

**2012 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

020843 DORMONT BORO, ALLEGHENY COUNTY

Independent Auditor's Report

Members of Council
Borough of Dormont

We have audited the Cash Basis Balance Sheet, Cash Basis Statement of Revenues and Expenditures, Debt Statement, and Statements of Capital Expenditures and Employee Compensation – regulatory basis (financial statements) included in the 2012 Annual Audit and Financial Report of the Borough of Dormont (Borough), Pennsylvania.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions as described in the instructions provided by the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) to meet filing requirements in Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

To meet the financial reporting requirements of the Commonwealth of Pennsylvania, the financial statements are prepared by the Borough on the basis of the instructions provided by the DCED, which is a basis of accounting other than accounting principles generally accepted in the United States of America. These requirements permit the financial statements to be prepared on the cash basis of accounting without

Members of Council
Borough of Dormont
Independent Auditor's Report

financial statement disclosures, without cash flows, without component unit financial information, without government-wide financial statements, without Management's Discussion and Analysis, and requires all fund types to be aggregated by fund type on the financial statements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2012, or the results of its operations for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Borough as of December 31, 2012, and its cash receipts and cash disbursements for the year then ended in accordance with the financial reporting provisions described in the instructions provided by the DCED.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements. The pension information on pages 1 through 23 and the budgetary comparison schedule on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Maher Duessel

Pittsburgh, Pennsylvania
March 27, 2013

DORMONT BORO, ALLEGHENY County

BALANCE SHEET

December 31, 2012

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities									2,096,994	2,096,994
240-259	Current Portion of Long-Term Debt and Other Credits									1,413,660	1,413,660
Total Liabilities and Other Credits										3,510,654	3,510,654

Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets								13,346,828		13,346,828
270-289	Fund Balance / Retained Earnings on 12/31	1,215,417	3,089,801	102,601				10,928,889			15,336,708
291-299	Other Equity										
Total Fund and Account Group Equity		1,215,417	3,089,801	102,601				10,928,889	13,346,828		28,683,536

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											32,194,190
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DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Taxes

301.00	Real Estate Taxes	2,117,624	641,528		974,428			3,733,580
305.00	Occupation Taxes (levied under municipal code)							
308.00	Residence Taxes (levied by cities of the 3rd Class)							
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)	424,048						424,048
310.00	Per Capita Taxes							
310.10	Real Estate Transfer Taxes	78,997						78,997
310.20	Earned Income Taxes / Wage Taxes	1,037,530						1,037,530
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	49,654						49,654
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes							
310.90	Other Local Tax Enabling Act / Act 511 / Taxes							
	Other: _____							
Total Taxes		3,707,853	641,528		974,428			5,323,809

Licenses and Permits

320-322	All Other Licenses and Permits	46,269						46,269
321.80	Cable Television Franchise Fees	153,444						153,444
Total Licenses and Permits		199,713						199,713

Fines and Forfeits

330-332	Fines and Forfeits	92,048						92,048
Total Fines and Forfeits		92,048						92,048

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

State								
355.09	Marcellus Shale Impact Fee Distribution							
355.00	All Other State Shared Revenues and Entitlements							
356.00	State Payments in Lieu of Taxes							
Total State		179,369	150,391					329,760

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants							
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services							
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes							
Total Local Government Units								

Charges for Service								
361.00	General Government	29,911						29,911
362.00	Public Safety	182,499						182,499
363.20	Parking	329,397						329,397
363.00	All Other Charges for Highway & Streets Services	9,800						9,800
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)		1,578,527					1,578,527
364.30	Solid Waste Collection and Disposal Charge (trash)	459,208						459,208
364.60	Host Municipality Benefit Fee for Solid Waste Facility							
364.00	All Other Charges for Sanitation Services	5,156						5,156
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	230,940						230,940

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Charges for Service								
368.00	Airports							
369.00	Bars							
370.00	Cemeteries							
372.00	Electric System							
373.00	Gas System							
374.00	Housing System							
375.00	Markets							
377.00	Transit Systems							
378.00	Water System							
379.00	All Other Charges for Service							
Total Charges for Service		1,246,911	1,578,527					2,825,438

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors			5,000				5,000
388.00	Fiduciary Fund Pension Contributions					316,824		316,824
389.00	All Other Unclassified Operating Revenues	22,250						22,250
Total Unclassified Operating Revenues		22,250		5,000		316,824		344,074

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition							
392.00	Interfund Operating Transfers	1,615,956		150,000				1,765,956
393.00	Proceeds of General Long-Term Debt			12,493				12,493
394.00	Proceeds of Short Term-Debt							

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures	69,202						69,202
Total Other Financing Sources		1,685,158		162,493				1,847,651

TOTAL REVENUES	7,520,133	2,372,894	180,585	974,428			1,615,381	12,663,421
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EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	25,465						25,465
401.00	Executive (Manager or Mayor)	210,992						210,992
402.00	Auditing Services / Financial Administration	61,173						61,173
403.00	Tax Collection	48,601						48,601
404.00	Solicitor / Legal Services	96,124						96,124
405.00	Secretary / Clerk							
406.00	Other General Government Administration							
407.00	IT-Networking Services-Data Processing	51,449						51,449
408.00	Engineering Services	84,946						84,946
409.00	General Government Buildings and Plant	145,204						145,204
Total General Government		723,954						723,954

Public Safety								
410.00	Police	1,466,241						1,466,241
411.00	Fire	439,051						439,051
412.00	Ambulance / Rescue							
413.00	UCC and Code Enforcement	81,423						81,423
414.00	Planning and Zoning	15,545						15,545
415.00	Emergency Management and Communications							

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Public Safety

416.00	Militia and Armories							
417.00	Examination of Licensed Occupations							
418.00	Public Scales (weights and measures)							
419.00	Other Public Safety							
Total Public Safety		2,002,260						2,002,260

Health and Human Services

420.00-425.00	Health and Human Services							
Total Health and Human Services								

Public Works - Sanitation

426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)	549,645						549,645
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection		1,269,606					1,269,606
Total Public Works - Sanitation		549,645	1,269,606					1,819,251

Public Works - Highways and Streets

430.00	General Services - Administration	443,180						443,180
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal		51,199					51,199
433.00	Traffic Control Devices	5,584						5,584
434.00	Street Lighting	66,492						66,492
435.00	Sidewalks and Crosswalks							
436.00	Storm Sewers and Drains	1,413		12,538				13,951

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Public Works - Highways and Streets								
437.00	Repairs of Tools and Machinery							
438.00	Maintenance and Repairs of Roads and Bridges		582,087					582,087
439.00	Highway Construction and Rebuilding Projects	81,694	38,842					120,536
Total Public Works - Highways and Streets		516,669	132,893	633,467				1,283,029

Other Public Works Enterprises								
440.00	Airports							
441.00	Cemeteries							
442.00	Electric System							
443.00	Gas System							
444.00	Markets							
445.00	Parking	55,405						55,405
446.00	Storm Water and Flood Control							
447.00	Transit System	28,386						28,386
448.00	Water System							
449.00	Water Transport and Terminals							
Total Other Public Works Enterprises		83,791						83,791

Culture and Recreation								
451.00	Culture-Recreation Administration	74,604						74,604
452.00	Participant Recreation	211,020						211,020
453.00	Spectator Recreation							
454.00	Parks	157,926	55,340					213,266
455.00	Shade Trees	5,264						5,264
456.00	Libraries	86,150						86,150

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Culture and Recreation								
457.00	Civil and Military Celebrations	16,196						16,196
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		551,160		55,340				606,500

Community Development								
461.00	Conservation of Natural Resources							
462.00	Community Development and Housing							
463.00	Economic Development							
464.00	Economic Opportunity							
465-469	All Other Community Development							
Total Community Development								

Debt Service								
471.00	Debt Principal (short-term and long-term)	946,519						946,519
472.00	Debt Interest (short-term and long-term)	33,636						33,636
475.00	Fiscal Agent Fees							
Total Debt Service		980,155						980,155

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	137,868						137,868
482.00	Judgments and Losses	60,459						60,459
483.00	Pension / Retirement Fund Contributions	198,073						198,073
484.00	Worker Compensation Insurance	232,112						232,112

DORMONT BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Employer Paid Benefits and Withholding Items								
487.00	Other Group Insurance Benefits	452,086						452,086
Total Employer Paid Benefits and Withholding Items		1,080,598						1,080,598

Insurance								
486.00	Insurance, Casualty, and Surety	84,351						84,351
Total Insurance		84,351						84,351

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid						431,088	431,088
489.00	All Other Unclassified Expenditures						77,271	77,271
Total Unclassified Operating Expenditures							508,359	508,359

Other Financing Uses								
491.00	Refund of Prior Year Revenues	192						192
492.00	Interfund Operating Transfers	150,000	641,528		974,428			1,765,956
493.00	All Other Financing Uses	13						13
Total Other Financing Uses		150,205	641,528		974,428			1,766,161

TOTAL EXPENDITURES	6,722,788	2,044,027	688,807	974,428			508,359	10,938,409
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	797,345	328,867	-508,222				1,107,022	1,725,012
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DORMONT BORO
December 31, 2012

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

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

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
GOBs - capital Appreciation	Bond	1997	2018	2,041,634	3,564,337		700,000	178,480	3,042,817		3,042,817
General Obligation Note	Note	2006	2015	524,191	221,676		68,347		153,329		153,329
General Obligation Note	Note	2011	2026	620,000	295,333		43,322		252,011		252,011
Revenue Bonds and Notes											
Lease Rental Debt											
Capital Lease	Capital Leases	2012	2012	16,362	0	28,855	28,855		0		0
Other											
Tax Anticipation Note	Note	2003	2013	520,000	123,492		60,995		62,497		62,497
AIM Loan	Note	2007	2012	225,000	45,000		45,000		0		0

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding 3,510,654

Capitalized lease obligations 0

Net debt 3,510,654

DORMONT BORO, ALLEGHENY County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2012

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police	18,267		18,267
Recreation			
Sewer		115,852	115,852
Solid Waste			
Streets / Highways			
Water			
Other: Parking Lot		55,340	55,340
TOTAL CAPITAL EXPENDITURES	18,267	171,192	189,459

EMPLOYEE COMPENSATION

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

2,523,760

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1. REPORTING ENTITY

The Borough of Dormont (Borough) operates under Pennsylvania law with an elected Mayor and seven elected Council members. The Borough embraces 3/4 of a square mile approximately four miles outside the City of Pittsburgh and has a population of approximately 9,300.

The Borough provides services in many areas to its residents, including various general government services, public safety, highway maintenance, and health and welfare services. These primary government DCED Schedules include all of the services provided by the Borough to residents and businesses within its boundaries.

In evaluating the Borough as a primary government, management has addressed all potential component units. Component units are to be included within the financial reporting entity of the Borough based upon the significance of their operation or financial relationships with the Borough.

Component Unit

The following separately administered organization meets the criteria for inclusion in the Borough's reporting entity. However, these DCED Schedules include only the primary government.

Dormont Public Library

The Dormont Public Library (Library) is the only component unit qualified for inclusion in the Borough's reporting entity. The Borough is considered to be financially accountable for the Library because a portion of the Borough's real estate tax levy is designated for the Library. The significance of such designated tax revenues to the Library causes the Library to be considered fiscally dependent on the Borough. Although the Library qualifies for inclusion in the Borough's financial reporting entity, Borough management has opted to exclude the Library from these primary government DCED Schedules since its exclusion does not render these schedules misleading. Separate financial statements for the Library are available at the Library.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

A fund or account group is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The Borough maintains the following governmental fund types:

General Fund

The General Fund is the principal operating fund of the Borough, which is used to account for all financial transactions except those required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Borough uses the following Special Revenue Funds:

- The Liquid Fuels Fund accounts for state aid revenues (liquid fuels tax) used for building and improving roads and bridges.
- The Sewer Fund accounts for sewage user fees and capital expenditures for maintenance of the sewer system within the Borough.

Capital Projects Fund

The Capital Projects Fund is used to account for the portion of revenues collected for the acquisition and construction of capital projects.

The Borough maintains the following fiduciary funds:

Pension Trust Funds

The Pension Trust Funds are used to account for assets held by the Borough in a trustee capacity for employee retirement. The Borough maintains two pension plans; the Non-Uniformed Employees Plan and the Police Plan.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The Borough maintains the following account groups. These account groups are not “funds.” They are only concerned with the measurement of financial position, not the results of operations:

General Long-Term Debt Account Group (GLTDAG)

The GLTDAG is used to account for long-term liabilities to be financed by governmental funds. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Because they do not affect net assets, such long-term amounts are not recognized as governmental fund type expenditures or liabilities. They instead are reported as liabilities in the GLTDAG.

General Fixed Asset Account Group (GFAAG)

The accumulated historical costs of fixed assets are accounted for in the GFAAG.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered a measure of “available financial resources.” Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

The Borough maintains its accounts on a cash basis, which is a comprehensive basis other than accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when obligations are incurred, with the exception of certain payroll related liabilities. Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Differences Between Regulatory Basis and Accounting Principles Generally Accepted in the United States of America (GAAP)

These financial statements are prepared primarily on the cash basis as described above, as prescribed or permitted by the DCED. The significant differences between this basis of accounting and GAAP are outlined below:

- ◆ Full accrual government-wide financial statements and modified accrual fund statements are not presented.
- ◆ Budget to actual financial statements are not presented.
- ◆ Management's Discussion and Analysis and other required supplementary information is not presented.
- ◆ Account groups are presented.

As such, this presentation does not, and is not intended to, present the Borough's financial statements in accordance with GAAP.

Cash and Cash Equivalents

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Funds are invested in accordance with the Borough's investment policy guidelines as described in Note 3.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the GFAAG account group column on the balance sheet.

All capital assets are capitalized at cost and donated fixed assets are recorded at their fair values at the time of donation. The Borough maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method, over the following useful lives:

Buildings	40 years
Furniture, machinery, and equipment	5 - 20 years
Infrastructure	15 - 50 years

Risk Management

The Borough is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees; and natural disasters. Except for workmen's compensation (see Note 9), these risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in coverage during the year. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Budgets and Budgetary Accounting

An operating budget was adopted for 2012 for the General Fund and Special Revenue Funds (Liquid Fuels Fund and Sewage Fund) on the cash basis which differs from accounting principles generally accepted in the United States of America. Budgetary control over the Capital Projects Fund is exercised primarily through compliance with the terms and conditions of funding.

Within the various funds, the secretary/manager is authorized to transfer budgeted amounts between departments and/or accounts provided that such transfers do not alter total expenditures approved by the Members of Council (Council). Therefore, the level of control over expenditures in these funds is the surplus or deficit of the fund as a whole.

In accordance with the Borough Code, beginning at least thirty days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year is prepared in a manner designated by the Council. The proposed budget is kept on file with the Borough secretary and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published by the Borough secretary in a newspaper of general circulation. After the expiration of the ten days, Council makes such revision in the budget as deemed advisable and adopts the budget by motion.

Details of the budget at the account level of control are kept in the Borough's finance office and are available for public inspection.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Total Columns on Combined Statements

The combined DCED Schedules include total columns that aggregate the various fund types and account group. The columns are designated "memorandum only" because the totals are not comparable to a consolidation, in that interfund transactions are not eliminated.

Pending Pronouncements

GASB has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*," effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," effective for periods beginning after December 15, 2011. This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," effective for the year ending December 31, 2012. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," effective for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 67, "*Financial Reporting for Pension Plans*," effective for periods beginning after June 15, 2013. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement and addresses accounting and financial reporting for the activities of pension plans that are

BOROUGH OF DORMONT

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YEAR ENDED DECEMBER 31, 2012

administered through trusts that have certain characteristics. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 68, *“Accounting and Financial Reporting for Pensions,”* effective for periods beginning after June 15, 2014. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through certain types of pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The effect of implementation of this statement has not yet been determined.

3. CASH AND INVESTMENTS

All deposits are carried at cost (which approximated fair value) plus accrued interest. The deposit policy of the Borough adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of the state statutes.

GASB Statement No. 40, *“Deposit and Investment Risk Disclosures,”* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Borough’s deposit and investment risks:

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough does not have a formal deposit policy for custodial credit risk. At December 31, 2012, \$3,982,979 of the Borough’s bank balance of \$4,482,979 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. These deposits have a carrying amount of \$4,367,486 as of December 31, 2012. This entire carrying amount is classified as cash and investments on the DCED Schedules.

In addition to the deposits noted above, included in cash and investments on the DCED Schedules are investments with the Pennsylvania Local Government Investment Trust (PLGIT) totaling \$40,333. The fair value of the Borough’s investments with PLGIT, which is an external investment pool, is the same as the value of pooled shares. The Borough’s investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Credit Risk – The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2012, investments in PLGIT have received an AAAM rating from Standards & Poor's.

Pension Trust Funds

The Pension Trust Funds' investments are held separately from those of other Borough funds. Assets in the Pension Trust Funds are stated at fair value. The Borough maintains investment policies that summarize the investment philosophy of the Borough and establishes investment guidelines and performance objectives for both the Non-Uniformed Employees and Police Pension Plans.

The Pension Trust Funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near term and that such a change could materially affect the amount reported on the statement of financial position.

As of December 31, 2012, the Borough had the following cash and investments in its Pension Trust Funds:

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Cash and Cash Equivalents or Investment Type	Fair Market Value	Investment Maturities from December 31, 2012			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Corporate fixed income	\$ 419,607	\$ -	\$ 419,607	\$ -	\$ -
U.S. government obligations	1,421,723	-	789,425	305,016	327,282
Total debt-backed investments	1,841,330	\$ -	\$ 1,209,032	\$ 305,016	\$ 327,282
Cash and cash equivalents	616,808				
Fixed mutual funds	1,930,212				
Equity mutual funds	1,674,310				
Other Funds	318,259				
Common stock	4,547,970				
Total cash and other investments	9,087,559				
Total cash, cash equivalents, and investments	\$ 10,928,889				

The following is a description of the Pension Trust Funds' deposit and investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Fund has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2012, the Pension Trust Funds' investments in fixed income U.S. Government obligations, which consist of U.S. Treasury Notes, were rated AAA by Standard & Poor's, and the ratings for the Funds' investments in corporate bonds are detailed out in the schedule below:

Bond Rating S & P	Total Fair Market Value
N/A	\$ 34,679
AA2	36,358
AA3	35,183
A2	89,532
A3	93,271
Baa1	78,201
Baa2	52,383
Total	\$ 419,607

BOROUGH OF DORMONT

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Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. The Borough's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. All money market funds have an average maturity of one year or less.

Concentration of Credit Risk – The Borough places no limit on the amount the Borough may invest in any one issuer. There were no investments in both the Non-Uniformed Pension Plan and the Police Pension Plan that constituted more than 5% of any of the plan net assets available for benefits at December 31, 2012. In addition, the pension plans did not have any investment transactions with related parties during the year.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Pension Trust Fund's investments. The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturities of debt-backed investments are disclosed above.

4. REAL ESTATE TAXES

Allegheny County is responsible for establishing assessed values (corresponding to 100% of market value) for real property in the Borough. Except for exempt parcels, real estate taxes due to the Borough are calculated by multiplying assessed value by the millage rates set by the Borough. The Borough Code permits real estate tax rates for primary governments of up to 30 mills and additional millage for certain specified purposes. The Borough's real estate tax rate applicable for 2012 was 14.0 mills (7.78 General Government, 3.84 Debt Service, 0.34 Library, and 2.04 Fire Department). Taxable assessed value applied in 2012 was approximately \$267 million.

Real estate taxes are billed and collected by an elected tax collector. Taxes are levied on April 1. Taxes paid by May 31 are reduced by a 2% discount. Taxes paid after July 31 are subject to a 10% penalty. Amounts not collected before the following December 31 are turned over to a contractor for collection.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5. LONG-TERM DEBT

Changes in the Borough's long-term debt for the year ended December 31, 2012 were as follows:

	<u>Beginning Balance at January 1, 2012</u>	<u>Additions</u>	<u>Retirements and Refunding</u>	<u>Accretion</u>	<u>Ending Balance at December 31, 2012</u>
General obligation bonds:					
Series of 1997 - capital appreciation	\$ 3,564,337	\$ -	\$ (700,000)	\$ 178,480	\$ 3,042,817
General obligation notes:					
2006 Note	221,676	-	(68,347)	-	153,329
2011 Note	295,333	-	(43,322)	-	252,011
AIM Loan of 2007	45,000	-	(45,000)	-	-
Tax exempt appropriation note of 2003	123,492	-	(60,995)	-	62,497
	<u>\$ 4,249,838</u>	<u>\$ -</u>	<u>\$ (917,664)</u>	<u>\$ 178,480</u>	<u>\$ 3,510,654</u>

General Obligation Bonds - 1997

In 1997, the Borough issued \$1,265,000 in Current Interest General Obligation Bonds and \$2,041,634 in Capital Appreciation General Obligation Bonds (1997 Bonds) with interest rates from 4.0% to 5.45%. The 1997 Bonds are due serially through 2018. The outstanding principal of the 1997 Bonds at December 31, 2012 was \$3,042,817 (\$791,989 of principal plus \$2,250,828 of interest accretion on the capital appreciation bonds).

General Obligation Note - 2006

In 2006, the Borough issued a General Obligation Note (2006 Note) in the amount of \$524,191. The proceeds of the 2006 Note were used to refinance the 2000 Note. The 2006 Note bears an interest rate of 4.79%. Interest payments are required on the last day of each month commencing December 31, 2006 and continuing each month thereafter through the date of maturity on January 31, 2015.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

General Obligation Note - 2011

In 2011, the Borough issued a General Obligation Note (2011 Note) in the amount of \$620,000. The proceeds of the 2011 Note were used to purchase a parking lot. The 2011 Note bears an interest rate of 3.25%. Interest and principal payments are required on the first day of each month commencing April 1, 2011 and continuing each month thereafter through the date of maturity on March 1, 2026.

AIM Loan – 2007

In 2007, the Borough obtained a \$225,000 AIM Loan (Loan). The proceeds of the Loan were used to finance capital improvements in particular the rehabilitation of Gaylord Avenue and improvements to the Borough swimming pool. The Loan has a five-year payback schedule at a 3.77% interest rate.

Tax Exempt Appropriation Note - 2003

In 2003, the Borough obtained a tax-exempt appropriation note (TEAN) in the amount of \$520,000. The proceeds of the TEAN were used to finance the cost of a salt storage enclosure and renovation to the Public Works building. The TEAN bears an interest rate of 4.80%. Principal and interest payments of \$33,100 are required on a semi-annual basis commencing May 31, 2004 and continuing thereafter through the date of maturity on November 30, 2013.

Annual debt service requirements of the Borough are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 878,942	\$ 15,554	\$ 894,496
2014	821,431	8,351	829,782
2015	754,183	4,526	758,709
2016	749,327	2,951	752,278
2017	750,955	1,324	752,279
2018-2022	97,999	70	98,069
	<u>\$ 4,052,837</u>	<u>\$ 32,776</u>	<u>\$ 4,085,613</u>

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

A reconciliation of the principal outstanding per the debt service schedule to the outstanding principal amounts recorded in the statement of net assets is as follows:

Outstanding principal - total debt service	\$ 4,052,837
Less: future interest accretion	<u>(542,183)</u>
Outstanding principal at December 31, 2012	<u><u>\$ 3,510,654</u></u>

6. FIXED ASSETS

Fixed asset activity for the primary government for the year ended December 31, 2012 was as follows:

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Capital assets, not being depreciated:				
Land	\$ 1,802,975	\$ -	\$ -	\$ 1,802,975
Total capital assets, not being depreciated	<u>1,802,975</u>	<u>-</u>	<u>-</u>	<u>1,802,975</u>
Capital assets, being depreciated:				
Buildings	9,104,169	-	-	9,104,169
Furniture, machinery, and equipment	3,837,310	18,267	-	3,855,577
Infrastructure	15,605,000	55,340	-	15,660,340
Total capital assets, being depreciated	<u>28,546,479</u>	<u>73,607</u>	<u>-</u>	<u>28,620,086</u>
Less: accumulated depreciation for:				
Buildings	(3,363,078)	(238,490)	-	(3,601,568)
Furniture, machinery, and equipment	(3,252,007)	(231,768)	-	(3,483,775)
Infrastructure	<u>(9,675,100)</u>	<u>(315,790)</u>	<u>-</u>	<u>(9,990,890)</u>
Total accumulated depreciation	<u>(16,290,185)</u>	<u>(786,048)</u>	<u>-</u>	<u>(17,076,233)</u>
Capital assets being depreciated, net	<u>12,256,294</u>	<u>(712,441)</u>	<u>-</u>	<u>11,543,853</u>
Capital assets, net	<u><u>\$ 14,059,269</u></u>	<u><u>\$ (712,441)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,346,828</u></u>

7. PENSION PLAN

Plan Descriptions

The Borough administers two single-employer defined benefit pension plans: Non-Uniformed Employees and Police (Plans). These Plans cover substantially all full-time employees. All Plans provide retirement and disability benefits to Plans' members and their beneficiaries. Plan provisions are established by municipal ordinance with the authority for

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

municipal contributions required by Act 205 of the Commonwealth (Act). The Plans are governed by the Council, who has delegated the authority to manage the Plans' assets to an outside third party. The Plans do not issue separate reports.

Basis of Accounting

The Borough's schedules are prepared using the cash basis of accounting with the exception of the pension funds. The pension fund's investments are recorded at fair value and interest revenue is recognized in the period earned.

Non-Uniformed Employees Plan

The Non-Uniformed Employees Plan (Plan) is a defined benefit plan available to all full-time Borough employees under the Act. According to the Plan, participants are eligible for retirement upon the later of the completion of 20 years of credited service or attainment of age 65. Participants are fully vested in this Plan upon the completion of 10 years of credited service. The monthly pension benefit is equal to 1.25 percent of the final monthly average compensation multiplied by years of credited service.

Police Plan

The Police Plan (Plan) is a defined benefit plan available to all full-time Borough police officers under the Act. According to the Plan, participants are eligible for retirement upon the later of the completion of 25 years of aggregate service or attainment of age 50. Participants are fully vested in this Plan upon the completion of 12 years of aggregate service. The monthly pension benefit is equal to 50 percent of the final monthly average salary. Included in the Borough's Police Plan is a Deferred Retirement Option Plan (DROP). The DROP activity is included in the Police Pension Trust Fund for reporting purposes.

At January 1, 2011, the date of the most recent valuation, participants in the Plans were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Participants:		
Retired and inactive	12	6
Active employees	11	17

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Summary of Significant Accounting Policies

Financial information of the Borough's Plans is presented on the accrual basis of accounting. Employer contributions to each Plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual Plan.

Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

At December 31, 2012, no individual pension investment constituted more than 5% of any of the Plan net assets available for benefits. The Plans did not have any investment transactions with related parties during the year.

Pension Trust Fund Financial Information

Plan Net Assets

	<u>Non-Uniformed Employees</u>	<u>Police</u>	<u>Total</u>
Assets			
Investments (at fair value):			
Cash and cash equivalents	\$ 90,479	\$ 526,329	\$ 616,808
U.S. government securities	362,907	1,058,816	1,421,723
Corporate bonds	106,322	313,285	419,607
Common stock	1,091,799	3,456,171	4,547,970
Fixed mutual funds	444,934	1,485,278	1,930,212
Equity mutual funds	388,311	1,285,999	1,674,310
Other funds	74,833	243,426	318,259
Total Assets	2,559,585	8,369,304	10,928,889
Liabilities			
Accounts payable	-	-	-
Net Assets Held in Trust for Pension Benefits	\$ 2,559,585	\$ 8,369,304	\$ 10,928,889

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Changes in Plan Net Assets

	<u>Non-Uniform Employees</u>	<u>Police</u>	<u>Total</u>
Additions:			
Contributions:			
Employer, including state aid	\$ 12,214	\$ 187,043	\$ 199,257
Employee	33,590	83,977	117,567
Total contributions	<u>45,804</u>	<u>271,020</u>	<u>316,824</u>
Investment income:			
Net appreciation in fair value of investments	217,672	779,439	997,111
Interest and dividends	<u>81,600</u>	<u>219,846</u>	<u>301,446</u>
Total investment income	<u>299,272</u>	<u>999,285</u>	<u>1,298,557</u>
Total additions	<u>345,076</u>	<u>1,270,305</u>	<u>1,615,381</u>
Deductions:			
Benefits	49,343	381,745	431,088
Administrative expense	<u>22,044</u>	<u>55,227</u>	<u>77,271</u>
Total deductions	<u>71,387</u>	<u>436,972</u>	<u>508,359</u>
Increase in Plan Net Assets	273,689	833,333	1,107,022
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	<u>2,285,896</u>	<u>7,535,971</u>	<u>9,821,867</u>
End of year	<u>\$ 2,559,585</u>	<u>\$ 8,369,304</u>	<u>\$ 10,928,889</u>

Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO in excess of the Commonwealth of Pennsylvania allocation must be funded by the Borough.

The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. The actuarial value of assets was determined using

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized using the level dollar open method (closed method for the Police Plan).

For 2012, Non-Uniformed Employees were required to contribute to the Plan at a rate of 3.8% and Police were required to contribute to the Plan at a rate of 8%.

The MMO obligation for the Non-Uniformed Employees and Police Plans was \$11,030 and \$187,043, respectively, at December 31, 2012.

The Borough's annual pension cost and related information is as follows:

	<u>Non-Uniformed Employees</u>	<u>Police</u>
Actuarial valuation date	1/1/2011	1/1/2011
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Closed
Amortization period	17	13
Asset valuation method	4-Year Smoothing	4-Year Smoothing
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.5%	5.5%
Underlying inflation rate	3.0%	3.0%
Cost of living adjustments	n/a	n/a

n/a = not applicable

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2011. The next actuarial valuation will be performed as of January 1, 2013.

The Borough has a net pension asset (a negative net pension obligation (NPO)) as of December 31, 2012 calculated as follows:

	Non-Uniform Employees	Police
Annual required contribution	\$ 11,030	\$ 187,043
Interest on NPO	-	(2,521)
Adjustment to the ARC	(57,497)	(42,044)
Annual pension cost and other	(46,467)	142,478
Contribution made	11,030	187,043
Change in NPO	(57,497)	(44,565)
NPO, 12/31/2011	-	(33,607)
NPO, 12/31/2012	\$ (57,497)	\$ (78,172)

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Non-Uniformed Employees:			
	12/31/2010	\$ -	n/a
	12/31/2011	11,682	100%
	12/31/2012	(46,467)	100%
Police:			
	12/31/2010	\$ 134,673	100%
	12/31/2011	177,879	119%
	12/31/2012	142,478	100%

n/a = not applicable

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate Plan and funded from investment earnings.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Funding Status and Funding Progress

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

	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
<u>Police:</u>	\$ 7,431,157	\$ 8,636,284	\$(1,205,127)	86.05%	\$1,041,935	(115.66%)
Non-Uniformed <u>Employees:</u>	2,232,679	1,946,501	286,178	114.70%	891,142	32.11%

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

8. COMMITMENTS AND CONTINGENCIES

Administrative Consent Order

In 1997, the United States Environmental Protection Agency (USEPA) identified 51 communities tributary to the Allegheny County Sanitary Authority (ALCOSAN), which includes the Borough, whose sanitary sewers are subject to wet weather overflows. The Borough signed an Administrative Consent Order (ACO). The ACO details the timetable for completion of each phase which will involve inspecting, mapping, correcting, and monitoring the sewer system. The Borough is subject to a civil penalty for untimely completion of each term or provision of the ACO. The Borough has paid no civil penalties for the year ended December 31, 2012. The Borough's engineers have estimated the cost to comply with the ACO under the following four scenarios:

- The cost to comply with the ACO being proposed by the Borough, where the Borough's previous work is accepted, is estimated at \$260,748.
- The cost to comply with the ACO being proposed by the Borough, where none of the Borough's previous work is accepted, is estimated at \$1,072,957.
- The cost to comply with a strict interpretation of the Agency's ACO, where some of the Borough's previous work is accepted, is estimated at \$2,188,908.

BOROUGH OF DORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

- The cost to comply with a strict interpretation of the Agency's ACO is estimated at \$2,871,669.

It is management's opinion that costs to comply with the ACO being proposed will approximate \$260,748 over the next three years. In addition, the Borough will be participating in the multi-municipal portion of the Consent Decree which will involve approximately \$7,000,000 in costs over the next 20 years.

The Borough will seek to recover certain of the costs through intergovernmental grants. The Borough also anticipates paying for its portion of the corrective action through the sewer fees paid by residents with no increase in that fee seen at this time.

In addition to the above, the Borough is involved in various disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the Borough's financial position.

9. RISK FINANCING

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past several years. There were no significant reductions in insurance coverage from coverage in the prior years.

For its workers compensation insurance coverage, the Borough participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 199 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust.

Other Information

BOROUGH OF DORMONT
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess (Deficiency) of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2007	\$ 6,558,286	\$ 6,355,903	\$ 202,383	103.18%	\$ 1,283,643	15.77%
1/1/2009	6,789,569	7,357,944	(568,375)	92.28%	1,239,321	-45.86%
1/1/2011	7,431,157	8,636,284	(1,205,127)	86.05%	1,041,935	-115.66%

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

BOROUGH OF DORMONT
SCHEDULE OF FUNDING PROGRESS
NON-UNIFORMED PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess (Deficiency) of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2007	\$ 1,907,444	\$ 1,349,382	\$ 558,062	141.36%	\$ 716,352	77.90%
1/1/2009	1,976,330	1,638,533	337,797	120.62%	812,589	41.57%
1/1/2011	2,232,679	1,946,501	286,178	114.70%	891,142	32.11%

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

BOROUGH OF DORMONT

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Non-Uniformed Employees		Police	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2010	\$ -	n/a	\$ 134,673	100%
2011	11,682	100%	177,879	119%
2012	11,030	100%	187,043	100%

Note: Contributions include state pension aid

BOROUGH OF DORMONT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating Cash Receipts:				
Taxes:				
Real estate	\$ 3,794,258	\$ 3,794,258	\$ 3,733,580	\$ (60,678)
Earned income	775,000	775,000	1,037,530	262,530
Real estate transfer	75,000	75,000	78,997	3,997
Local services tax	52,000	52,000	49,654	(2,346)
Sales	380,000	380,000	424,048	44,048
Licenses, permits, and fees	172,250	172,250	199,713	27,463
Fines, forfeitures, and penalties	101,400	101,400	92,048	(9,352)
Investment income, rents, and royalties	283,643	283,643	331,781	48,138
Intergovernmental	198,090	198,090	234,419	36,329
Charges for services	1,156,300	1,156,300	1,269,161	112,861
Total operating cash receipts	6,987,941	6,987,941	7,450,931	462,990
Operating Cash Disbursements:				
Current:				
General government	845,507	845,507	723,954	121,553
Public safety	2,137,247	2,137,247	2,002,260	134,987
Public works - sanitation	579,000	579,000	549,645	29,355
Public works - highway and streets	581,957	581,957	516,669	65,288
Public works - other	84,217	84,217	83,791	426
Culture and recreation	568,607	568,607	551,160	17,447
Employer paid benefits and employee items	1,096,178	1,096,178	1,080,598	15,580
Insurance	33,878	33,878	84,351	(50,473)
Debt service:				
Principal	920,347	920,347	946,519	(26,172)
Interest	47,503	47,503	33,636	13,867
Fiscal agent fees	3,000	3,000	-	3,000
Total operating cash disbursements	6,897,441	6,897,441	6,572,583	324,858
Excess (Deficiency) of Operating Cash Receipts over Operating Cash Disbursements				
	90,500	90,500	878,348	787,848
Other Financing Sources (Uses):				
Transfers in	85,000	85,000	-	(85,000)
Transfers out	(150,000)	(150,000)	(150,000)	-
Refund of prior years expenditures	70,000	70,000	69,202	(798)
All other financing uses	(95,000)	(95,000)	(13)	94,987
Refund of prior years receipts	(500)	(500)	(192)	308
Total other financing sources (uses)	(90,500)	(90,500)	(81,003)	9,497
Excess (Deficiency) of Operating Cash Receipts and Other Financing Sources over Operating Cash Disbursements and Other Financing Uses				
	\$ -	\$ -	797,345	\$ 797,345
Fund Balance:				
Beginning of year			418,072	
End of year			\$ 1,215,417	

BOROUGH OF DORMONT

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

The operating budget for the General Fund was adopted on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Within the fund, the secretary/manager is authorized to transfer budgeted amounts between departments and/or accounts provided that such transfers do not alter total expenditures approved by the Members of Council (Council). Therefore, the level of control over expenditures in the fund is the surplus or deficit of the fund as a whole.

In accordance with the Borough Code, beginning at least thirty days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year is prepared in a manner designated by the Council. The proposed budget is kept on file with the Borough secretary and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published by the Borough secretary in a newspaper of general circulation. After the expiration of the ten days, Council makes such revision in the budget as deemed advisable and adopts the budget by motion.

For the year ended December 31, 2012, General Fund expenditures for insurance and debt service exceeded the departmental budget. The excess appropriations in the General Fund were funded by budget surpluses in other departments.