:</b>                         |                   |                   |                           |
| Contributions                             | \$ 160,000        | \$ 176,404        | \$ 92,323                 |
| <b>TOTAL LIBRARIES</b>                    | <b>\$ 160,000</b> | <b>\$ 176,404</b> | <b>\$ 92,323</b>          |
| <b>PARKS AND RECREATION:</b>              |                   |                   |                           |
| Salaries - regular                        | \$ 54,838         | \$ 54,715         | \$ 55,696                 |
| Medical benefits                          | 19,500            | 19,430            | 22,565                    |
| Salaries - seasonal                       | 93,000            | 97,125            | 97,058                    |
| FICA                                      | 4,196             | 4,195             | 4,411                     |
| FICA - Seasonal                           | 7,119             | 7,208             | 7,264                     |
| Other insurance benefits                  | -                 | 447               | 311                       |
| Workmens comp benefits                    | -                 | 6,890             | 6,460                     |
| Salaries - overtime                       | -                 | 123               | 2,708                     |
| Office supplies and printing              | 1,000             | 318               | 420                       |
| Vehicle fuel                              | 1,500             | 1,510             | -                         |
| Other health care services                | 30                | -                 | -                         |
| Wireless telephone                        | 600               | 600               | -                         |
| Communications                            | -                 | -                 | 1,160                     |
| Travel expenses                           | 1,000             | -                 | 696                       |
| Insurance and bonding                     | 600               | 668               | -                         |
| Wireless telephone                        | 1,000             | -                 | -                         |
| Preemployment screening                   | 120               | -                 | -                         |
| Events                                    | 55,000            | 92,082            | 82,893                    |
| Year round program development            | 13,000            | 30,395            | 10,415                    |
| Seasonal program development              | 15,000            | 25,643            | 20,876                    |
| P.A.L.S. Program                          | 10,000            | 27,801            | 9,669                     |
| Due, subscriptions/education              | 1,500             | 1,880             | 1,907                     |
| Contributions                             | -                 | 550               | -                         |
| <b>TOTAL PARKS AND RECREATION</b>         | <b>\$ 279,003</b> | <b>\$ 371,580</b> | <b>\$ 324,508</b>         |
| <b>SWIMMING POOL:</b>                     |                   |                   |                           |
| Salaries - regular                        | \$ 30,000         | \$ 41,664         | \$ 41,226                 |
| Salaries - Overtime                       | -                 | -                 | 84                        |
| FICA                                      | 2,295             | 3,256             | 3,372                     |
| Workmens Comp Benefits                    | 1,530             | -                 | -                         |
| General operating expenses                | -                 | 815               | 17,485                    |
| Swimming pool chemicals                   | 4,000             | 19                | -                         |
| Concession stand supplies                 | 13,000            | 13,532            | -                         |
| Heating fuel                              | 5,500             | 11,146            | -                         |
| Maintenance supplies                      | 2,500             | 6,519             | 1,063                     |
| Utilities                                 | 6,200             | 5,645             | 10,517                    |
| Repairs & maintenance                     | 5,000             | 9,692             | 4,583                     |
| Ground Improvements                       | 5,000             | 4,955             | 4,598                     |
| <b>TOTAL SWIMMING POOL</b>                | <b>\$ 75,025</b>  | <b>\$ 97,243</b>  | <b>\$ 82,929</b>          |
| <b>PARKS - KELSO ROAD:</b>                |                   |                   |                           |
| Salaries - Regular                        | \$ 58,900         | \$ 50,605         | \$ 50,634                 |
| Salaries - Overtime                       | 200               | 2,865             | 244                       |
| FICA                                      | 5,164             | 4,130             | 3,835                     |
| Medical Benefits                          | 19,500            | 19,811            | 19,440                    |
| Other Insurance Benefits                  | -                 | 111               | 255                       |
| Vehicle fuel                              | 2,100             | 5,892             | -                         |
| Utilities                                 | 12,750            | 11,633            | 14,615                    |
| Maintenance supplies                      | 20,000            | 18,920            | 16,596                    |
| Other health care services                | 60                | -                 | -                         |
| Telephone                                 | -                 | 328               | -                         |
| Internet fees                             | -                 | 1,050             | -                         |
| Insurance & bonding                       | -                 | 1,453             | -                         |
| Repairs and maintenance                   | 5,000             | 7,099             | 4,650                     |
| Rent - land                               | 3,000             | 3,000             | 3,000                     |
| CDL drug & alcohol testing                | 100               | 608               | -                         |
| Preemployment screening                   | 150               | 248               | -                         |
| Miscellaneous                             | -                 | 63                | 192                       |
| Capital purchases                         | 5,000             | 5,316             | 4,761                     |
| Ground improvements                       | 20,000            | 19,078            | 19,426                    |
| <b>TOTAL PARKS - KELSO ROAD</b>           | <b>\$ 151,924</b> | <b>\$ 152,211</b> | <b>\$ 137,646</b>         |
| <b>CONSERVATION AND DEVELOPMENT:</b>      |                   |                   |                           |
| Maintenance supplies                      | \$ 2,300          | \$ 2,049          | \$ 3,512                  |
| Insurance and bonding                     | 3,100             | 2,944             | 3,082                     |
| Utilities                                 | 13,500            | 9,129             | 9,719                     |
| Repairs and maintenance                   | 10,000            | 7,986             | 9,646                     |
| Ground improvements                       | 2,500             | 788               | 784                       |
| <b>TOTAL CONSERVATION AND DEVELOPMENT</b> | <b>\$ 31,400</b>  | <b>\$ 22,897</b>  | <b>\$ 26,744</b>          |
| <b>TOTAL CULTURE AND RECREATION</b>       | <b>\$ 697,352</b> | <b>\$ 820,336</b> | <b>\$ 664,150</b>         |

**TOWNSHIP OF NORTH FAYETTE**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                    | <u>BUDGET</u>              | <u>ACTUAL</u>               | <u>(MEMORANDUM ONLY)</u><br><u>2011</u> |
|----------------------------------------------------|----------------------------|-----------------------------|-----------------------------------------|
| <b><u>DEBT SERVICE:</u></b>                        |                            |                             |                                         |
| Debt service interest                              | \$ 445,000                 | \$ 399,557                  | \$ 405,642                              |
| Debt service principal                             | 148,000                    | 220,000                     | 155,971                                 |
| Tax anticipation note interest                     | 24,000                     | -                           | -                                       |
| Fiscal Agent Fee                                   | 2,300                      | 500                         | 800                                     |
| <b>TOTAL DEBT SERVICE</b>                          | <b><u>\$ 619,300</u></b>   | <b><u>\$ 620,057</u></b>    | <b><u>\$ 562,413</u></b>                |
| <b><u>MISCELLANEOUS:</u></b>                       |                            |                             |                                         |
| Pension contributions                              | \$ 625,400                 | \$ 740,106                  | \$ 534,782                              |
| Unemployment taxes                                 | 17,500                     | 14,983                      | 15,228                                  |
| Miscellaneous                                      | 1,000                      | 65                          | -                                       |
| <b>TOTAL MISCELLANEOUS</b>                         | <b><u>\$ 643,900</u></b>   | <b><u>\$ 755,154</u></b>    | <b><u>\$ 550,010</u></b>                |
| <b><u>OTHER FINANCING USES:</u></b>                |                            |                             |                                         |
| Transfer to P.A.L.S. Fund                          | \$ -                       | \$ 17,747                   | \$ -                                    |
| Refund prior year revenues                         | -                          | 88,256                      | 20,983                                  |
| <b>TOTAL OTHER FINANCING USES</b>                  | <b><u>\$ -</u></b>         | <b><u>\$ 106,004</u></b>    | <b><u>\$ 20,983</u></b>                 |
| <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b> | <b><u>\$ 9,352,901</u></b> | <b><u>\$ 11,167,678</u></b> | <b><u>\$ 8,832,236</u></b>              |

**TOWNSHIP OF NORTH FAYETTE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                | <b>LIQUID FUELS<br/>FUND</b> | <b>COMMUNITY<br/>PARK FUND</b> | <b>PENNWORKS<br/>FUND</b> | <b>P.A.L.S.<br/>FUND</b> | <b>STORMWATER<br/>MAINTENANCE<br/>FUND</b> | <b>DONALDSON<br/>ROAD<br/>IMPROVEMENT<br/>FUND</b> | <b>TRAFFIC<br/>IMPACT FEE<br/>FUND</b> | <b>TOTAL</b>        |
|------------------------------------------------|------------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------------------|----------------------------------------------------|----------------------------------------|---------------------|
| <b>ASSETS:</b>                                 |                              |                                |                           |                          |                                            |                                                    |                                        |                     |
| Cash and Cash Equivalents                      | \$ 26,540                    | \$ 15,618                      | \$ 359,865                | \$ 14,426                | \$ 448,930                                 | \$ 166,083                                         | \$ 226,582                             | \$ 1,258,044        |
| <b>TOTAL ASSETS</b>                            | <b>\$ 26,540</b>             | <b>\$ 15,618</b>               | <b>\$ 359,865</b>         | <b>\$ 14,426</b>         | <b>\$ 448,930</b>                          | <b>\$ 166,083</b>                                  | <b>\$ 226,582</b>                      | <b>\$ 1,258,044</b> |
| <b>LIABILITIES AND FUND BALANCE:</b>           |                              |                                |                           |                          |                                            |                                                    |                                        |                     |
| <b>LIABILITIES:</b>                            |                              |                                |                           |                          |                                            |                                                    |                                        |                     |
| Due to Other Funds                             | \$ -                         | \$ -                           | \$ 359,865                | \$ -                     | \$ -                                       | \$ -                                               | \$ -                                   | \$ 359,865          |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ -</b>                  | <b>\$ -</b>                    | <b>\$ 359,865</b>         | <b>\$ -</b>              | <b>\$ -</b>                                | <b>\$ -</b>                                        | <b>\$ -</b>                            | <b>\$ 359,865</b>   |
| <b>FUND BALANCES:</b>                          |                              |                                |                           |                          |                                            |                                                    |                                        |                     |
| Assigned                                       | \$ 26,540                    | \$ 15,618                      | \$ -                      | \$ 14,426                | \$ 448,930                                 | \$ 166,083                                         | \$ 226,582                             | \$ 898,179          |
| <b>TOTAL FUND BALANCES</b>                     | <b>\$ 26,540</b>             | <b>\$ 15,618</b>               | <b>\$ -</b>               | <b>\$ 14,426</b>         | <b>\$ 448,930</b>                          | <b>\$ 166,083</b>                                  | <b>\$ 226,582</b>                      | <b>\$ 898,179</b>   |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 26,540</b>             | <b>\$ 15,618</b>               | <b>\$ 359,865</b>         | <b>\$ 14,426</b>         | <b>\$ 448,930</b>                          | <b>\$ 166,083</b>                                  | <b>\$ 226,582</b>                      | <b>\$ 1,258,044</b> |

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                        | <u>LIQUID<br/>FUELS FUND</u> | <u>TRAFFIC<br/>SIGNALIZATION<br/>FUND</u> | <u>COMMUNITY<br/>PARK<br/>FUND</u> | <u>DEPARTMENT OF<br/>JUSTICE FUND</u> | <u>PENNWORKS<br/>FUND</u> |
|--------------------------------------------------------|------------------------------|-------------------------------------------|------------------------------------|---------------------------------------|---------------------------|
| <b>REVENUES:</b>                                       |                              |                                           |                                    |                                       |                           |
| Liquid fuels allocation                                | \$ 348,294                   | \$ -                                      | \$ -                               | \$ -                                  | \$ -                      |
| Donations                                              | -                            | -                                         | 8,000                              | -                                     | -                         |
| Miscellaneous                                          | -                            | -                                         | -                                  | -                                     | -                         |
| Interest                                               | 46                           | 1                                         | 2                                  | -                                     | 1,457                     |
| <b>TOTAL REVENUES</b>                                  | <b>\$ 348,340</b>            | <b>\$ 1</b>                               | <b>\$ 8,002</b>                    | <b>\$ -</b>                           | <b>\$ 1,457</b>           |
| <b>OTHER FINANCING SOURCES:</b>                        |                              |                                           |                                    |                                       |                           |
| Interfund Transfers                                    | \$ -                         | \$ -                                      | \$ -                               | \$ -                                  | \$ -                      |
| Bond Proceeds                                          | -                            | -                                         | -                                  | -                                     | -                         |
| Refund of Prior Year Expenses                          | -                            | 30,773                                    | -                                  | -                                     | -                         |
| <b>TOTAL OTHER FINANCING SOURCES</b>                   | <b>\$ -</b>                  | <b>\$ 30,773</b>                          | <b>\$ -</b>                        | <b>\$ -</b>                           | <b>\$ -</b>               |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>  | <b>\$ 348,340</b>            | <b>\$ 30,774</b>                          | <b>\$ 8,002</b>                    | <b>\$ -</b>                           | <b>\$ 1,457</b>           |
| <b>EXPENDITURES:</b>                                   |                              |                                           |                                    |                                       |                           |
| Public Safety                                          | \$ -                         | \$ -                                      | \$ -                               | \$ 5,887                              | \$ -                      |
| Public Works                                           | -                            | -                                         | -                                  | -                                     | 1,084,192                 |
| Culture and Recreation                                 | -                            | -                                         | 6,852                              | -                                     | -                         |
| Debt Service                                           | -                            | -                                         | -                                  | -                                     | -                         |
| <b>TOTAL EXPENDITURES</b>                              | <b>\$ -</b>                  | <b>\$ -</b>                               | <b>\$ 6,852</b>                    | <b>\$ 5,887</b>                       | <b>\$ 1,084,192</b>       |
| <b>OTHER FINANCING USES:</b>                           |                              |                                           |                                    |                                       |                           |
| Interfund transfer                                     | \$ 334,000                   | \$ -                                      | \$ -                               | \$ -                                  | \$ -                      |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b>\$ 334,000</b>            | <b>\$ -</b>                               | <b>\$ -</b>                        | <b>\$ -</b>                           | <b>\$ -</b>               |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>\$ 334,000</b>            | <b>\$ -</b>                               | <b>\$ 6,852</b>                    | <b>\$ 5,887</b>                       | <b>\$ 1,084,192</b>       |
| EXCESS REVENUES OVER<br>(UNDER) EXPENDITURES           | \$ 14,340                    | \$ 30,774                                 | \$ 1,150                           | \$ (5,887)                            | \$ (1,082,735)            |
| FUND BALANCE - January 1, 2012 (Deficit)               | 12,200                       | (30,774)                                  | 14,468                             | 5,887                                 | 1,082,735                 |
| Prior Period Adjustment                                | -                            | -                                         | -                                  | -                                     | -                         |
| <b>FUND BALANCE - December 31, 2012</b>                | <b>\$ 26,540</b>             | <b>\$ -</b>                               | <b>\$ 15,618</b>                   | <b>\$ -</b>                           | <b>\$ -</b>               |

**TOWNSHIP OF NORTH FAYETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|                                                    | <u>P.A.L.S.</u><br><u>FUND</u> | <u>STORMWATER</u><br><u>MAINTENANCE</u><br><u>FUND</u> | <u>DONALDSON</u><br><u>ROAD</u><br><u>IMPROVEMENT</u><br><u>FUND</u> | <u>TRAFFIC</u><br><u>IMPACT FEE</u><br><u>FUND</u> | <u>DEBT</u><br><u>SERVICE FUND</u> | <u>TOTAL</u>         |
|----------------------------------------------------|--------------------------------|--------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------|------------------------------------|----------------------|
| <b>REVENUES:</b>                                   |                                |                                                        |                                                                      |                                                    |                                    |                      |
| Liquid fuels allocation                            | \$ -                           | \$ -                                                   | \$ -                                                                 | \$ -                                               | \$ -                               | \$ 348,294           |
| Donations                                          | 1,690                          | -                                                      | -                                                                    | -                                                  | -                                  | 9,690                |
| Miscellaneous                                      | -                              | -                                                      | 34,000                                                               | 63,990                                             | -                                  | 97,990               |
| Interest                                           | -                              | 1,915                                                  | 31                                                                   | 285                                                | -                                  | 3,737                |
| <b>TOTAL REVENUES</b>                              | <b>\$ 1,690</b>                | <b>\$ 1,915</b>                                        | <b>\$ 34,031</b>                                                     | <b>\$ 64,275</b>                                   | <b>\$ -</b>                        | <b>\$ 459,711</b>    |
| <b>OTHER FINANCING SOURCES:</b>                    |                                |                                                        |                                                                      |                                                    |                                    |                      |
| Interfund Transfers                                | \$ 17,747                      | \$ 26,001                                              | \$ -                                                                 | \$ -                                               | \$ -                               | \$ 43,748            |
| Bond Proceeds                                      | -                              | -                                                      | -                                                                    | -                                                  | 9,800,000                          | 9,800,000            |
| Refund of Prior Year Expenses                      | -                              | -                                                      | -                                                                    | -                                                  | -                                  | 30,773               |
| <b>TOTAL OTHER FINANCING SOURCES</b>               | <b>\$ 17,747</b>               | <b>\$ 26,001</b>                                       | <b>\$ -</b>                                                          | <b>\$ -</b>                                        | <b>\$ 9,800,000</b>                | <b>\$ 9,874,521</b>  |
| <b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>  | <b>\$ 19,437</b>               | <b>\$ 27,916</b>                                       | <b>\$ 34,031</b>                                                     | <b>\$ 64,275</b>                                   | <b>\$ 9,800,000</b>                | <b>\$ 10,334,232</b> |
| <b>EXPENDITURES:</b>                               |                                |                                                        |                                                                      |                                                    |                                    |                      |
| Public Safety                                      | \$ -                           | \$ -                                                   | \$ -                                                                 | \$ -                                               | \$ -                               | \$ 5,887             |
| Public Works                                       | -                              | -                                                      | 9,723                                                                | -                                                  | -                                  | 1,093,915            |
| Culture and Recreation                             | 5,011                          | -                                                      | -                                                                    | -                                                  | -                                  | 11,863               |
| Debt Service                                       | -                              | -                                                      | -                                                                    | -                                                  | 4,794,081                          | 4,794,081            |
| <b>TOTAL EXPENDITURES</b>                          | <b>\$ 5,011</b>                | <b>\$ -</b>                                            | <b>\$ 9,723</b>                                                      | <b>\$ -</b>                                        | <b>\$ 4,794,081</b>                | <b>\$ 5,905,746</b>  |
| <b>OTHER FINANCING USES:</b>                       |                                |                                                        |                                                                      |                                                    |                                    |                      |
| Interfund transfer                                 | \$ -                           | \$ -                                                   | \$ -                                                                 | \$ -                                               | \$ 5,005,919                       | \$ 5,339,919         |
| <b>TOTAL OTHER FINANCING USES</b>                  | <b>\$ -</b>                    | <b>\$ -</b>                                            | <b>\$ -</b>                                                          | <b>\$ -</b>                                        | <b>\$ 5,005,919</b>                | <b>\$ 5,339,919</b>  |
| <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b> | <b>\$ 5,011</b>                | <b>\$ -</b>                                            | <b>\$ 9,723</b>                                                      | <b>\$ -</b>                                        | <b>\$ 9,800,000</b>                | <b>\$ 11,245,665</b> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES          | \$ 14,426                      | \$ 27,916                                              | \$ 24,308                                                            | \$ 64,275                                          | \$ -                               | \$ (911,433)         |
| FUND BALANCE - January 1, 2012 (Deficit)           | -                              | -                                                      | -                                                                    | 82,654                                             | -                                  | 1,167,170            |
| Prior Period Adjustment                            | -                              | 421,014                                                | 141,775                                                              | 79,653                                             | -                                  | 642,442              |
| <b>FUND BALANCE - December 31, 2012</b>            | <b>\$ 14,426</b>               | <b>\$ 448,930</b>                                      | <b>\$ 166,083</b>                                                    | <b>\$ 226,582</b>                                  | <b>\$ -</b>                        | <b>\$ 898,179</b>    |

**NORTH FAYETTE TOWNSHIP  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
DEVELOPER ESCROWS  
DECEMBER 31, 2012**

|                           | <u>1ST<br/>COMMON-<br/>WEALTH<br/>HOLDING<br/>TANK</u> | <u>DEVELOPER'S<br/>ESCROW</u> | <u>TOTAL</u>     |
|---------------------------|--------------------------------------------------------|-------------------------------|------------------|
| <b>ASSETS:</b>            |                                                        |                               |                  |
| Cash and Cash Equivalents | \$ 10,537                                              | \$ 72,010                     | \$ 82,547        |
| <b>TOTAL ASSETS</b>       | <u>\$ 10,537</u>                                       | <u>\$ 72,010</u>              | <u>\$ 82,547</u> |
| <b>LIABILITIES:</b>       |                                                        |                               |                  |
| Due to Developers         | \$ 10,537                                              | \$ 72,010                     | \$ 82,547        |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 10,537</u>                                       | <u>\$ 72,010</u>              | <u>\$ 82,547</u> |

# **TOWNSHIP OF NORTH FAYETTE**

## ***OTHER SUPPLEMENTARY INFORMATION***

**Mark C. Turnley**

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Certified Public Accountant

**TOWNSHIP OF NORTH FAYETTE**  
**OTHER SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**DECEMBER 31, 2012**

**SCHEDULES OF FUNDING PROGRESS:**

| <b>ACTUARIAL<br/>VALUATION<br/>DATE</b> | <b>ACTUARIAL<br/>VALUE OF<br/>ASSETS</b> | <b>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</b> | <b>(UAAL)<br/>UNFUNDED<br/>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</b> | <b>FUNDED<br/>RATIO</b> | <b>COVERED<br/>PAYROLL</b> | <b>UAAL AS A<br/>% OF<br/>COVERED<br/>PAYROLL</b> |
|-----------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------------------------------|-------------------------|----------------------------|---------------------------------------------------|
| 1/1/01                                  | \$3,083,826                              | \$2,903,846                                | \$ (179,980)                                                       | 106%                    | \$ 946,351                 | -19.0%                                            |
| 1/1/03                                  | 3,390,274                                | 4,090,143                                  | 699,869                                                            | 83%                     | 1,103,696                  | 63.4%                                             |
| 1/1/05                                  | 3,633,876                                | 4,694,125                                  | 1,060,249                                                          | 77%                     | 1,386,482                  | 76.5%                                             |
| 1/1/07                                  | 4,390,156                                | 6,200,628                                  | 1,810,472                                                          | 71%                     | 1,388,822                  | 130.4%                                            |
| 1/1/09                                  | 4,841,222                                | 3,175,853                                  | (1,665,369)                                                        | 152%                    | 1,545,377                  | -107.8%                                           |
| 1/1/11                                  | 5,286,173                                | 8,332,028                                  | 3,045,855                                                          | 63%                     | 1,653,664                  | 184.2%                                            |

**SCHEDULES OF EMPLOYER'S CONTRIBUTIONS:**

| <b>YEAR ENDED<br/>DECEMBER 31</b> | <b>ANNUAL REQ.<br/>CONTRIBUTION</b> | <b>PERCENTAGE<br/>CONTRIBUTED</b> |
|-----------------------------------|-------------------------------------|-----------------------------------|
| 2001                              | \$ 108,520                          | 100%                              |
| 2002                              | 100,795                             | 100%                              |
| 2003                              | 102,487                             | 100%                              |
| 2004                              | 188,024                             | 80%                               |
| 2005                              | 244,807                             | 100%                              |
| 2006                              | 249,756                             | 100%                              |
| 2007                              | 250,773                             | 100%                              |
| 2008                              | 251,802                             | 103%                              |
| 2009                              | 363,492                             | 96%                               |
| 2010                              | 599,185                             | 100%                              |
| 2011                              | 534,782                             | 100%                              |
| 2012                              | 625,400                             | 119%                              |

**TOWNSHIP OF NORTH FAYETTE**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2012**

**NOTE 1 – TREND INFORMATION**

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient asset to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

**NOTE 2 – ACTUARIAL ASSUMPTIONS AND METHODS**

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuation dated January 1, 2011 for the police pension plan. Additional information included as part of this valuation is as follows:

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Dollar, closed

Remaining Amortization Period – 13 years (aggregate)

Asset Valuation Method – Four year smoothing

Investment Rate of return – 7.0% per annum

Salary Increase – 4.75% per annum