

BOROUGH OF OAKMONT
 ALLEGHENY COUNTY, PENNSYLVANIA
 COMBINED STATEMENT OF NET ASSETS
 MODIFIED CASH BASIS
 DECEMBER 31, 2012



| | |
|----------------------------------|--------------------|
| Assets | |
| Cash and Cash Equivalents | \$1,999,284 |
| Investments | 3,999,594 |
| Other Assets | 3,186 |
| Total Assets | <u>\$6,002,064</u> |
| Liabilities | |
| Other Liabilities | \$ 109,085 |
| Net Assets | |
| Restricted | 5,188,978 |
| Unrestricted | 704,001 |
| Total Net Assets | <u>5,892,979</u> |
| Total Liabilities and Net Assets | <u>\$6,002,064</u> |

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 MODIFIED CASH BASIS - YEAR ENDED DECEMBER 31, 2012

| | |
|--|--------------------|
| Revenues and Other Financing Sources | |
| Real Estate Taxes | \$1,584,693 |
| Other Taxes | 1,409,936 |
| Licenses and Permits | 147,207 |
| Fines and Forfeits | 60,560 |
| Interest, Rents and Royalties | 72,438 |
| Intergovernmental | 397,942 |
| Charges for Services | 2,058,633 |
| Miscellaneous | 601,575 |
| Other Financing Sources | 1,075,900 |
| Total Revenues and Other Financing Sources | <u>7,408,884</u> |
| Expenditures and Other Financing Uses | |
| Governmental | 593,669 |
| Public Safety | 1,342,222 |
| Public Works | 1,069,572 |
| Culture - Recreation | 883,489 |
| Miscellaneous | 1,589,698 |
| Debt Service | 180,069 |
| Other Financing Uses | 1,528,443 |
| Total Expenditures and Other Financing Uses | <u>7,187,162</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 221,722 |
| Net Assets - January 1, 2012 | <u>5,671,257</u> |
| Net Assets - December 31, 2012 | <u>\$5,892,979</u> |

ASSESSED VALUATION - The assessed valuation of the taxable property in the Borough of Oakmont for the year ended December 31, 2012 was \$353,450,067.

NOTICE OF AUDITOR'S REPORT OF THE BOROUGH OF OAKMONT

The above concise financial statements were prepared to comply with the Borough Code and consequently do not conform to U. S. generally accepted accounting principles.

HOSACK, SPECHT, MUETZEL & WOOD LLP

**Borough of Oakmont
Financial Statements
December 31, 2012**

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**Borough of Oakmont
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HOSACK, SPECHT, MUETZEL & WOOD LLP

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Independent Auditor's Report

Members of Council
Borough of Oakmont
Oakmont, Pennsylvania

Dear Members:

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Oakmont, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Oakmont, as of December 31, 2012, and the respective changes in financial position on a modified cash basis, cash flows on the modified cash basis, where applicable, for the year then ended in accordance with the basis of accounting as described in Note 1C.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Oakmont's basic financial statements. The budgetary comparison information, pension and other post-employment benefit information, combining fund financial statements, and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, pension and other post-employment benefit information, combining fund financial statements, and component unit financial statements as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1C.

Basis of Accounting

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

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
July 29, 2013

**Borough of Oakmont
Statement of Net Position
Modified Cash Basis
December 31, 2012**

Exhibit 1

| | Governmental Activities | Business-Type Activities | Totals | Component Unit (Oakmont Carnegie Library) |
|-------------------------------------|----------------------------|-----------------------------|--------------------|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$1,579,370 | \$ 292,346 | \$1,871,716 | \$148,182 |
| Investments | - | - | - | 22,118 |
| Internal Balances | 113,421 | (113,421) | - | - |
| Due from Component Unit | 2,284 | - | 2,284 | - |
| Other Current Assets | <u>380</u> | <u>-</u> | <u>380</u> | <u>-</u> |
| TOTAL ASSETS | <u>1,695,455</u> | <u>178,925</u> | <u>1,874,380</u> | <u>170,300</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Due to Primary Government | - | - | - | 2,284 |
| Payroll Deductions and Withholdings | 496 | - | 496 | - |
| Other Current Liabilities | <u>108,067</u> | <u>-</u> | <u>108,067</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>108,563</u> | <u>-</u> | <u>108,563</u> | <u>2,284</u> |
| NET POSITION | | | | |
| Restricted | 441,633 | - | 441,633 | 60,564 |
| Unrestricted | <u>1,145,259</u> | <u>178,925</u> | <u>1,324,184</u> | <u>107,452</u> |
| TOTAL NET POSITION | <u>\$1,586,892</u> | <u>\$ 178,925</u> | <u>\$1,765,817</u> | <u>\$168,016</u> |

See Accompanying Notes

**Borough of Oakmont
Statement of Activities
Modified Cash Basis
Year Ended December 31, 2012**

Exhibit

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business- Type Activities | Totals | Component Unit (Oakmont Carnegie Library) |
|---|--------------------|-------------------------|--|----------------------------|---|---------------------|---|
| | | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 595,319 | \$ 29,707 | \$ 29,896 | \$ (535,716) | \$ - | \$ (535,716) | \$ - |
| Public Safety | 1,342,222 | 129,799 | 76,567 | (1,135,856) | - | (1,135,856) | - |
| Public Works - Highways | 1,069,572 | 1,380 | 159,861 | (908,331) | - | (908,331) | - |
| Culture - Recreation | 883,489 | 51,084 | 256,840 | (575,565) | - | (575,565) | - |
| Principal and Interest on Long-Term Debt | 180,589 | - | - | (180,589) | - | (180,589) | - |
| Total Governmental Activities | <u>4,071,191</u> | <u>211,970</u> | <u>523,164</u> | <u>(3,336,057)</u> | <u>-</u> | <u>(3,336,057)</u> | <u>-</u> |
| Business-Type Activities | | | | | | | |
| Sewer | 1,803,328 | 1,919,851 | - | - | 116,523 | 116,523 | - |
| Total Primary Government | <u>\$5,874,519</u> | <u>\$2,131,821</u> | <u>\$523,164</u> | <u>(3,336,057)</u> | <u>116,523</u> | <u>(3,219,534)</u> | <u>-</u> |
| Component Unit | | | | | | | |
| Oakmont Carnegie Library | \$ 438,970 | \$ 21,028 | \$394,097 | - | - | - | (23,84 |
| General Revenues and Transfers | | | | | | | |
| Taxes | | | | | | | |
| Property Taxes, Levied for General Purposes (Net) | | | 1,584,693 | | | 1,584,693 | |
| Earned Income Taxes | | | 1,031,509 | | | 1,031,509 | |
| Real Estate Transfer Tax | | | 163,143 | | | 163,143 | |
| Other Taxes Levied for General Purposes, (Net) | | | 215,284 | | | 215,284 | |
| Grants, Subsidies, and Contributions Not Restricted | | | 13,889 | | | 13,889 | |
| Investment Earnings | | | 3,883 | | 215 | 4,098 | 6.33 |
| Miscellaneous Income | | | 234,629 | | | 234,629 | |
| Issuance of Refunding Bonds | | | 1,075,000 | | | 1,075,000 | |
| Payment to Refunded Bond Escrow Agent | | | (1,009,586) | | | (1,009,586) | |
| Bond Discount | | | (13,917) | | | (13,917) | |
| Transfers | | | (87,566) | | 87,566 | - | |
| Total General Revenues and Transfers | | | <u>3,210,961</u> | | <u>87,781</u> | <u>3,298,742</u> | <u>6.33</u> |
| Changes in Net Position | | | (125,096) | | 204,304 | 79,208 | (17.51 |
| Net Position - January 1, 2012 | | | <u>1,711,988</u> | | <u>(25,379)</u> | <u>1,686,609</u> | <u>185.52</u> |
| Net Position - December 31, 2012 | | | <u>\$ 1,586,892</u> | | <u>\$178,925</u> | <u>\$ 1,765,817</u> | <u>\$168.01</u> |

See Accompanying Notes

**Borough of Oakmont
Balance Sheet
Modified Cash Basis
Governmental Funds
December 31, 2012**

Exhibit 3

| | General Fund | Kerr Museum Fund | Capital Reserve Fund | Capital Projects - Parks Fund | Nonmajor Funds | Total Governmental Funds |
|--|-------------------------|-------------------------|----------------------------|--|-------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$409,596 | \$188,447 | \$781,745 | \$ 49,813 | \$149,769 | \$1,579,370 |
| Due from Other Funds | 250,491 | 50,996 | - | - | - | 301,487 |
| Due from Component Unit | 2,284 | - | - | - | - | 2,284 |
| Other Current Assets | <u>380</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>380</u> |
| TOTAL ASSETS | <u>\$662,751</u> | <u>\$239,443</u> | <u>\$781,745</u> | <u>\$ 49,813</u> | <u>\$149,769</u> | <u>\$1,883,521</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Due to Other Funds | \$ 50,996 | \$ - | \$ - | \$135,996 | \$ 1,074 | \$ 188,066 |
| Payroll Deductions and Withholdings | 496 | - | - | - | - | 496 |
| Other Current Liabilities | <u>-</u> | <u>-</u> | <u>108,067</u> | <u>-</u> | <u>-</u> | <u>108,067</u> |
| Total Liabilities | <u>51,492</u> | <u>-</u> | <u>108,067</u> | <u>135,996</u> | <u>1,074</u> | <u>296,629</u> |
| Fund Balances | | | | | | |
| Restricted | - | - | 416,382 | - | 25,251 | 441,633 |
| Assigned | - | 239,443 | 257,296 | - | 123,444 | 620,183 |
| Unassigned | <u>611,259</u> | <u>-</u> | <u>-</u> | <u>(86,183)</u> | <u>-</u> | <u>525,076</u> |
| Total Fund Balances | <u>611,259</u> | <u>239,443</u> | <u>673,678</u> | <u>(86,183)</u> | <u>148,695</u> | <u>1,586,892</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$662,751</u> | <u>\$239,443</u> | <u>\$781,745</u> | <u>\$ 49,813</u> | <u>\$149,769</u> | <u>\$1,883,521</u> |

See Accompanying Notes

Borough of Oakmont
Statement of Revenues, Expenditures and
Changes in Fund Balances
Modified Cash Basis
Governmental Funds
Year Ended December 31, 2012

Exhibit 4

| | General Fund | Kerr Museum Fund | Capital Reserve Fund | Capital Projects - Parks Fund | Nonmajor Funds | Total Governmental Funds |
|--|-------------------|------------------------|----------------------------|--|-------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$2,994,629 | \$ - | \$ - | \$ - | \$ - | \$ 2,994,629 |
| Licenses and Permits | 147,207 | - | - | - | - | 147,207 |
| Fines and Forfeits | 60,560 | - | - | - | - | 60,560 |
| Interest, Rents and Royalties | 12,855 | 1,214 | 454 | 57,710 | 205 | 72,438 |
| Intergovernmental | 112,434 | - | - | 125,647 | 159,861 | 397,942 |
| Charges for Services | 138,782 | - | - | - | - | 138,782 |
| Miscellaneous | <u>33,880</u> | <u>84,014</u> | <u>-</u> | <u>35,300</u> | <u>16,727</u> | <u>169,921</u> |
| Total Revenues | <u>3,500,347</u> | <u>85,228</u> | <u>454</u> | <u>218,657</u> | <u>176,793</u> | <u>3,981,479</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 498,876 | 47,043 | - | - | 47,750 | 593,669 |
| Public Safety | 1,342,222 | - | - | - | - | 1,342,222 |
| Public Works - Highways | 630,779 | - | 114,916 | - | 323,877 | 1,069,572 |
| Culture - Recreation | 409,510 | 30,457 | - | 375,373 | 68,149 | 883,489 |
| Miscellaneous | 2,170 | - | - | - | - | 2,170 |
| Debt Service: | | | | | | |
| Principal | 147,755 | - | - | - | - | 147,755 |
| Interest | <u>28,567</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,747</u> | <u>32,314</u> |
| Total Expenditures | <u>3,059,879</u> | <u>77,500</u> | <u>114,916</u> | <u>375,373</u> | <u>443,523</u> | <u>4,071,191</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>440,468</u> | <u>7,728</u> | <u>(114,462)</u> | <u>(156,716)</u> | <u>(266,730)</u> | <u>(89,712)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Issuance of Refunding Bonds | - | - | - | - | 1,075,000 | 1,075,000 |
| (Discount) Premium on Bonds Issued | - | - | - | - | (13,917) | (13,917) |
| Transfers In | 109,536 | 10,000 | 335,673 | - | 221,412 | 676,621 |
| Sale/Compensation for Capital Assets | 685 | - | - | - | - | 685 |
| Payment to Refunded Bond Escrow Agent | - | - | - | - | (1,009,586) | (1,009,586) |
| Transfers Out | <u>(579,651)</u> | <u>-</u> | <u>(184,536)</u> | <u>-</u> | <u>-</u> | <u>(764,187)</u> |
| Total Other Financing Sources (Uses) | <u>(469,430)</u> | <u>10,000</u> | <u>151,137</u> | <u>-</u> | <u>272,909</u> | <u>(35,384)</u> |
| Net Change in Fund Balances | (28,962) | 17,728 | 36,675 | (156,716) | 6,179 | (125,096) |
| Fund Balance - January 1, 2012 | <u>640,221</u> | <u>221,715</u> | <u>637,003</u> | <u>70,533</u> | <u>142,516</u> | <u>1,711,988</u> |
| Fund Balance - December 31, 2012 | <u>\$ 611,259</u> | <u>\$239,443</u> | <u>\$ 673,678</u> | <u>\$ (86,183)</u> | <u>\$ 148,695</u> | <u>\$ 1,586,892</u> |

See Accompanying Notes

Borough of Oakmont
Statement of Net Position
Modified Cash Basis
Proprietary Fund
December 31, 2012

Exhibit 5

Sewer
Fund

ASSETS

Current Assets

Cash and Cash Equivalents

\$292,346

LIABILITIES

Current Liabilities

Due to Other Funds

113,421

NET POSITION

Unrestricted

\$178,925

See Accompanying Notes

Borough of Oakmont
Statement of Revenues, Expenses and
Changes in Net Position
Modified Cash Basis
Proprietary Fund
Year Ended December 31, 2012

Exhibit 6

| | Sewer Fund |
|--|--------------------|
| Operating Revenues | |
| Charges for Services | <u>\$1,919,851</u> |
| Operating Expenses | |
| Personal Services | 277,987 |
| Supplies | 88,559 |
| Other Services and Charges | <u>931,842</u> |
| Total Operating Expenses | <u>1,298,388</u> |
| Operating Income | <u>621,463</u> |
| Nonoperating Revenues (Expenses) | |
| Investment Income | 215 |
| Bond Principal | (425,000) |
| Bond Interest | <u>(79,940)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(504,725)</u> |
| Income (Loss) Before Transfers | 116,738 |
| Transfers In | <u>87,566</u> |
| Change in Net Position | 204,304 |
| Net Position - January 1, 2012 | <u>(25,379)</u> |
| Net Position - December 31, 2012 | <u>\$ 178,925</u> |

See Accompanying Notes

Borough of Oakmont
Statement of Net Position
Modified Cash Basis
Fiduciary Funds
December 31, 2012

Exhibit 7

| | Pension Trust Funds |
|------------------------------------|---------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 127,568 |
| Investments | |
| Fixed Income | 3,045,514 |
| Common Stock | 954,080 |
| Other Current Assets | <u>522</u> |
| TOTAL ASSETS | <u>4,127,684</u> |
| LIABILITIES | |
| Other Current Liabilities | <u>522</u> |
| NET POSITION | |
| Held in Trust for Pension Benefits | <u>\$4,127,162</u> |

See Accompanying Notes

Borough of Oakmont
Statement of Changes in Net Position
Modified Cash Basis
Fiduciary Funds
Year Ended December 31, 2012

Exhibit 8

| | Pension Trust Funds |
|---|---------------------------|
| Additions | |
| Contributions | \$ 138,250 |
| Employer | <u>24,404</u> |
| Plan Members | |
| Total Contributions | <u>162,654</u> |
| Investment Income | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 150,219 |
| Interest and Dividends | <u>118,781</u> |
| Net Investment Income | <u>269,000</u> |
| Total Additions | <u>431,654</u> |
| Deductions | 238,605 |
| Benefits | <u>50,535</u> |
| Administrative Expenses | |
| Total Deductions | <u>289,140</u> |
| Change in Net Position | 142,514 |
| Net Position - January 1, 2012 | <u>3,984,648</u> |
| Net Position - December 31, 2012 | <u>\$4,127,162</u> |

See Accompanying Notes

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies

The Borough of Oakmont was incorporated in 1889 under the provisions of Article 9, Section I of the Constitution of the Commonwealth of Pennsylvania, as amended. The Borough operates under a Council/Manager form of government.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable.

The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a December 31 year-end.

Discretely Presented Component Unit

Oakmont Carnegie Library

Oakmont Carnegie Library (Library) is a non-profit organization supporting the educational and intellectual needs of the community. The Library Board of Trustees consists of seven (7) members appointed by Council of the Borough of Oakmont. In addition, the Library Director and all other paid employees are employees of the Borough of Oakmont, and Borough Council retains the right to hire and set the salary and benefits. The Library makes an annual report of the monies received from the Borough and the dispositions made thereof to Borough Council.

As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies used by the Borough are discussed below.

A. Basic Financial Statements - Government-Wide Statements

The Borough's basic financial statements include both government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Borough's police, highway, sanitation, parks and general administrative services are all classified as governmental activities. The Borough's sewer fund is accounted for as a business-type activity.

In the government-wide statement of net position, governmental activities and business-type activities are presented on a consolidated basis by column.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

A. Basic Financial Statements - Government-Wide Statements (Cont'd)

The government-wide statement of activities reports both the gross and net cost of each of the Borough's functions. The functions are also supported by general government receipts (certain intergovernmental revenues, charges for services, etc.). The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works - sanitation, public works - highways, culture and recreation, etc.). Operating grants include operating-specific and discretionary (either operating or capital).

The governmental activities net costs by function are normally covered by general receipts including real estate taxes, earned income taxes, intergovernmental receipts, interest income and rents. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are sewer and sanitation charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government-wide focus is more on the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the Borough are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental, proprietary and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental and proprietary categories. Nonmajor funds are summarized into a single column. GASBS No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Borough reports these major governmental funds and fund types:

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

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The Kerr Museum Fund is considered a major special revenue fund.

Capital projects funds account for revenues and expenditures used for capital purchases in the Borough. The Capital Reserve Fund and Capital Projects - Roads Fund are considered major capital projects funds.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Fund - Enterprise Fund

Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

The *sewer fund* is used to account for resources derived from sewer and solid waste billings to residents and related disbursements.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support Borough programs. The reporting focus is on net position and changes in net position. The Borough's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The Borough reports the following fund type:

The *pension trust funds* account for the activities of the police and general employees' pension plans, which accumulate resources for pension benefit payments to covered employees.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds (Cont'd)

Fiduciary funds are not incorporated into the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental and fiduciary funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

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

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

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

Basis of Accounting (Cont'd)

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

The Borough has not recorded capital assets and infrastructure arising from cash transactions or the provision for accumulated depreciation and depreciation expense in the government-wide or proprietary fund statements.

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

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

D. Financial Statement Amounts

1. Cash and Cash Equivalents

The government'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.

2. Investments

Investments for the government are reported at fair value.

3. Government-wide Net Position

Government-wide net position is divided into two components:

Restricted - consist of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

D. Financial Statement Amounts (Cont'd)

3. Government-wide Net Position (Cont'd)

Unrestricted - all other net position is reported in this category.

4. Fund Financial Statements - Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action by the Borough's highest level of authority, Borough Council. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money, which is the passage of a motion.

Assigned - reflects the Borough's intent to use the money for a specific purpose, but is not considered restricted or committed. Fund balance may be assigned by management.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

Proprietary Funds - the difference among assets and liabilities of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

5. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

D. Financial Statement Amounts (Cont'd)

6. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- a. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures or expenses.
- c. Interfund reimbursements - repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures or expenses in the respective funds.
- d. Interfund transfers - flow of assets from one fund to another when repayment is not expected and reported as transfers in and out.

Government-wide Financial Statements

Interfund activity and balances resulting from cash transaction or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the "Governmental" and "Business-Type Activities" columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.
- b. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities, except for the net amount of transfers between governmental and business-type activities, which are reported as transfers - internal activities. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

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

D. Financial Statement Amounts (Cont'd)

6. Internal and Interfund Balances and Activities (Cont'd)

Government-wide Financial Statements (Cont'd)

- c. Primary government and component unit activity and balances - resource flows between the primary government (the Borough) and the discretely-presented component unit (the Oakmont Carnegie Library) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

Note 2 - Budgets and Budgetary Accounting

Budgets are adopted, on a modified cash basis of accounting, for all funds, except the pension trust funds. Budgetary control for the pension trust funds is maintained by the provisions of the funds as implemented by their respective governing boards.

The Borough uses the following procedures in establishing the budgetary data reflected in the financial statements as prescribed in the Borough's Code:

1. The budget is prepared in any manner designated by Members of Council (Council).
2. The Borough must prepare the budget not less than 30 days before adoption.
3. Notice that the proposed budget is available for inspection must be published by the secretary in a newspaper of general circulation, and the proposed budget must be kept on file with and made available for public inspection by the secretary for a period of 10 days after the notice and prior to adoption.
4. On or before December 31, Council must finally adopt the budget. Upon completion of the budget, Council shall adopt the real estate tax ordinance.

Adoption of the budget by Council constitutes approximations of the expenditures for the fiscal year, and the budget is employed as a management control device during the year. Under the Borough Code, the expenditure budget may be amended by Council after a public hearing. Within the general fund accounts, the Borough Manager is authorized to transfer budgeted amounts between operating departments provided that such transfers do not alter total expenditures approved by Council. Therefore, in the general fund, as in all other funds that have legally adopted budgets, the legal level of control over expenditures is the surplus or deficit of the funds as a whole. Operating departments are charged with the maintenance of the budget for the department as a whole; however, operating departments may exceed the appropriation with the approval of the Borough Manager. Any excess appropriations at the end of the fiscal year are not carried forward; but, instead, lapse.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 3 - Net Position/Fund Balance Classifications

The purposes of the fund balance classifications as of December 31, 2012, are as follows:

The restricted fund balance of \$416,382 in the capital reserve fund is restricted for future capital projects. The restricted fund balance of \$25,251 in the nonmajor funds is restricted for highway maintenance, rebuilding and construction. These balances are also restricted on the statement of net position in addition to \$60,564 restricted for the component unit's capital campaign.

The assigned fund balances in the general fund, Kerr Museum, capital reserve, capital projects - roads and nonmajor funds are for the following purposes:

| | |
|-----------------------------------|-----------|
| 1. Future police expenditures | \$ 12,000 |
| 2. Future road maintenance | 16,813 |
| 3. Kerr Museum | 239,443 |
| 4. Future capital expenditures | 245,296 |
| 5. Oakmont Boulevard improvements | 106,631 |

Note 4 - Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U. S. Treasury bills, other short-term U. S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investment, authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the Borough adheres to state statutes and or prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or highly liquid money market funds and are captioned as cash in the combined balance sheet. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of other municipal funds. Investments are reported at fair value. Fair value is based on quoted market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. There were no deposit or investment transactions during the year that were in violation of either their state statutes or the policy of the Borough.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 4 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of December 31, 2012, \$1,691,629 of the Borough's bank balance of \$1,991,701 was exposed to custodial credit risk as follows:

| | |
|---|--------------------|
| Uninsured and Collateral Held by Pledging Banks' Agent Not in the Borough's Name | <u>\$1,691,629</u> |
|---|--------------------|

As of December 31, 2012, the component unit's bank balance of \$167,554 was not exposed to custodial credit risk.

As of December 31, 2012, the Borough had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|--|--------------------|--------------------------------------|
| Money Market Funds | | |
| State Street Inst. Liquid Reserves | \$ 127,568 | |
| Common Stock | 954,080 | |
| U. S. Agencies | 2,075,656 | 6.73 |
| U. S. Treasuries | 161,055 | 4.35 |
| Corporate Bonds | <u>808,801</u> | 5.88 |
| | <u>\$4,127,160</u> | |
| Portfolio Weighted Average Maturity | | 6.38 |

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

As of December 31, 2012, the component unit's investments of \$22,118 were comprised entirely of common stock.

Interest Rate Risk - The Borough does not have policy related to investment rate risk.

**Borough of Oakmont
Notes to Financial Statements
December 31, 2012**

Note 4 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Credit Risk - Pennsylvania statutes authorize the type of investments allowed and are described above. The Borough has no investment policy that would further limit its investment choices. The Borough's investments, excluding its common stock, mutual funds and U. S. Government guaranteed obligations, are rated by the nationally recognized statistical rating organization, Standard and Poor's (S&P) and Moody's as follows:

Credit Quality Distribution of Securities
with Credit Exposure as a Percentage of Total Investments

| Investment Type | Credit Rating | | Percent |
|---------------------------|---------------|---------|---------|
| | S&P | Moody's | |
| Money Market Funds | AAAm | N/A | 3.2% |
| U. S. Treasuries | AA+ | Aaa | 4.0% |
| U. S. Government Agencies | A | Aaa | 46.4% |
| U. S. Government Agencies | N/A | N/A | 3.9% |
| Corporate Obligations | A | - | 13.9% |
| Corporate Obligations | - | A | 11.5% |
| Corporate Obligations | BBB | - | 6.2% |
| Corporate Obligations | - | Baa | 8.5% |

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

Concentration of Credit Risk - At December 31, 2012, the Borough does not have a policy for concentration of credit risk.

Note 5 - Interfund Balances/Transfers

Interfund balances at December 31, 2012 were:

| | Interfund Receivable | Interfund Payable |
|------------------|-------------------------|----------------------|
| General Fund | \$250,491 | \$ 50,996 |
| Kerr Museum Fund | 50,996 | - |

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 5 - Interfund Balances/Transfers (Cont'd)

| | Interfund Receivable | Interfund Payable | |
|------------------|-------------------------|----------------------|--|
| Proprietary Fund | | | |
| Sewer Fund | \$ - | \$113,421 | |
| Nonmajor Funds | <u>-</u> | <u>137,070</u> | |
| | <u>\$301,487</u> | <u>\$301,487</u> | |

In addition, the general fund has an amount due from Oakmont Carnegie Library, a component unit of the Borough, in the amount of \$2,284.

Balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances above are expected to be collected in the subsequent year, except for the balance between the general fund and centennial fund, which will be eliminated when the certificate of deposit held by the general fund matures and the centennial fund's portion of the balance is distributed.

For the year ended December 31, 2012, interfund transfers consisted of the following:

| Transfer To | Transfer From | | | Totals |
|-------------------------------|------------------|----------------------------|---------------------|------------------|
| | General Fund | Capital Reserve Fund | Proprietary Fund | |
| General Fund | \$ - | \$ 79,536 | \$30,000 | \$109,536 |
| Kerr Museum Fund | 10,000 | - | - | 10,000 |
| Capital Reserve Fund | 335,673 | - | - | 335,673 |
| Capital Projects - Roads Fund | 141,412 | - | - | 141,412 |
| Nonmajor Funds | 80,000 | - | - | 80,000 |
| Proprietary Fund | | | | |
| Sewer Fund | <u>12,566</u> | <u>105,000</u> | <u>-</u> | <u>117,566</u> |
| | <u>\$579,651</u> | <u>\$184,536</u> | <u>\$30,000</u> | <u>\$794,187</u> |

The transfers from the general fund to the Oakmont Boulevard project fund and the Kerr Museum fund were approved per the annual budget for annual funding.

Of the \$141,412 that was transferred from the general fund to the capital projects - roads fund, \$130,000 was approved per the annual budget. The remaining balance of \$11,412 was from combining the operating reserve account to the general fund.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 5 - Interfund Balances/Transfers (Cont'd)

The transfer from the general fund to the capital projects - parks fund was for assorted capital projects.

The transfer from the general fund to the proprietary fund was for that fund's share of state pension aid.

The transfers from the capital reserve fund to the general fund was for reimbursement of the cost for a truck and the transfer to the sewer fund was for tap fees collected and recorded to capital reserve in prior years.

The transfer from the sewer fund to the general fund was to reimburse the general fund for expenditures.

The transfer from the general fund to the capital reserve fund represented funds held in the operating reserve account.

Note 6 - Real Estate Taxes

The tax collector bills and collects real estate taxes on behalf of the Borough based upon assessed values provided by the County. The Borough's tax rate for all purposes in 2012 was 4.50 mills (\$4.50 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2012 is as follows:

| | |
|---------------------|---------------------------|
| Tax Levy Date | April 1, 2012 |
| 2% Discount Period | April 1 to May 31, 2012 |
| Face Payment Period | June 1 to July 31, 2012 |
| 10% Penalty Period | August 1, 2012 until lien |

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

| | Balance 01/01/12 | Additions | Retirements | Defeased | Balance 12/31/12 | Due Within One Year |
|--------------------------|---------------------|--------------------|------------------|--------------------|---------------------|------------------------|
| Governmental Activities | | | | | | |
| Bonds Payable | | | | | | |
| General Obligation Bonds | \$1,625,000 | \$1,075,000 | \$ 55,000 | \$1,005,000 | \$1,640,000 | \$115,000 |
| Capital Leases | <u>127,890</u> | <u>-</u> | <u>112,755</u> | <u>-</u> | <u>15,135</u> | <u>15,135</u> |
| Governmental Activities | | | | | | |
| Long-Term Liabilities | <u>\$1,752,890</u> | <u>\$1,075,000</u> | <u>\$167,755</u> | <u>\$1,005,000</u> | <u>\$1,655,135</u> | <u>\$130,135</u> |
| Business-Type Activities | | | | | | |
| Bonds Payable | | | | | | |
| General Obligation Bonds | <u>\$3,445,000</u> | <u>\$ -</u> | <u>\$425,000</u> | <u>\$ -</u> | <u>\$3,020,000</u> | <u>\$435,000</u> |

**Borough of Oakmont
Notes to Financial Statements
December 31, 2012**

Note 7 - Long-Term Liabilities (Cont'd)

General Obligation Bonds - Governmental Activities

Series of 2012 in the amount of \$1,075,000; payable semi-annually on May 15 and November 15 from the component unit; interest fluctuates from 1.0% to 2.7% through 2024. The debt service source for this issue is the library. \$1,055,000

Series of 2011 is broken into two parts, the refunding portion (business-type activities) and the new money portion (governmental activities). New money portion is in the amount of \$620,000; payable semi-annually on May 15 and November 15 from the general fund; interest fluctuates from 2.0% to 4.3% through 2026. 585,000

\$1,640,000

General Obligation Bonds - Business-Type Activities

Series of 2011 is broken into two parts, the refunding portion (business-type activities) and the new money portion (governmental activities). Refunding portion is in the amount of \$3,900,000; payable semi-annually on May 15 and November 15 from the sewer fund; interest fluctuates from 2.0% to 3.1% through 2019. \$3,020,000

The annual debt service requirements to maturity, including principal and interest, for the long-term debt as of December 31, 2012, are as follows:

| Year Ended December 31, | Governmental Activities General Obligation Bonds | | Business-Type Activities General Obligation Bonds | | Totals |
|----------------------------|---|------------------|--|------------------|--------------------|
| | Principal | Interest | Principal | Interest | |
| 2013 | \$ 115,000 | \$ 40,955 | \$ 435,000 | \$ 71,340 | \$ 662,295 |
| 2014 | 115,000 | 39,455 | 440,000 | 63,470 | 657,925 |
| 2015 | 120,000 | 37,867 | 450,000 | 54,325 | 662,192 |
| 2016 | 120,000 | 36,282 | 465,000 | 41,725 | 663,007 |
| 2017 | 120,000 | 34,218 | 480,000 | 28,510 | 662,728 |
| 2018-2022 | 655,000 | 127,970 | 750,000 | 19,195 | 1,552,165 |
| 2023-2026 | <u>395,000</u> | <u>29,975</u> | <u>-</u> | <u>-</u> | <u>424,975</u> |
| | <u>\$1,640,000</u> | <u>\$346,722</u> | <u>\$3,020,000</u> | <u>\$278,565</u> | <u>\$5,285,287</u> |

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 7 - Long-Term Liabilities (Cont'd)

On June 26, 2012, the Borough issued \$1,075,000 Series of 2012 bonds with interest rates from 1.0% to 2.7% to currently refund the outstanding Series 2003(A) bonds (\$1,005,000) with interest rates ranging from 3.25% to 4.2%. The net proceeds of \$1,009,586 (after payments of issuance costs) were used to currently refund the outstanding 2003A bonds and interest due on those bonds through the refunding date. As a result, the old bonds are considered defeased, and the liability for those bonds has been removed as a liability in the above schedule.

The Borough advance refunded the Series of 2003A to reduce its total debt service payments over the next thirteen years by \$54,362 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$54,877.

Note 8 - Capital Leases

The Borough entered into lease agreements as lessee for financing the acquisition of two police vehicles and a street sweeper. The street sweeper lease was paid off in 2012. The future minimum lease obligations and the net present value of these minimum lease payments, as of December 31, 2012, are as follows:

| Year Ended December 31, | Governmental Activities |
|---|----------------------------|
| 2013 | \$16,116 |
| Less: Amount Representing Interest | <u>(981)</u> |
| Present Value of Minimum Lease Payments | <u>\$15,135</u> |

Note 9 - Defined Benefit Pension Plans

A. Plan Descriptions, Contribution Information, and Funding Policies

The Borough of Oakmont contributes to two Defined Benefit Pension Plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective Plans.

Borough of Oakmont Police Pension Plan (PPP) - The Police Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time basis by the Borough as a member of the police force is eligible to participate in the Plan.

**Borough of Oakmont
Notes to Financial Statements
December 31, 2012**

Note 9 - Defined Benefit Pension Plans (Cont'd)

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

General Employees' Pension Plan (GEPP) - The General Employees' Pension Plan is a single-employer defined benefit Trust Fund Plan. Any municipal employee person employed on a full-time salaried basis by the Borough is eligible to participate in the Plan.

Actuarial valuations are performed biannually. For additional information related to basis of accounting and reported investment values, see notes 1C and 4. The Plans do not issue stand-alone financial reports.

The following is a summary of funding policies, contribution methods, and benefit provisions:

| | <u>PPP</u> | <u>GEPP</u> |
|--|---|--|
| Date Established | July 12, 1949 | July 12, 1949 |
| Governing Authority and Administrator | Borough Council and Ordinances | Borough Council and Ordinances |
| Determination of Contribution Requirements | Actuarially determined | Actuarially determined |
| Employer | \$77,142 | \$61,108 |
| Plan Members | 3.0% of compensation | 3.5% of compensation |
| Funding of Administrative Costs | Investment earnings | Investment earnings |
| Eligibility Requirements | | |
| Normal Retirement | Age 55 with 25 years of aggregate service | Earliest of the following: a. age 65 and 20 years of credited service b. age 62 and 25 years of credited service c. age 55 and 35 years of credited service |
| Early Retirement | None | None |
| Vesting | 12 years of service | 100% after completion of 12 years of credited service |

**Borough of Oakmont
Notes to Financial Statements
December 31, 2012**

Note 9 - Defined Benefit Pension Plans (Cont'd)

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

| | <u>PPP</u> | <u>GEPP</u> |
|------------------------------------|---|--|
| Retirement Benefit | 50% of final 36 months average salary, plus service increment, if any | 50% of final 36 months average salary, plus service increment, if any |
| Service Increment | Additional monthly benefit of \$100 for completion of each year of service in excess of 26 years up to a maximum of \$200 | Additional monthly benefit of \$100 for completion of 41 years of credited service |
| Post Retirement Benefit Increases | No | No |
| Provisions for Disability Benefits | Yes | No |
| Provisions for Death Benefits | Yes | Yes |

Memberships of the Plans are as follows, based on the latest actuarial valuation reports dated January 1, 2011:

| | <u>PPP</u> | <u>GEPP</u> |
|---|------------|-------------|
| Deferred Vested Members | - | 1 |
| Nonvested Active Members | 3 | 3 |
| Fully Vested Active Members | 4 | 4 |
| Retirees and Beneficiaries Currently Receiving Benefits | <u>5</u> | <u>5</u> |
| Total | <u>12</u> | <u>13</u> |

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Supplementary Information Section of this report.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 9 - Defined Benefit Pension Plans (Cont'd)

B. Annual Pension Cost, Net Pension Obligation, and Reserves

Current year annual pension costs for the Police and General Employees' Plans are shown in the trend information provided below. Annual required contributions were made by both Plans. The net pension obligations (assets) for the Police Pension Plan and the General Employees' Pension Plan are also shown below.

The annual pension costs and net pension obligations (assets) for the Plans for the current year are as follows:

| | <u>PPP</u> | <u>GEPP</u> |
|---|-------------------|-------------------|
| Annual Required Contribution | \$ 77,142 | \$ 61,108 |
| Interest on Net Pension Obligation | (1,518) | (1,074) |
| Adjustment to Annual Required Contribution | <u>2,410</u> | <u>2,893</u> |
| Annual Pension Cost | 78,034 | 62,927 |
| Contributions Made | <u>77,142</u> | <u>61,108</u> |
| Increase (Decrease) in Net Pension Obligation | 892 | 1,819 |
| Beginning of Year | <u>(21,687)</u> | <u>(15,342)</u> |
| End of Year | <u>\$(20,795)</u> | <u>\$(13,523)</u> |

The net pension obligation for the general employees' pension fund at the beginning of the year was restated to agree to the most recent actuarial valuation.

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

At December 31, 2012, the Police Pension Plan investments consisted of 49% in U.S. agencies, 27% in corporate bonds, and 24% in common stocks, and the General Employees' Pension Plan investments consisted of 52% U.S. agencies, 25% corporate bonds, and 23% common stocks.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 9 - Defined Benefit Pension Plans (Cont'd)

C. Trend Information

| Year Ended December 31, | Police Pension | | | General Employees | | |
|----------------------------|---------------------------|---------------------------|---|---------------------------|---------------------------|---|
| | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (Asset) NPO | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (Asset) NPO |
| 2010 | \$59,083 | 99% | \$(22,521) | \$45,593 | 99% | \$(17,042) |
| 2011 | 84,100 | 99% | (21,687) | 67,939 | 97% | (15,342) |
| 2012 | 78,034 | 99% | (20,795) | 62,927 | 97% | (13,523) |

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

| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) Excess of Assets over AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL (Excess of Assets over AAL) as a Covered Payroll [(b-a)/c] |
|-------------------|--|--|---|--------------------------|---------------------------|--|
| General Employees | \$1,425,333 | \$1,720,484 | \$295,151 | 83% | \$337,258 | 88% |
| Police | 2,563,197 | 2,891,173 | 327,976 | 89% | 525,775 | 62% |

Note 10 - Risk Management

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

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 11 - Operating Leases - Component Unit

The Oakmont Carnegie Library is committed under lease agreements for various computer equipment. These leases are considered for accounting purposes to be operating leases. The following is a schedule by years of future minimum payments required under these operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2012:

| Year Ended December 31, | |
|----------------------------|-----------------|
| 2013 | \$12,641 |
| 2014 | 8,668 |
| 2015 | <u>4,500</u> |
| | <u>\$25,809</u> |

For the year ended December 31, 2012, the rental expense for the operating leases was \$12,599.

Note 12 - Lease Agreement

The Borough, as lessor, entered into a lease agreement whereby the Borough leased a parcel of land for communication facilities. The lease terminates in 2035. The total rent received in 2012 was \$32,970.

Note 13 - Post-Employment Benefits Other Than Pensions

A. Plan Description

The Borough of Oakmont administers a single-employer defined benefit post-employment benefit plan. The plan provides medical premium reimbursement and life insurance benefits to police and public works retirees. Benefit provisions are mostly established through negotiations between the Borough and union or group representing the employees. The plan does not issue a publicly available financial report.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 13 - Post-Employment Benefits Other Than Pensions (Cont'd)

B. Funding Policy

| • Retirement Plan Eligibility | <u>Police</u> | <u>Public Works</u> |
|--------------------------------------|---|--|
| a. Normal Retirement | Age 55 and 25 years of service. | Earliest of the following: a. age 65 and 20 years of service; b. age 62 and 25 years of service; c. age 55 and 35 years of service. |
| a. Eligibility for Benefit | Benefit is provided at normal retirement as defined under the retirement plan. | No benefit offered. |
| b. Benefit at Retirement | The Borough will pay the remainder of the COBRA premium above and beyond the retiree contribution for coverage for a maximum of 18 months after retirement. | None |
| a. Eligibility for Benefit | Benefit is provided at normal retirement as defined under the retirement plan. | Benefit is provided at normal retirement as defined under retirement plan. |
| b. Benefit at Retirement | The Borough will provide a paid-up life insurance policy in the amount of \$1,000. Paid while employed, no OPEB obligation. | The Borough will provide a paid-up life insurance policy in the amount of \$5,000. Paid while employed, no OPEB obligation. |

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 13 - Post-Employment Benefits Other Than Pensions (Cont'd)

B. Funding Policy (Cont'd)

Memberships of the plan are as follows, based on the latest actuarial evaluation reports dated January 1, 2012:

| | |
|----------------------|----------|
| Active Members | 7 |
| Retired Participants | - |
| Total | <u>7</u> |

For the year ended December 31, 2012, the Borough contributed \$0 toward reimbursement of healthcare premium costs for retired participants. The plan is currently funded on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the Borough's net OPEB obligation.

| | |
|--|-----------------|
| Annual Required Contribution | \$ 9,039 |
| Interest on Net OPEB Obligation | 680 |
| Adjustment to Annual Required Contribution | <u>(1,088)</u> |
| Annual OPEB Cost (Expense) | 8,631 |
| Contributions Made | <u>(23,637)</u> |
| Decrease in OPEB Obligation | (15,006) |
| Net OPEB Obligation - Beginning of Year | <u>16,994</u> |
| Net OPEB Obligation - End of Year | <u>\$ 1,988</u> |

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 13 - Post-Employment Benefits Other Than Pensions (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

The Borough's OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the years ended December 31, 2012, 2011 and 2010, is as follows.

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------|------------------|--|---------------------|
| 12/31/12 | \$ 8,631 | 274% | \$ 1,988 |
| 12/31/11 | 11,548 | 119% | 16,994 |
| 12/31/10 | 11,814 | 0% | 19,186 |

D. Funded Status and Funding Progress

As of January 1, 2012, the actuarial accrued liability for benefits was \$71,053, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$482,772 and the ratio of unfunded actuarial accrued liability to the covered payroll was 14.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of volatility on actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

Borough of Oakmont
Notes to Financial Statements
December 31, 2012

Note 13 - Post-Employment Benefits Other Than Pensions (Cont'd)

E. Actuarial Methods and Assumptions (Cont'd)

The following is a summary of the actuarial method and assumptions based on the latest actuarial valuation report dated January 1, 2012:

| | |
|------------------------------------|--|
| Data | Furnished by the Borough as of January 1, 2012 |
| Interest Rate | 4.0% |
| Retirements Rates | 100% at normal retirement age |
| Disability Rates | 60% of the rates of disablement from advanced pension tables |
| Trend for Healthcare Reimbursement | 4.0% for 2012 and 5.0% increase thereafter |
| Cost Method | Entry Age Normal |
| Amortization Method | 25-year level dollar open period |
| Funding Policy | Pay as you go |

OTHER INFORMATION

Borough of Oakmont
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
General Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget |
|--|-------------------------|------------------|--------------------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Taxes | | | | |
| Real Estate Taxes | | | | |
| Current | \$1,518,400 | \$1,518,400 | \$1,512,000 | \$ (6,400) |
| Delinquent | 30,000 | 30,000 | 25,456 | (4,544) |
| Liened | 40,000 | 40,000 | 47,237 | 7,237 |
| Regional Asset District Sales Tax | 100,000 | 100,000 | 113,901 | 13,901 |
| Real Estate Transfer Tax | 85,000 | 85,000 | 163,143 | 78,143 |
| Earned Income Taxes/Wage Taxes | 825,000 | 825,000 | 1,031,509 | 206,509 |
| Local Services Taxes | <u>121,000</u> | <u>121,000</u> | <u>101,383</u> | <u>(19,617)</u> |
| Total Taxes | <u>2,719,400</u> | <u>2,719,400</u> | <u>2,994,629</u> | <u>275,229</u> |
| Licenses and Permits | | | | |
| Cable Television Franchise | 120,000 | 120,000 | 134,579 | 14,579 |
| All Other Licenses and Permits | <u>15,100</u> | <u>15,100</u> | <u>12,628</u> | <u>(2,472)</u> |
| Total Licenses and Permits | <u>135,100</u> | <u>135,100</u> | <u>147,207</u> | <u>12,107</u> |
| Fines and Forfeits | <u>67,500</u> | <u>67,500</u> | <u>60,560</u> | <u>(6,940)</u> |
| Interest, Rents and Royalties | | | | |
| Interest Earnings | 600 | 600 | 1,905 | 1,305 |
| Rents and Royalties | <u>11,500</u> | <u>11,500</u> | <u>10,950</u> | <u>(550)</u> |
| Total Interest, Rents and Royalties | <u>12,100</u> | <u>12,100</u> | <u>12,855</u> | <u>755</u> |
| Intergovernmental | | | | |
| State | | | | |
| Public Utility Realty Tax | 3,000 | 3,000 | 3,571 | 571 |
| General Municipal Pension Sys. State Aid | 74,000 | 74,000 | 67,946 | (6,054) |
| Alcoholic Beverage Taxes (Bev. Lic.) | 3,000 | 3,000 | 2,400 | (600) |
| Foreign Fire Insurance Tax Distribution | <u>40,000</u> | <u>40,000</u> | <u>38,517</u> | <u>(1,483)</u> |
| Total Intergovernmental Revenues | <u>120,000</u> | <u>120,000</u> | <u>112,434</u> | <u>(7,566)</u> |

Borough of Oakmont
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
General Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues (Cont'd) | | | | |
| Charges for Services | | | | |
| General Government | \$ 16,000 | \$ 16,000 | \$ 17,079 | \$ 1,079 |
| Public Safety | 46,250 | 46,250 | 58,412 | 12,162 |
| Parking/Parking Meters, Permits | 10,450 | 10,450 | 10,827 | 377 |
| Other Charges for Sanitation Services | - | - | 1,380 | 1,380 |
| Culture and Recreation | <u>45,000</u> | <u>45,000</u> | <u>51,084</u> | <u>6,084</u> |
| Total Charges for Services | <u>117,700</u> | <u>117,700</u> | <u>138,782</u> | <u>21,082</u> |
| Miscellaneous Revenues | | | | |
| Contributions and Donations from | | | | |
| Private Sources | 3,200 | 3,200 | 3,150 | (50) |
| Other Miscellaneous Revenues | 35,250 | 35,250 | 29,656 | (5,594) |
| Refunds of Prior Year's Expenditures | <u>-</u> | <u>-</u> | <u>1,074</u> | <u>1,074</u> |
| Total Miscellaneous Revenues | <u>38,450</u> | <u>38,450</u> | <u>33,880</u> | <u>(4,570)</u> |
| Total Revenues | <u>3,210,250</u> | <u>3,210,250</u> | <u>3,500,347</u> | <u>290,097</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | | | | |
| Executive | | | | |
| Personal Services | 219,153 | 219,153 | 199,236 | 19,917 |
| Supplies | 17,000 | 17,000 | 15,818 | 1,182 |
| Other Services and Charges | 36,519 | 36,519 | 33,844 | 2,675 |
| Capital Purchase | 5,405 | 5,405 | 4,422 | 983 |
| Financial Administrative | | | | |
| Personal Services | 25,934 | 25,934 | 24,722 | 1,212 |
| Other Services and Charges | 41,000 | 41,000 | 17,242 | 23,758 |
| Tax Collection | | | | |
| Other Services and Charges | 48,500 | 48,500 | 23,763 | 24,737 |
| Law | | | | |
| Other Services and Charges | 69,800 | 69,800 | 78,003 | (8,203) |

Borough of Oakmont
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
General Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------|-------------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Expenditures (Cont'd) | | | | |
| Current: (Cont'd): | | | | |
| General Government (Cont'd) | | | | |
| Data Processing | | | | |
| Supplies | \$ 15,500 | \$ 15,500 | \$ 16,952 | \$ (1,452) |
| Other Services and Charges | 6,500 | 6,500 | 6,226 | 274 |
| Engineer | | | | |
| Other Services and Charges | 22,500 | 22,500 | 26,407 | (3,907) |
| General Gov't. Bldgs. and Plant | | | | |
| Other Services and Charges | 40,050 | 40,050 | 44,837 | (4,787) |
| Capital Purchase | <u>2,500</u> | <u>2,500</u> | <u>7,404</u> | <u>(4,904)</u> |
| Total General Government | <u>550,361</u> | <u>550,361</u> | <u>498,876</u> | <u>51,485</u> |
| Public Safety | | | | |
| Police | | | | |
| Personal Services | 1,031,380 | 1,031,380 | 1,032,539 | (1,159) |
| Supplies | 61,000 | 61,000 | 52,622 | 8,378 |
| Other Services and Charges | 78,400 | 78,400 | 53,459 | 24,941 |
| Capital Purchase | 32,118 | 32,118 | 8,674 | 23,444 |
| Fire | | | | |
| Personal Services | 13,000 | 13,000 | 20,331 | (7,331) |
| Supplies | 2,200 | 2,200 | 1,916 | 284 |
| Other Services and Charges | 51,400 | 51,400 | 41,087 | 10,313 |
| Contributions, Grants and Subs. | 42,500 | 42,500 | 41,017 | 1,483 |
| Capital Purchase | 15,000 | 15,000 | 10,000 | 5,000 |
| UCC and Code Enforcement | | | | |
| Other Services and Charges | 17,500 | 17,500 | 45,275 | (27,775) |
| Planning and Zoning | | | | |
| Other Services and Charges | 21,500 | 21,500 | 33,702 | (12,202) |
| Capital Purchase | <u>1,000</u> | <u>1,000</u> | <u>1,600</u> | <u>(600)</u> |
| Total Public Safety | <u>1,366,998</u> | <u>1,366,998</u> | <u>1,342,222</u> | <u>24,776</u> |

Borough of Oakmont
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
General Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------------|----------------|--------------------------------|---|
| | Original | Final | | |
| Expenditures (Cont'd) | | | | |
| Current: (Cont'd) | | | | |
| Public Works - Highways | | | | |
| General Service - Administration | | | | |
| Personal Services | \$ 293,501 | \$ 293,501 | \$ 284,944 | \$ 8,557 |
| Supplies | 37,500 | 37,500 | 28,890 | 8,610 |
| Other Services and Charges | 77,000 | 77,000 | 67,610 | 9,390 |
| Capital Purchase | 86,800 | 86,800 | 106,129 | (19,329) |
| Winter Maintenance - Snow Removal | | | | |
| Supplies | 85,000 | 85,000 | 50,791 | 34,209 |
| Street Lighting | | | | |
| Other Services and Charges | 90,000 | 90,000 | 91,782 | (1,782) |
| Sidewalks and Crosswalks | | | | |
| Other Services and Charges | <u>16,000</u> | <u>16,000</u> | <u>633</u> | <u>15,367</u> |
| Total Public Works - Highways | <u>685,801</u> | <u>685,801</u> | <u>630,779</u> | <u>55,022</u> |
| Culture - Recreation | | | | |
| Parks | | | | |
| Personal Services | 83,710 | 83,710 | 70,908 | 12,802 |
| Supplies | 18,000 | 18,000 | 26,240 | (8,240) |
| Other Services and Charges | 10,000 | 10,000 | 11,721 | (1,721) |
| Capital Purchase | 10,000 | 10,000 | 20,589 | (10,589) |
| Shade Trees | | | | |
| Supplies | 10,000 | 10,000 | 18,685 | (8,685) |
| Other Services and Charges | 67,500 | 67,500 | 56,077 | 11,423 |
| Libraries | | | | |
| Contributions, Grants and Subs. | 225,000 | 225,000 | 197,890 | 27,110 |
| Civil and Military Celebrations | | | | |
| Other Services and Charges | 900 | 900 | 400 | 500 |
| Senior Citizens' Centers | | | | |
| Contributions, Grants and Subs. | <u>7,000</u> | <u>7,000</u> | <u>7,000</u> | <u>-</u> |
| Total Culture - Recreation | <u>432,110</u> | <u>432,110</u> | <u>409,510</u> | <u>22,600</u> |

Borough of Oakmont
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
General Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Expenditures (Cont'd) | | | | |
| Current: (Cont'd) | | | | |
| Miscellaneous | | | | |
| Other Employee Benefits | \$ 1,700 | \$ 1,700 | \$ 1,650 | \$ 50 |
| Other Miscellaneous Expenditures | <u>500</u> | <u>500</u> | <u>520</u> | <u>(20)</u> |
| Total Miscellaneous | <u>2,200</u> | <u>2,200</u> | <u>2,170</u> | <u>30</u> |
| Debt Service: | | | | |
| Debt | | | | |
| Principal | 35,000 | 35,000 | 147,755 | (112,755) |
| Interest | 21,470 | 21,470 | 28,567 | (7,097) |
| Tax Anticipation Loan - Interest | <u>5,000</u> | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Total Debt Service | <u>61,470</u> | <u>61,470</u> | <u>176,322</u> | <u>(114,852)</u> |
| Total Expenditures | <u>3,098,940</u> | <u>3,098,940</u> | <u>3,059,879</u> | <u>39,061</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | <u>111,310</u> | <u>111,310</u> | <u>440,468</u> | <u>329,158</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of General Fixed Assets Distribution | 4,000 | 4,000 | 685 | (3,315) |
| Transfers In | 30,000 | 30,000 | 109,536 | 79,536 |
| Transfers Out | | | | |
| Special Revenue Fund | (10,000) | (10,000) | (10,000) | - |
| Capital Projects Fund | (210,000) | (210,000) | (557,085) | (347,085) |
| Sewer Fund | <u>-</u> | <u>-</u> | <u>(12,566)</u> | <u>(12,566)</u> |
| Total Other Financing Sources (Uses) | <u>(186,000)</u> | <u>(186,000)</u> | <u>(469,430)</u> | <u>(283,430)</u> |
| Net Change in Fund Balance | (74,690) | (74,690) | (28,962) | 45,728 |
| Fund Balance - January 1, 2012 | <u>74,690</u> | <u>74,690</u> | <u>640,221</u> | <u>565,531</u> |
| Fund Balance - December 31, 2012 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 611,259</u> | <u>\$ 611,259</u> |

Borough of Oakmont
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Modified Cash Basis
Special Revenue Fund
Kerr Museum Fund - Budget and Actual
Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-----------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interest, Rents and Royalties | \$ 1,975 | \$ 1,975 | \$ 1,214 | \$ (761) |
| Miscellaneous Revenue | <u>64,000</u> | <u>64,000</u> | <u>84,014</u> | <u>20,014</u> |
| Total Revenues | <u>65,975</u> | <u>65,975</u> | <u>85,228</u> | <u>19,253</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 62,975 | 62,975 | 47,043 | 15,932 |
| Culture - Recreation | <u>34,000</u> | <u>34,000</u> | <u>30,457</u> | <u>3,543</u> |
| Total Expenditures | <u>96,975</u> | <u>96,975</u> | <u>77,500</u> | <u>19,475</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(31,000)</u> | <u>(31,000)</u> | <u>7,728</u> | <u>38,728</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Net Change in Fund Balance | (21,000) | (21,000) | 17,728 | 38,728 |
| Fund Balance - January 1, 2012 | <u>21,000</u> | <u>21,000</u> | <u>221,715</u> | <u>200,715</u> |
| Fund Balance - December 31, 2012 | \$ <u>-</u> | \$ <u>-</u> | <u>\$239,443</u> | <u>\$239,443</u> |

**Borough of Oakmont
Other Information
Defined Benefit Pension Trust Funds
December 31, 2012**

1. Schedules of Funding Progress

Police Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll [(b-a)/c] |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|--|
| 01/01/07 | \$2,434,090 | \$2,366,925 | \$(67,165) | 103 % | \$469,097 | N/A |
| 01/01/09 | 2,517,760 | 2,508,967 | (8,793) | 100 % | 488,700 | N/A |
| 01/01/11 | 2,563,197 | 2,891,173 | 327,976 | 89 % | 525,775 | 62 % |

General Employees' Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll [(b-a)/c] |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|--|
| 01/01/07 | \$1,456,134 | \$1,526,282 | \$ 70,148 | 95 % | \$312,862 | 22 % |
| 01/01/09 | 1,443,334 | 1,661,155 | 217,821 | 87 % | 302,311 | 72 % |
| 01/01/11 | 1,425,333 | 1,720,484 | 295,151 | 83 % | 337,258 | 88 % |

Actuarial valuations are only performed biannually; therefore, data for each year is not available.

2. Schedules of Employer's Contributions

| Year Ended December 31, | Police Pension Plan | | General Employees' Pension Plan | |
|-------------------------|------------------------------|------------------------|---------------------------------|------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2007 | \$39,154 | 100 % | \$30,615 | 82 % |
| 2008 | 44,837 | 100 % | 36,651 | 100 % |
| 2009 | 44,988 | 100 % | 44,082 | 100 % |
| 2010 | 58,327 | 100 % | 45,108 | 100 % |
| 2011 | 83,266 | 100 % | 66,239 | 100 % |
| 2012 | 77,142 | 100 % | 61,108 | 100 % |

**Borough of Oakmont
Other Information
Defined Benefit Pension Trust Funds
December 31, 2012**

3. Notes to Required Supplementary Information

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

| | <u>Police Pension Plan</u> | <u>General Employees' Pension Plan</u> |
|-------------------------------|----------------------------|--|
| Valuation Date | January 1, 2011 | January 1, 2011 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Dollar Closed | Level Dollar Closed |
| Remaining Amortization Period | 13 | 12 |
| Asset Valuation Method | 4 Year Smoothing | 4 Year Smoothing |
| Actuarial Assumptions | | |
| Investment Rate of Return | 7.0% | 7.0% |
| Projected Salary Increases | 4.5% | 4.5% |
| Underlying Inflation Rate | 3.0% | 3.0% |

**Borough of Oakmont
Other Information
Other Post-Employment Benefits
December 31, 2012**

Schedule of Funding Progress for Retiree Health and Welfare Plan

| Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio (AVA/AAL) | Covered Payroll | UAAL as Percentage of Covered Payroll |
|----------------|---------------------------------|-----------------------------------|---------------------|------------------------|-----------------|---------------------------------------|
| 01/01/09 | \$ - | \$76,420 | \$76,420 | 0.0% | \$488,700 | 15.6% |
| 01/01/12 | - | 71,053 | 71,053 | 0.0% | 482,772 | 14.7% |

Note: December 31, 2009 was the first year of implementation of the new standards for accounting and reporting of post-employment benefits; therefore, only two actuarial valuations have been completed. (Future reports will include additional valuations as they are performed.)

Borough of Oakmont
Combining Balance Sheet
Modified Cash Basis
Nonmajor Governmental Funds
December 31, 2012

Exhibit A

| | Special Revenue Funds | Capital Projects Funds | | |
|--|--------------------------|---------------------------------------|---|---|
| | Liquid Fuels Fund | Capital Projects - Road Fund | Oakmont Boulevard Project Fund | Total Nonmajor Govern- mental Funds |
| ASSETS | | | | |
| Cash and Cash Equivalents | <u>\$26,325</u> | <u>\$16,813</u> | <u>\$106,631</u> | <u>\$149,769</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Due to Other Funds | \$ <u>1,074</u> | \$ _____ | \$ _____ | \$ <u>1,074</u> |
| Fund Balances | | | | |
| Restricted | 25,251 | - | - | 25,251 |
| Assigned | _____ | <u>16,813</u> | <u>106,631</u> | <u>123,444</u> |
| Total Fund Balances | <u>25,251</u> | <u>16,813</u> | <u>106,631</u> | <u>148,695</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$26,325</u> | <u>\$16,813</u> | <u>\$106,631</u> | <u>\$149,769</u> |

Borough of Oakmont
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Modified Cash Basis
Nonmajor Governmental Funds
Year Ended December 31, 2012

| | Special Revenue Funds | Capital Projects Funds | | Debt Service Fund | Total Nonmajor Govern- mental Funds |
|--|-----------------------------|---------------------------------------|---|-------------------------|---|
| | Liquid Fuels Fund | Capital Projects - Road Fund | Oakmont Boulevard Project Fund | Debt Service Fund | |
| Revenue | | | | | |
| Interest, Rents and Royalties | \$ 77 | \$ 44 | \$ 84 | \$ - | \$ 205 |
| Intergovernmental | 131,432 | 28,429 | - | - | 159,861 |
| Miscellaneous | - | 80 | 16,647 | - | 16,727 |
| Total Revenues | <u>131,509</u> | <u>28,553</u> | <u>16,731</u> | - | <u>176,793</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | - | - | - | 47,750 | 47,750 |
| Public Works - Highways | 128,823 | 195,054 | - | - | 323,877 |
| Culture - Recreation | - | - | 68,149 | - | 68,149 |
| Debt Service: | | | | | |
| Interest | - | - | - | 3,747 | 3,747 |
| Total Expenditures | <u>128,823</u> | <u>195,054</u> | <u>68,149</u> | <u>51,497</u> | <u>443,523</u> |
| Excess (Deficiency) or Revenues Over Expenditures | <u>2,686</u> | <u>(166,501)</u> | <u>(51,418)</u> | <u>(51,497)</u> | <u>(266,730)</u> |
| Other Financing Sources (Uses) | | | | | |
| Issuance of Refunding Bond | - | - | - | 1,075,000 | 1,075,000 |
| (Discount) Premium on Bonds Issued | - | - | - | (13,917) | (13,917) |
| Transfers In | - | 141,412 | 80,000 | - | 221,412 |
| Payment to Refunded Bond Escrow Agent | - | - | - | (1,009,586) | (1,009,586) |
| Total Other Financing Sources (Uses) | - | <u>141,412</u> | <u>80,000</u> | <u>51,497</u> | <u>272,909</u> |
| Net Changes in Fund Balances | 2,686 | (25,089) | 28,582 | - | 6,179 |
| Fund Balances - January 1, 2012 | <u>22,565</u> | <u>41,902</u> | <u>78,049</u> | - | <u>142,516</u> |
| Fund Balances - December 31, 2012 | <u>\$ 25,251</u> | <u>\$ 16,813</u> | <u>\$ 106,631</u> | <u>\$ -</u> | <u>\$ 148,695</u> |

**Modified Cash Basis
Fiduciary Funds
December 31, 2012**

| | <u>Pension Trust Funds</u> | | Totals |
|------------------------------------|----------------------------|--|----------------------|
| | Police Pension Fund | General Employees' Pension Fund | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 82,844 | \$ 44,724 | \$ 127,568 |
| Investments | | | |
| Fixed Income | 1,947,748 | 1,097,766 | 3,045,514 |
| Common Stock | 617,308 | 336,772 | 954,080 |
| Other Current Assets | <u> -</u> | <u> 522</u> | <u> 522</u> |
| TOTAL ASSETS | <u>2,647,900</u> | <u>1,479,784</u> | <u>4,127,684</u> |
| LIABILITIES | | | |
| Other Current Liabilities | <u> 522</u> | <u> -</u> | <u> 522</u> |
| NET POSITION | | | |
| Held in Trust for Pension Benefits | <u>\$2,647,378</u> | <u>\$1,479,784</u> | <u>\$4,127,162</u> |

Borough of Oakmont
Combining Statement of Changes in Net Position
Modified Cash Basis
Fiduciary Funds
Year Ended December 31, 2012

Exhibit D

| | Pension Trust Funds | | Totals |
|---|---------------------------|--|--------------------|
| | Police Pension Fund | General Employees' Pension Fund | |
| Additions | | | |
| Contributions | | | |
| Employer | \$ 77,142 | \$ 61,108 | \$ 138,250 |
| Plan Members | <u>12,424</u> | <u>11,980</u> | <u>24,404</u> |
| Total Contributions | <u>89,566</u> | <u>73,088</u> | <u>162,654</u> |
| Investment Income | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 96,427 | 53,792 | 150,219 |
| Interest and Dividends | <u>76,015</u> | <u>42,766</u> | <u>118,781</u> |
| Net Investment Income | <u>172,442</u> | <u>96,558</u> | <u>269,000</u> |
| Total Additions | <u>262,008</u> | <u>169,646</u> | <u>431,654</u> |
| Deductions | | | |
| Benefits | 134,441 | 104,164 | 238,605 |
| Administrative Expenses | <u>32,377</u> | <u>18,158</u> | <u>50,535</u> |
| Total Deductions | <u>166,818</u> | <u>122,322</u> | <u>289,140</u> |
| Changes in Net Position | 95,190 | 47,324 | 142,514 |
| Net Position - January 1, 2012 | <u>2,552,188</u> | <u>1,432,460</u> | <u>3,984,648</u> |
| Net Position - December 31, 2012 | <u>\$2,647,378</u> | <u>\$1,479,784</u> | <u>\$4,127,162</u> |

Borough of Oakmont
Balance Sheet
Modified Cash Basis
Oakmont Carnegie Library - Component Unit
December 31, 2012

| | |
|--|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$148,182 |
| Investments | <u>22,118</u> |
| TOTAL ASSETS | <u>\$170,300</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Due to Primary Government | \$ <u>2,284</u> |
| Fund Balances | |
| Restricted | 60,564 |
| Unassigned | <u>107,452</u> |
| Total Fund Balances | <u>168,016</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$170,300</u> |

Borough of Oakmont
Statement of Revenues, Expenditures
and Changes in Fund Balance
Modified Cash Basis
Oakmont Carnegie Library - Component Unit
Year Ended December 31, 2012

| | |
|---|------------------|
| Revenues | |
| Fines and Forfeits | \$ 15,883 |
| Interest, Rents and Royalties | 6,334 |
| Intergovernmental | |
| State Aid | 22,924 |
| Allegheny County Library Association | |
| RAD | 88,940 |
| Table Gaming Funds | 2,732 |
| Contributions from the Borough of Oakmont | 197,890 |
| Charges for Services | 5,145 |
| Contributions | <u>81,611</u> |
| | |
| Total Revenues | <u>421,459</u> |
| | |
| Expenditures | |
| Current: | |
| Culture - Recreation | |
| Libraries | |
| Personal Services | 226,081 |
| Collections | 30,998 |
| Office and Computer Supplies | 3,125 |
| Supplies | 4,279 |
| Programs | 2,714 |
| Postage and Printing | 517 |
| Professional Services | 500 |
| Maintenance of Building and Equipment | 62,873 |
| Utilities | 33,828 |
| Insurance | 6,254 |
| Capital Purchase | 13,460 |
| Miscellaneous | 10,561 |
| Debt Service: | |
| Principal | 20,000 |
| Interest | <u>23,780</u> |
| | |
| Total Expenditures | <u>438,970</u> |
| | |
| Net Change in Fund Balance | (17,511) |
| | |
| Fund Balance - January 1, 2012 | <u>185,527</u> |
| | |
| Fund Balance - December 31, 2012 | <u>\$168,016</u> |