

Borough of Oakmont

Financial Statements
(Modified Cash Basis) and Required
Supplementary and Additional Information

Year Ended December 31, 2009 with
Independent Auditor's Reports

BOROUGH OF OAKMONT

YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements (Modified Cash Basis):

Government-Wide Financial Statement:

Statement of Net Assets (Modified Cash Basis) 1

Statement of Activities (Modified Cash Basis) 2

Fund Financial Statements:

Balance Sheet (Modified Cash Basis) – Governmental Funds 3

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) – Governmental Funds 4

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) - Budget to Actual – General
Fund 5

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) - Budget to Actual – Library
Fund 6

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) - Budget to Actual – Liquid
Fuels Fund 7

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) - Budget to Actual –
Operating Reserve Fund 8

Statement of Revenues, Expenditures, and Changes in Fund
Balance (Modified Cash Basis) - Budget to Actual – Capital
Projects - Parks Fund 9

Statement of Net Assets (Modified Cash Basis) – Proprietary
Fund 10

Statement of Revenues, Expenses, and Changes in Fund Net
Assets (Modified Cash Basis) – Proprietary Fund 11

BOROUGH OF OAKMONT

YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

(Continued)

Statement of Plan Net Assets (Modified Cash Basis) – Pension Trust Funds	12
Statement of Changes in Plan Net Assets (Modified Cash Basis) – Pension Trust Funds	13
Notes to Financial Statements (Modified Cash Basis)	14

Required Supplementary Information:

Pension Plans:

Schedules of Funding Progress	32
Schedules of Contributions From Employers and Other Contributing Entities	33
Note to Supplementary Information	34

Additional Information:

Combining Balance Sheet (Modified Cash Basis) – Other Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) – Other Governmental Funds	36
Combining Statement of Plan Net Assets (Modified Cash Basis) – Pension Trust Funds	37
Combining Statement of Changes in Plan Net Assets (Modified Cash Basis) – Pension Trust Funds	38

Independent Auditor's Report Required by the Allegheny County Library Association	39
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Independent Auditor's Report

Members of Council
Borough of Oakmont

We have audited the accompanying modified cash basis financial statements (financial statements) of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Oakmont (Borough), Pennsylvania, as of and for the year ended December 31, 2009, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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 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 opinions.

As described in Note 1, the Borough prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The vast majority of the Borough's earned income and local services taxes (stated at \$837,385 and \$122,528, respectively, for the year ended December 31, 2009) 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 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.

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 and local services taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position (modified cash basis) of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2009, and the respective changes in financial position (modified cash basis), thereof for the year then ended, in conformity with the basis of accounting described in Note 1 and the respective budgetary comparison for the General Fund, Library Fund, Liquid Fuels Fund, Operating Reserve Fund, and Capital Projects - Parks Fund.

The Borough has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the financial statements. The pension information on 33 through 35 are not required parts 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 inquires 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 additional information as listed in the table of contents is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
May 24, 2010

BOROUGH OF OAKMONT

STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)

DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,400,595	\$ 201,107	\$ 1,601,702
Investments	38,294	-	38,294
Advances to developers	41,680	-	41,680
Internal balances	270,592	44,894	315,486
Total Assets	<u>1,751,161</u>	<u>246,001</u>	<u>1,997,162</u>
Liabilities			
Accrued payroll withholdings	423	-	423
Internal balances	-	315,486	315,486
Total Liabilities	<u>423</u>	<u>315,486</u>	<u>315,909</u>
Net Assets			
Restricted	100,903	-	100,903
Unrestricted	1,649,835	(69,485)	1,580,350
Total Net Assets	<u>\$ 1,750,738</u>	<u>\$ (69,485)</u>	<u>\$ 1,681,253</u>

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenues		Primary Government Business-type Activities		Total
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	
Primary Government:						
Governmental activities:						
General government	\$ 688,593	\$ 110,974	\$ 244,093	\$ -	\$ (333,526)	\$ (333,526)
Public safety	1,344,886	73,672	-	-	(1,271,214)	(1,271,214)
Highway, streets, and sanitation	908,616	363,794	-	-	(544,822)	(544,822)
Culture and recreation	633,795	15,270	138,785	-	(479,740)	(479,740)
Miscellaneous	10,159	-	-	-	(10,159)	(10,159)
Capital expenditures	575,080	-	-	-	(575,080)	(575,080)
Debt service	155,240	-	-	-	(155,240)	(155,240)
Total governmental activities	<u>4,316,369</u>	<u>563,710</u>	<u>382,878</u>	<u>-</u>	<u>(3,369,781)</u>	<u>(3,369,781)</u>
Business-type activities:						
Sewer	1,198,986	1,190,871	-	-	(8,115)	(8,115)
Total primary government	<u>\$ 5,515,355</u>	<u>\$ 1,754,581</u>	<u>\$ 382,878</u>	<u>\$ -</u>	<u>(8,115)</u>	<u>(3,377,896)</u>
General revenues:						
Taxes:						
Real estate		1,574,581			-	1,574,581
Earned income		837,385			-	837,385
Real estate transfer		87,238			-	87,238
Local Services tax		122,528			-	122,528
Amusement/admission tax		12,550			-	12,550
Franchise fees		116,871			-	116,871
Investment income, rents, and royalties		105,772			2,026	107,798
Sale of fixed assets		9,761			-	9,761
Miscellaneous		85,155			-	85,155
Contributions		219,591			-	219,591
Transfers		20,415			(20,415)	-
Total general revenues and transfers		<u>3,191,847</u>			<u>(18,389)</u>	<u>3,173,458</u>
Change in Net Assets		<u>(177,934)</u>			<u>(26,504)</u>	<u>(204,438)</u>
Net Assets:						
Beginning of year		1,928,672			(42,981)	1,885,691
End of year		<u>\$ 1,750,738</u>			<u>\$ (69,485)</u>	<u>\$ 1,681,253</u>

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

BALANCE SHEET (MODIFIED CASH BASIS) GOVERNMENTAL FUNDS

DECEMBER 31, 2009

Assets	General	Library	Liquid Fuels	Operating Reserve	Capital Projects - Parks	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 100,445	\$ 243,314	\$ 221,010	\$ 211,041	\$ 242,343	\$ 382,442	\$ 1,400,595
Investments	-	38,294	-	-	-	-	38,294
Due from developers	41,680	-	-	-	-	-	41,680
Due from other funds	319,979	-	-	-	-	-	319,979
Total Assets	\$ 462,104	\$ 281,608	\$ 221,010	\$ 211,041	\$ 242,343	\$ 382,442	\$ 1,800,548
Liabilities and Fund Balance							
Liabilities:							
Accrued payroll withholdings	\$ 423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423
Due to other funds	44,894	3,284	-	-	1,209	-	49,387
Total Liabilities	45,317	3,284	-	-	1,209	-	49,810
Fund Balance:							
Reserved for capital campaign	-	83,777	-	-	-	-	83,777
Reserved for pension contribution	17,126	-	-	-	-	-	17,126
Unreserved, undesignated, reported in:							
General Fund	399,661	-	-	-	-	-	399,661
Library Fund	-	194,547	-	-	-	-	194,547
Capital Reserve Fund	-	-	-	-	241,134	50,645	291,779
Special Revenue Funds	-	-	221,010	211,041	-	331,797	763,848
Total Fund Balance	416,787	278,324	221,010	211,041	241,134	382,442	1,750,738
Total Liabilities and Fund Balance	\$ 462,104	\$ 281,608	\$ 221,010	\$ 211,041	\$ 242,343	\$ 382,442	\$ 1,800,548

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2009

	General	Library	Liquid Fuels	Operating Reserve	Capital Projects - Parks	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 2,621,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,621,732
Licenses and permits	129,646	-	-	-	-	-	129,646
Intergovernmental	244,093	138,785	-	-	-	-	382,878
Charges for services	474,768	-	-	-	-	-	474,768
Fines and forfeits	73,672	15,270	-	-	-	-	88,942
Interest, rent, and royalties	16,266	4,125	2,975	15,682	60,377	6,347	105,772
Contributions	-	26,117	145,207	-	20,000	28,267	219,591
Miscellaneous	23,348	7,118	-	-	-	54,464	84,930
Total revenues	3,583,525	191,415	148,182	15,682	80,377	89,078	4,108,259
Expenditures:							
Current:							
General government	688,593	-	-	-	-	-	688,593
Public safety	1,344,886	-	-	-	-	-	1,344,886
Highways, streets, and sanitation	751,021	-	157,595	-	-	-	908,616
Culture and recreation	245,234	354,330	-	-	-	34,231	633,795
Miscellaneous	9,550	-	-	-	609	-	10,159
Capital expenditures	-	-	-	-	48,563	526,517	575,080
Debt service:							
Principal	53,550	55,000	-	-	-	-	108,550
Interest	2,257	44,433	-	-	-	-	46,690
Total expenditures	3,095,091	453,763	157,595	-	49,172	560,748	4,316,369
Excess (Deficiency) of Revenues Over Expenditures	488,434	(262,348)	(9,413)	15,682	31,205	(471,670)	(208,110)
Other Financing Sources (Uses):							
Sale of fixed assets	9,761	-	-	-	-	-	9,761
Transfers in	91,322	250,000	9,235	361,006	100,000	675,949	1,487,512
Transfers out	(954,836)	-	(5,260)	(165,647)	(282,119)	(59,235)	(1,467,097)
Total other financing sources (uses)	(853,753)	250,000	3,975	195,359	(182,119)	616,714	30,176
Net Change in Fund Balance	(365,319)	(12,348)	(5,438)	211,041	(150,914)	145,044	(177,934)
Fund Balance:							
Beginning of year	782,106	290,672	226,448	-	392,048	237,398	1,928,672
End of year	\$ 416,787	\$ 278,324	\$ 221,010	\$ 211,041	\$ 241,134	\$ 382,442	\$ 1,750,738

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - BUDGET TO ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,487,500	\$ 2,487,500	\$ 2,621,732	\$ 134,232
Licenses and permits	120,000	120,000	129,646	9,646
Intergovernmental	214,300	214,300	244,093	29,793
Charges for services	541,423	541,423	474,768	(66,655)
Fines and forfeits	66,000	66,000	73,672	7,672
Interest, rent, and royalties	42,000	42,000	16,266	(25,734)
Miscellaneous	20,000	20,000	23,348	3,348
Total revenues	3,491,223	3,491,223	3,583,525	92,302
Expenditures:				
Current:				
General government	605,007	605,007	688,593	(83,586)
Public safety	1,129,380	1,129,380	1,344,886	(215,506)
Highways, streets, and sanitation	746,382	746,382	751,021	(4,639)
Culture and recreation	191,800	191,800	245,234	(53,434)
Miscellaneous	9,650	9,650	9,550	100
Debt service:				
Principal	53,550	53,550	53,550	-
Interest	2,257	2,257	2,257	-
Total expenditures	2,738,026	2,738,026	3,095,091	(357,065)
Excess (Deficiency) of Revenues Over Expenditures	753,197	753,197	488,434	(264,763)
Other Financing Sources (Uses):				
Sale of fixed assets	-	-	9,761	9,761
Operating transfers in	-	-	91,322	91,322
Operating transfers out	(635,000)	(635,000)	(954,836)	(319,836)
Total other financing sources (uses)	(635,000)	(635,000)	(853,753)	(218,753)
Net Change in Fund Balance	\$ 118,197	\$ 118,197	(365,319)	\$ (483,516)
Fund Balance:				
Beginning of year			782,106	
End of year			\$ 416,787	

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - BUDGET TO ACTUAL LIBRARY FUND

YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental:				
Access PA	\$ 9,650	\$ 9,650	\$ 4,777	\$ (4,873)
State aid	32,450	32,450	32,132	(318)
Allegheny County Library Association	98,496	98,496	101,876	3,380
Fines and forfeits	14,400	14,400	15,270	870
Interest, rent, and royalties	6,200	6,200	4,125	(2,075)
Contributions	13,636	13,636	26,117	12,481
Miscellaneous	3,000	3,000	7,118	4,118
Total revenues	177,832	177,832	191,415	13,583
Expenditures:				
Current:				
Culture and recreation:				
Salaries and benefits	192,305	192,305	177,480	14,825
Library materials	52,100	52,100	54,808	(2,708)
Supplies	6,500	6,500	7,028	(528)
Printing and publications	800	800	448	352
Utilities	37,200	37,200	37,664	(464)
Maintenance of building and equipment	26,750	26,750	60,772	(34,022)
Other operating costs	20,375	20,375	16,130	4,245
Debt service:				
Principal	55,000	55,000	55,000	-
Interest	44,433	44,433	44,433	-
Total expenditures	435,463	435,463	453,763	(18,300)
Excess (Deficiency) of Revenues Over Expenditures	(257,631)	(257,631)	(262,348)	(4,717)
Other Financing Sources (Uses):				
Operating transfers in	250,000	250,000	250,000	-
Net Change in Fund Balance	\$ (7,631)	\$ (7,631)	(12,348)	\$ (4,717)
Fund Balance:				
Beginning of year			290,672	
End of year			\$ 278,324	

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - BUDGET TO ACTUAL LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ 5,000	\$ 5,000	\$ 2,975	\$ (2,025)
Contributions	142,839	142,839	145,207	2,368
Total revenues	147,839	147,839	148,182	343
Expenditures:				
Highways, streets, and sanitation:				
Street lighting	90,000	90,000	89,438	562
General services	150,000	150,000	68,157	81,843
Total expenditures	240,000	240,000	157,595	82,405
Excess (Deficiency) of Revenues Over Expenditures	(92,161)	(92,161)	(9,413)	82,748
Other Financing Sources (Uses):				
Operating transfers in	-	-	9,235	9,235
Operating transfers out	-	-	(5,260)	(5,260)
Total other financing sources (uses)	-	-	3,975	3,975
Net Change in Fund Balance	\$ (92,161)	\$ (92,161)	(5,438)	\$ 86,723
Fund Balance:				
Beginning of year			226,448	
End of year			\$ 221,010	

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - BUDGET TO ACTUAL OPERATING RESERVE FUND

YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ -	\$ -	\$ 15,682	\$ 15,682
Expenditures:				
Miscellaneous	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	15,682	15,682
Other Financing Sources (Uses):				
Operating transfers in	-	-	361,006	361,006
Operating transfers out	(116,472)	(116,472)	(165,647)	(49,175)
Total other financing sources (uses)	(116,472)	(116,472)	195,359	311,831
Net Change in Fund Balance	\$ (116,472)	\$ (116,472)	211,041	\$ 327,513
Fund Balance:				
Beginning of year			-	
End of year			\$ 211,041	

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - BUDGET TO ACTUAL CAPITAL PROJECTS - PARKS FUND

YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ 10,300	\$ 10,300	\$ 60,377	\$ 50,077
Contributions	-	-	20,000	20,000
Total revenues	10,300	10,300	80,377	70,077
Expenditures:				
Miscellaneous	-	-	609	(609)
Capital expenditures	125,000	125,000	48,563	76,437
Total expenditures	125,000	125,000	49,172	75,828
Excess (Deficiency) of Revenues Over Expenditures	(114,700)	(114,700)	31,205	145,905
Other Financing Sources (Uses):				
Operating transfers in	50,000	50,000	100,000	50,000
Operating transfers out	-	-	(282,119)	(282,119)
Total other financing sources (uses)	50,000	50,000	(182,119)	(232,119)
Net Change in Fund Balance	\$ (64,700)	\$ (64,700)	(150,914)	\$ (86,214)
Fund Balance:				
Beginning of year			392,048	
End of year			\$ 241,134	

See accompanying notes to financial statements (modified cash basis).

STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
 PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2009

	Sewer Fund	Sewer Phase II Fund	Total Proprietary Fund
Assets			
Cash and cash equivalents	\$ 201,107	\$ -	\$ 201,107
Due from other funds	44,894	-	44,894
Total Assets	246,001	-	246,001
Liabilities			
Due to other funds	315,486	-	315,486
Total Liabilities	315,486	-	315,486
Net Assets			
Unrestricted	(69,485)	-	(69,485)
Total Net Assets	\$ (69,485)	\$ -	\$ (69,485)

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (MODIFIED CASH BASIS) PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2009

	Sewer Fund	Sewer Phase II Fund	Total Proprietary Fund
Operating Revenues:			
Charges for services:			
Sewer charges	\$ 1,190,871	\$ -	\$ 1,190,871
Operating Expenses:			
Salaries and benefits	298,783	-	298,783
Capital construction	56,681	-	56,681
Utilities	166,293	-	166,293
Insurance	13,014	-	13,014
Repair and maintenance	77,318	-	77,318
Removal costs	26,609	-	26,609
Materials and supplies	62,927	-	62,927
Professional services	13,345	-	13,345
Miscellaneous	35,986	-	35,986
Total operating expenses	750,956	-	750,956
Operating Income (Loss)	439,915	-	439,915
Non-Operating Revenues (Expenses):			
Investment interest income	2,026	-	2,026
Sewer bond issue - principal	(291,450)	-	(291,450)
Sewer bond issue - interest	(156,580)	-	(156,580)
Total non-operating revenues (expenses)	(446,004)	-	(446,004)
Net Income (Loss) Before Transfers	(6,089)	-	(6,089)
Transfers:			
Transfers in	1,262	-	1,262
Transfers out	(20,415)	(1,262)	(21,677)
Total transfers	(19,153)	(1,262)	(20,415)
Change in Net Assets	(25,242)	(1,262)	(26,504)
Net Assets:			
Beginning of year	(44,243)	1,262	(42,981)
End of year	\$ (69,485)	\$ -	\$ (69,485)

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF PLAN NET ASSETS (MODIFIED CASH BASIS) PENSION TRUST FUNDS

DECEMBER 31, 2009

<u>Assets</u>	
Cash and cash equivalents	\$ 137,257
Investments:	
U.S. Government and agency bonds	1,015,760
Corporate bonds	1,715,471
U.S. equities	722,600
Foreign equities	<u>211,729</u>
Total investments	<u>3,665,560</u>
Total Assets	<u><u>3,802,817</u></u>
<u>Liabilities</u>	
	-
<u>Net Assets</u>	
Net Assets Held in Trust:	
(A schedule of funding progress for each plan is presented on page 33)	<u><u>\$ 3,802,817</u></u>

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

STATEMENT OF CHANGES IN PLAN NET ASSETS (MODIFIED CASH BASIS) PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2009

Additions:

Contributions:

Employer (includes State)	\$ 159,280
Employee	30,417
Total contributions	<u>189,697</u>

Investment income:

Interest	125,551
Gain on investments	279,073
Net investment income	<u>404,624</u>

Total additions	<u>594,321</u>
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Deductions:

Benefit payments	250,142
Administrative expenses	43,004
Total deductions	<u>293,146</u>

Increase (Decrease) in Plan Net Assets	301,175
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Net Assets Held in Trust:

Beginning of year	<u>3,501,642</u>
End of year	<u>\$ 3,802,817</u>

See accompanying notes to financial statements (modified cash basis).

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The most significant of these accounting policies are as follows:

Reporting Entity

The Borough of Oakmont (Borough) was incorporated in 1889 under the provisions of Article 9, Section 1, of the Constitution of the Commonwealth of Pennsylvania as amended. The Borough operates under a Mayor/Council form of government.

In evaluating the Borough as a primary government in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*," management has addressed all potential component units. Consistent with this Statement, the criteria used by the Borough to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. The Borough is considered financially accountable for entities which meet the following criteria:

1. Organizations that make up the legal municipal entity.
 2. Legally separate organizations, if Borough Council (Council) appoints a voting majority of the organization's governing body, and the Borough is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.
 - a. Impose Its Will - Exists if the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - 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, to provide support to, the organization or, (3) is obligated in some manner for the organization's debt.
 3. Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the Borough.
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BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Upon review of the criteria above, the Borough determined that the Oakmont Public Library (Library) should be included as a blended component unit, as the Borough appoints the Library Board, and, in addition, the Borough can impose its will upon the Library due to the Borough providing a portion of the Library's funding. The Library is reflected in the financial statements as a Major Special Revenue Fund. The Library is a separate legal entity and is a non-profit corporation under section 501(c)(3) of the Internal Revenue Code.

Government-Wide and Fund 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 non-fiduciary activities of the Borough. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the 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.

Separate financial statements are provided for governmental funds, the proprietary fund, 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, the governmental fund financial statements, the proprietary fund, and the fiduciary fund are reported using the current financial resource measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, receipts are generally recognized when cash is received and expenditures are generally recognized when cash is disbursed. Liabilities arising from payroll withholdings are recognized on the payroll date. The Borough also modifies the cash basis of accounting by recording due to and due from individual funds on the fund financial statements.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

The Borough reports the following major governmental funds:

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

The *Library Fund* accounts for the operation of the local library that provides services mainly to the residents of the Borough.

The *Liquid Fuels Fund* accounts for the accumulation of and the expending of funds for road maintenance and upkeep of the Borough.

The *Operating Reserve Fund* accounts for the accounts for the accumulation of funds reserved for various projects and expenditures for the Borough.

The *Capital Projects - Parks Fund* accounts for the accumulation of and the expending of funds for capital projects on parks of the Borough.

The Borough reports the following other governmental funds:

The *Capital Projects - Roads Fund* accounts for the accumulation of and the expending of funds for capital projects on roads of the Borough.

The *Capital Reserve Fund* accounts for the accounts for the accumulation of funds reserved for various capital projects and expenditures for the Borough.

The *Oakmont Boulevard Project Fund* accounts for the accumulation of and the expending of funds for the Borough's Oakmont Boulevard project.

The *Centennial Fund* accounts for the operation of the local museum, which provides services mainly to the residents of the Borough.

The Borough reports the following major proprietary funds:

The *Sewer Fund* is used to account for resources derived from sewer billings to residents and related disbursements.

The *Sewer Phase II Fund* is used to account for the expenditure of resources dedicated to upgrading the Borough's sewage pump station.

The Borough reports the following fiduciary funds:

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Pension Trust Funds are used to account for the Police and General Employees Pension Plans and report the assets held by the Borough in a trustee capacity on behalf of retirees.

Investments

Investments are reported at fair value. Funds are invested in accordance with the Borough's investment policy guidelines as described in Note 2.

Interfund Receivables, Payables, and Transfers

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.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 319,979	\$ 44,894
Library Fund	-	3,284
Capital Projects - Parks Fund	-	1,209
Other Fund:		
Sewer Fund	44,894	315,486
	<u>\$ 364,873</u>	<u>\$ 364,873</u>

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

	Transfers Out	Transfers In
Major Funds:		
General Fund	\$ 954,836	\$ 91,322
Library Fund	-	250,000
Liquid Fuels Fund	5,260	9,235
Operating Reserve Fund	165,647	361,006
Capital Projects - Parks Fund	282,119	100,000
Other Funds:		
Centennial Fund	-	10,000
Oakmont Boulevard Project Fund	-	80,000
Capital Reserve Fund	-	100,000
Capital Projects - Roads Fund	59,235	485,949
Sewer Fund	20,415	1,262
Sewer Phase II Fund	1,262	-
	\$ 1,488,774	\$ 1,488,774

The transfers from the General Fund to the Capital Projects – Parks Fund, Capital Projects – Roads Fund, Library Fund, Oakmont Boulevard Project Fund, and Centennial Fund were approved per the annual budget for annual funding and assorted capital projects. An Operating Reserve Fund was established in 2009 and transfers were made to this fund from the General Fund and Capital Projects – Park Fund in order to establish the Operating Reserve Fund. In addition, a Capital Reserve Fund was also established in 2009. Transfers were made to this fund from the Capital Projects – Parks Fund, and Capital Projects – Roads Fund to establish the Capital Reserve Fund. During the year the Operating Reserve Fund made transfers to the General Fund, Capital Projects – Parks Fund and Capital Projects – Roads Fund for general support of the funds activities. The Liquid Fuels Fund transfer to the General Fund was for reimbursement of expenditures. The transfers from the Sewer Fund to the General Fund were for sewer plant construction. The transfer from the Capital Projects - Roads Fund to the Liquid Fuels Funds was for sidewalk ramps expenses. The transfer from Capital Projects – Parks Fund to the Capital Projects – Roads Fund was for general support for capital projects. The transfer from the Sewer Phase II Fund to the Sewer Fund was to close out the Sewer Phase II Fund. The due to/due from between the Library Fund and the General Fund was to cover the Library Fund’s 2009 Minimum Municipal Obligation (MMO) allocation. The due to/due from between the Sewer Fund and the General Fund was for reimbursement of prior year receivable/payable. The due to/due from between the Capital Projects – Parks Fund and the General Fund was to cover an overdrawn account of the Capital Projects – Parks Fund.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Budgets and Budgetary Accounting

Annual appropriated 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 thirty 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 ten 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 the 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 the 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's manager. Any excess appropriations at the end of the fiscal year are not carried forward; but instead, lapse.

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.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

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 capital campaign: This reserve was created to account for the unspent portion of the funds raised during the Library's 2007 capital campaign. Funds are required to be segregated from other Borough resources and are limited to expenditures for the Library's capital needs. As of December 31, 2009, the reserve had a balance of \$83,777 and was accounted for in the Library's cash and cash equivalents.

Reserved for pension contribution: This reserve was created to account for the unfunded MMO of the General Employees Pension Plan as of December 31, 2009. These funds are limited to expenditure for funding the MMO.

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, 2009, the Borough has no designated fund balance.

Net Assets

The government-wide and proprietary fund financial statements report two components of net assets:

- Restricted - This component of net assets consists of constraints placed on net asset use through external restrictions.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted."

Net assets in the Sewer Fund reflect a deficit balance of \$69,485 as of December 31, 2009, due to the amount owed to the General Fund being larger than the available cash balance. The Borough increased sewer rates in 2009 to rectify this deficit position.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

Pending Pronouncements

In June 2008, GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments.*" This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and will be effective for the Borough's financial statements for the year ended December 31, 2010. The Borough is currently considering the impact that this new pronouncement will have on the financial statements.

In February 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement will enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The effect of implementation of GASB Statement No. 54 has not yet been fully determined.

2. DEPOSITS AND INVESTMENTS

Pennsylvania statutes limit investment of governmental funds into certain authorized investment types including: U.S. Treasury Bills, short-term U.S. Government or Agency obligations, deposits in savings accounts, time deposits or share accounts, obligations of the

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

United States or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, and shares of any investment company which invests only in the above or certificates of deposit. Fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice. Throughout the year ended December 31, 2009, the Borough invested its funds in only one or more of the above-authorized investments.

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, 2009, \$398,164 of the Borough's \$1,722,165 bank balance was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$1,324,001 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$1,601,702 as of December 31, 2009.

Investments

With regard to the external investment pool discussed above, 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.

The Library Fund's investment is held by Wachovia Securities and is valued at fair value. The investment is comprised of the following: Money market of \$30,011 and mutual funds of \$8,283.

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, 2009, the Borough has no cash and cash equivalents that were exposed to credit risk.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

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. As of December 31, 2009, the Borough has no cash and cash equivalents that were exposed to custodial credit risk.

Concentration of Credit Risk – The Borough places no limit on the amount the Borough may invest in any one issuer. The Borough has no investments of greater than 5% with one issuer.

Interest Rate Risk – 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. Any premiums or discounts are recognized as a gain or loss upon disposition.

As of December 31, 2009, the Borough had the following cash and investments in its pension trust funds:

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2009			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
U.S. Government and agency bonds	\$ 1,015,760	\$ 42,113	\$ 233,665	\$ 345,004	\$ 394,978
Corporate bonds	1,715,471	-	1,257,640	457,832	-
Total debt securities	2,731,231	\$ 42,113	\$ 1,491,305	\$ 802,836	\$ 394,978
Cash and cash equivalents	137,257				
U.S. equities	722,600				
Foreign equities	211,729				
Total cash, cash equivalents, and other investments	1,071,586				
Total cash, cash equivalents, and investments reported in pension trust funds	\$ 3,802,817				

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

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. As of December 31, 2009, the Borough has no cash and cash equivalents that were exposed to custodial credit risk.

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Total debt securities	2,731,231	\$ 42,113	\$ 1,491,305	\$ 802,836	\$ 394,978
Cash and cash equivalents	137,257				
U.S. equities	722,600				
Foreign equities	211,729				
Total cash, cash equivalents, and other investments	1,071,586				
Total cash, cash equivalents, and investments reported in pension trust funds	\$ 3,802,817				

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

The following is a description of the pension trust funds' 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, 2009, the pension trust funds' investments in corporate bonds have received the following ratings from Standard & Poor's:

**Credit Quality Distribution for Securities with Credit Exposure
as a Percentage of Total Pension Trust Fund Cash and Investments**

Investment Type	Standard & Poor's Rating	Percentage of Total Pension Trust Fund Cash and Investments
Corporate Bonds	Baa2	2.30%
Corporate Bonds	Baa1	1.24%
Corporate Bonds	A3	2.12%
Corporate Bonds	A2	6.17%
Corporate Bonds	A1	2.51%
Corporate Bonds	Aa2	0.79%
Corporate Bonds	Aaa	29.98%
FHLMC	Aaa	0.63%
FNMA	Aaa	12.48%
		58.22%

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. As of December 31, 2009, the Borough has no cash and cash equivalents that were exposed to custodial credit risk.

Concentration of Credit Risk – The Borough places no limit on the amount the Borough may invest in any one issuer. For both the General Employees and Police Plans, investments in FNMA represent approximately 12% and 14% respectively, of the total plans net assets available for benefits. In addition, investments in corporate bonds for each of the following issuers represent approximately 5% of the Police Plans total net

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

assets available for benefits; Key Bank NA, General Electric Corporation, American Express Corporation, JP Morgan Chase & Co., and Citigroup Inc. The plans did not have any investment transactions with related parties during the year.

Interest Rate Risk – 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.

3. PROPERTY TAXES

The Borough's property tax is levied based on assessed values provided by the Allegheny County, Pennsylvania (County) assessment office at January 1. Assessed valuation, which approximates 100% of estimated market value, was approximately \$323 million for 2009. For 2009, Borough real estate taxes were levied at 4.50 mills (.00450%) on every dollar of taxable assessed valuation.

Taxes are billed April 1 and are due on or before July 31. Taxpayers making payments on or before May 31 are given a 2% discount. Payments made after July 31 are assessed a 10% penalty.

4. LONG-TERM DEBT

The Borough does not record debt on the statement of net assets under the modified cash basis.

During 2009, general long-term debt changed as follows:

Beginning of year	\$ 5,520,000
Additions/issuance	-
Principal retirement	<u>(400,000)</u>
	<u>\$ 5,120,000</u>

During 1999, the Borough issued \$3,100,000 in General Obligation Bonds (GOB) for the purpose of providing funds to refund the Series 1993 GOBs. During 2004, the Borough issued \$1,875,000 in General Obligation Bonds to currently refund the outstanding balance on the Series of 1999 Bonds. These bonds are due annually through 2010 and bear interest at rates ranging from 2-3%. The debt service payments on these bonds are allocated between the General Fund and the Sewer Fund, based upon the original usage of the proceeds of the 1999 GOBs.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

During 2003, the Borough issued two General Obligation Series of Bonds. The first, \$4,000,000 was issued for the purpose of paying for renovations and expansion of the Borough's waste water treatment plant, and other capital improvements including the purchase of land for increased parking. These bonds are due annually through 2019 and bear interest at rates ranging from 2-4.4%. Debt service on this series is paid from the Sewer Fund. The second, \$1,400,000, was issued to provide funds for the renovation of the Borough's library. These bonds are due annually through 2024 and bear interest at rates ranging from 1.35-4.2%. Debt service on this series is paid from the General Fund.

The future annual payments required to amortize all debt outstanding as of December 31, 2009 are as follows:

	Principal	Interest	Total
2010	\$ 420,000	\$ 192,082	\$ 612,082
2011	430,000	178,818	608,818
2012	440,000	163,938	603,938
2013	460,000	147,837	607,837
2014	475,000	130,310	605,310
2015-2019	2,450,000	346,845	2,796,845
2020-2024	445,000	57,630	502,630
	\$ 5,120,000	\$ 1,217,460	\$ 6,337,460

5. PENSION PLAN

Plan Description

The Borough administers two single-employer defined benefit pension plans (plans) for the police and general employees. These plans cover substantially all full-time employees. The plans provide retirement benefits to plan members. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (Act 205). The plans do not issue separate reports.

The Borough Council governs both plans and is responsible for the administration of the plans. The Council utilizes a third-party trust company to invest plan assets and to make benefit payments to retirees.

At January 1, 2009, the date of the most recent valuation, participants in the plans were as follows:

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

	<u>Police</u>	<u>General Employees</u>
Participants:		
Retirees and beneficiaries	5	5
Active employees:		
Vested	4	2
Nonvested	4	5
Deferred vested	-	1

Summary of Significant Accounting Policies

Financial information of the Borough's plans is presented on the modified cash basis of accounting. Employer contributions to each plan are recognized when cash is received. Benefits and refunds are recognized when cash is disbursed.

Investments of the plans are reported at fair value.

At December 31, 2009, as outlined in Note 2, both the General Employees and Police Plans, investments in FNMA represent approximately 12% and 14% respectively, of the total plans net assets available for benefits. In addition, investments in corporate bonds for each of the following issuers represent approximately 5% of the Police Plans total net assets available for benefits; Key Bank NA, General Electric Corporation, American Express Corporation, JP Morgan Chase & Co., and Citigroup Inc. The plans did not have any investment transactions with related parties during the year.

Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the MMO. The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205; 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, which exceeds the Commonwealth of Pennsylvania allocation must be funded by the Borough (and could include employee contributions).

Under the terms of the plans, the employees were required to contribute 3.5% of their compensation for 2009 for each plan.

The Borough's required contributions necessary to meet the MMO obligations for the Police Pension Plan and the General Employees Pension Plan were \$44,988 and \$44,082,

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

respectively. The Borough, however, contributed \$92,828 and \$66,452 to the Police Pension Plan and General Employees Pension Plan, respectively in 2009. Included in these contributions were delinquent required contributions for 2008 of \$44,837 and \$36,651 to the Police Pension Plan and the General Employees Pension Plan, respectively. These payments were not made until February 2009 and included interest penalties of approximately \$5,800 as a result of the late payment. Although the Borough contributed approximately \$159,000 to the pension plans in 2009, the Borough only contributed \$26,956 of their 2009 MMO obligation of \$44,082 to the General Employees Pension Plan. The outstanding required contribution of \$17,126 due to the General Employees Pension Plan was made in April of 2010.

The Borough has a net pension obligation (NPO) as of December 31, 2009 calculated as follows:

	Police	General Employees
Annual required contribution	\$ 44,988	\$ 44,082
Interest on NPO	(1,804)	(1,219)
Adjustment to the ARC	2,586	2,547
Annual pension cost	45,770	45,410
Contributions made	44,988	44,082
Change in NPO	782	1,328
NPO, December 31, 2008	(24,059)	(16,249)
NPO, December 31, 2009	\$ (23,277)	\$ (14,921)

Note that the above table reflects the NPO calculations subsequent to the 2008 and 2009 required contributions having been funded.

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

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

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

	Police	General Employees
Annual pension cost	\$ 45,770	\$ 45,410
Contributions made	44,988	44,082
Actuarial valuation date	1/1/2009	1/1/2009
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar Open	Level Dollar Closed
Amortization period	16 years	14 years
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%

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>Police:</u>	12/31/2007	\$ 39,989	98%	\$ (24,867)
	12/31/2008	45,645	98%	(24,059)
	12/31/2009	45,770	98%	(23,277)
<u>General Employees:</u>	12/31/2007	\$ 31,264	96%	\$ (18,444)
	12/31/2008	37,251	98%	(16,249)
	12/31/2009	45,410	97%	(14,921)

Note that the above table reflects the three-year trend information, subsequent to the 2008 and 2009 required contributions having been funded.

Additional historical trend information to the extent available is presented as supplementary information.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

Funded Status

The Borough's funded status and related information for each plan as of the latest actuarial valuation date, January 1, 2009, is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Police:	\$ 2,280	\$ 2,509	\$ (229)	91%	\$ 489	(47%)
Non-Police:	\$ 1,309	\$ 1,661	\$ (352)	79%	\$ 302	(117%)

Note: Dollars are in thousands.

The required schedule of funding progress, included as required supplementary information immediately following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial liability for benefits.

6. OTHER POST-EMPLOYMENT BENEFITS

The Borough provides a post-retirement life insurance policy and health insurance for certain individuals who retired from the Borough. The length of the benefits provided varies upon the individual agreements provided by Council upon retirement.

During the year ended December 31, 2009, there was one employee receiving these benefits. Expenditures of \$4,607 were recognized for post-employment benefits in the year ended December 31, 2009. The Borough budgets these costs yearly through the General Fund and the cost is recognized as an expenditure at the time the premiums are paid.

7. CONTINGENT LIABILITIES/LIABILITIES

Various claims and lawsuits are pending against the Borough. The ultimate outcome of these claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from these potential settlements has been made in these financial statements. The opinion of management and legal counsel is that the effect on the financial statements of the potential losses on any claim and/or lawsuit should not be material.

BOROUGH OF OAKMONT

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2009

The Borough has been working under a corrective action plan with the DEP related to its waste collection and treatment system. There were two phases under the plan, which included upgrades to the Borough's treatment plant, pump stations, and force main portion of the collection system. Prior to 2009 the Borough had completed phase one, which was related to the treatment plant. Phase two, which was related to the pump stations and force main, began in 2007 and was completed in 2009. The total cost of implementing the plan was funded through a \$4 million bond issuance. To date, the Borough has not been notified of any noncompliance related to the corrective action plan.

8. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Borough carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

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 200 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. Dividends received in 2009 were \$19,521. 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.

**Required Supplementary
Information**

BOROUGH OF OAKMONT

PENSION PLANS SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
Police:						
1/1/2005	\$ 2,344,451	\$ 2,217,568	\$ 126,883	106%	\$ 448,547	28%
1/1/2007	2,434,090	2,366,925	67,165	103%	469,097	14%
1/1/2009	2,280,411	2,508,967	(228,556)	91%	488,700	(47%)
General Employees:						
1/1/2005	\$ 1,432,961	\$ 1,447,231	\$ (14,270)	99%	\$ 313,611	(5%)
1/1/2007	1,456,134	1,526,282	(70,148)	95%	312,862	(22%)
1/1/2009	1,308,567	1,661,155	(352,588)	79%	302,311	(117%)

Source: Actuarial Reports. Valuation performed on a biennial basis.

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

See accompanying note to supplementary information.

BOROUGH OF OAKMONT

PENSION PLANS SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Police			General Employees	
	Annual Required Contributions	Percentage Contributed		Annual Required Contributions	Percentage Contributed
2004	\$ -	N/A		\$ 17,100	100%
2005	-	N/A		14,686 (a)	100%
2006	-	>100%	(b)	42,246	100%
2007	39,154	100%		30,615	100%
2008	44,837	100%	(c)	36,651 (c)	100%
2009	44,988	100%		44,082 (d)	100%

Note: Contributions include state pension aid.

(a) - payment made in January 2006

(b) - voluntary contribution made to Police Pension Fund

(c) - payment made in February 2009

(d) - \$17,126 of payment made in April 2010

See accompanying note to supplementary information.

BOROUGH OF OAKMONT

NOTE TO SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2009

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 valuation follows:

	<u>Police</u>	<u>General Employees</u>
Actuarial valuation date	1/1/2009	1/1/2009
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar Open	Level Dollar Closed
Amortization period	16 years	14 years
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%

Additional Information

BOROUGH OF OAKMONT

COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	<u>Special Revenue</u>	<u>Centennial</u>	<u>Fund</u>	<u>Oakmont</u>	<u>Blvd Project</u>	<u>Capital Projects</u>	<u>Capital</u>	<u>Reserve</u>	<u>Capital Projects -</u>	<u>Roads</u>	<u>Total</u>	<u>Other</u>	<u>Governmental</u>	<u>Funds</u>
<hr/>														
Assets														
Cash and cash equivalents														
Total Assets	\$	179,051		\$	52,722	\$	100,024		\$	50,645		\$	382,442	
<hr/>														
Liabilities and Fund Balance														
Liabilities	\$	-		\$	-	\$	-		\$	-		\$	-	
Fund Balance:														
Unreserved, undesignated		179,051			52,722		100,024			50,645			382,442	
Total Liabilities and Fund Balance	\$	179,051		\$	52,722	\$	100,024		\$	50,645		\$	382,442	

BOROUGH OF OAKMONT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds	Oakmont Blvd Project	Capital Reserve	Capital Projects - Roads	Total Other Governmental Funds
Revenues:					
Interest income, rent, and royalties	\$ 3,076	\$ 660	\$ 24	\$ 2,587	\$ 6,347
Contributions	11,722	16,545	-	-	28,267
Miscellaneous	54,464	-	-	-	54,464
Total revenues	69,262	17,205	24	2,587	89,078
Expenditures:					
Current:					
Culture and recreation	34,231	-	-	-	34,231
Capital expenditures	58,008	89,853	-	378,656	526,517
Excess (Deficiency) of Revenues Over Expenditures	(22,977)	(72,648)	24	(376,069)	(471,670)
Other Financing Sources (Uses):					
Transfers in	10,000	80,000	100,000	485,949	675,949
Transfers out	-	-	-	(59,235)	(59,235)
Total other financing sources (uses)	-	-	-	(59,235)	(59,235)
Net Change in Fund Balance	(12,977)	7,352	100,024	50,645	145,044
Fund Balance:					
Beginning of year	192,028	45,370	-	-	237,398
End of year	\$ 179,051	\$ 52,722	\$ 100,024	\$ 50,645	\$ 382,442

BOROUGH OF OAKMONT

COMBINING STATEMENT OF PLAN NET ASSETS (MODIFIED CASH BASIS) PENSION TRUST FUNDS

DECEMBER 31, 2009

	Police	General Employees	Total
Assets			
Cash and cash equivalents	\$ 85,716	\$ 51,541	\$ 137,257
Investments:			
U.S. Government and agency bonds	641,866	373,894	1,015,760
Corporate bonds	1,120,287	595,184	1,715,471
U.S. equities	462,419	260,181	722,600
Foreign equities	130,930	80,799	211,729
	2,355,502	1,310,058	3,665,560
Total investments			
	2,441,218	1,361,599	3,802,817
Total Assets			
	-	-	-
Liabilities			
Net Assets			
Net Assets Held in Trust	\$ 2,441,218	\$ 1,361,599	\$ 3,802,817

BOROUGH OF OAKMONT

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS (MODIFIED CASH BASIS) - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2009

	Police	General Employees	Totals
Additions:			
Contributions:			
Employer (includes State)	\$ 92,828	\$ 66,452	\$ 159,280
Employee	19,470	10,947	30,417
Total contributions	112,298	77,399	189,697
Investment income:			
Interest	79,852	45,699	125,551
Loss on investments	178,331	100,742	279,073
Net investment income	258,183	146,441	404,624
Total additions	370,481	223,840	594,321
Deductions:			
Benefit payments	135,130	115,012	250,142
Administrative expenses	26,704	16,300	43,004
Total deductions	161,834	131,312	293,146
Increase (Decrease) in Plan Net Assets	208,647	92,528	301,175
Net Assets Held in Trust:			
Beginning of year	2,232,571	1,269,071	3,501,642
End of year	\$ 2,441,218	\$ 1,361,599	\$ 3,802,817

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Board of Trustees
Oakmont Carnegie Library

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Borough of Oakmont as of and for the year ended December 31, 2009 and have issued our report thereon dated May 24, 2010. Included in the modified cash basis financial statements of the Borough of Oakmont are the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the Oakmont Carnegie Library (Library) reported as the Library Fund.

In connection with our audit, nothing came to our attention that caused us to believe that the Library failed to comply with the terms of the Allegheny County Library Association Cooperation and Support Agreement with the Library, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Allegheny County Library Association, the Board of Trustees and management of the Oakmont Carnegie Library, and the Council and management of the Borough of Oakmont and is not intended to be and should not be used by anyone other than these specified parties.

Maher Duessel

Pittsburgh, Pennsylvania
May 24, 2010