

## MEMORANDUM

**Date:** July 13, 2012  
**To:** President, Vice-President, Council and Mayor  
**From:** Jeff Naftal, Borough Manager *JN*  
**Subject:** Historical Society Signage

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### Background:

I received the attached letter from Ms. Muriel Moreland, the President of the Dormont Historical Society. Ms. Moreland is requesting on behalf of the Society that the Council erect a pole sign at the corner of Hillsdale and Espy Avenues so that the Society's location will be more visible to the public.

### Discussion:

The Borough Hall and Historical Society are located in the R-2 Residential Zoning District. The Zoning Code allows for business signs as follows:

B. Business identification sign. One non-illuminated or indirectly illuminated wall or freestanding ground identification sign for any business use, other than a home occupation, which is a legal nonconforming use or which is authorized as a conditional use or use by special exception in a residential zoning district which shall not exceed 12 square feet in area shall be permitted.

Therefore, the Code does allow for a pole sign which is one type of freestanding sign. However there is a limit of 12 square feet for the sign which is not very large.

Given the size limitations, a 3x4 pole sign would I think be inappropriate for the area. However, either a 3x4 monument type sign or a 3x4 sign on the wall of the building I think would work out fairly well. That is because these types of signs lend themselves to smaller areas and are more appropriate for the area in which we are located. The Fire Department across the street has a wall sign of this type. Given our location the question would arise as to which wall, Hillsdale or Espy to put the sign. A monument sign could be placed right on the corner. From a cost standpoint, monument signs are usually more expensive than wall signs.

One additional consideration would be allowing for a variance to the Code to provide for a larger sign. The problem with this is that essentially the Borough is giving itself a variance and that usually has a bad appearance for the public.

Funding for this project would be available in a number of ways. There is currently \$13,709.30 available in the Major Purchases line item in the Government Building department. There is also \$5000 available for Minor Purchases in the same department. Finally, there is \$70,280 currently available in the Contingency line item.

Recommendation:

I recommend that the Council authorize staff to get proposals for a monument sign to be placed at the corner of Hillsdale Avenue and Espy Avenue and bring these back to Council for a recommendation and approval of the purchase.

JN

Cc: Ms. Muriel R. Moreland, President, Dormont Historical Society  
Mr. Pat Kelly, Building Official

Attachment

**DORMONT**  
**HISTORICAL SOCIETY**  
— CHARTERED 1999 —

1444 Hillsdale Avenue, Dormont PA 15216  
Mailing Address: 2832 Espy Avenue Dormont, PA 15216  
<http://www.dormont-history.com>

July 9, 2012

Mr. Jeffrey Naftal, Borough Manager  
Borough of Dormont  
1444 Hillsdale Avenue  
Pittsburgh, PA 15216

Dear Mr. Naftal,

In order for the location of our Society to be more visible to Dormont residents and to others who would be visiting our museum, we would like to have a pole sign erected at the corner of Hillsdale and Espy Avenues. In spite of having been active in the Borough for thirteen years now, we are aware that many residents do not know that we even exist as a society. Also, some who do know we exist, do not know where we are located.

As well as telling our location, such a sign would enable us to promote special openings and other events.

We would be careful to comply with all requirements as to size, exact location, and other specifications set up by the Borough Code.

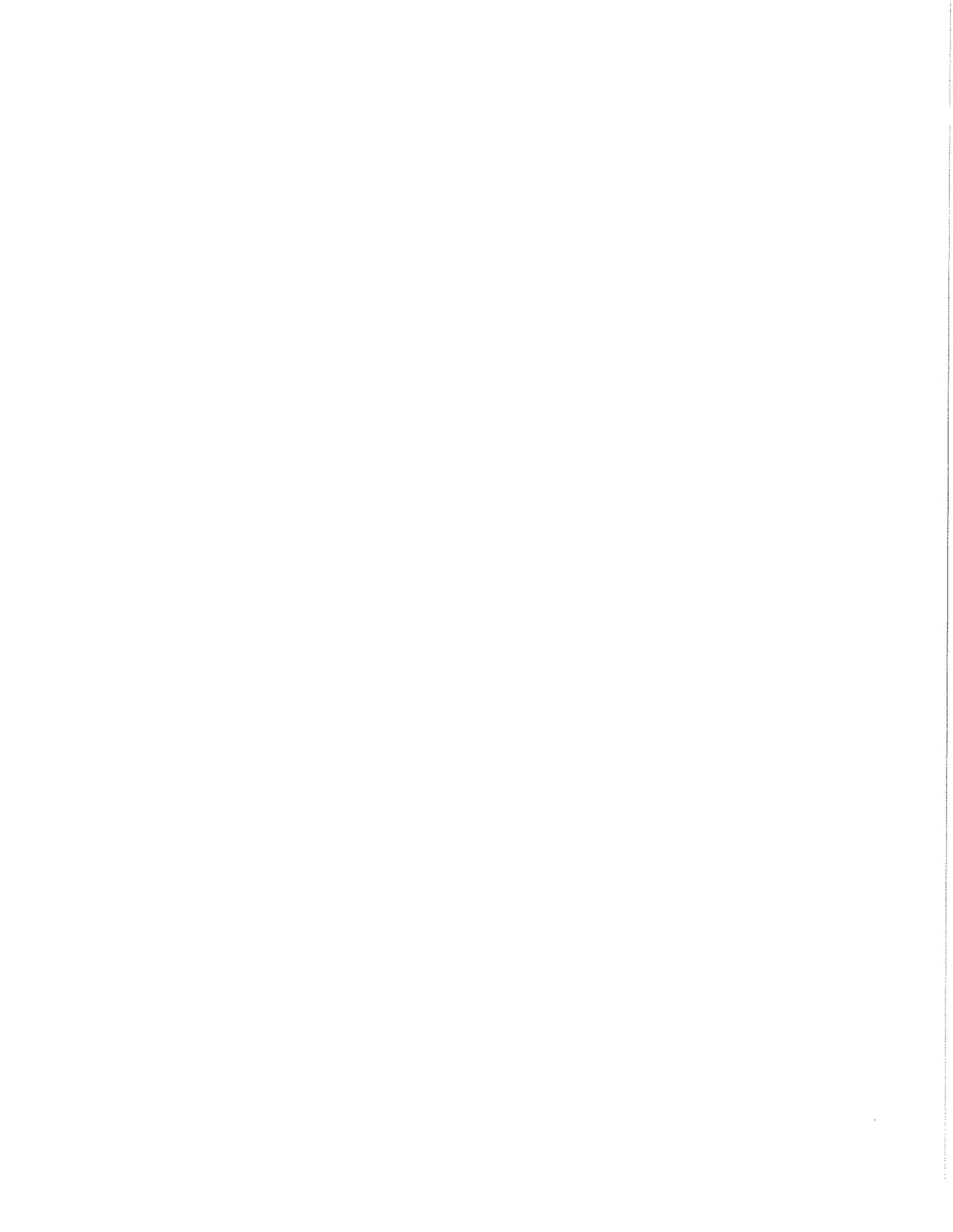
Your help in this matter would be greatly appreciated.

Sincerely,

*Muriel R. Moreland*

Muriel R. Moreland  
President

Copy sent to Mr. Wm. McCartney, Council President





## MEMORANDUM

**Date:** July 13, 2012  
**To:** President, Vice-President, Council and Mayor  
**From:** Jeff Naftal, Borough Manager *JN*  
**Subject:** FY 2011 Audit

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### Background:

The Borough received the FY 2011 Audit from its accounting firm, Maher Duessel, this week. I have reviewed the Audit and discovered a number of issues that I feel should be addressed by Council including the form of the Audit as well as various internal control issues.

### Discussion:

When I read the Audit, my first impression was that it was incomplete. It did not look like any Audit I had ever seen in government. But when I contacted the auditor, she informed me that Pennsylvania allows for what amounts to a short-form Audit using a standard form developed by the State's Department of Community and Economic Development (DCED).

On December 29, 2010, the Borough entered into an agreement with Maher Duessel for annual auditing services. Instead of using the audit form recommended by the Governmental Accounting Standards Board (GASB), the former Manager asked Maher Duessel to only do the short form required by the State. He did this to save money. According to Maher Duessel, the savings amounted to about \$2000 per year. The agreement was for auditing services for the 2010, 2011 and 2012 Fiscal Years. The difference is that you cannot get an unqualified opinion, one in which there are no question marks, unless you use the GASB audit. In addition, there is no Management Discussion in the short form, which is where the auditor discusses the overall finances of the Borough and the management of those finances.

I have attached to this report copies of both the current, FY 2011 Audit as well as the FY 2008 Audit for comparison. The FY 2008 Audit also includes the DCED short form as required by the State but provides the GASB data which is significantly more detail to allow Council to manage the finances of the Borough more effectively.

The other issue that I have noted in the FY 2011 Audit is related to the auditor's Management Letter, a copy of which is also attached. The Management Letter is provided with every audit to let client's know about potential conflicts in the way the internal controls of the Borough are handled. The conflicts are broken down by severity with Material Weaknesses being the worst, then Significant Deficiencies, then other matters of internal control. Areas of concern in internal control can lead to openings for mistakes, misuse, or outright theft. In our case, the Management Letter points out three items in each category. Worse though is that only one Significant Deficiency and two other matters are new. Everything else has been reported to the Borough for multiple years and has yet to be addressed.

The three Material Weaknesses are that we need to segregate the cash receipts and payroll duties and that bank reconciliations are not being performed. All three of these arise from having insufficient staff to separate out duties. While the Finance Director should be handling the review of payroll and cash receipts, someone else should be entering them into the computer system. And the Finance Director is performing the bank reconciliations but no one has been truly reviewing those for accuracy. This latter matter can be addressed either with me or using the Treasurer but if the Treasurer is chosen, it would be preferable to have a CPA in that position as was done in the past. As for the cash receipts and payroll duties, it is possible that the new Clerk/Receptionist will be able to handle this but more likely, will be too busy with other duties to pick up these as well. I think that we will need to discuss the possibility of an extra clerical position when we get into the budget process.

The three Significant Deficiencies have to do with the accounting software, tax collections, and auditing outside service agencies. The first item is new and the Finance Director and I are already working on addressing this issue. The second item is much more complicated and much more troublesome. Our Tax Collector does not use any computer or other digital data to perform his work. Instead, he keeps everything by hand on old fashioned paper ledgers. Given State law, it is questionable whether we can force him to change that. As for the outside agency audits, as it currently stands we simply accept what they send us and do not question it. To have our auditors perform this work, we would need to gain the approval of these outside agencies through our contractual agreements with them.

Finally, the three other matters are related to the Borough's traffic ticket policy, pension actuarial reports, and credit card transactions. The first item has been corrected since the beginning of the year. The second item requires greater oversight of the Pension Plan Administrator. This is something that should be discussed in conjunction with a review of the entire management of the Borough's pension plans. And the final item was temporarily resolved when the former Manager tore up his card when he left. We will ensure that procedures for the new card will require receipts for every transaction.

Recommendation:

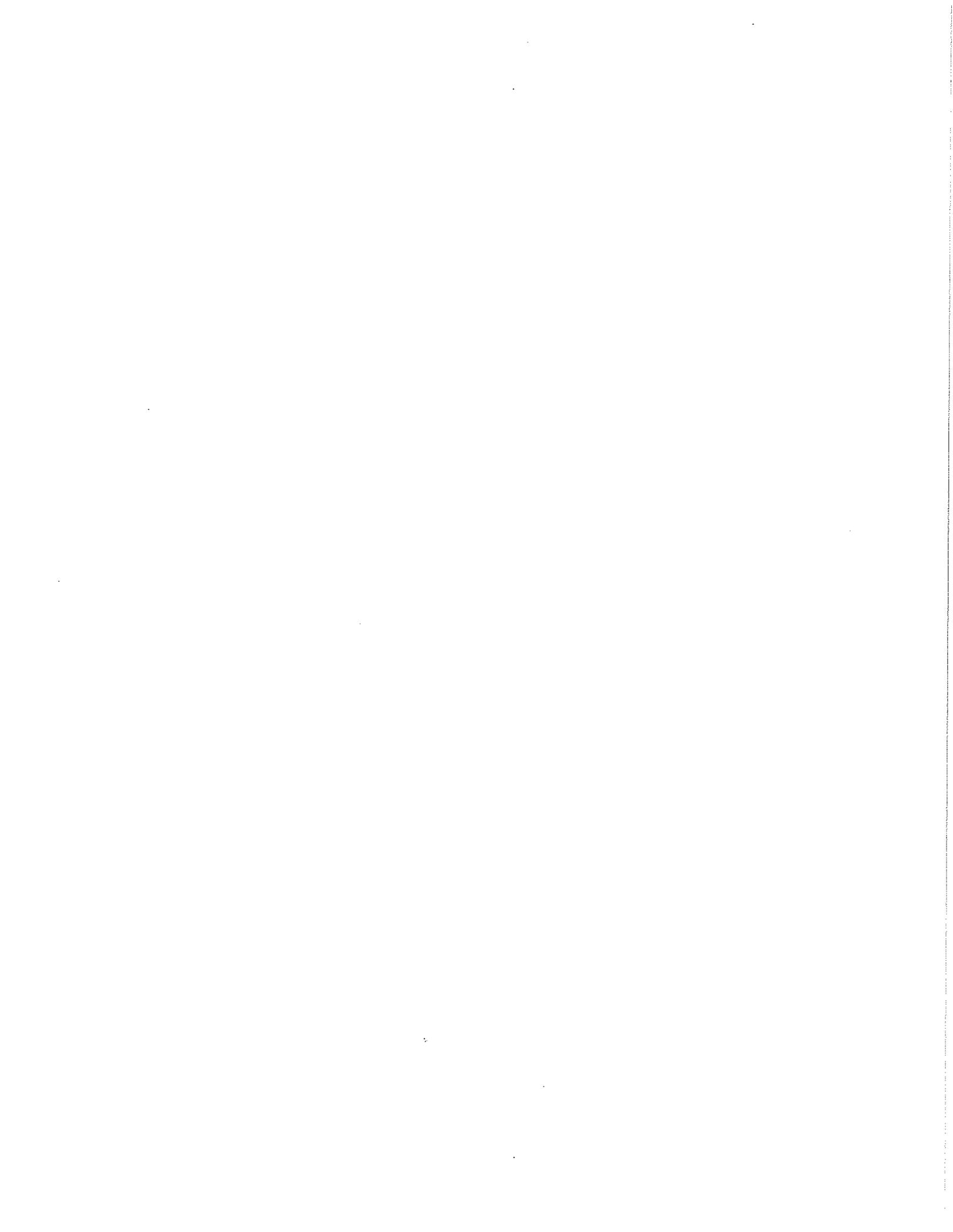
I recommend the following with regards to the FY 2011 Audit Report:

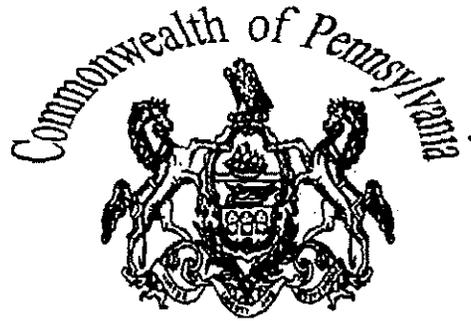
1. Council authorize entering into an amendment to the current audit agreement to provide that the FY 2012 Audit will be done with the GASB format at an extra cost not to exceed \$2500.
2. Council consider appointing a new Treasurer who is a CPA to perform financial oversight for the Borough including quarterly financial analyses, reviewing bank reconciliations, and any other duties that may arise related to the oversight of the finances of the Borough.
3. Council authorizes me to prepare alternatives for the budget process to address the remaining issues in the Management Letter noted above.

JN

Cc: Sherri Puce, Finance Director

Attachments





# Annual Audit and Financial Report

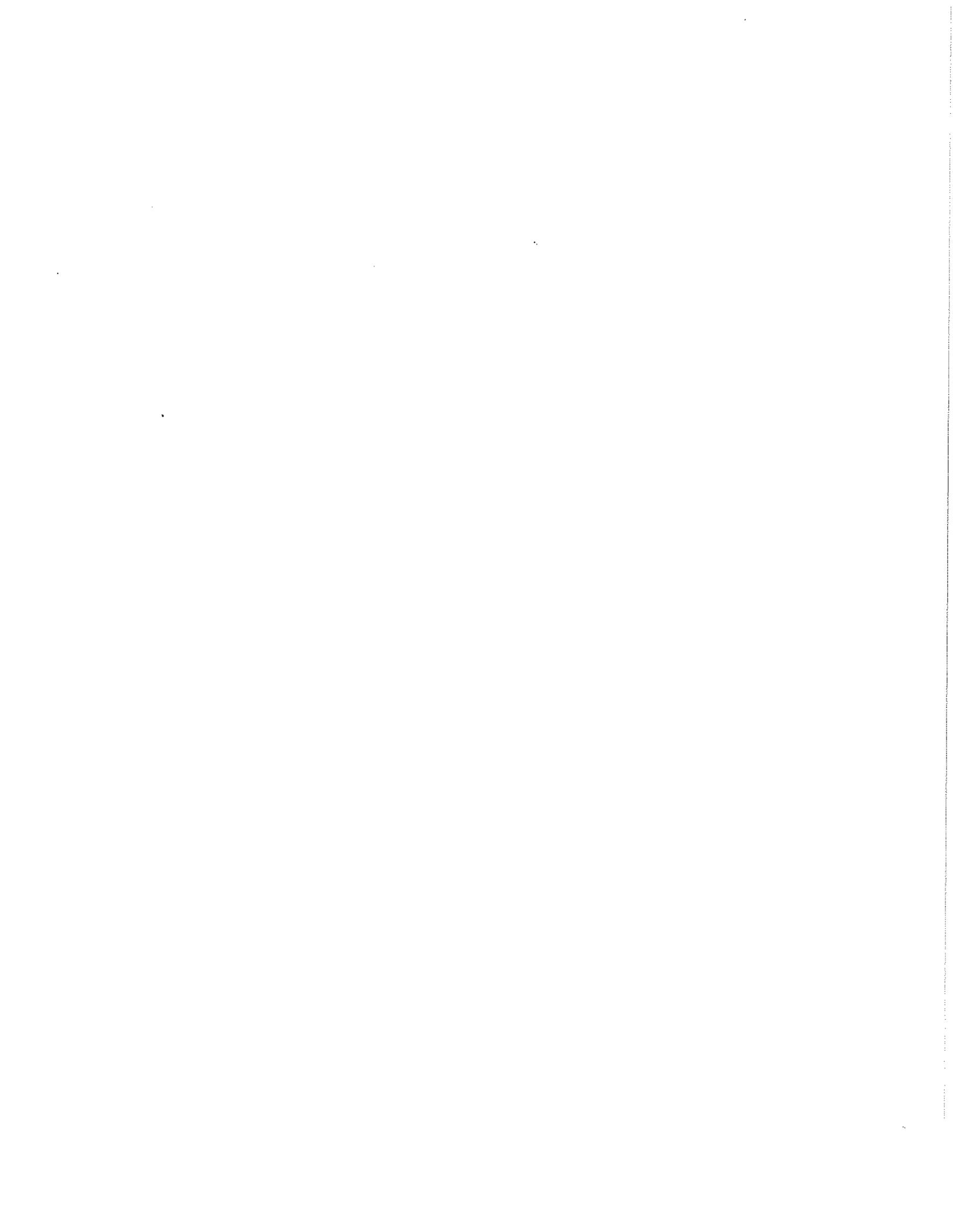
City of \_\_\_\_\_ County

Borough of Dormont \_\_\_\_\_ Allegheny County

Township of \_\_\_\_\_ County

Municipality of \_\_\_\_\_ County

for the year  
2011



**MaherDuessel**  
Certified Public Accountants

Pittsburgh  
Three Gateway Center  
Six West  
Pittsburgh, PA 15222  
Main 412.471.5500  
Fax 412.471.5508

Harrisburg  
3003 North Front Street  
Suite 101  
Harrisburg, PA 17110  
Main 717.232.1230  
Fax 717.232.8230

Butler  
112 Hollywood Drive  
Suite 204  
Butler, PA 16001  
Main 724.285.6800  
Fax 724.285.6875

### 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, Statements of Capital Expenditures and Employee Compensation (the Schedules) included in the Annual Audit and Financial Report of the Borough of Dormont (Borough), Pennsylvania, for the year ended December 31, 2011, as described in the instructions provided by the Pennsylvania Department of Community and Economic Development (DCED). The Schedules are the responsibility of the Borough's management. Our responsibility is to express an opinion on the Schedules based on our audit.

Except as described in the fifth paragraph, 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 Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as, evaluating the overall financial presentation of the Schedules. We believe that our audit provides a reasonable basis for our opinion.

These Schedules were prepared in conformity with the accounting practices and procedures prescribed or permitted by the DCED, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These requirements permit the Schedules to be prepared on the cash basis of accounting without financial statement disclosures, without government-wide financial statements, without budgetary comparisons, without Management's Discussion and Analysis, and other required supplementary information, and requires all funds of the Borough to be aggregated on the Schedules. The effects on the Schedules of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the Schedules referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2011, and the results of its operations for the year then ended.

The vast majority of the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes (stated at \$822,250, \$486,120, \$1,715,024, and \$46,118, respectively, for the year ended December 31, 2011) are collected by outside service agencies. We were unable to obtain audited financial statements of the outside service agencies supporting the amounts collected, as the planned independent audits of the outside service agencies have not been completed. Accordingly, we were unable to satisfy ourselves as to (1) whether the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes were remitted to the Borough and (2) whether actual remittances to the Borough were made on a timely basis.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding the Borough's earned income tax, solid

Members of Council  
Borough of Dormont  
Independent Auditor's Report

waste disposal fees, sewage usage fees, and local services taxes, the Schedules referred to above present fairly, in all material respects, the cash basis financial position of the Borough as of December 31, 2011, and its cash receipts and cash disbursements for the year then ended on the basis of accounting described in the third paragraph.

Our audit was conducted for the purpose of forming an opinion on the Schedules. The pension information on pages 22-26 is presented for the purposes of additional analysis and is not a required part of the Schedules. The information has not been subjected to the auditing procedures applied in the audit of the Schedules and, accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Members of Council and management of the Borough and for filing with the various local and state departments or offices and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Maher Duessel*

Pittsburgh, Pennsylvania  
March 21, 2012

**BALANCE SHEET**  
 December 31, 2011

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
100-120 Cash and Investments.....	418,072	2,760,934	610,823	-
140-144 Tax Receivable.....	-	-	-	-
121-129 Account Receivable (excluding taxes).....	-	-	-	-
145-149	-	-	-	-
130 Due From Other Funds.....	-	-	-	-
131-139	-	-	-	-
150-159 Other Current Assets.....	-	-	-	-
160-169 Fixed Assets.....	-	-	-	-
180-189 Other Debits.....	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS.....</b>	<b>\$ 418,072</b>	<b>\$ 2,760,934</b>	<b>\$ 610,823</b>	<b>\$ -</b>

LIABILITIES AND OTHER CREDITS				
210-229 Payroll Taxes and Other Payroll Withholdings.....	-	-	-	-
200-209	-	-	-	-
231-239 All Other Current Liabilities.....	-	-	-	-
230 Due to Other Funds.....	-	-	-	-
260-269 Long-Term Liabilities.....	-	-	-	-
240-259 Current Portion of Long-Term Debt & Other Credits.....	-	-	-	-
<b>TOTAL LIABILITIES AND OTHER CREDITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

FUND AND ACCOUNT GROUP EQUITY				
281-284 Contributed Capital.....	-	-	-	-
290 Investment in General Fixed Assets.....	-	-	-	-
270-289 Fund Balance/Retained Earnings on 12/31.....	418,072	2,760,934	610,823	-
291-299 Other Equity.....	-	-	-	-
<b>TOTAL FUND ACCOUNT GROUP EQUITY.....</b>	<b>\$ 418,072</b>	<b>\$ 2,760,934</b>	<b>\$ 610,823</b>	<b>\$ -</b>

Total Assets and Other Debits minus Total Liabilities and Other Credits must equal the Total Fund and Account Group Equity.

ASSETS AND OTHER DEBITS	PROPRIETARY FUNDS		FIDUCIARY FUNDS	ACCOUNTS GROUPS		TOTAL
	Enterprise	Internal Service	Trust & Agency	General	General	Memorandum Only
				Fixed Assets	Long Term Debt	
100-120 Cash and Investments.....	-	-	9,794,867	-	-	13,584,696
140-144 Tax Receivable.....	-	-	-	-	-	-
121-129 Account Receivable (excluding taxes).....	-	-	-	-	-	-
145-149	-	-	-	-	-	-
130 Due From Other Funds.....	-	-	-	-	-	-
131-139	-	-	-	-	-	-
150-159 Other Current Assets.....	-	-	-	-	-	-
160-169 Fixed Assets.....	-	-	-	14,059,269	-	14,059,269
180-189 Other Debits.....	-	-	-	-	4,249,838	4,249,838
<b>TOTAL ASSETS AND OTHER DEBITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,794,867</b>	<b>\$ 14,059,269</b>	<b>\$ 4,249,838</b>	<b>\$ 31,893,803</b>

LIABILITIES AND OTHER CREDITS						
210-229 Payroll Taxes and Other Payroll Withholdings.....	-	-	-	-	-	-
200-209	-	-	-	-	-	-
231-239 All Other Current Liabilities.....	-	-	-	-	-	-
230 Due to Other Funds.....	-	-	-	-	-	-
260-269 Long-Term Liabilities.....	-	-	-	-	2,867,469	2,867,469
240-259 Current Portion of Long-Term Debt & Other Credits.....	-	-	-	-	1,382,369	1,382,369
<b>TOTAL LIABILITIES AND OTHER CREDITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,249,838</b>	<b>\$ 4,249,838</b>

FUND AND ACCOUNT GROUP EQUITY						
281-284 Contributed Capital.....	-	-	-	-	-	-
290 Investment in General Fixed Assets.....	-	-	-	14,059,269	-	14,059,269
270-289 Fund Balance/Retained Earnings on 12/31.....	-	-	9,794,867	-	-	13,584,696
291-299 Other Equity.....	-	-	-	-	-	-
<b>TOTAL FUND ACCOUNT GROUP EQUITY.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,794,867</b>	<b>\$ 14,059,269</b>	<b>\$ -</b>	<b>\$ 27,643,965</b>

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY.....</b>	<b>\$ 31,893,803</b>
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Total Assets and Other Debits minus Total Liabilities and Other Credits must equal the Total Fund and Account Group Equity.

**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2011

REVENUES	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>TAXES</b>				
301.00 Real Estate Taxes.....	3,718,816	-	-	-
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).....	405,433	-	-	-
310.00 Per Capita Taxes.....	-	-	-	-
310.10 Real Estate Transfer Taxes.....	119,188	-	-	-
310.20 Earned Income Taxes/Wage Taxes.....	822,250	-	-	-
310.30 Business Gross Receipts Taxes.....	-	-	-	-
310.40 Occupation Taxes (levied under Act 511).....	-	-	-	-
310.50 Local Services Taxes**.....	46,118	-	-	-
310.60 Amusement/Admission Taxes.....	-	-	-	-
310.70 Mechanical Device Taxes.....	-	-	-	-
310.90 Other Local Tax Enabling Act/Act511/Taxes	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>TOTAL TAXES.....</b>	<b>\$ 5,111,805</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

LICENSES & PERMITS				
320-322 All Other Licenses and Permits.....	43,695	-	-	-
321.80 Cable Television Franchise Fees.....	201,278	-	-	-
<b>TOTAL LICENSES &amp; PERMITS.....</b>	<b>\$ 244,973</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

FINES & FORFEITS				
330-332 Fines and Forfeits.....	107,053	-	-	-
<b>TOTAL FINES &amp; FORFEITS.....</b>	<b>\$ 107,053</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

INTEREST, RENTS, & ROYALTIES				
341.00 Interest Earnings.....	3,246	3,656	936	-
342.00 Rents and Royalties.....	261,171	-	-	-
<b>TOTAL INTEREST, RENTS, &amp; ROYALTIES.....</b>	<b>\$ 264,417</b>	<b>\$ 3,656</b>	<b>\$ 936</b>	<b>\$ -</b>

\*\* This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

REVENUES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise	Internal Service	Trust and Agency	Memorandum Only
<b>TAXES</b>				
301.00 Real Estate Taxes.....	-	-	-	3,718,816
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).....	-	-	-	405,433
310.00 Per Capita Taxes.....	-	-	-	-
310.10 Real Estate Transfer Taxes.....	-	-	-	119,188
310.20 Earned Income Taxes/Wage Taxes.....	-	-	-	822,250
310.30 Business Gross Receipts Taxes.....	-	-	-	-
310.40 Occupation Taxes (levied under Act 511).....	-	-	-	-
310.50 Local Services Taxes**.....	-	-	-	46,118
310.60 Amusement/Admission Taxes.....	-	-	-	-
310.70 Mechanical Device Taxes.....	-	-	-	-
310.90 Other Local Tax Enabling Act/Act511/Taxes.....	-	-	-	-
.....	-	-	-	-
.....	-	-	-	-
<b>TOTAL TAXES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,111,805</b>

LICENSES & PERMITS				
320-322 All Other Licenses and Permits.....	-	-	-	43,695
321.80 Cable Television Franchise Fees.....	-	-	-	201,278
<b>TOTAL LICENSES &amp; PERMITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 244,973</b>

FINES & FORFEITS				
330-332 Fines and Forfeits.....	-	-	-	107,053
<b>TOTAL FINES &amp; FORFEITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,053</b>

INTEREST, RENTS, & ROYALTIES				
341.00 Interest Earnings.....	-	-	395,699	403,537
342.00 Rents and Royalties.....	-	-	-	261,171
<b>TOTAL INTEREST, RENTS, &amp; ROYALTIES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 395,699</b>	<b>\$ 664,708</b>

\*\* This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

	INTERGOVERNMENTAL REVENUES		GOVERNMENTAL FUNDS	
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>FEDERAL</b>				
351.03 Highways and Streets.....	6,159	-	127,588	-
351.09 Community Development.....	-	-	-	-
351.00 All Other Federal Capital and Operating Grants.....	-	-	-	-
352.01 National Forest.....	-	-	-	-
352.00 All Other Federal Shared Revenue & Entitlements.....	-	-	-	-
353.00 Federal Payments in Lieu of Taxes.....	-	-	-	-
<b>TOTAL FEDERAL.....</b>	<b>\$ 6,159</b>	<b>\$ -</b>	<b>\$ 127,588</b>	<b>\$ -</b>

<b>STATE</b>				
354.03 Highways and Streets.....	-	-	-	-
354.09 Community Development.....	-	-	-	-
354.15 Recycling/Act 101.....	-	-	-	-
354.00 All Other State Capital and Operating Grants.....	-	-	-	-
355.01 Public Utility Realty Tax (PURTA).....	6,576	-	-	-
355.02- Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road 355.03 Turnback.....	-	158,362	-	-
355.04 Alcoholic Beverage Licenses.....	-	-	-	-
355.05 General Municipal Pension System State Aid.....	224,068	-	-	-
355.07 Foreign Fire Insurance Tax Distribution.....	59,072	-	-	-
355.08 Local Share Assessment/Gaming Proceeds.....	-	-	-	-
355.00 All Other Shared Revenues & Entitlements.....	-	-	-	-
356.00 State Payments in Lieu of Taxes.....	-	-	-	-
<b>TOTAL STATE.....</b>	<b>\$ 289,716</b>	<b>\$ 158,362</b>	<b>\$ -</b>	<b>\$ -</b>

<b>LOCAL GOVERNMENT UNITS</b>				
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, Authorities Payments, and Payments in Lieu of Taxes.....	-	-	-	-
<b>TOTAL LOCAL GOVERNMENT UNITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

	INTERGOVERNMENTAL REVENUES		PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise	Internal Service	Trust and Agency	Memorandum Only		
<b>FEDERAL</b>						
351.03 Highways and Streets.....	-	-	-			133,747
351.09 Community Development.....	-	-	-			-
351.00 All Other Federal Capital and Operating Grants.....	-	-	-			-
352.01 National Forest.....	-	-	-			-
352.00 All Other Federal Shared Revenue & Entitlements.....	-	-	-			-
353.00 Federal Payments in Lieu of Taxes.....	-	-	-			-
<b>TOTAL FEDERAL.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ 133,747</b>

<b>STATE</b>						
354.03 Highways and Streets.....	-	-	-			-
354.09 Community Development.....	-	-	-			-
354.15 Recycling/Act 101.....	-	-	-			-
354.00 All Other State Capital and Operating Grants.....	-	-	-			-
355.01 Public Utility Realty Tax (PURTA).....	-	-	-			6,576
355.02- Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State 355.03 Road Turnback.....	-	-	-			158,362
355.04 Alcoholic Beverage Licenses.....	-	-	-			-
355.05 General Municipal Pension System State Aid.....	-	-	-			224,068
355.07 Foreign Fire Insurance Tax Distribution.....	-	-	-			59,072
355.08 Local Share Assessment/Gaming Proceeds.....	-	-	-			-
355.00 All Other Shared Revenues & Entitlements.....	-	-	-			-
356.00 State Payments in Lieu of Taxes.....	-	-	-			-
<b>TOTAL STATE.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ 448,078</b>

<b>LOCAL GOVERNMENT UNITS</b>						
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, Authorities Payments, and Payments in Lieu of Taxes.....	-	-	-			-
<b>TOTAL LOCAL GOVERNMENT UNITS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ -</b>

<b>TOTAL INTERGOVERNMENTAL REVENUES.....</b>						<b>\$ 581,825</b>
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2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

REVENUES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>CHARGES FOR SERVICE</b>					
361.00	General Government.....	42,306	-	-	-
362.00	Public Safety.....	175,866	-	-	-
363.20	Parking.....	319,479	-	-	-
363.00	All Other Charges for Highway & Streets Services.....	1,900	-	-	-
364.10	Wastewater/Sewage Charges.....	-	1,715,024	-	-
364.30	Solid Waste Collection & Disposal Charge (trash).....	476,296	-	-	-
364.60	Host Municipality Benefit Fee for Solid Waste Facility.....	-	-	-	-
364.00	All Other Charges for Sanitation Services.....	9,824	-	-	-
365.00	Health.....	-	-	-	-
366.00	Human Services.....	-	-	-	-
367.00	Culture and Recreation.....	203,752	-	-	-
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.....	-	-	-	-
<b>TOTAL CHARGES FOR SERVICE.....</b>		<b>\$ 1,229,423</b>	<b>\$ 1,715,024</b>	<b>\$ -</b>	<b>\$ -</b>

<b>UNCLASSIFIED OPERATING REVENUES</b>					
383.00	Special Assessments.....	-	-	-	-
386.00	Escheats (sale of personal property).....	-	-	-	-
387.00	Contributions & Donations from Private Sectors.....	-	-	19,004	-
388.00	Fiduciary Fund Pension Contributions.....	<del>          </del>	<del>          </del>	<del>          </del>	<del>          </del>
389.00	All Other Unclassified Operating Revenues ***.....	-	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING REVENUES.....</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,004</b>	<b>\$ -</b>

<b>OTHER FINANCING SOURCES</b>					
391.00	Proceeds of General Fixed Asset Disposition.....	350	-	8,475	-
392.00	Interfund Operating Transfers**.....	85,000	-	630,000	-
393.00	Proceeds of General Long-Term Debt.....	620,000	-	-	-
394.00	Proceeds of Short-Term Debt.....	-	-	-	-
395.00	Refunds of Prior Year Expenditures.....	90,509	-	-	-
<b>TOTAL OTHER FINANCING SOURCES.....</b>		<b>\$ 795,859</b>	<b>\$ -</b>	<b>\$ 638,475</b>	<b>\$ -</b>

<b>TOTAL REVENUES.....</b>		<b>\$ 8,049,405</b>	<b>\$ 1,877,042</b>	<b>\$ 786,003</b>	<b>\$ -</b>
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\*\* The total of line 392.00 must match the total of line 492.00

\*\*\*This amount cannot be greater than 1% of the total revenues within the same fund

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

REVENUES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise	Internal Service	Trust and Agency	Memorandum Only
<b>CHARGES FOR SERVICE</b>				
361.00 General Government.....	-	-	-	42,306
362.00 Public Safety.....	-	-	-	175,866
363.20 Parking.....	-	-	-	319,479
363.00 All Other Charges for Highway & Streets Services.....	-	-	-	1,900
364.10 Wastewater/Sewage Charges.....	-	-	-	1,715,024
364.30 Solid Waste Collection & Disposal Charge (trash).....	-	-	-	476,296
364.60 Host Municipality Benefit Fee for Solid Waste Facility.....	-	-	-	-
364.00 All Other Charges for Sanitation Services.....	-	-	-	9,824
365.00 Health.....	-	-	-	-
366.00 Human Services.....	-	-	-	-
367.00 Culture and Recreation.....	-	-	-	203,752
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.....	-	-	-	-
<b>TOTAL CHARGES FOR SERVICE.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,944,447</b>

<b>UNCLASSIFIED OPERATING REVENUES</b>				
383.00 Special Assessments.....	-	-	-	-
386.00 Escheats (sale of personal property).....	-	-	-	-
387.00 Contributions & Donations from Private Sectors.....	-	-	-	19,004
388.00 Fiduciary Fund Pension Contributions.....	<del>-</del>	<del>-</del>	333,079	333,079
389.00 All Other Unclassified Operating Revenues ***.....	-	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING REVENUES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 333,079</b>	<b>\$ 352,083</b>

<b>OTHER FINANCING SOURCES</b>				
391.00 Proceeds of General Fixed Asset Disposition.....	-	-	-	8,825
392.00 Interfund Operating Transfers**.....	-	-	-	715,000
393.00 Proceeds of General Long-Term Debt.....	-	-	-	620,000
394.00 Proceeds of Short-Term Debt.....	-	-	-	-
395.00 Refunds of Prior Year Expenditures.....	-	-	-	90,509
<b>TOTAL OTHER FINANCING SOURCES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,434,334</b>

<b>TOTAL REVENUES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 728,778</b>	<b>\$ 11,441,228</b>
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\*\* The total of line 392.00 must match the total of line 492.00

\*\*\*This amount cannot be greater than 1% of the total revenues within the same fund

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>GENERAL GOVERNMENT</b>					
400.00	Legislative (Governing) Body.....	19,264	-	-	-
401.00	Executive (Manager or Mayor).....	195,070	-	-	-
402.00	Auditing Services/Financial Administration.....	60,994	-	-	-
403.00	Tax Collection.....	71,307	-	-	-
404.00	Solicitor/Legal Services.....	141,549	-	-	-
405.00	Secretary/Clerk.....	-	-	-	-
406.00	Other General Government Administration.....	-	-	-	-
407.00	IT-Networking Services-Data Processing.....	48,118	-	-	-
408.00	Engineering Services.....	99,892	-	-	-
409.00	General Government Buildings and Plant.....	166,506	-	-	-
<b>TOTAL GENERAL GOVERNMENT.....</b>		<b>\$ 802,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>PUBLIC SAFETY</b>					
410.00	Police.....	1,495,938	-	-	-
411.00	Fire .....	436,704	-	-	-
412.00	Ambulance/Rescue.....	-	-	-	-
413.00	UCC and Code Enforcement.....	73,939	-	-	-
414.00	Planning and Zoning.....	7,687	-	-	-
415.00	Emergency Management & Communications.....	-	-	-	-
416.00	Militia and Armories.....	-	-	-	-
417.00	Examination of Licensed Occupations.....	-	-	-	-
418.00	Public Scales (weights and measures).....	-	-	-	-
419.00	Other Public Safety.....	-	-	-	-
<b>TOTAL PUBLIC SAFETY.....</b>		<b>\$ 2,014,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>HEALTH AND HUMAN SERVICES</b>					
420.00-	Health and Human Services.....	-	-	-	-
425.00		-	-	-	-

<b>PUBLIC WORKS - SANITATION</b>					
426.00	Recycling Collection and Disposal.....	-	-	-	-
427.00	Solid Waste Collection and Disposal (trash).....	542,182	-	-	-
428.00	Weed Control.....	-	-	-	-
429.00	Wastewater/Sewage Collection & Treatment.....	-	1,495,283	-	-
<b>TOTAL PUBLIC WORKS - SANITATION.....</b>		<b>\$ 542,182</b>	<b>\$ 1,495,283</b>	<b>\$ -</b>	<b>\$ -</b>

## 2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise	Internal Service	Trust and Agency	Memorandum Only
<b>GENERAL GOVERNMENT</b>				
400.00 Legislative (Governing) Body.....	-	-	-	19,264
401.00 Executive (Manager or Mayor).....	-	-	-	195,070
402.00 Auditing Services/Financial Administration.....	-	-	-	60,994
403.00 Tax Collection.....	-	-	-	71,307
404.00 Solicitor/Legal Services.....	-	-	-	141,549
405.00 Secretary/Clerk.....	-	-	-	-
406.00 Other General Government Administration.....	-	-	-	-
407.00 IT-Networking Services-Data Processing.....	-	-	-	48,118
408.00 Engineering Services.....	-	-	-	99,892
409.00 General Government Buildings and Plant.....	-	-	-	166,506
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 802,700</b>

<b>PUBLIC SAFETY</b>				
410.00 Police.....	-	-	-	1,495,938
411.00 Fire .....	-	-	-	436,704
412.00 Ambulance/Rescue.....	-	-	-	-
413.00 UCC and Code Enforcement.....	-	-	-	73,939
414.00 Planning and Zoning.....	-	-	-	7,687
415.00 Emergency Management & Communications.....	-	-	-	-
416.00 Militia and Armories.....	-	-	-	-
417.00 Examination of Licensed Occupations.....	-	-	-	-
418.00 Public Scales (weights and measures).....	-	-	-	-
419.00 Other Public Safety.....	-	-	-	-
<b>TOTAL PUBLIC SAFETY.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,014,268</b>

<b>HEALTH AND HUMAN SERVICES</b>				
420.00- 425.00 Health and Human Services.....	-	-	-	-

<b>PUBLIC WORKS - SANITATION</b>				
426.00 Recycling Collection and Disposal.....	-	-	-	-
427.00 Solid Waste Collection and Disposal (trash).....	-	-	-	542,182
428.00 Weed Control.....	-	-	-	-
429.00 Wastewater/Sewage Collection & Treatment.....	-	-	-	1,495,283
<b>TOTAL PUBLIC WORKS - SANITATION.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,037,465</b>

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>EXPENDITURES</b>				
<b>PUBLIC WORKS - HIGHWAYS &amp; STREETS</b>				
430.00 General Services - Administration.....	422,896	-	-	-
431.00 Cleaning of Streets and Gutters.....	-	-	-	-
432.00 Winter Maintenance - Snow Removal.....	-	79,608	-	-
433.00 Traffic Control Devices.....	1,552	24,323	-	-
434.00 Street Lighting.....	72,059	14,707	-	-
435.00 Sidewalks and Crosswalks.....	-	-	-	-
436.00 Storm Sewers and Drains.....	480	-	135,406	-
437.00 Repairs of Tools and Machinery.....	-	2,466	-	-
438.00 Maintenance & Repairs of Roads & Bridges.....	57,919	-	657,018	-
439.00 Highway Construction and Rebuilding Projects.....	-	20,109	-	-
<b>TOTAL PUBLIC WORKS - HIGHWAYS &amp; STREETS.....</b>	<b>\$ 554,906</b>	<b>\$ 141,213</b>	<b>\$ 792,424</b>	<b>\$ -</b>

<b>PUBLIC WORKS - OTHER SERVICES</b>				
440.00 Airports.....	-	-	-	-
441.00 Cemeteries.....	-	-	-	-
442.00 Electric System.....	-	-	-	-
443.00 Gas System.....	-	-	-	-
444.00 Markets.....	-	-	-	-
445.00 Parking.....	683,520	-	-	-
446.00 Storm Water and Flood Control.....	-	-	-	-
447.00 Transit System.....	16,075	-	-	-
448.00 Water System.....	-	-	-	-
449.00 Water Transport and Terminals.....	-	-	-	-
<b>TOTAL PUBLIC WORKS - OTHER SERVICES.....</b>	<b>\$ 699,595</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>CULTURE AND RECREATION</b>				
451.00 Culture - Recreation Administration.....	62,119	-	-	-
452.00 Participant Recreation.....	206,040	-	213,093	-
453.00 Spectator Recreation.....	-	-	-	-
454.00 Parks.....	160,226	-	-	-
455.00 Shade Trees.....	6,255	-	-	-
456.00 Libraries.....	86,150	-	-	-
457.00 Civil and Military Celebrations.....	12,347	-	-	-
458.00 Senior Citizens' Centers.....	-	-	-	-
450.00 All Other Culture and Recreation.....	-	-	-	-
<b>TOTAL CULTURE AND RECREATION.....</b>	<b>\$ 533,137</b>	<b>\$ -</b>	<b>\$ 213,093</b>	<b>\$ -</b>

<b>COMMUNITY DEVELOPMENT</b>				
461.00 Conservation of Natural Resources.....	-	-	-	-
462.00 Community Development and Housing.....	-	-	-	-
463.00 Economic Development.....	-	-	3,308	-
464.00 Economic Opportunity.....	-	-	-	-
465.00- 469.00 All Other Community Development.....	-	-	-	-
<b>TOTAL COMMUNITY DEVELOPMENT.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,308</b>	<b>\$ -</b>

## 2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL	
	Enterprise	Internal Service	Trust and Agency	Memorandum Only	
<b>PUBLIC WORKS - HIGHWAYS &amp; STREETS</b>					
430.00	General Services - Administration.....	-	-	-	422,896
431.00	Cleaning of Streets and Gutters.....	-	-	-	-
432.00	Winter Maintenance - Snow Removal.....	-	-	-	79,608
433.00	Traffic Control Devices.....	-	-	-	25,875
434.00	Street Lighting.....	-	-	-	86,766
435.00	Sidewalks and Crosswalks.....	-	-	-	-
436.00	Storm Sewers and Drains.....	-	-	-	135,886
437.00	Repairs of Tools and Machinery.....	-	-	-	2,466
438.00	Maintenance & Repairs of Roads & Bridges.....	-	-	-	714,937
439.00	Highway Construction and Rebuilding Projects.....	-	-	-	20,109
<b>TOTAL PUBLIC WORKS - HIGHWAYS &amp; STREETS.....</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,488,543</b>

<b>PUBLIC WORKS - OTHER SERVICES</b>					
440.00	Airports.....	-	-	-	-
441.00	Cemeteries.....	-	-	-	-
442.00	Electric System.....	-	-	-	-
443.00	Gas System.....	-	-	-	-
444.00	Markets.....	-	-	-	-
445.00	Parking.....	-	-	-	683,520
446.00	Storm Water and Flood Control.....	-	-	-	-
447.00	Transit System.....	-	-	-	16,075
448.00	Water System.....	-	-	-	-
449.00	Water Transport and Terminals.....	-	-	-	-
<b>TOTAL PUBLIC WORKS - OTHER SERVICES.....</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 699,595</b>

<b>CULTURE AND RECREATION</b>					
451.00	Culture - Recreation Administration.....	-	-	-	62,119
452.00	Participant Recreation.....	-	-	-	419,133
453.00	Spectator Recreation.....	-	-	-	-
454.00	Parks.....	-	-	-	160,226
455.00	Shade Trees.....	-	-	-	6,255
456.00	Libraries.....	-	-	-	86,150
457.00	Civil and Military Celebrations.....	-	-	-	12,347
458.00	Senior Citizens' Centers.....	-	-	-	-
450.00	All Other Culture and Recreation.....	-	-	-	-
<b>TOTAL CULTURE AND RECREATION.....</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 746,230</b>

<b>COMMUNITY DEVELOPMENT</b>					
461.00	Conservation of Natural Resources.....	-	-	-	-
462.00	Community Development and Housing.....	-	-	-	-
463.00	Economic Development.....	-	-	-	3,308
464.00	Economic Opportunity.....	-	-	-	-
465.00-					
469.00	All Other Community Development.....	-	-	-	-
<b>TOTAL COMMUNITY DEVELOPMENT.....</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,308</b>

2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>DEBT SERVICE</b>				
471.00 Debt Principal (short-term and long-term).....	1,269,981	-	-	-
472.00 Debt Interest (short-term and long-term).....	46,363	-	-	-
475.00 Fiscal Agent Fees.....	954	-	-	-
<b>TOTAL DEBT SERVICE.....</b>	<b>\$ 1,317,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>EMPLOYER PAID BENEFITS &amp; WITHHOLDING ITEMS</b>				
481.00 Employer Paid Withholding Taxes and Unemployment Compensation.....	124,565	-	-	-
482.00 Judgments and Losses.....	18,073	-	-	-
483.00 Pension/Retirement Fund Contributions.....	223,168	-	-	-
484.00 Worker Compensation Insurance.....	183,038	-	-	-
487.00 Group Insurance and Other Benefits.....	434,424	-	-	-
<b>EMPLOYER PAID BENEFITS &amp; WITHHOLDING ITEMS.....</b>	<b>\$ 983,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>INSURANCE</b>				
486.00 Insurance, Casualty, and Surety.....	127,859	-	-	-

<b>UNCLASSIFIED OPERATING EXPENDITURES</b>				
488.00 Fiduciary Fund Benefits and Refunds Paid.....				
489.00 All Other Unclassified Expenditures ***.....	3,645	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING EXPENDITURES.....</b>	<b>\$ 3,645</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>OTHER FINANCING USES</b>				
491.00 Refund of Prior Year Revenues.....	3,736	-	-	-
492.00 Interfund Operating Transfers**.....	630,000	85,000	-	-
493.00 All Other Financing Uses.....	-	-	-	-
<b>TOTAL OTHER FINANCING USES.....</b>	<b>\$ 633,736</b>	<b>\$ 85,000</b>	<b>\$ -</b>	<b>\$ -</b>

<b>TOTAL EXPENDITURES.....</b>	<b>\$ 8,212,594</b>	<b>\$ 1,721,496</b>	<b>\$ 1,008,825</b>	<b>\$ -</b>
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<b>EXCESS/DEFICIT OF REVENUES</b>				
<b>OVER EXPENDITURES.....</b>	<b>\$ (163,189)</b>	<b>\$ 155,546</b>	<b>\$ (222,822)</b>	<b>\$ -</b>

\*\* The total of line 492.00 must match the total of line 392.00  
 \*\*\*This amount cannot be greater than 1% of the total expenditures within the same fund

## 2011 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise	Internal Service	Trust and Agency	Memorandum Only
<b>DEBT SERVICE</b>				
471.00 Debt Principal (short-term and long-term).....	-	-	-	1,269,981
472.00 Debt Interest (short-term and long-term).....	-	-	-	46,363
475.00 Fiscal Agent Fees.....	-	-	-	954
<b>TOTAL DEBT SERVICE.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,317,298</b>
<b>EMPLOYER PAID BENEFITS &amp; WITHHOLDING ITEMS</b>				
481.00 Employer Paid Withholding Taxes and Unemployment Compensation.....	-	-	-	124,565
482.00 Judgments and Losses.....	-	-	327,914	345,987
483.00 Pension/Retirement Fund Contributions.....	-	-	-	223,168
484.00 Worker Compensation Insurance.....	-	-	-	183,038
487.00 Group Insurance and Other Benefits.....	-	-	-	434,424
<b>EMPLOYER PAID BENEFITS &amp; WITHHOLDING ITEMS.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 327,914</b>	<b>\$ 1,311,182</b>
<b>INSURANCE</b>				
486.00 Insurance, Casualty, and Surety.....	-	-	-	127,859
<b>UNCLASSIFIED OPERATING EXPENDITURES</b>				
488.00 Fiduciary Fund Benefits and Refunds Paid.....	<del>-</del>	<del>-</del>	416,800	416,800
489.00 All Other Unclassified Expenditures ***.....	-	-	64,402	68,047
<b>TOTAL UNCLASSIFIED OPERATING EXPENDITURES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481,202</b>	<b>\$ 484,847</b>
<b>OTHER FINANCING USES</b>				
491.00 Refund of Prior Year Revenues.....	-	-	-	3,736
492.00 Interfund Operating Transfers**.....	-	-	-	715,000
493.00 All Other Financing Uses.....	-	-	-	-
<b>TOTAL OTHER FINANCING USES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 718,736</b>
<b>TOTAL EXPENDITURES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 809,116</b>	<b>\$ 11,752,031</b>
<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (80,338)</b>	<b>\$ (310,803)</b>

\*\* The total of line 492.00 must match the total of line 392.00

\*\*\*This amount cannot be greater than 1% of the total expenditures within the same fund





## Other Information

# BOROUGH OF DORMONT

## POLICE AND NON-UNIFORMED PENSION PLANS

### PENSION DISCLOSURES

YEAR ENDED DECEMBER 31, 2011

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#### 1. PLAN DESCRIPTION

The Borough of Dormont (Borough) administers two single-employer defined benefit pension plans: the Police Plan and the Non-Uniformed Pension Plan (Plans). The Plans cover substantially all full-time employees, and provide retirement and disability benefits to the Plans' members and their beneficiaries. Plan provisions are established by municipal ordinance or resolution with the authority for municipal contributions required by Act 205 of the Commonwealth of Pennsylvania (Act). The Plans are governed by the Members of Council (Council), who have 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 Plan is a Deferred Retirement Option Plan (DROP). The DROP activity is included in the Police Pension Trust Fund for reporting purposes.

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# BOROUGH OF DORMONT

## POLICE AND NON-UNIFORMED PENSION PLANS

### PENSION DISCLOSURES

YEAR ENDED DECEMBER 31, 2011

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At January 1, 2009, 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	8	6
Active employees	14	17

## 2. FUNDING POLICY AND CONTRIBUTIONS

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 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 2011, 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%. Employee contributions for 2011 were \$31,752 and \$78,159, respectively.

The MMO obligation for the Non-Uniformed Employees and Police Plans was \$11,682 and \$177,879, respectively, at December 31, 2011.

The Borough determined that the pension liability (asset) at transition, calculated in accordance with Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Government Employers," was zero for both Plans and the net pension liability (asset) is (\$33,607) and zero at December 31, 2011 for the Police Plan and Non-Uniformed Plan Employees Plan, respectively.

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**BOROUGH OF DORMONT**  
**POLICE AND NON-UNIFORMED PENSION PLANS**  
**PENSION DISCLOSURES**  
**YEAR ENDED DECEMBER 31, 2011**

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

**3. LOCATION OF HISTORICAL TREND DATA**

Historical trend information related to each of the Plans is presented as other information. This data provides information about the progress made by each of the Plans in accumulating sufficient assets to pay benefits when due.

**BOROUGH OF DORMONT**  
**SCHEDULE OF FUNDING PROGRESS**

POLICE PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess (Deficiency) of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2005	\$ 5,549,827	\$ 5,279,902	\$ 269,925	105%	\$ 1,134,529	23.79%
1/1/2007	6,558,286	6,355,903	202,383	103%	1,283,643	15.77%
1/1/2009	6,789,569	7,357,944	(568,375)	92%	1,239,321	-45.86%

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

See accompanying note to supplementary schedules.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess (Deficiency) of Assets		Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
			Over	Under			
1/1/2005	\$ 1,639,717	\$ 1,356,946	\$ 282,771		121%	\$ 712,461	39.69%
1/1/2007	1,907,444	1,349,382	558,062		141%	716,352	77.90%
1/1/2009	1,976,330	1,638,533	337,797		121%	812,589	41.57%

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

See accompanying note to supplementary schedules.

# 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
2009	\$ -	n/a	\$ 138,271	100%
2010	-	n/a	134,673	100%
2011	11,682	100%	177,879	119%

Note: Contributions include state pension aid

See accompanying note to supplementary schedules.

# BOROUGH OF DORMONT

## POLICE AND NON-UNIFORMED PENSION PLANS

### NOTE TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2011

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

	<u>Non-Uniformed Employees</u>	<u>Police</u>
Actuarial valuation date	1/1/2009	1/1/2009
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

The Borough has a net pension asset (a negative net pension obligation (NPO)) in the Police Pension Plan as of December 31, 2011 calculated as follows:

**BOROUGH OF DORMONT**  
**POLICE AND NON-UNIFORMED PENSION PLANS**

NOTE TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2011

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	<u>Police</u>
Annual required contribution	\$ 177,879
Interest on NPO	-
Adjustment to the ARC	-
Annual pension cost	<u>177,879</u>
Contribution made	<u>211,486</u>
Change in NPO	(33,607)
NPO, 12/31/2010	<u>-</u>
NPO, 12/31/2011	<u><u>\$ (33,607)</u></u>

LEGAL ADVERTISEMENT

Independent Auditor's Report

Members of Council  
Borough of Dormont

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Balance Sheet (Cash Basis), Statement of Revenues and Expenditures (Cash Basis), Debt Statement, and Statements of Capital Expenditures and Employee Compensation (the Schedules) included in the Annual Audit and Financial Report of the Borough of Dormont (Borough), Pennsylvania, for the year ended December 31, 2011 (not presented herein), as described in the instructions provided by the Pennsylvania Department of Community and Economic Development (DCED), and have issued our report thereon dated March 21, 2012. In our report, we expressed a qualified opinion on the Schedules due to a limitation on the scope of our audit arising from our inability to obtain audited financial statements from an outside service agency responsible for the collection of taxes and fees comprising 33% of total revenues.

As described on the accompanying schedules, this summary financial information of the Borough, as of and for the year ended December 31, 2011, is not a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, however, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes, the accompanying summary financial information is fairly stated, in all material respects, in relation to the Schedules from which it has been derived.

MAHER DUESSEL  
Pittsburgh, Pennsylvania  
March 21, 2012

**BOROUGH OF DORMONT**  
**SUMMARY FINANCIAL INFORMATION**

{Derived from the Annual Audit and Financial Report [DCED-CLGS-30 (10-11)] for the Borough of Dormont for 2011 }

**SUMMARY BALANCE SHEET INFORMATION - CASH BASIS**  
**ALL GOVERNMENTAL FUND TYPES**

December 31, 2011

<u>Assets</u>	
Cash and investments	\$ 3,789,829
<b>Total Assets</b>	<b>\$ 3,789,829</b>
<u>Liabilities and Fund Balance</u>	
Fund Balance	\$ 3,789,829
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,789,829</b>

(Continued)

**BOROUGH OF DORMONT**  
**SUMMARY FINANCIAL INFORMATION**

{Derived from the Annual Audit and Financial Report [DCED-CLGS-30 (10-11)] for the Borough of Dormont for 2011 }

**SUMMARY OF OPERATIONS AND CHANGES IN FUND BALANCE - CASH BASIS**  
**ALL GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

<b>Revenues and Other Financing Sources:</b>	
Taxes	\$ 5,111,805
Licenses and permits	244,973
Fines and forfeits	107,053
Interest, rent, and royalties	269,009
Intergovernmental revenues	581,825
Charges for services	2,944,447
Miscellaneous revenues	19,004
Other financing sources - proceeds of general fixed asset disposition	8,825
Other financing sources - proceeds of general long-term debt	620,000
Other financing sources - refunds of prior year expenditures	90,509
	<u>9,997,450</u>
<b>Expenditures and Other Financing Uses:</b>	
General government	802,700
Public safety	2,014,268
Public works and enterprises	4,225,603
Culture and recreation	746,230
Community development	3,308
Debt service	1,317,298
Employer paid withholding taxes and unemployment compensation	124,565
Judgments and losses	18,073
Pension/retirement fund contributions	223,168
Workers' compensation	183,038
Other group insurance benefits	434,424
Insurance	127,859
Miscellaneous expenses	3,645
Refund of prior years revenue	3,736
	<u>10,227,915</u>
<b>Deficiency of Revenues and Other Financing Sources</b>	
<b>Over Expenditures and Other Financing Uses</b>	(230,465)
<b>Fund Balance:</b>	
Beginning of year	<u>4,020,294</u>
End of year	<u>\$ 3,789,829</u>
Net debt at December 31, 2011	\$ 4,249,838
Date of last maturity of debt	March 1, 2026
Assessed valuation of 2011 real estate	\$ 265,933,450

The summary information shown differs from accounting principles generally accepted in the United States of America. Significant differences are as follows: governmental interfunds are netted; budgetary comparisons are not presented; fiduciary funds are not included; component units are not included; footnote disclosures and account groups are excluded; government-wide financial statements are not included; Management's Discussion and Analysis is not included; and information is shown in total instead of reflected by individual major and non-major funds.

(Concluded)

Members of Council  
Borough of Dormont

In planning and performing our audit of the Cash Basis Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, Statements of Capital Expenditures and Employee Compensation (the Schedules) included in the Annual Audit and Financial Report of the Borough of Dormont (Borough), Pennsylvania, as of and for the year ended December 31, 2011, as described in the instructions provided by the Pennsylvania Department of Community and Economic Development (DCED), we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Borough's internal control to be material weaknesses (items denoted with an asterisk "\*" are carried forward from the prior year):

**Segregation of Duties - Cash Receipts\***

Various Borough practices allow individuals to perform multiple functions that are incompatible from an internal control standpoint. As a result, errors and irregularities with cash receipts - including the loss of cash - could occur and not be detected in a timely fashion. Achieving the extent of segregation of duties, which is theoretically ideal for promoting control objectives, can be difficult in accounting environments of the Borough's size; pursuing control that is theoretically ideal can be expensive, as additional staff or extra efforts by existing staff may be required. Management needs to be cognizant of the cost/benefit decision embraced by current procedures.

We noted that duties relating to receipts collected at the Borough's finance office were segregated to some degree in that the two employees at the front desk collect receipts and update the receipt book, and another employee updates the information in the computer and prepares deposits. However, we continue to recommend further controls by implementing a process by which another independent party would reconcile, on a regular basis, the individual receipts, the receipt book, and the records in the computer system.

Finally, significant amounts of cash are collected from parking meters. In some instances, an employee is responsible for visiting each meter and removing the money. We recommended in prior years that the Borough consider rotating employees responsible to collect the meter funds and prepare weekly comparisons of collections to enhance controls over these cash collections. We continue to recommend that this rotation be implemented on a regular basis.

**Segregation of Duties – Payroll\***

One employee makes master file changes in the payroll system, prints payroll checks, and prepares payroll reports and related tax returns. These are incompatible duties, which could result in errors or irregularities occurring without timely detection. In addition, since only one employee performs this process, the efficient operation of the system is at risk should that employee not be able to fulfill his/her duties. Although we noted that the Manager reviews the payroll checks and registers, questions any irregularities, and signs the checks to document his approval, we recommend that the Borough cross-train an employee on the payroll software to perform payroll procedures periodically on a trial basis.

**Bank Reconciliations\***

Bank reconciliations are not reviewed to ensure that they are completed on a timely basis and reconciled to the Borough's ledger. Although we were informed that the bank statements and cancelled checks are reviewed by the Manager, he does not receive them unopened and there is no documentation of his review. We continue to recommend that the bank reconciliations be reviewed monthly by someone independent of the cash receipts and cash disbursements process. The reviews should be documented on the bank statements and bank reconciliations to ensure that all bank statements, cancelled checks, and bank reconciliations are indeed reviewed.

\*\*\*\*\*

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Borough's internal control to be significant deficiencies (items denoted with an asterisk "\*" are carried forward from the prior year):

**Accounting Software**

During the year, the Borough experienced operational difficulties with the accounting software including: the recording of an immaterial end-of-year balance in accounts payable that could not be identified; checks that were written during the year that were not included in the check register report; and beginning-of-year balances in the balance sheet accounts that were not accurate. We performed audit procedures to verify the accuracy and completeness of the end-of-year balances that are presented in the Schedules. The Borough is responsible for maintaining an accounting system that will properly execute and retain all accounting transactions and related data. The issues noted above increase the risk that transactions will not be able to be properly recorded or properly analyzed in a timely manner. We recommend that the Borough work with the software vendor to correct any issues identified.

**Real Estate Tax Collections\***

The following enhancements should be considered by the tax collector and the Borough. The tax collector maintains many manual records, including a cash receipts journal, which details collections of taxes during the year. Because the records are manual, increased risk exists that errors may occur and not be detected in a timely manner. Also, the manual receipts journal is not totaled, therefore preventing a reconciliation from being performed between the amounts collected per the journal and the amounts recorded per the Borough as tax receipts. We continue to recommend that the Borough consider automation of the tax system in conjunction with the school district. If the integration of the tax collections into the Borough's computer system is not deemed cost-beneficial, we recommend that the tax collector consider maintaining records in an Excel

spreadsheet or other computer application. We also recommend that the tax collector maintain a detailed list of additions and exonerations that would agree to the monthly and year-end reports.

**Audit of Outside Service Agencies\***

The Borough uses outside agencies for the collection of earned income taxes, local service taxes, solid waste fees, and sewer usage fees. Because the service agencies' independent audits were not completed in a timely manner, the auditor's opinion on the Borough's 2011 financial statements was qualified. We continue to recommend that the Borough review the contracts and negotiate necessary changes to require an all-inclusive audit to be performed in a timely manner.

It should be noted that beginning in January 2012, Act 32 changed the process by which earned income taxes are collected. Withholding of earned income tax is now required by the employer, and the collections are remitted to the tax collection authority for the local taxing district (Allegheny Southwest for the Borough), and then in turn remitted to the proper municipality.

\*\*\*\*\*

During our audit, we noted the following other matters involving internal control that are presented for your consideration (items denoted with an asterisk "\*" are carried forward from the prior year):

**Parking Ticket Policy**

We noted that the Borough adopted a parking ticket policy during the year; however, the same individual that is responsible for entering the issued tickets into the system is also authorized to dismiss the tickets. We recommend that the Borough review the policy to ensure that the duties of collecting ticket payments, recording issued tickets, and authorizing ticket dismissals are properly segregated.

**Actuarial Report**

We noted that the January 1, 2011 actuarial valuations for the pension plans have not been completed as of March 21, 2012. The valuations are used to complete the Act 205 reporting required to be completed by March 31, 2012. We also noted that the estimated payroll figure used in the Minimum Municipal Obligation (MMO) calculation for the Police Pension Plan does not include overtime; however, overtime appears to be included in the benefit calculations for retirees. We recommend that the Borough contact the Borough's pension administrator to ensure that the actuarial valuations will be completed on time and to clarify whether overtime should be included in the estimated payroll information that the Borough submits to them for the MMO calculation each year.

**Credit Card Transactions\***

The Borough has a policy to require employees to submit original receipts for purchases made on the credit cards and to have these original receipts attached to the credit card statements. Our testing indicated that this policy was followed inconsistently during the year. We recommend that the Borough take steps to follow its purchasing policy, which requires all credit card receipts to be submitted and filed with the related credit card statement.

**Policies and Procedures Manual\***

The Borough does not have a written policies and procedures manual (manual) to guide many aspects of its financial operations. We continue to recommend that a manual be developed and that it include policies for budgeting, credit card usage, disaster contingency, conflict of interest, the safeguarding of assets, documenting the computer system, bonding, personnel matters, and that it also serve as a guide in other aspects of financial operations. The manual should also list each position's responsibilities and instructions for completion of those responsibilities.

In addition, we recommend that the manual include a whistleblower policy intended to cover serious concerns that could have a large impact on the Borough, such as actions that may lead to incorrect financial reporting, are unlawful, are not in line with the Borough's policy, or otherwise amount to serious improper conduct.

We also recommend that the Borough develop a formal fraud policy that identifies employees' responsibilities to report even suspected fraud or incorporate the requirement into a formal code of conduct.

Policies and procedures should be authored and regularly updated in order to promote consistent operation of the Borough and help minimize disruption in the event of personnel changes.

**Pay Rates\***

We continue to recommend that procedures be implemented to ensure that salary and pay rate information is maintained on file for each non-union employee. In addition, we recommend that procedures be implemented to document management's approval of salary rates for each non-union employee on a yearly basis.

**Risk Assessment\***

Management of the Borough should consider developing written documentation of its risk assessment process, which would include its assessment of its internal control procedures over the identification and timely analysis and adjustment of significant accounts, which require sensitive estimates and judgments, procedures for the preparation of financial statements and financial statement disclosures, procedures for the review of budget to actual and actual to actual comparisons, compliance with regulations, as well as other aspects of its operations. Related risk assessment processes should be authored and regularly updated for the other areas noted above in order to promote consistent operation of the Borough.

\* \* \* \* \*

This communication is intended solely for the information and use of management of the Borough, Members of Council, and others within the Borough and is not intended to be and should not be used by anyone other than these specified parties.

*Maher Duessel*

Pittsburgh, Pennsylvania  
March 21, 2012

# BOROUGH OF DORMONT

PRIMARY GOVERNMENT  
FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY  
AND  
ADDITIONAL INFORMATION

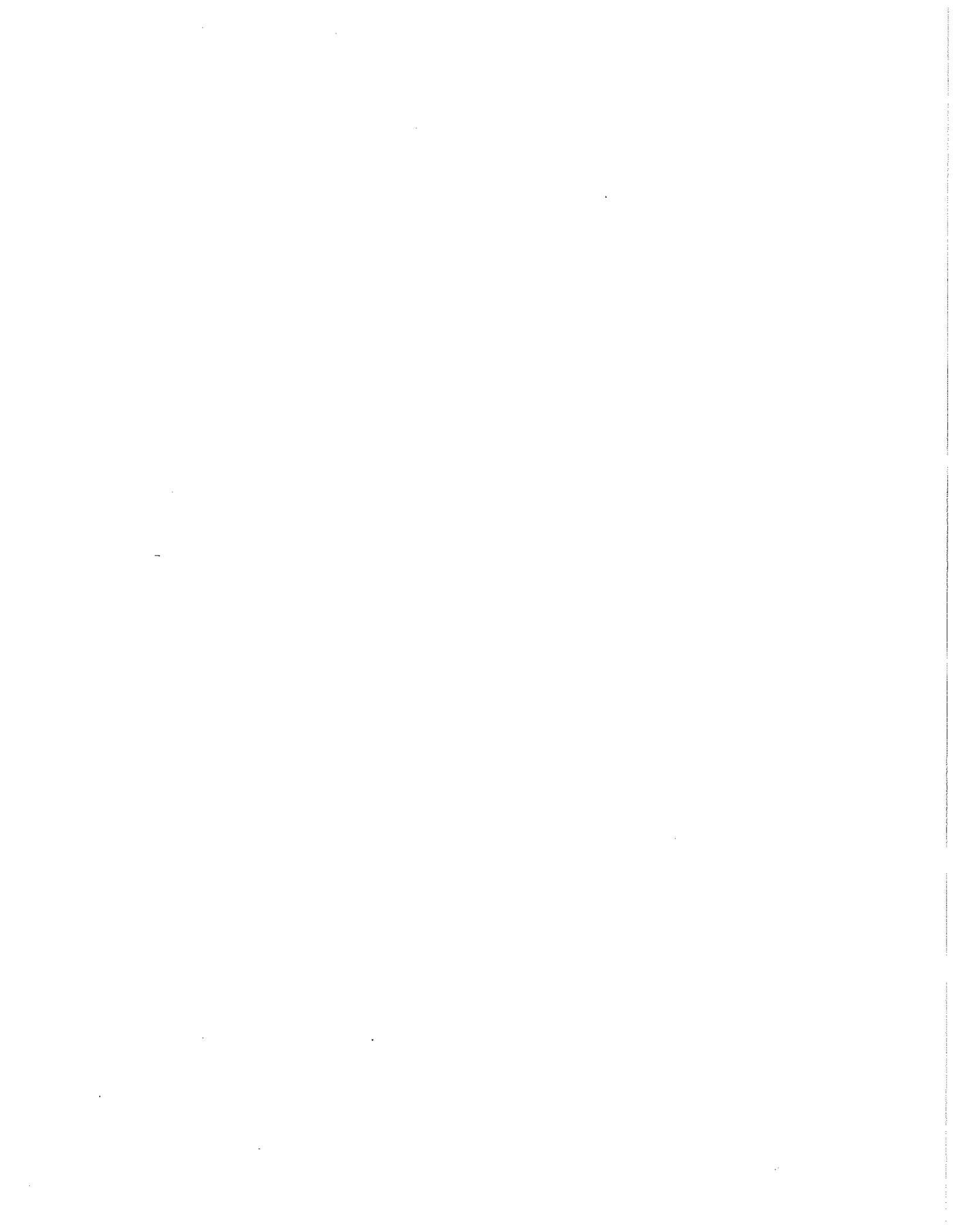
YEAR ENDED DECEMBER 31, 2008

WITH

INDEPENDENT AUDITOR'S REPORT

**MaherDuessel**

Certified Public Accountants || *Pursuing the Profession While Promoting the Public Good*<sup>®</sup>



# BOROUGH OF DORMONT

YEAR ENDED DECEMBER 31, 2008

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YEAR ENDED DECEMBER 31, 2008

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## Independent Auditor's Report

Members of Council  
Borough of Dormont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Dormont, Pennsylvania (Borough) as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The vast majority of the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes (stated at \$798,217, \$448,115, \$1,448,957, and \$45,670, respectively for the year ended December 31, 2008) are collected by an outside service. We were unable to obtain audited financial statements of the outside service supporting the amounts collected and outstanding as the planned independent audits of the outside service have not been completed. Accordingly, we were unable to satisfy ourselves as to (1) whether the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes were remitted to the Borough, (2) whether actual remittances to the Borough were made on a timely basis, and (3) whether outstanding balances exist.

The financial statements referred to above include only the primary government of the Borough which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Borough's legal entity. The financial statements do not include financial data for the Borough's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Borough's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Borough as of December 31, 2008, or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Borough's earned income taxes, solid waste disposal fees, sewage usage fees, and local services taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the Borough as of December 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Members of Council  
Borough of Dormont  
Independent Auditor's Report  
Page 2

The Management's Discussion and Analysis section, budgetary comparison information, and pension information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual other governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
March 30, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Dormont's (Borough) financial report presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2008. Please read this Management's Discussion and Analysis in conjunction with the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2008. Fiscal year 2004 represents the first year in which the Borough implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Therefore continuing in 2009 and future years, a comparative analysis of the government-wide data will be presented.

### FINANCIAL HIGHLIGHTS

- ▶ The Borough's net assets increased \$268,349 in 2008, an increase of less than 3%;
- ▶ Unrestricted net assets were \$2,494,838 on December 31, 2008;
- ▶ The Borough's real property tax rate was 14.0 mills;
- ▶ The Borough maintained an investment bond rating of Aaa from Moody's Investor Service. This rating was affirmed in 2001 for all related bond issuances and activities;
- ▶ On December 31, 2008, the Borough had \$5.95 million of debt outstanding. This represents a decrease of nearly 10% from the previous year;
- ▶ The total fund balance of the Governmental Funds at December 31, 2008 was \$1,991,468. The unreserved/undesignated portion of the fund balance was \$1,952,901 for 2008.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to primary government financial statements), and combining and individual fund statements with detailed budgetary comparison schedules. The basic financial statements present two different views of the Borough through the use of government-wide statements and fund financial statements:

- The first two statements (pages 1-2) are government-wide financial statements that provide long-term and short-term information about the Borough's overall financial status.
- The remaining statements (pages 3-8) are fund financial statements that focus on individual parts of Borough government, reporting operations in more detail than the government-wide statements.
  - The governmental funds statements describe how general government services were financed such as public safety and recreation.
  - Fiduciary fund statements provide information about the retirement plans for Borough employees in which the Borough acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support Borough activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the other governmental funds that are presented in single columns in the basic financial statements. The following diagram shows how the required components of this financial report are arranged and relate to one another:

*Figure A-1*  
**REQUIRED COMPONENTS OF THE FINANCIAL REPORT**

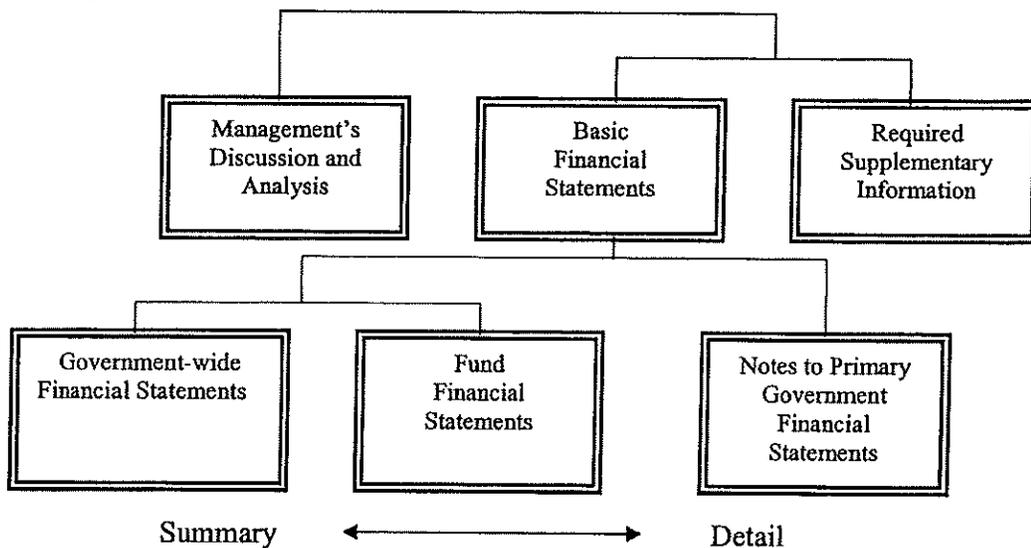


Figure A-2 summarizes the major features of the Borough's financial statements. The remainder of this overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements.

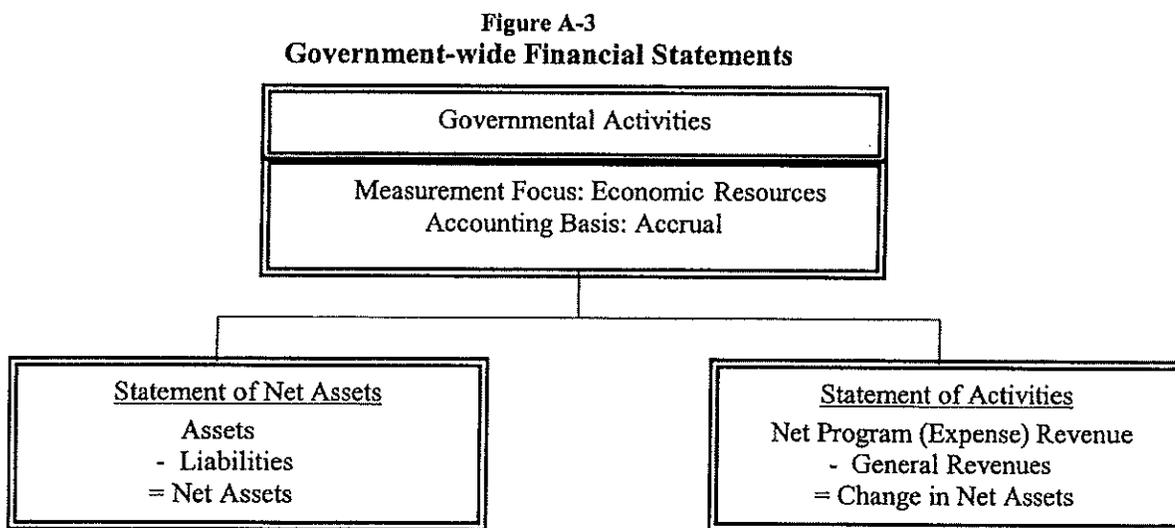
**Figure A-2**  
**Major Features of the Borough's Government-wide and Fund Financial Statements**

	<b>Fund Statements</b>		
	<b><u>Government-wide Statements</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Fiduciary Funds</u></b>
<b>Scope</b>	Entire Borough government (except fiduciary funds and the Borough's component unit)	The activities of the Borough that are not proprietary or fiduciary, such as police, fire, and recreation	Instances in which the Borough is the trustee or agent for someone else's resources, such as the retirement plan for Borough employees
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Borough's funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Borough's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Borough's net assets and how they have changed. The statement of net assets includes all of the Borough's assets and liabilities, except fiduciary funds. Net assets - the difference between the Borough's assets and liabilities - is one way to measure the Borough's financial health, or position. Over time, increases or decreases in the Borough's net assets are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the Borough's net assets changed during the year. Additional non-financial factors such as changes in the Borough's real property tax base and general economic conditions must be considered to assess the overall position of the Borough. The primary features of government-wide financial statements are reflected in Figure A-3:



## Fund Financial Statements

The fund financial statements provide more detailed information about the Borough's most significant funds, not the Borough as a whole. Funds are accounting groups that the Borough uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law.

The Borough has two kinds of funds:

- *Governmental Funds* - Most of the Borough's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can

readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

- *Fiduciary Funds* - The Borough is the trustee, or *fiduciary*, for two single-employer pension plans; non-uniformed employees and police. These plans cover essentially all full-time employees. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Borough's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Borough's government-wide financial statements because the Borough cannot use these assets to finance its operations.

#### FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough's net assets, as of December 31, 2008 and 2007, are presented below:

##### Summary of Statements of Net Assets December 31, 2008 and 2007

	2008	2007
<b>Assets:</b>		
Current and other assets	\$ 3,098,944	\$ 3,543,597
Capital assets	15,099,863	15,165,272
Total Assets	18,198,807	18,708,869
<b>Liabilities:</b>		
Current and other liabilities	1,428,083	1,567,935
Non-current liabilities	5,254,976	5,893,535
Total Liabilities	6,683,059	7,461,470
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	9,020,910	8,386,742
Unrestricted	2,494,838	2,860,657
Total Net Assets	\$ 11,515,748	\$ 11,247,399

**Net Assets:**

For 2008, net assets of governmental activities increased less than 3% (\$268,349) to \$11,515,748.

**Infrastructure Assets:**

On December 31, 2008, the Borough's total assets were \$18.2 million. Of this amount, \$15.1 million is accounted for by capital assets, including infrastructure. Historically, infrastructure (roads, sewers, etc.) have not been reported (or depreciated) in governmental financial statements.

GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements. The Borough had fully implemented the reporting of infrastructure in 2004. Investment in capital assets net of related debt stood at **\$9 million** on December 31, 2008.

The following presents the Borough's change in net assets for the fiscal years ended December 31, 2008 and 2007:

**Change in Net Assets**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Revenues:</b>		
Program revenues:		
Charge for services	\$ 3,041,790	\$ 2,852,636
Operating grants	357,711	457,814
General revenues:		
Real estate taxes	3,671,584	3,667,973
Earned income taxes	784,302	739,855
Other	476,564	520,848
Interest income	110,536	192,906
Miscellaneous	271,825	255,871
Total revenues	8,714,312	8,687,903
<b>Expenses:</b>		
Program expenses:		
General government	2,333,457	2,378,670
Public safety	2,081,874	2,018,696
Highways, roads, and streets	2,113,920	1,804,413
Sanitation	936,140	1,565,291
Parks and recreation	603,824	532,706
Debt service	376,748	379,231
Total expenses	8,445,963	8,679,007
<b>Change in net assets</b>	268,349	8,896
Net assets - beginning	11,247,399	11,238,503
Net assets - ending	\$ 11,515,748	\$11,247,399

**Revenue Sources**

Total government-wide revenues of \$8.71 million were derived primarily from real estate taxes, representing 42% of the total. Charges for services made up the second largest source of revenue at 35%, while operating grants and other general revenue (combined) contributed 14%, followed by earned income taxes at 9%.

## **Program Expenses**

Total expenses for all programs in 2008 were \$8.45 million. The expenses cover a range of services, with the three largest being general government, public safety, and highways, roads, and streets at 28%, 25%, and 25%, respectively. Sanitation accounted for 11%, parks and recreation at 7%, and debt service at 4%.

## **Net Program Expenses/Revenues**

Net program expenses/revenues indicates the amount of support required from taxes and other general revenues for the year. For the year ending December 31, 2008, highways, roads, and streets required the most general revenue for support, needing \$1.95 million. General government required \$.96 million, while public safety expenses required \$1.79 million in general revenues for support. In addition, parks and recreation and debt service required \$.59 million and \$.38 million, respectively. Sanitation, at \$609,356, provided net revenue.

## **Financial Analysis of the Borough's Funds**

As the Borough completed the year, its governmental funds reported a combined fund balance of \$1,991,468, a decrease of \$375,983 compared to the previous year. Of this combined fund balance total, \$1,952,901 represents unreserved/undesignated fund balance, meaning it is available to meet the Borough's current and future needs. The fund balance has reservations to indicate this portion of fund balance is not available for new spending because it has been committed to fund fire services.

## **General Fund Budgetary Highlights**

In 2008, two budget transfers were made involving the General Fund. One coming from the Sewer Fund in the amount of \$10,000, and one going to the Capital Improvement Fund totaling \$1,201,159.

## **Other Major Funds**

### **Sewer Fund**

The Sewer Fund accounts for a sewer service charge assessed to properties in the Borough. By agreement, the Pennsylvania American Water Company (PAWC) provides billing and collection services. The Sewer Fund is a Special Revenue Fund that accounts for maintenance of the sewer system within the Borough.

### **Capital Improvement Fund**

The Capital Projects Fund is used for acquisition or construction of major capital facilities. The fund balance deficit at December 31, 2008 will be covered by future General Fund transfers.

## Capital Asset and Debt Administration

### Capital Assets:

The Borough's investment in capital assets at December 31, 2008, net of accumulated depreciation, amounted to \$15.1 million. Capital assets consist primarily of land, buildings and improvements, equipment, and infrastructure. For additional information, please refer to Note 10 in the notes to primary government financial statements. The following is a summary of capital assets at December 31, 2008 and 2007:

#### Summary of Capital Assets

	<u>2008</u>	<u>2007</u>
Land	\$ 1,142,032	\$ 1,142,032
Buildings	8,742,790	8,160,255
Furniture, machinery, and equipment	3,606,980	3,514,770
Infrastructure	<u>15,605,000</u>	<u>15,605,000</u>
<b>Total capital assets</b>	<u>29,096,802</u>	<u>28,422,057</u>
Less accumulated depreciation for:		
Buildings	2,647,608	2,421,164
Furniture, machinery, and equipment	2,610,531	2,408,921
Infrastructure	<u>8,738,800</u>	<u>8,426,700</u>
<b>Total accumulated depreciation</b>	<u>13,996,939</u>	<u>13,256,785</u>
<b>Total</b>	<u><u>\$ 15,099,863</u></u>	<u><u>\$ 15,165,272</u></u>

**Long-term Debt:**

At December 31, 2008, the Borough had \$5.95 million of outstanding debt. This represents a decrease of nearly 10% from the previous year. The following details activity related to general obligation bonds during 2008:

<b>Summary of General Obligation Bond Activity</b>	
Beginning Balance at 1/1/08	\$6,567,069
New debt proceeds/accretion	185,418
Debt refunding and retirement	<u>(802,553)</u>
Ending Balance at 12/31/08	<u>\$5,949,934</u>

**Trust and Agency Operations:**

**Pension Trust Fund**

The Borough has two pension plans – non-uniformed employees and police. The only direct municipal involvement in the administration of the plans is the calculation of benefits for retirees, which are then paid by the trustee. During 2008, plan net assets decreased to \$7.32 million.

During 2008, the required Borough pension plan contributions were funded mostly by state pension aid. The required supplementary information located at the conclusion of the notes to primary government financial statements provides the details on the plans' funding progress.

**Bond Rating**

The Borough's investment bond rating is Aaa from Moody's Investor Service. This rating was upgraded in 2000 for all related bond issuances and activities. More detailed information about the Borough's general long-term debt activity can be found in Note 4 of the notes to primary government financial statements. If you need additional information, please direct your inquiry to:

Borough of Dormont  
1444 Hillsdale Ave., Suite 10  
Pittsburgh, PA 15216  
412.561.8900

# BOROUGH OF DORMONT

## STATEMENT OF NET ASSETS

DECEMBER 31, 2008

<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,223,979
Accounts receivable:	
Taxes	473,674
Sewer charges	133,732
Solid waste charges	254,347
Other	13,212
Capital assets not being depreciated:	
Land	1,142,032
Capital assets net of accumulated depreciation:	
Buildings	6,095,182
Furniture, machinery, and equipment	996,449
Infrastructure	6,866,200
<b>Total Assets</b>	<b>18,198,807</b>
<u>Liabilities</u>	
Accounts payable	354,561
Salaries payable	126,540
Accrued interest payable	21,961
Capital lease obligations, current portion	85,664
Bonds payable, current portion	839,357
Compensated absences	101,044
Capital lease obligations, long-term portion	43,355
Bonds payable, long-term portion, net of unamortized discount	5,110,577
<b>Total Liabilities</b>	<b>6,683,059</b>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	9,020,910
Unrestricted	2,494,838
<b>Total Net Assets</b>	<b>\$ 11,515,748</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
\$	2,132,742	\$ 957,526	\$ 190,787	\$	(984,429)
	200,715	226,466	-		25,751
	2,081,874	295,082	-		(1,786,792)
	2,113,920	-	166,924		(1,946,996)
	936,140	1,545,496	-		609,356
	603,824	17,220	-		(586,604)
	376,748	-	-		(376,748)
	<u>\$ 8,445,963</u>	<u>\$ 3,041,790</u>	<u>\$ 357,711</u>		<u>(5,046,462)</u>

Functions/Programs	
Primary Government:	
Governmental activities:	
General government - other	
General government - building	
Public safety	
Highways, roads, and streets	
Sanitation	
Parks and recreation	
Debt service	
Total primary government	

General revenues:

Taxes:

Real estate	3,671,584
Earned income	784,302
Other	476,564
Interest income	110,536
Miscellaneous	271,825
Total general revenues	5,314,811

Change in Net Assets

Net assets - beginning of year	11,247,399
Net assets - end of year	\$ 11,515,748

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2008

Assets	Major Funds			Other Fund	Total Governmental Funds
	General Fund	Sewer Fund	Capital Projects Fund	Liquid Fuels Fund	
Cash and cash equivalents	\$ 188,590	\$ 1,909,778	\$ 703	\$ 124,908	\$ 2,223,979
Accounts receivable:					
Taxes	473,674	-	-	-	473,674
Sewer charges	-	133,732	-	-	133,732
Solid waste charges	254,347	-	-	-	254,347
Other	13,212	-	-	-	13,212
<b>Total Assets</b>	<b>\$ 929,823</b>	<b>\$ 2,043,510</b>	<b>\$ 703</b>	<b>\$ 124,908</b>	<b>\$ 3,098,944</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 17,052	\$ 309,708	\$ 27,801	\$ -	\$ 354,561
Accrued payroll and related benefits	126,540	-	-	-	126,540
Deferred revenue	498,643	127,732	-	-	626,375
<b>Total Liabilities</b>	<b>642,235</b>	<b>437,440</b>	<b>27,801</b>	<b>-</b>	<b>1,107,476</b>
<b>Fund Balance:</b>					
Reserved for fire department	38,567	-	-	-	38,567
Unreserved, undesignated:					
General Fund	249,021	-	-	-	249,021
Capital Projects Fund	-	-	(27,098)	-	(27,098)
Special Revenue Fund	-	1,606,070	-	124,908	1,730,978
<b>Total Fund Balance</b>	<b>287,588</b>	<b>1,606,070</b>	<b>(27,098)</b>	<b>124,908</b>	<b>1,991,468</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 929,823</b>	<b>\$ 2,043,510</b>	<b>\$ 703</b>	<b>\$ 124,908</b>	<b>\$ 3,098,944</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Primary Government:</b>					
Governmental activities:					
General government - other	\$ 2,132,742	\$ 957,526	\$ 190,787	\$ -	(984,429)
General government - building	200,715	226,466	-	-	25,751
Public safety	2,081,874	295,082	-	-	(1,786,792)
Highways, roads, and streets	2,113,920	-	166,924	-	(1,946,996)
Sanitation	936,140	1,545,496	-	-	609,356
Parks and recreation	603,824	17,220	-	-	(586,604)
Debt service	376,748	-	-	-	(376,748)
Total primary government	<u>\$ 8,445,963</u>	<u>\$ 3,041,790</u>	<u>\$ 357,711</u>	<u>\$ -</u>	<u>(5,046,462)</u>
General revenues:					
Taxes:					
Real estate					3,671,584
Earned income					784,302
Other					476,564
Interest income					110,536
Miscellaneous					271,825
Total general revenues					<u>5,314,811</u>
Change in Net Assets					268,349
Net assets - beginning of year					11,247,399
Net assets - end of year					<u>\$ 11,515,748</u>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2008

Assets	Major Funds			Other Fund	Total Governmental Funds
	General Fund	Sewer Fund	Capital Projects Fund	Liquid Fuels Fund	
Cash and cash equivalents	\$ 188,590	\$ 1,909,778	\$ 703	\$ 124,908	\$ 2,223,979
Accounts receivable:					
Taxes	473,674	-	-	-	473,674
Sewer charges	-	133,732	-	-	133,732
Solid waste charges	254,347	-	-	-	254,347
Other	13,212	-	-	-	13,212
<b>Total Assets</b>	<b>\$ 929,823</b>	<b>\$ 2,043,510</b>	<b>\$ 703</b>	<b>\$ 124,908</b>	<b>\$ 3,098,944</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 17,052	\$ 309,708	\$ 27,801	\$ -	\$ 354,561
Accrued payroll and related benefits	126,540	-	-	-	126,540
Deferred revenue	498,643	127,732	-	-	626,375
<b>Total Liabilities</b>	<b>642,235</b>	<b>437,440</b>	<b>27,801</b>	<b>-</b>	<b>1,107,476</b>
<b>Fund Balance:</b>					
Reserved for fire department	38,567	-	-	-	38,567
Unreserved, undesignated:					
General Fund	249,021	-	-	-	249,021
Capital Projects Fund	-	-	(27,098)	-	(27,098)
Special Revenue Fund	-	1,606,070	-	124,908	1,730,978
<b>Total Fund Balance</b>	<b>287,588</b>	<b>1,606,070</b>	<b>(27,098)</b>	<b>124,908</b>	<b>1,991,468</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 929,823</b>	<b>\$ 2,043,510</b>	<b>\$ 703</b>	<b>\$ 124,908</b>	<b>\$ 3,098,944</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2008

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 1,991,468</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,099,863
Certain taxes and sewer charges are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	626,375
Interest expense on long-term debt is not recognized on the fund statements until due.	(21,961)
Long-term liabilities, including compensated absences, capital lease obligations, and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,179,997)</u>
<b>Net Assets - Governmental Activities</b>	<b><u>\$ 11,515,748</u></b>

See accompanying notes to primary government financial statements.

## BOROUGH OF DORMONT

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2008

	Major Funds			Other Fund	Total Governmental Funds
	General Fund	Sewer Fund	Capital Projects Fund	Liquid Fuels Fund	
<b>Revenues:</b>					
Taxes	\$ 5,006,346	\$ -	\$ -	\$ -	\$ 5,006,346
Licenses and permits	161,717	-	-	-	161,717
Fines and forfeits	120,500	-	-	-	120,500
Interest, rent, and royalties	294,669	40,368	13,042	6,143	354,222
Intergovernmental	161,185	-	29,602	166,924	357,711
Charges for services	1,132,108	1,448,957	-	-	2,581,065
Miscellaneous	-	-	29,906	-	29,906
<b>Total revenues</b>	<b>6,876,525</b>	<b>1,489,325</b>	<b>72,550</b>	<b>173,067</b>	<b>8,611,467</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	705,461	-	-	-	705,461
Public safety	2,076,698	-	-	-	2,076,698
Highways, roads, and streets	610,469	-	979,465	145,822	1,735,756
Sanitation	368,746	936,140	-	-	1,304,886
Parks and recreation	546,541	-	582,535	-	1,129,076
Miscellaneous	1,005,827	-	-	-	1,005,827
Capital outlay	-	-	24,602	-	24,602
Debt service	1,064,746	-	-	20,600	1,085,346
<b>Total expenditures</b>	<b>6,378,488</b>	<b>936,140</b>	<b>1,586,602</b>	<b>166,422</b>	<b>9,067,652</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>498,037</b>	<b>553,185</b>	<b>(1,514,052)</b>	<b>6,645</b>	<b>(456,185)</b>
<b>Other Financing Sources (Uses):</b>					
Refunds of prior year expenditures	80,202	-	-	-	80,202
Operating transfers in	10,000	-	1,201,159	-	1,211,159
Operating transfers out	(1,201,159)	(10,000)	-	-	(1,211,159)
<b>Total other financing sources (uses)</b>	<b>(1,110,957)</b>	<b>(10,000)</b>	<b>1,201,159</b>	<b>-</b>	<b>80,202</b>
<b>Net Change in Fund Balance</b>	<b>(612,920)</b>	<b>543,185</b>	<b>(312,893)</b>	<b>6,645</b>	<b>(375,983)</b>
<b>Fund Balance:</b>					
Beginning of year	900,508	1,062,885	285,795	118,263	2,367,451
End of year	<b>\$ 287,588</b>	<b>\$ 1,606,070</b>	<b>\$ (27,098)</b>	<b>\$ 124,908</b>	<b>\$ 1,991,468</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

**Net Change in Fund Balance - Governmental Funds** **\$ (375,983)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$740,154) exceeded capital outlays (\$674,745) in the current period. (65,409)

The repayment of the principal of long-term debt and compensated absences consumes the current financial resources of governmental funds. This amount is the difference in the treatment of long-term debt and compensated absences between the two statements. 687,098

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 22,643

**Change in Net Assets of Governmental Activities** **\$ 268,349**

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2008

<u>Assets</u>	<u>Pension Trust Funds</u>
Investments (at fair value):	
Cash and cash equivalents	\$ 148,277
U.S. government obligations	509,013
Corporate bonds	520,969
Common stock	1,798,488
Fixed mutual funds	1,461,297
Equity mutual funds	2,827,835
Accrued income receivable	49,857
<b>Total Assets</b>	<u>7,315,736</u>
<u>Liabilities</u>	<u>-</u>
<u>Net Assets</u>	
Held in Trust for Pension Benefits	<u>\$ 7,315,736</u>
(A schedule of funding progress for each plan is presented on page 35)	

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## COMBINED STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2008

### **Additions:**

<hr/>	
Contributions:	
Commonwealth	\$ 149,758
Employee	128,531
	<hr/>
Total contributions	278,289
	<hr/>
Investment income:	
Net depreciation in fair value of investments	(2,476,881)
Interest and dividends	327,346
	<hr/>
Total investment income	(2,149,535)
	<hr/>
Total additions	(1,871,246)
	<hr/>
<b>Deductions:</b>	
<hr/>	
Benefits	228,883
Administrative expense	57,629
	<hr/>
Total deductions	286,512
	<hr/>
<b>Decrease in Plan Net Assets</b>	<b>(2,157,758)</b>
	<hr/>
<b>Fund Balance - Reserved for Employees'</b>	
<b>Pension Benefits (Plan Net Assets):</b>	
<hr/>	
Beginning of year	9,473,494
	<hr/>
End of year	\$ 7,315,736
	<hr/>

See accompanying notes to primary government financial statements.

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### 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 4 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 financial statements include all of the services provided by the Borough to residents and businesses within its boundaries.

The Borough is a primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "*Financial Reporting Entity*." Affiliates of a primary government may need to be included in the primary government's financial reporting entity based upon the significance of operational and/or financial relationships. Borough management evaluated all such potential component units in relation to the criteria, which guide whether component units qualify for inclusion in the financial reporting entity of the primary government.

See Note 12 for a brief outline of the criteria used to evaluate potential component units and a description of the entity meeting these criteria.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. State and federal grants and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and earned income taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Borough. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Borough reports the following major governmental funds:

#### General Fund

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

#### Sewer Fund

The Sewer Fund is a Special Revenue Fund that accounts for sewage user fees and capital expenditures for maintenance of the sewer system within the Borough.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Capital Projects Fund

The Capital Projects Fund is used for acquisition or construction of major capital facilities.

Additionally, the government reports on the following fund information:

The Other Governmental Fund is a Special Revenue Fund, the Liquid Fuels Fund, which is used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes.

The Borough also reports on the following fiduciary fund information:

### 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.

### Budgets and Budgetary Accounting

An operating budget was adopted for 2008 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.

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.

For the year ended December 31, 2008, General Fund expenditures for debt service exceeded the departmental budget. The excess appropriations in the General Fund were funded by budget surpluses in other departments. The financial statement captions in the statement of

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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revenues, expenditures, and changes in fund balance reflect the functions (General Government, Public Safety, etc.). Budgetary amounts reflected in the statement of revenues, expenditures, and changes in fund balance - budget and actual incorporate any budgetary transfers approved by the Council throughout the year. Any excess appropriation lapses at the end of the fiscal year.

### 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.

### Risk

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 11), 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.

### Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 10,000	\$ 1,201,159
Sewer Fund	-	10,000
Capital Projects Fund	<u>1,201,159</u>	<u>-</u>
	<u>\$ 1,211,159</u>	<u>\$ 1,211,159</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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transfer out from the Sewer Fund represents transfers to the General Fund for operating purposes. The transfer from the General Fund to the Capital Projects Fund represents funds for capital projects. There were no due to/from balances at December 31, 2008.

### Compensated Absences

Police officers are permitted to accumulate up to 80 hours of compensatory time in accordance with a collective bargaining agreement.

Full-time employees of the Borough are granted sick time that may be carried forward and awarded at retirement at the rate of \$25 per day, up to 150 days, for non-uniformed employees, and \$50 per day, up to 150 days, for police employees.

One week of accrued vacation may be carried forward for teamster workers, laborers, and police in accordance with union contracts. Employees may "sell back" to the Borough, at full rate (i.e., current base pay), five days of vacation time each year.

The liability for the aforementioned compensated absences, \$101,044 as of December 31, 2008, is reflected in the government-wide statement of net assets.

### Receivables and Payables

Property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied as of April 1 on property values assessed as of the same date. The billings are considered past due on July 31, and penalties and interest are assessed.

### Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost and donated fixed assets are recorded at their fair market 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.

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:

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

### Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Reserved

Reserved is used to denote that portion of fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose.

Reserved for the fire department: This reserve was created to account for the unspent portion of 2008 tax millage. Funds are required to be segregated from other Borough resources and are limited to expenditures for the fire department.

#### Unreserved

Unreserved is used to denote that portion of the fund balance that is available for appropriation.

#### Designated

Designated is used to denote that portion of the fund balance designated for specific purposes. At December 31, 2008, the Borough has no designated fund balance.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Fund Balance Deficit

The fund balance deficit in the Capital Projects Fund will be covered by future transfers from the General Fund.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Pending Pronouncements

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," and in June 2004 issued GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*." These statements provide the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the Borough recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the purpose of the government-wide financial statements, GASB requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. These standards may require an actuarial valuation to be performed.

A post-employee benefit plan as defined by GASB Statement No. 43 has not been established by the Borough, therefore that was no implementation of GASB Statement No. 43 for 2008. The changes in accounting by GASB Statement 45 will be applicable in calendar year 2009. The effect of implementation of this Statement has not yet been fully determined.

### **3. CASH AND INVESTMENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

### Deposits

The following is a description of the Borough's deposit risks:

*Custodial Credit Risk* – For a deposit, 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.

As of December 31, 2008, \$1,992,894 of the Borough's bank balance of \$2,242,894 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. As of December 31, 2008, the carrying amount of the Borough's deposits was \$2,137,326.

### Investments

The Borough's cash equivalent investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the Borough's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

As of December 31, 2008, the entire PLGIT bank balance of \$86,653 (\$86,653 book balance) is considered to be a cash equivalent for presentation on the statement of net assets and governmental funds balance sheet.

The following is a description of the Borough's 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 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, 2008, investments in PLGIT have received an AAAM rating from Standards & Poor's.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Borough does not have a formal investment policy for custodial credit risk. 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.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Borough's investments. The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

### Pension Trust Fund

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, 2008, the Borough had the following cash and investments in its Pension Trust Funds:

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Cash and Cash Equivalents or Investment Type	Fair Market Value	Investment Maturities from December 31, 2008			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Corporate fixed income	\$ 520,969	\$ -	\$ 520,969	\$ -	\$ -
U.S. government obligations	509,013	-	343,732	53,255	112,026
<b>Total debt-backed investments</b>	<b>1,029,982</b>	<b>\$ -</b>	<b>\$ 864,701</b>	<b>\$ 53,255</b>	<b>\$ 112,026</b>
Cash and cash equivalents	148,277				
Fixed mutual funds	1,461,297				
Equity mutual funds	2,827,835				
Common stock	1,798,488				
<b>Total cash and other investments</b>	<b>6,235,897</b>				
<b>Total cash, cash equivalents, and investments reported on statement of fiduciary net assets</b>	<b>\$ 7,265,879</b>				

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, 2008, the Pension Trust Funds' investments in fixed income U.S. Government obligations, which consist of U.S. Treasury Notes, and the Funds' investments in corporate bonds were rated AAA by Standard & Poor's.

*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, 2008. In addition, the pension plans did not have any investment transactions with related parties during the year.

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

*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. LONG-TERM OBLIGATIONS

Changes in the Borough’s long-term debt for the year ended December 31, 2008 were as follows:

	Beginning Balance at January 1, 2008	Additions	Retirements and Refunding	Ending Balance at December 31, 2008	Amounts Due Within One Year
General obligation bonds:					
Series of 1997 - current interest	\$ 385,000	\$ -	\$ (125,000)	\$ 260,000	\$ 130,000
Series of 1997 - capital appreciation	3,460,622	185,418	-	3,646,040	-
Series of 2000	1,565,000	-	(495,000)	1,070,000	520,000
General obligation notes:					
2001 Note	126,334	-	(30,647)	95,687	32,236
2006 Note	464,616	-	(56,452)	408,164	59,216
AIM Loan of 2007	225,000	-	(45,000)	180,000	45,000
Tax exempt appropriation note of 2003	340,497	-	(50,454)	290,043	52,905
	<u>6,567,069</u>	<u>185,418</u>	<u>(802,553)</u>	<u>5,949,934</u>	<u>839,357</u>
Capital lease obligations	211,461	-	(82,442)	129,019	85,664
Accumulated employee benefits	79,544	21,500	-	101,044	-
	<u>\$ 6,858,074</u>	<u>\$ 206,918</u>	<u>\$ (884,995)</u>	<u>\$ 6,179,997</u>	<u>\$ 925,021</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. Principal and interest payments made on the 1997 Bonds during 2008 were \$125,000 and

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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\$18,292, respectively. The outstanding principal of the 1997 Bonds at December 31, 2008 was \$3,906,040 (\$2,451,989 of principal plus \$1,454,051 of interest accretion on the capital appreciation bonds).

### General Obligation Bonds - 2000

- In 2000, the Borough issued \$2,605,000 in General Obligation Bonds, Series of 2000 (2000 Bonds). The proceeds of the 2000 Bonds were used to refund the Borough's General Obligation Bonds, Series of 1995A. The 2000 Bonds bear interest rates ranging from 4.250% to 4.875%. Interest payments are required semi-annually on March 1 and September 1. The 2000 Bonds are due serially from March 2001 to March 2010. Principal and interest payments made on the 2000 Bonds during 2008 were \$495,000 and \$62,495, respectively.

### General Obligation Notes - 2001

- In 2001, the Borough issued a General Obligation Note (2001 Note) in the amount of \$285,000. The proceeds of the 2001 Note were used to finance the costs of renovating the Borough municipal building and to pay the costs of issuing the note. The 2001 Note bears an interest rate of 4.94%. Interest payments are required on the last day of each month commencing November 1, 2001 and continuing each month thereafter through the date of maturity on October 1, 2011. Principal and interest payments made on the 2001 Note during 2008 were \$30,647 and \$5,646, respectively.

### 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. Principal and interest payments made on the TEAN during 2008 were \$50,454 and \$15,746, respectively.

### General Obligation Notes - 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
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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

through the date of maturity on January 31, 2015. Principal and interest payments made on the 2006 Note during 2008 were \$56,452 and \$21,026, respectively.

### 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. Principal and interest payments made on the AIM Loan during 2008 were \$45,000 and \$8,483, respectively.

Annual debt service requirements of the Borough are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 839,357	\$ 95,415	\$ 934,772
2010	876,479	54,991	931,470
2011	895,196	26,123	921,319
2012	871,517	17,729	889,246
2013	832,689	9,723	842,412
2014-2018	<u>2,973,656</u>	<u>2,300</u>	<u>2,975,956</u>
	<u>\$ 7,288,894</u>	<u>\$ 206,281</u>	<u>\$ 7,495,175</u>

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	\$ 7,288,894
Less: future interest accretion	<u>(1,338,960)</u>
Outstanding principal at December 31, 2008	<u>\$ 5,949,934</u>

## 5. PENSION PLANS

### Plan Description

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 benefits to plan members and death benefits for surviving spouses. Plan provisions are established by municipal ordinance with the authority

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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for municipal contributions required by Act 205 of the Commonwealth (Act). The Plans do not issue separate reports.

### 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, 2007, the date of the most recent valuation, participants in the Plans were as follows:

	<u>Non-Uniformed Employees</u>	<u>Police</u>
Participants:		
Retirees and beneficiaries	6	8
Active employees:		
Vested	13	7
Nonvested	4	8

### 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.

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# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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, 2008, 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.

### 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, 2007 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 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 as a level percentage of projected payroll on an open basis (closed basis for the Police Plan).

For 2008, Non-Uniformed Employees were required to contribute to the Plan at a rate of 3.5% 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 \$15,701 and \$134,026, respectively, at December 31, 2008.

The Borough determined that the pension liability (asset) at transition, calculated in accordance with GASB Statement No. 27, "*Accounting for Pensions by State and Local Government Employers*," was zero for both Plans and the net pension liability (asset) continues to approximate zero at December 31, 2008 for both Plans.

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

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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	Non-Uniformed Employees	Police
Actuarial valuation date	1/1/2007	1/1/2007
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Closed
Amortization period	17	15
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

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2007. The next actuarial valuation will be performed as of January 1, 2009 and will take into account subsequent declines in the market value of investments being held in the Plans. While the exact impact is not known, it is expected that the market declines will negatively impact the funding status of the Plans and increase the future funding requirements of the Plans.

The excess of assets over actuarial accrued liability for the non-uniformed employees and police are \$558,062 and \$202,383 as of the actuarial valuation performed as of January 1, 2007. Schedules of funding progress are presented on page 35.

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

### Three-Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<b>Non-Uniformed Employees:</b>				
	12/31/2006	\$ 11,731	100%	\$ -
	12/31/2007	9,430	100%	-
	12/31/2008	15,701	100%	-
<b>Police:</b>				
	12/31/2006	\$ 121,999	100%	\$ -
	12/31/2007	175,722	100%	-
	12/31/2008	134,026	100%	-

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

### **6. DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salaries until future years. Participation in the Plan is optional. The deferred compensation is not available to the employee until termination, retirement, death, or unforeseeable emergency. At December 31, 2008, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Investments are managed by the Plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2008 totaled approximately \$112,000. Under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the Plan is not required to be included in the Borough's financial statements.

### **7. 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

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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 2008 was 14.0 mills (8.28 General Government, 3.85 Debt Service, 0.30 Library, and 1.57 Fire Department). Taxable assessed value applied in 2008 was approximately \$264 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.

### 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, 2008. 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.
- 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 \$500,000 over the next 3 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 a sewer surcharge paid by residents.

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Construction Projects

As of December 31, 2008, construction projects for road repair and swimming pool bathhouse renovations are not complete. Estimated costs to complete these projects are \$183,766 and \$244,115, respectively.

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. CAPITAL LEASE**

In February 2001, the Borough entered into a lease purchase arrangement in the amount of \$353,856 over ten years for a rescue pumper fire vehicle, as recommended by the Dormont Volunteer Fire Department. Annual principal and interest payments of \$45,600 are required through the year 2011. The outstanding balance at December 31, 2008 is \$84,785. The capital lease is recorded on the statement of net assets at cost, which approximates present value. Lease payments of \$45,600 were made for the year ended December 31, 2008.

In November 2006, the Borough entered into a lease purchase arrangement in the amount of \$169,353 over four years for a broom sweeper and truck. Annual principal and interest payments of \$45,600 are required through the year 2009. The outstanding balance at December 31, 2008 is \$44,234. The capital lease is recorded on the statement of net assets at cost, which approximates present value. Lease payments of \$42,940 were made for the year ended December 31, 2008.

### **10. CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2008 was as follows:

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	Balance at January 1, 2008	Increases	Decreases	Balance at December 31, 2008
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,142,032	\$ -	\$ -	\$ 1,142,032
Total capital assets, not being depreciated	1,142,032	-	-	1,142,032
Capital assets, being depreciated:				
Buildings	8,160,255	582,535	-	8,742,790
Furniture, machinery, and equipment	3,514,770	92,210	-	3,606,980
Infrastructure	15,605,000	-	-	15,605,000
Total capital assets, being depreciated	27,280,025	674,745	-	27,954,770
Less: accumulated depreciation for:				
Buildings	(2,421,164)	(226,444)	-	(2,647,608)
Furniture, machinery, and equipment	(2,408,921)	(201,610)	-	(2,610,531)
Infrastructure	(8,426,700)	(312,100)	-	(8,738,800)
Total accumulated depreciation	(13,256,785)	(740,154)	-	(13,996,939)
Capital assets being depreciated, net	14,023,240	(65,409)	-	13,957,831
Governmental activities capital assets, net	\$ 15,165,272	\$ (65,409)	\$ -	\$ 15,099,863

The fixed asset balance includes capital lease equipment in the amount of \$523,209 as of December 31, 2008.

Depreciation expense was charged to functions/programs of the Borough as follows:

<b>Governmental Activities:</b>	
General government - other	\$ 532,286
General government - building	43,781
Public safety	46,670
Public works	49,958
Culture and recreation	67,459
	\$ 740,154

### 11. 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

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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.

### 12. REPORTING ENTITY

The Borough is a primary government as defined by GASB Statement No. 14, "*Financial Reporting Entity*." Affiliates of a primary government may need to be included in the primary government's financial reporting entity based upon the significance of operational and/or financial relationships. Borough management evaluated all such potential component units in relation to the criteria which guide whether component units qualify for inclusion in the financial reporting entity of the primary government.

The Borough is accountable for:

1. Organizations that make up the legal Borough entity.
  2. Legally separate organizations if the Council appoints a voting majority of the organizations' governing body and the Borough is able to impose its will on the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.
    - a. Impose its Will - If the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
-

# BOROUGH OF DORMONT

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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- b. Financial Benefit or Burden - Exists if the Borough (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Borough.

### Component Unit

The following separately administered organization meets the criteria for inclusion in the Borough's reporting entity. However, these financial statements 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 financial statements since its exclusion does not render these financial statements misleading. Separate financial statements for the Library are available at the Library.

### 13. LEASES

The Borough leases space in its Borough offices to a local government and a non-profit agency. The leases each have initial terms of 10 years. Minimum lease payments to be received are as follows:

2009	\$ 166,361
2010	<u>68,367</u>
	<u>\$ 234,728</u>

REQUIRED SUPPLEMENTARY  
INFORMATION

# BOROUGH OF DORMONT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS) BUDGETED GOVERNMENTAL FUND TYPES - GENERAL FUND

YEAR ENDED DECEMBER 31, 2008

	Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis
<b>Revenues:</b>			
Taxes	\$ 5,006,346	\$ 53,744	\$ 5,060,090
Licenses and permits	161,717	-	161,717
Fines and forfeits	120,500	-	120,500
Interest, rents, and royalties	294,669	-	294,669
Intergovernmental	161,185	-	161,185
Charges for services	1,132,108	(11,376)	1,120,732
Total revenues	6,876,525	42,368	6,918,893
<b>Expenditures:</b>			
Current:			
General government	705,461	-	705,461
Public safety	2,076,698	-	2,076,698
Highways, roads, and streets	610,469	20,495	630,964
Sanitation	368,746	-	368,746
Parks and recreation	546,541	-	546,541
Miscellaneous	1,005,827	-	1,005,827
Debt service	1,064,746	-	1,064,746
Total expenditures	6,378,488	20,495	6,398,983
<b>Excess (Deficiency) of Revenues over Expenditures</b>	498,037	21,873	519,910
<b>Other Financing Sources (Uses):</b>			
Refunds of prior year expenditures	80,202	-	80,202
Operating transfers in	10,000	-	10,000
Operating transfers out	(1,201,159)	-	(1,201,159)
Total other financing sources (uses)	(1,110,957)	-	(1,110,957)
<b>Net Change in Fund Balance</b>	<b>\$ (612,920)</b>	<b>\$ 21,873</b>	<b>\$ (591,047)</b>

(Continued)

# BOROUGH OF DORMONT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED GOVERNMENTAL FUND TYPES - GENERAL FUND

YEAR ENDED DECEMBER 31, 2008  
(Continued)

	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 4,835,688	\$ 4,835,688	\$ 5,060,090	\$ 224,402
Licenses and permits	166,600	166,600	161,717	(4,883)
Fines and forfeits	104,020	104,020	120,500	16,480
Interest, rent, and royalties	323,330	323,330	294,669	(28,661)
Intergovernmental	148,200	148,200	161,185	12,985
Charges for services	1,051,879	1,051,879	1,120,732	68,853
Miscellaneous	15,000	15,000	-	(15,000)
<b>Total revenues</b>	<b>6,644,717</b>	<b>6,644,717</b>	<b>6,918,893</b>	<b>274,176</b>
<b>Expenditures:</b>				
Current:				
General government	770,273	770,273	705,461	64,812
Public safety	2,191,088	2,191,088	2,076,698	114,390
Highways, roads, and streets	679,774	679,774	630,964	48,810
Sanitation	398,000	398,000	368,746	29,254
Parks and recreation	551,091	551,091	546,541	4,550
Miscellaneous	1,044,727	1,044,727	1,005,827	38,900
Debt service	969,242	969,242	1,064,746	(95,504)
<b>Total expenditures</b>	<b>6,604,195</b>	<b>6,604,195</b>	<b>6,398,983</b>	<b>205,212</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>40,522</b>	<b>40,522</b>	<b>519,910</b>	<b>479,388</b>
<b>Other Financing Sources (Uses):</b>				
Refunds of prior year expenditures	56,000	56,000	80,202	24,202
Sale of fixed assets	-	-	-	-
Operating transfers in	10,000	10,000	10,000	-
Operating transfers out	(106,522)	(106,522)	(1,201,159)	(1,094,637)
<b>Total other financing sources (uses)</b>	<b>(40,522)</b>	<b>(40,522)</b>	<b>(1,110,957)</b>	<b>(1,070,435)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (591,047)</b>	<b>\$ (591,047)</b>

(Concluded)

# BOROUGH OF DORMONT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS) ALL BUDGETED GOVERNMENTAL FUND TYPES - SEWER FUND

YEAR ENDED DECEMBER 31, 2008

	Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis
<b>Revenues:</b>			
Interest, rents, and royalties	\$ 40,368	\$ -	\$ 40,368
Charges for services	1,448,957	6,714	1,455,671
Total revenues	1,489,325	6,714	1,496,039
<b>Expenditures:</b>			
Sanitation	936,140	(18,689)	917,451
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>553,185</b>	<b>25,403</b>	<b>578,588</b>
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	(10,000)	-	(10,000)
<b>Net Change in Fund Balance</b>	<b>\$ 543,185</b>	<b>\$ 25,403</b>	<b>\$ 568,588</b>

(Continued)

# BOROUGH OF DORMONT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED GOVERNMENTAL FUND TYPES - SEWER FUND

YEAR ENDED DECEMBER 31, 2008

(Continued)

	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget
<b>Revenues:</b>				
Interest, rent, and royalties	\$ 60,000	\$ 60,000	\$ 40,368	\$ (19,632)
Charges for services	1,656,600	1,656,600	1,455,671	(200,929)
Total revenues	1,716,600	1,716,600	1,496,039	(220,561)
<b>Expenditures:</b>				
Sanitation	1,606,955	1,606,955	917,451	689,504
Excess (Deficiency) of Revenues over Expenditures	109,645	109,645	578,588	468,943
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	(10,000)	(10,000)	(10,000)	-
<b>Net Change in Fund Balance</b>	<b>\$ 99,645</b>	<b>\$ 99,645</b>	<b>\$ 568,588</b>	<b>\$ 468,943</b>

(Concluded)

# BOROUGH OF DORMONT

## SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Excess of Assets Over AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<b>Non-Uniformed Employees:</b>						
1/1/2003	\$ 1,564,518	\$ 1,253,867	\$ 310,651	124.78%	\$ 740,412	41.96%
1/1/2005	1,639,717	1,356,946	282,771	120.84%	712,461	39.69%
1/1/2007	1,907,444	1,349,382	558,062	141.36%	716,352	77.90%
<b>Police:</b>						
1/1/2003	\$ 5,028,531	\$ 4,876,103	\$ 152,428	103.13%	\$ 1,001,500	15.22%
1/1/2005	5,549,827	5,279,902	269,925	105.11%	1,134,529	23.79%
1/1/2007	6,558,286	6,355,903	202,383	103.18%	1,283,643	15.77%

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

See accompanying note to required supplementary pension schedules.

# BOROUGH OF DORMONT

## SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Non-Uniformed Employees</u>		<u>Police</u>	
	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2003	\$ -	n/a	\$ -	n/a
2004	17,243	100%	100,941	100%
2005	10,884	100%	151,237	100%
2006	11,731	100%	121,999	100%
2007	9,430	100%	175,722	100%
2008	15,701	100%	134,026	100%

Note: Contributions include state pension aid

See accompanying note to required supplementary pension schedules.

# BOROUGH OF DORMONT

## NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2008

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

	<u>Non-Uniformed Employees</u>	<u>Police</u>
Actuarial valuation date	1/1/2007	1/1/2007
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Closed
Amortization period	17	15
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

## ADDITIONAL INFORMATION

# BOROUGH OF DORMONT

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS ALL PENSION TRUST FUNDS

DECEMBER 31, 2008

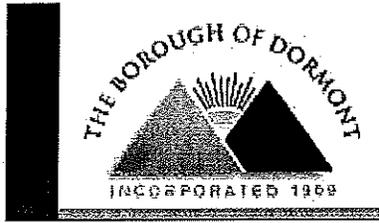
Assets	Non-Uniformed Employees	Police	Total
Investments (at fair value):			
Cash and cash equivalents	\$ 26,821	\$ 121,456	\$ 148,277
U.S. government securities	164,007	345,006	509,013
Corporate bonds	48,114	472,855	520,969
Common stock	388,726	1,409,762	1,798,488
Fixed mutual funds	337,609	1,123,688	1,461,297
Equity mutual funds	669,863	2,157,972	2,827,835
Accrued income receivable	11,802	38,055	49,857
<b>Total Assets</b>	<b>1,646,942</b>	<b>5,668,794</b>	<b>7,315,736</b>
<b>Liabilities</b>	-	-	-
<b>Net Assets</b>			
Held in Trust for Pension Benefits	<b>\$ 1,646,942</b>	<b>\$ 5,668,794</b>	<b>\$ 7,315,736</b>

# BOROUGH OF DORMONT

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS ALL PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2008

	Non-Uniformed Employees	Police	Total
<b>Additions:</b>			
<hr/>			
Contributions:			
Commonwealth	\$ 15,732	\$ 134,026	\$ 149,758
Employee	29,385	99,146	128,531
Total contributions	45,117	233,172	278,289
Investment income:			
Net depreciation in fair value of investments	(581,735)	(1,895,146)	(2,476,881)
Interest and dividends	74,791	252,555	327,346
Total investment income	(506,944)	(1,642,591)	(2,149,535)
Total additions	(461,827)	(1,409,419)	(1,871,246)
<b>Deductions:</b>			
<hr/>			
Benefits	37,650	191,233	228,883
Administrative expense	18,254	39,375	57,629
Total deductions	55,904	230,608	286,512
<b>Decrease in Plan Net Assets</b>	(517,731)	(1,640,027)	(2,157,758)
<b>Fund Balance - Reserved for Employees'</b>			
<b>Pension Benefits (Plan Net Assets):</b>			
<hr/>			
Beginning of year	2,164,673	7,308,821	9,473,494
End of year	\$ 1,646,942	\$ 5,668,794	\$ 7,315,736



## MEMORANDUM

**Date:** July 20, 2012  
**To:** President, Vice-President, Council and Mayor  
**From:** Jeff Naftal, Borough Manager *gn*  
**Subject:** Traffic Calming Policy

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### Background:

At the July 2, 2012 Business Meeting, Council authorized expenditures to implement a traffic calming solution adjacent to Dormont Park as recommended by the Traffic and Parking Planning Commission. While that is being implemented, I have begun thinking about how the Borough will address future requests for traffic calming should the Dormont Park site be successful.

### Discussion:

PennDOT recommends and most municipalities that implement traffic calming have a traffic calming policy in place. This ensures that everyone requesting traffic calming is treated equally, that the public has ample opportunity to participate in the decision of whether to have or not to have traffic calming, and that there is an objective standard justifying the traffic calming.

The attached policy was created based on PennDOT standards and reviewed by the traffic engineer who reviewed the Dormont Park plan. It provides for a complete process from request to implementation. Highlights of the policy are: that traffic calming requires the affected area to have 70% of its residents in favor of implementing some form of traffic calming; a ranking system developed by PennDOT that allows for an objective determination of the need for the project; and, approval by both the Traffic and Parking Planning Commission as well as a Resolution by the Borough Council.

PennDOT strongly recommends that the public show initial approval at the 70% level and that they be involved at every step of the process. This policy does that by including public meetings with the Borough Engineer to develop the plan and then public meetings before the Traffic and Parking Planning Commission and the Borough Council.

I have left funding of any project at the discretion of the Borough. In some areas of the country, costs are solely borne by the neighborhood. Locally, the costs are mainly borne by the municipality. In our case, we do have funds available in the Highway Aid fund that could be used for traffic calming as appropriate.

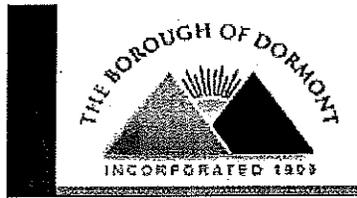
Recommendation:

I recommend that Council direct staff to either modify the attached Traffic Calming Policy or provide suggested changes for inclusion in the Policy for approval at the September Business Meeting.

JN

Attachment

Cc: Phil Ross, Police Chief



**TRAFFIC CALMING POLICY**

**STEP 1 – SUBMITTAL OF REQUEST FOR STUDY**

- A. If a resident believes that there is a speeding problem or other safety issue on a residential street that can be addressed by using traffic calming measures, the first step is to report the problem to the Borough Manager. Traffic calming measures are those measures identified in the PennDOT manual; Pennsylvania’s Traffic Calming Handbook and can include speed tables or humps, signage, striping, roundabouts, or other methods.
- B. The Borough Manager, or his designee, will determine if the street in question is eligible for traffic calming. Streets that are not eligible are those that are commercial roads, privately maintained, or those maintained by another agency such as PennDOT.
- C. If the street is eligible, the Borough will then conduct a neighborhood survey to ensure that traffic calming is wanted on the street. All residents and/or businesses affected by the proposed traffic calming will be surveyed. At least 70% of the surveys must support the traffic calming for the process to proceed.
- D. If the survey shows approval for the project, the Borough Manager, or his designee, will place on the street a traffic data collection device to determine the number and the speeds of cars traveling on the street. This data, in conjunction with the information below, will be used by the Borough to assign a ranking for the project based on the following PennDOT criteria:

<b>CRITERIA</b>	<b>POINTS</b>	<b>BASIS FOR POINTS</b>
Speed	0 to 30	Extent by which 85 percentile speeds exceed posted speed limit; 2 points for every 1 mph
Volume	0 to 25	Average daily traffic volumes; 1 point for every 120 vehicles
Crashes	0 to 10	1 point for every crash reported within the last 3 years
Elementary or Middle Schools	0 to 10	5 points assigned for each school crossing on the project street
Pedestrian Generators	0 to 15	5 points assigned for each public facility or commercial use that generates a significant number of pedestrians
Pedestrian Facility	0 to 10	5 points assigned if there is no continuous sidewalk on one side of the street; 10 points if missing on both sides
<b>Total Points Possible</b>	<b>100</b>	

- E. If the ranking achieves a score of 60 or better, then the project can proceed.

## **STEP 2 – TRAFFIC CALMING PLAN DEVELOPMENT**

- A. Once a project has been approved to proceed, the Borough's Engineer will be provided information on the street and the data collected and asked to come up with potential traffic calming measures.
- B. Once the Borough Engineer has their report ready, they will meet with all interested residents or other members of the public to discuss the project and what can and cannot be done in terms of traffic calming.
- C. Meetings will take place until the neighborhood and Borough Engineer are agreed on the proper traffic calming methods for the project.
- D. Estimated costs for the agreed upon plan will be provided by the Borough Engineer.

## **STEP 3 – APPROVAL PROCESS**

- A. Following agreement on a traffic calming plan, the plan will be presented at the next regularly scheduled public meeting of the Traffic and Parking Planning Commission.
- B. The Traffic and Parking Planning Commission will vote whether to recommend to the Borough Council one of the following options:
  - 1. Authorize the traffic calming, the Borough to pay the costs.
  - 2. Authorize the traffic calming, the neighborhood to pay the costs.
  - 3. Not to authorize the traffic calming.

Option 2 above would be used if the expense of providing the traffic calming exceeds the value to the Borough as determined by the Traffic and Parking Planning Commission. The neighborhood would be required to pay any fees prior to approval by the Council.

- C. Following the recommendation of the Traffic and Parking Planning Commission, the item will be brought before the Borough Council at their next regularly scheduled Business Meeting. If Council approves the traffic calming, they shall do so by Resolution.

## **STEP 4 – IMPLEMENTATION**

- A. If the Borough Council approves the project, the Borough Manager and the Borough Engineer will begin implementation by ordering materials and scheduling work crews.

- B. Once implemented, the Borough will undertake studies after 3 months and 6 months to determine the impact of the improvements, either positive or negative. If negative, the traffic calming plan will be reevaluated.

