

TOWNSHIP OF NORTH FAYETTE



AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

TOWNSHIP OF NORTH FAYETTE
ALLEGHENY COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANT

FOR THE YEAR ENDED DECEMBER 31, 2009

NORTH FAYETTE TOWNSHIP
ALLEGHENY COUNTY, PENNSYLVANIA

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Mark C. Turnley

Certified Public Accountant

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**Township Supervisors
Township of North Fayette**

Independent Auditor's Report

I have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of North Fayette as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township Commissioners. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 2, the Township of North Fayette prepares its statement of net assets (Exhibit A) and statement of activities (Exhibit B) for governmental activities using the modified accrual basis of accounting. Generally accepted accounting principles requires the preparation of these government-wide financial statements using the full accrual basis of accounting, including capitalizing and depreciating fixed assets and recognizing long-term debt obligations. The amount by which this departure would affect the assets, net assets, revenues and expenses of the governmental activities is not reasonably determinable.

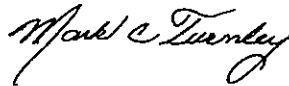
In my opinion, because of the effect of the matters discussed in the preceding paragraph, the statement of net assets (Exhibit A) and statement of activities (Exhibit B) referred to in the preceding paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Township of North Fayette as of December 31, 2009, and the changes in financial position thereof for the year then ended.

In addition, in my opinion, the basic financial statements referred to above, excluding the statement of net assets (Exhibit A) and statement of activities (Exhibit B), present fairly, in all material respects, the respective financial position the business-type activities, each major fund, and the aggregate remaining fund information of the Township of North Fayette, Allegheny County, Pennsylvania as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of North Fayette has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the defined benefit trust funds' historical pension information on pages 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of North Fayette's financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



Mark C. Turnley, CPA

July 19, 2010
Ambridge, Pennsylvania

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

EXHIBIT A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,725,267	\$ 924,215	\$ 4,649,482
Investments	4,149,395	-	4,149,395
Due from other Governments	158,245	-	158,245
Due from other Governments - Pennworks	98,152	-	98,152
Internal Balances	798,411	(798,411)	-
Utilities Receivable	115,010	432,009	547,019
Taxes Receivable	258,873	-	258,873
Other Accounts Receivable (Net)	125,784	-	125,784
Inventory Fuel Surplus	21,876	-	21,876
Total Current Assets	\$ 9,451,013	\$ 557,813	\$ 10,008,826
Noncurrent Assets:			
Sewer System Improvements	\$ -	\$ 10,334,883	\$ 10,334,883
Machinery & Equipment	-	263,305	263,305
Work in Progress	-	404,389	404,389
Accumulated Depreciation	-	(6,203,657)	(6,203,657)
Unamortized Bond Issue Costs	-	48,431	48,431
Total Noncurrent Assets	\$ -	\$ 4,847,351	\$ 4,847,351
TOTAL ASSETS	\$ 9,451,013	\$ 5,405,164	\$ 14,856,177
LIABILITIES			
Current Liabilities:			
Payroll Deductions and Withholdings	\$ 10,891	\$ -	\$ 10,891
Accounts Payable	338,144	-	338,144
Deferred Revenue	457,042	-	457,042
Current Portion of Bonds Payable	-	46,800	46,800
Current Portion of Notes Payable	-	106,478	106,478
Road Bonds Held in Escrow	24,337	-	24,337
Other Current Liabilities	5,926	-	5,926
Total Current Liabilities	\$ 836,340	\$ 153,278	\$ 989,618
Noncurrent Liabilities:			
Bonds Payable	\$ -	\$ 31,950	\$ 31,950
Loss on Refunding	-	(225,243)	(225,243)
Notes Payable	-	876,636	876,636
Total Noncurrent Liabilities	\$ -	\$ 683,343	\$ 683,343
TOTAL LIABILITIES	\$ 836,340	\$ 836,621	\$ 1,672,961
NET ASSETS			
Invested in Capital Assets Net of Related Debt	\$ -	\$ 4,010,730	\$ 4,010,730
Unrestricted	8,614,673	557,813	9,172,486
TOTAL NET ASSETS	\$ 8,614,673	\$ 4,568,543	\$ 13,183,216

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH FAYETTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 977,553	\$ 141,269	\$ -	\$ -	\$ (836,284)	\$ -	\$ (836,284)
Public Safety - Police	2,844,955	168,081	-	-	(2,676,874)	-	(2,676,874)
Public Safety - Fire	269,941	-	86,015	-	(183,926)	-	(183,926)
Public Safety - Other	214,287	89,325	-	-	(124,962)	-	(124,962)
Public Works - Sanitation	841,685	819,380	16,866	-	(5,439)	-	(5,439)
Public Works - Highways	2,671,471	369,726	-	-	(2,301,745)	-	(2,301,745)
Culture and Recreation	871,105	154,225	-	-	(716,880)	-	(716,880)
Debt Service	3,762,886	-	-	-	(3,762,886)	-	(3,762,886)
Insurance and Employee Benefits	475,668	76,026	231,473	-	(168,169)	-	(168,169)
Miscellaneous	73,697	-	-	-	(73,697)	-	(73,697)
Total Governmental Activities	\$ 13,003,248	\$ 1,448,306	\$ 704,080	\$ -	(10,850,862)	\$ -	\$ (10,850,862)
Business-Type activities:							
Sewer	\$ 1,538,982	\$ 2,372,815	\$ -	\$ -	\$ 833,833	\$ 833,833	\$ 833,833
Total Business-Type Activities	\$ 1,538,982	\$ 2,372,815	\$ -	\$ -	\$ 833,833	\$ 833,833	\$ 833,833
Total Primary Government	\$ 14,542,230	\$ 3,821,121	\$ 704,080	\$ -	\$ (10,850,862)	\$ 833,833	\$ (10,017,029)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes (net)					\$ 2,947,787	\$ -	\$ 2,947,787
Act 511 Taxes					2,608,915	-	2,608,915
Sales Tax					154,595	-	154,595
PURTA/Alcohol Beverage tax					14,572	-	14,572
Cable Franchise Fees					221,515	-	221,515
Bond Proceeds					9,290,000	-	9,290,000
Investment Earnings					57,530	5,047	62,577
Donations					5,347	-	5,347
Miscellaneous					22,387	7,044	29,431
Interfund transfers					(1,240,000)	1,240,000	-
Total General Revenues					\$ 14,082,648	\$ 1,252,091	\$ 15,334,739
Change in Net Assets					\$ 3,231,786	\$ 2,085,924	\$ 5,317,710
Net Assets — January 1, 2009					5,382,887	2,482,619	7,865,506
Net Assets — December 31, 2009					\$ 8,614,673	\$ 4,568,543	\$ 13,183,216

The accompanying notes are an integral part of these financial statements

EXHIBIT C

TOWNSHIP OF NORTH FAYETTE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	GENERAL FUND	PENWORKS FUND	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and Cash Equivalents	\$ 2,121,653	\$ 1,056,444	\$ -	\$ 547,170	\$ 3,725,267
Investments	194,656	-	3,954,739	-	4,149,395
Due From Other Governments	158,245	-	-	-	158,245
Due from Other Governments - Pennworks	98,152	-	-	-	98,152
Due From Other Funds	916,707	-	-	-	916,707
Utilities Receivable	115,010	-	-	-	115,010
Taxes Receivable	258,873	-	-	-	258,873
Other Accounts Receivable (Net)	125,784	-	-	-	125,784
Inventory Fuel Surplus	21,876	-	-	-	21,876
TOTAL ASSETS	\$ 4,010,956	\$ 1,056,444	\$ 3,954,739	\$ 547,170	\$ 9,569,309

LIABILITIES AND FUND BALANCES

LIABILITIES:					
Payroll Deductions and Withholdings	\$ 10,891	\$ -	\$ -	\$ -	\$ 10,891
Accounts Payable	338,144	-	-	-	338,144
Due to Other Funds	13,837	-	-	104,459	118,296
Deferred Revenue	457,042	-	-	-	457,042
Road Bonds Held in Escrow	24,337	-	-	-	24,337
Other Current Liabilities	5,926	-	-	-	5,926
TOTAL LIABILITIES	\$ 850,177	\$ -	\$ -	\$ 104,459	\$ 954,636
FUND BALANCES:					
Reserved - Capital Projects	\$ -	\$ 1,056,444	\$ 3,954,739	\$ -	\$ 5,011,183
Undesignated - Unreserved	3,160,779	-	-	442,711	3,603,490
TOTAL FUND BALANCES	\$ 3,160,779	\$ 1,056,444	\$ 3,954,739	\$ 442,711	\$ 8,614,673
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,010,956	\$ 1,056,444	\$ 3,954,739	\$ 547,170	\$ 9,569,309

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	GENERAL FUND	PENWORKS FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 5,556,702	\$ -	\$ -	\$ -	\$ -	\$ 5,556,702
Licenses and Permits	310,840	-	-	-	-	310,840
Fines and Forfeitures	67,367	-	-	-	-	67,367
Interest and Rents	81,892	42,367	27	-	3,425	127,711
Intergovernmental	503,521	-	-	-	325,784	829,305
Charges for Services	1,191,315	-	-	-	-	1,191,315
Miscellaneous	81,952	-	-	-	3,381	85,333
Total Revenue	\$ 7,793,589	\$ 42,367	\$ 27	\$ -	\$ 332,590	\$ 8,168,573
EXPENDITURES						
General Government	\$ 972,602	\$ -	\$ -	\$ -	\$ 4,951	\$ 977,553
Public Safety	3,329,183	-	-	-	-	3,329,183
Public Works	3,377,005	-	-	-	136,151	3,513,156
Culture and Recreation	528,494	-	340,674	-	1,937	871,105
Debt Service	375,996	-	-	2,850,000	-	3,225,996
Insurance and Employee Benefits	475,668	-	-	-	-	475,668
Miscellaneous	24	-	-	-	120	144
Total Expenditures	\$ 9,058,972	\$ -	\$ 340,674	\$ 2,850,000	\$ 143,159	\$ 12,392,805
Excess (Deficiency) of Revenue over Expenditures	\$ (1,265,383)	\$ 42,367	\$ (340,647)	\$ (2,850,000)	\$ 189,431	\$ (4,224,232)
OTHER FINANCING SOURCES (USES)						
Sale of Township Property	\$ 9,861	\$ -	\$ -	\$ -	\$ -	\$ 9,861
Operating Transfers In	987,400	-	4,003,110	-	-	4,990,510
Operating Transfers Out	-	-	-	(5,903,110)	(327,400)	(6,230,510)
Refund Prior Year Expense	300	-	-	-	6,300	6,600
Refund Prior Year Revenue	(73,553)	-	-	-	-	(73,553)
Bond Proceeds	-	-	-	9,290,000	-	9,290,000
Bond Issuance Costs and Discounts	-	-	-	(536,890)	-	(536,890)
Total Other Financing Sources (Uses)	\$ 924,008	\$ -	\$ 4,003,110	\$ 2,850,000	\$ (321,100)	\$ 7,456,018
NET CHANGE IN FUND BALANCES	\$ (341,375)	\$ 42,367	\$ 3,662,463	\$ -	\$ (131,669)	\$ 3,231,786
FUND BALANCE - JANUARY 1, 2009	3,502,164	1,014,077	292,276	-	574,380	5,382,887
FUND BALANCE - DECEMBER 31, 2009	\$ 3,160,779	\$ 1,056,444	\$ 3,954,739	\$ -	\$ 442,711	\$ 8,614,673

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,623,500	\$ 5,623,500	\$ 5,556,702	\$ (66,798)
Licenses and Permits	307,300	307,300	310,840	3,540
Fines and Forfeitures	61,900	61,900	67,367	5,467
Interest and Rents	128,313	128,313	81,892	(46,421)
Intergovernmental	496,000	496,000	503,521	7,521
Charges for Services	1,151,300	1,151,300	1,191,315	40,015
Miscellaneous	103,500	103,500	81,952	(21,548)
Total Revenues	\$ 7,871,813	\$ 7,871,813	\$ 7,793,589	\$ (78,224)
EXPENDITURES				
General Government	\$ 853,498	\$ 853,498	\$ 972,602	\$ (119,104)
Public Safety	3,631,770	3,631,770	3,329,183	302,587
Public Works	3,198,598	3,198,598	3,377,005	(178,407)
Culture and Recreation	529,582	529,582	528,494	1,088
Debt Service	307,163	307,163	375,996	(68,833)
Insurance and Employee Benefits	501,157	501,157	475,668	25,489
Miscellaneous	1,000	1,000	24	976
Total Expenditures	\$ 9,022,768	\$ 9,022,768	\$ 9,058,972	\$ (36,204)
Excess (Deficiency) of Revenues over Expenditures	\$ (1,150,955)	\$ (1,150,955)	\$ (1,265,383)	\$ (114,428)
OTHER FINANCING SOURCES (USES)				
Sale of Township Property	\$ 10,000	\$ 10,000	\$ 9,861	\$ (139)
Operating Transfers In	987,400	987,400	987,400	-
Refund Prior Year Expense	-	-	300	300
Refund Prior Year Revenue	-	-	(73,553)	(73,553)
Total Other Financing Sources (Uses)	\$ 997,400	\$ 997,400	\$ 924,008	\$ (73,392)
NET CHANGE IN FUND BALANCES	\$ (153,555)	\$ (153,555)	\$ (341,375)	\$ (187,820)
FUND BALANCE - JANUARY 1, 2009	220,494	220,494	3,502,154	3,281,660
FUND BALANCE - DECEMBER 31, 2009	\$ 66,939	\$ 66,939	\$ 3,160,779	\$ 3,093,840

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
DECEMBER 31, 2009

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 924,215
Due from Other Funds	13,837
Sewer Receivable	432,009
Total Current Assets	\$ 1,370,061

Noncurrent Assets:

Sewer System Improvements	\$ 10,334,883
Machinery & Equipment	263,305
Work in Progress	404,389
Accumulated Depreciation	(6,203,657)
Unamortized Bond Issue Costs	48,431
Total Noncurrent Assets	\$ 4,847,351

TOTAL ASSETS	\$ 6,217,412
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LIABILITIES**Current Liabilities:**

Due to Other Funds	\$ 812,248
Current Portion Long Term Debt	153,278
Total Current Liabilities	\$ 965,526

Noncurrent Liabilities:

Bonds Payable	\$ 31,950
Loss on Refunding	(225,243)
Notes Payable	876,636
Total Noncurrent Liabilities	\$ 683,343

TOTAL LIABILITIES	\$ 1,648,869
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NET ASSETS

Invested in Capital Assets Net of Related Debt	\$ 4,010,730
Unrestricted	557,813
TOTAL NET ASSETS	\$ 4,568,543

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES:

Sewer rentals	\$ 2,132,352
Tap-in Fees	240,463
Miscellaneous	7,045
Total Operating Revenues	\$ 2,379,860

OPERATING EXPENSES:

Treatment charges	\$ 1,163,245
Sewer maintenance	48,313
Engineer	46,061
General	45,907
Legal	4,309
Depreciation	122,435
Total Operating Expenses	\$ 1,430,270

TOTAL OPERATING INCOME **\$ 949,590**

NON-OPERATING REVENUE <EXPENSE>:

Interest income	\$ 5,047
Interest expense	(103,477)
Transfer from Debt Service Fund	1,900,000
Amortization	(5,236)
TOTAL NON-OPERATING REVENUE <EXPENSE>	\$ 1,796,334

OTHER FINANCING USES:

Interfund transfer	\$ 660,000
TOTAL OTHER FINANCING USES	\$ 660,000

CHANGE IN NET ASSETS	2,085,924
NET ASSETS - JANUARY 1, 2009	2,482,619
NET ASSETS - DECEMBER 31, 2009	\$ 4,568,543

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from user charges	\$ 2,006,877
Cash received from tap-in fees	241,701
Cash received from miscellaneous sources	5,982
Cash paid to vendors for goods and services	<u>(729,469)</u>

Net cash provided by operating activities **\$ 1,525,091**

CASH FLOWS FROM CAPITAL AND RELATED**FINANCIAL ACTIVITIES:**

Capital construction and purchases	\$ (152,849)
Bond principal payments	(2,002,410)
PENNVEST principal payments	(212,656)
Interest payments on debt	<u>(103,477)</u>

Net cash (used in) capital and related financing activities **\$ (2,471,392)**

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>\$ 5,047</u>
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Net cash provided by investing activities **\$ 5,047**

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Interfund transfers	\$ 1,240,000
Refund of prior years receipts	<u>-</u>

Net cash (used in) non-capital financing activities **\$ 1,240,000**

Net (decrease) in cash and cash equivalents 298,746

Cash and cash equivalents - January 1, 2009 625,469

Cash and cash equivalents - December 31, 2009 **\$ 924,215**

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

Operating Income	\$ 949,590
Adjustments to reconcile excess revenues over expenditures provided (used) by operating activities:	
Depreciation	\$ 122,435
Changes in assets and liabilities:	
(Increase) decrease in water/sewer receivables	(125,300)
(Increase) decrease in bond discount & issuance costs	
Increase (decrease) in due to other funds	578,366
Net cash provided by operating activities	<u>\$ 1,525,091</u>

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	<u>POLICE PENSION FUND</u>	<u>NON-UNIFORM PENSION FUND</u>	<u>AGENCY (ESCROW) FUND</u>
ASSETS			
Cash and Cash Equivalents	\$ 357,668	\$ 85,861	\$ 38,935
Investments:			-
U.S. Government Securities and Agencies	379,949	176,919	-
Corporate Bonds	218,308	101,832	-
Mutual Funds	1,242,532	592,135	-
Equity Securities	2,273,739	1,056,006	-
Unallocated Insurance Contracts	2,245	194	-
Benefit Reimbursement Receivable	2,789	-	-
Contributions Receivable	2,524	-	-
Accrued Interest Receivable	5,855	2,699	-
TOTAL ASSETS	<u>\$ 4,485,609</u>	<u>\$ 2,015,646</u>	<u>\$ 38,935</u>
LIABILITIES			
Due to Developers	\$ -	\$ -	\$ 38,935
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,935</u>
NET ASSETS			
Held in Trust for Pension Benefits	\$ 4,485,609	\$ 2,015,646	
TOTAL NET ASSETS	<u>\$ 4,485,609</u>	<u>\$ 2,015,646</u>	

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>POLICE PENSION FUND</u>	<u>NON-UNIFORM PENSION FUND</u>
ADDITIONS		
Interest/Dividends	\$ 160,744	\$ 69,679
Net Appreciation in Fair Values	605,439	268,960
Municipal Pension State Aid	125,121	106,352
Employer Contributions	227,089	2,714
Employee Contributions	82,599	42,142
TOTAL ADDITIONS	<u>\$ 1,200,992</u>	<u>\$ 489,847</u>
 DEDUCTIONS		
Benefit Payments	\$ (254,631)	\$ -
Administrative Expenses	(70,408)	(21,308)
TOTAL DEDUCTIONS	<u>\$ (325,039)</u>	<u>\$ (21,308)</u>
 CHANGE IN NET ASSETS	 \$ 875,953	 \$ 468,539
NET ASSETS - JANUARY 1, 2009	<u>3,609,656</u>	<u>1,547,107</u>
NET ASSETS - DECEMBER 31, 2009	<u>\$ 4,485,609</u>	<u>\$ 2,015,646</u>

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 – DESCRIPTION OF THE TOWNSHIP AND REPORTING ENTITY

DESCRIPTION

The Township of North Fayette was created and organized under the provision governing the creation of municipal corporations by the Commonwealth of Pennsylvania. Township Supervisors are elected by the voting public. The Supervisors have complete authority over the operations and administration of the Township's activities. The major functions of the Township include public safety, maintenance of Township infrastructure (roads), sanitation and sewage control, maintenance of parks and other recreational facilities for use by Township residents and general administrative functions necessary to facilitate Township resident needs and responsibilities.

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township of North Fayette consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. The management of the Township of North Fayette applies the criteria set forth in the 'Codification of Governmental Accounting and Financial Reporting Standards' for defining the scope of its reporting entity. Based on the application of these criteria, the Township of North Fayette has no component units.

The following entities that perform activities within the Township's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township:

- North Fayette Transportation and Business Improvement Authority

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of North Fayette have been prepared in conformity with generally accepted principles (GAAP) as applied to governmental units, except for the Statement of Net Assets and Statement of Activities for its Governmental Activities (See GASB Statement Implementation below). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Township's accounting policies are as follows:

GASB STATEMENT IMPLEMENTATIONS

In June of 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, 'Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments'. Certain of the significant changes in this new statement include the following:

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB STATEMENT IMPLEMENTATIONS (Continued)

1. The financial statements should include:
 - A Management Discussion and Analysis (MD&A) section providing and analysis of the Township's overall financial position and results of operations.
 - Financial statements using full accrual accounting for all of the Township's activities, including reporting infrastructure assets.
2. A change in the fund financial statements to focus on the major funds.

Under GASB Statement No. 34, the focus of the fund financial statements is on major funds. Major funds represent the Township's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Township of North Fayette, the General Fund is always considered a major fund.

The provisions of GASB Statement No. 34 were effective January 1, 2004 for the Township of North Fayette. The Township adopted certain provisions of GASB Statement No., 34 including, but not limited to, 1) changing its fund financial statements to focus on the major funds and 2) presentation of government-wide financial statements – Statement of Net Assets and Statement of Activities (see Basis of Presentation). However, the governmental activities of the Township of North Fayette were prepared using the modified accrual basis of accounting (Pre-GASB Statement No. 34), as opposed to the full accrual basis of accounting as required by GASB Statement No. 34. Accordingly, the accompanying government-wide statement of net assets and statement of activities are not presented in conformity with generally accepted accounting principles.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS – The statement of net assets (Exhibit A) and the statement of activities (Exhibit B) display information about the Township as a whole. In specific, these financial statements combined all of the financial activity of the Township's major and non-major funds as described herein Note 2. The government-wide financial statements do not include the financial activities of the Township's fiduciary funds, as these funds cannot be used to fund the general operations. GASB Statement No. 34 describes and distinguishes the financial activity in any fund as being either governmental or business-type.

GASB Statement No. 34 requires that the government-wide statements be prepared using the economic resources measurement focus (full accrual). That is the same approach used in the preparation of the proprietary funds financial statements but differs from the manner in which governmental fund financial statements are prepared (modified accrual). GASB Statement No. 34 also requires reconciliation statements with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The Township however, does not use the economic resources measurement focus in the preparation of its statement of net assets and statement of activities for its governmental activities. The Township uses the modified accrual basis of accounting in both the preparation of its fund financial statements and government-wide financial statements. Accordingly, the accompanying financial statements do not include the required reconciliation statements.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The Township uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major and non-major governmental funds:

MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND - Established under 'The Second Class Township Code' of the Commonwealth of Pennsylvania and is used for the general operations of the Township. Income in this fund is derived mainly from assessed revenues such as real estate taxes, local taxes established under Act 511, charges for sanitation services, and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, general administration of the Township and other miscellaneous operating expenses.

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

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

DEBT SERVICE FUND (DEBT SERVICE) – Established to account for the proceeds of the 2009 bond issue. A portion of the proceeds were used to refund a portion of the 2003 bond issue with the remaining proceeds to be used to make capital improvements in the Township.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

NON-MAJOR GOVERNMENTAL FUNDS:

HIGHWAY AID FUND (SPECIAL REVENUE) - Established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets and bridges for which the Township is responsible. Additionally, the Township also receives funding under Act 1983-32 of the Commonwealth which provides for annual maintenance payments for state highways within the Township for which the Township has agreed to maintain. These funds are subject to the same restrictions as the aforementioned Act 655 (Liquid Fuels) monies.

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

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

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

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

Proprietary Fund - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the Township (internal service funds). The Township's Sewer Fund is responsible for receipting charges for sewage services rendered to the Township's residents and using these funds to defray the cost of maintaining this system of service.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Township has two pension trust funds (police pension and non-uniform pension) and one agency fund (Escrow Fund).

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

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

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

The management of the Township of North Fayette has determined that the revenues most susceptible to accrual at December 31, 2009 are 1) real estate taxes collected within 60 days following the close of the calendar year, 2) certain taxpayer assessed Act 511 taxes, 3) sanitation and sewage billings, 4) cable franchise fees earned during the year, and 5) other miscellaneous revenues estimable and available to the Township for 2009 but not as yet collected at December 31, 2009.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures, with certain exceptions, are recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2009 are those for which the Township's intention was to expense these items as budgeted for in the 2009 official budget, and for which the Township has incurred an obligation during 2009, but has not paid as of December 31, 2009.

ESTIMATES

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

BUDGETS

In December of 2008, the Township of North Fayette adopted its 2009 annual budget for the general fund totaling \$9,022,768 in accordance with the provisions of the Second Class Township Code. In addition, the Township adopts budgets for its special revenue and proprietary fund types. The general and special revenue fund budgets are prepared utilizing the modified accrual method of accounting. The proprietary fund budget is prepared utilizing the accrual method of accounting. All annual appropriations of the general fund lapse at year end.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

GOVERNMENTAL FUNDS

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

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.
- VII. U.S. Treasury Bills.
- VIII. Short-term obligations of the United States Government or its agencies or instrumentalities.
- IX. Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- X. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- XI. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- XII. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

Governmental fund type investments include certificates of deposit with First Commonwealth and First Niagara Banks and money market mutual funds with The Bank of New York Trust Co. North Fayette Township's investment portfolio is in compliance with these provisions at December 31, 2009.

FIDUCIARY FUNDS (PENSION FUNDS)

The pension trust funds, whose deposits and investments are held separately from those of the Township, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize.

Fiduciary fund type investments include government securities, equity securities and mutual funds invested by the firm of Merrill Lynch and unallocated insurance contracts held with the Standard Life Insurance Company. Fiduciary fund type investments with Merrill Lynch are stated at fair value. The unallocated insurance contracts held with Standard Life Insurance Company are stated at contract value. The Township does not maintain an investment policy that summarizes the investment philosophy of the Township and establishes investment guidelines and performance objections for the Police and Service Employees Pension Plans.

RECEIVABLES

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

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the balance sheet.

INVENTORY

Inventory represents the cost value of vehicle gasoline purchased by the Township on hand at December 31, 2009. The Township uses the first-in first-out method for costing inventory consumption.

CAPITAL ASSETS AND DEPRECIATION

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS AND DEPRECIATION (Continued)

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

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

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

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS

GASB Statement No. 34 requires equity in the government-wide financial statement of net assets to be reported as 'Net Assets' rather than 'Fund Balance'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Township obligations. Net assets are classified as follows:

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

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

FUND EQUITY

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 a specific use. Designations of fund balance represent tentative management plans that are subject to modification. Fund equity is classified as follows:

- 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.
- 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 Board of Commissioners has not designated a fund balance.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS

At December 31, 2009, the Township of North Fayette had the following carrying values on its cash and cash equivalent accounts held at PNC, Citizens, and First Commonwealth Banks:

	Bank Balance	(Memo Only) Book Balance
General fund	\$ 2,344,954	\$ 2,121,653
Penworks Capital Project Fund	1,056,444	1,056,444
Non-major governmental funds	547,171	547,171
Business-type activities	924,215	924,215
Fiduciary fund	482,464	482,464
	\$ 5,355,248	\$ 5,131,947
Certificates of Deposit classified as investment	194,656	194,656
TOTAL	\$ 5,549,904	\$ 5,326,603

The difference between the bank balance and book balance represents reconciling items such as deposits in transit and outstanding checks. The first \$250,000 of deposits at PNC Bank, Citizens Bank, and First Commonwealth Bank is insured through the Federal Deposit Insurance Corporation (FDIC). Bank deposits at Merrill Lynch are insured up to \$250,000 through Securities Investors Protection Corporation (SIPC).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2009, \$5,056,691 of the Township's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Township's name. In accordance with Act number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

The following represents the fair value of the Township's investments at December 31, 2009:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>No Stated Maturity</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Governmental Funds:					
Capital Project Fund:					
Mutual Funds	\$ 3,954,739	\$ 3,954,739	\$ -	\$ -	\$ -
Total Governmental Funds	\$ 3,954,739	\$ 3,954,739	\$ -	\$ -	\$ -
Fiduciary Funds:					
Pension Funds:					
U.S. Government Securities	\$ 556,869	\$ -	\$ 436,786	\$ 46,828	\$ 73,255
Corporate Bonds	320,140	-	157,497	126,347	36,296
Mutual Funds	1,834,667	1,834,667	-	-	-
Equity Securities	3,329,743	3,329,743	-	-	-
Unallocated Insurance Contracts	2,439	2,439	-	-	-
Total Pension Funds	\$ 6,043,858	\$ 5,166,849	\$ 594,283	\$ 173,175	\$ 109,551

Custodial Credit Risk

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

Interest Rate Risk

The Township 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. At December 31, 2009, the Township's investment in certificate of deposits had a maturity date of no longer than twenty four (24) months. The Township's investments in U.S. governmental securities and agencies have maturities of between one (1) and thirty (30) years.

Credit Risk

The Township does not have an investment policy that limits its investment choices to those with certain credit ratings. As of December 31, 2009, the Township's investments in Federal National Mortgage Association and the mutual funds were rated AAA by Standards & Poor's and Moody's Investors Service. Information on credit ratings of the equity securities and unallocated insurance contracts is unavailable.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Concentration of Credit Risk

The Township places no limit on the amount they invest in any one issuer. At December 31, 2009, the plans had the following investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represents five (5) percent or more of plan net assets:

	POLICE PLAN	SERVICE EMPLOYEES PLAN
U.S. Mortgage Portfolio	\$ 393,009	\$ 190,764
Mid Cap Value Opps Portfolio	-	100,883
High Income Portfolio	414,502	201,104

NOTE 4 - PROPERTY TAXES

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

<u>PAYMENT PERIOD</u>	
May 1 – June 30, 2009	(Discount period)
July 1 – August 31, 2009	(Face period)
September 1 and after	(Penalty period)

Taxpayers are entitled to a 2% discount if taxes are paid prior to July 1st. Collections after August 31st are assessed a 10% penalty. Taxes unpaid as of November 1 of the year following levy are liened through Allegheny County. As of December 31, 2009, the Township had \$161,242 in unpaid 2009 property taxes, which represents 5.3% of the assessed valuation for 2009.

The Commonwealth of Pennsylvania Second Class Township Code allows a maximum millage rate of 14 for general operating purposes. The Township of North Fayette's tax millage assessment for the 2009 calendar year is .0032 mills on the assessed value of land and buildings (\$946,568,223) assessment for 2009), which represents approximately \$3.20 of revenue for every \$1000 of assessed value. The Township recognized property tax revenue when received during the fiscal year. No provision has been made for amounts estimated to be uncollectable.

NOTE 5- OTHER RECEIVABLES

Other receivables, as reflected in Exhibits A and I, is comprised of the following:

General Fund	
Cable franchise fees	\$ 54,517
Engineering receivables	9,739
Legal receivables	450
Miscellaneous	15,073
Recoverable disbursements (net)	46,005
Total General Fund	\$ 125,784
Pension Fund	
Interest	\$ 8,554
Benefit Reimbursement	2,789
Contributions	2,524
Total Pension Fund	\$ 13,867

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

The 'due from other governmental unit' total of \$158,245, as reflected in Exhibit A, is comprised of the following:

Regional assets tax	\$	12,396
Tax collection fees		11,914
Robinson Township		309
PennDOT - North Branch Sewer		18,280
PennDOT - Five Points Intersectin		115,346
	\$	158,245

NOTE 7 – ANALYSIS OF INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009 were comprised of the following amounts:

	TRANSFERS IN	TRANSFERS OUT	
General Fund	\$ 987,400	\$ -	
Sewer Fund	1,900,000	660,000	
Construction Fund	4,003,110	-	
Debt Service Fund	-	5,903,110	
Liquid Fuels Fund	-	327,400	
	\$ 6,890,510	\$ 6,890,510	

Transfers to the General Fund include monies transferred from the Sewer Fund and Liquid Fuels Fund, to cover expenditures paid by the General Fund. Transfers from the Debt Service Fund include monies used by the 2009 General Obligation Bond transferred to the Sewer Fund to pay a portion of the 2003 General Obligation Bond and monies transferred to the Construction Fund for various Township capital improvements.

NOTE 8 – CAPITAL ASSETS

A summary of the business-type fixed asset activity for the 2009 calendar year was as follows:

	Balance 1/1/09	Additions	Deletions	Balance 12/31/09
Sewer System	\$ 9,869,024	\$ 465,859	\$ -	\$ 10,334,883
Equipment	263,305	-	-	263,305
Work in Progress	693,049	48,799	337,459	404,389
	\$ 10,825,378	\$ 514,658	\$ 337,459	\$ 11,002,577
Less: Accumulated Depreciation	\$ 6,081,222	\$ 122,435	\$ -	\$ 6,203,657
Business-Type Activities				
Capital Assets, Net	\$ 4,744,156	\$ 122,435	\$ -	\$ 4,798,920

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9 -- UNAMORTIZED BOND COSTS

The Township's Sewer Fund incurred \$83,773 in bond issuance costs in connection with its 2003 General Obligation Bond Issue. These costs are being amortized by the Township on a straight-line basis over the life of the bond issue. Amortization expense for 2009 was \$5,236. The remaining unamortized bond discount as of December 31, 2009 is \$48,431.

NOTE 10 - DUE TO/FROM OTHER FUNDS

Due to/from other funds is comprised of the following at December 31, 2009:

	DUE TO	DUE FROM
General Fund	\$ 916,707	\$ 13,837
Traffic Signalization Fund	-	44,181
Capital Improvement Fund	-	60,278
Sewer Fund	13,837	812,248
	\$ 930,544	\$ 930,544

The amounts due to the General Fund represent monies paid by the General Fund for general expenses of the Traffic Signalization, Capital Improvement, and Sewer Funds. These monies are expected to be paid back to the General Fund in early 2009. The amount due to the Sewer Fund represents monies paid by the Sewer Fund for 2009 General Obligation Bond interest to be paid from the General Fund.

NOTE 11 - PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES) DEBT OBLIGATIONS

GENERAL OBLIGATION NOTES

PENNVEST

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

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 - PROPRIETARY FUND (BUSINESS-TYPE ACTIVITIES) DEBT OBLIGATIONS (Continued)

GENERAL OBLIGATIONS BONDS

In April of 2003, the Township of North Fayette issued General Obligation Bonds, Refunding Series of 2003 in the amount of \$5,860,000. The purpose of the issue was to (1) refund the outstanding balance of the Township's General Obligation Bonds - Series A & B of 1993; (2) make certain capital improvements to the Township's sewer system and other general capital improvements deemed necessary by management (3) pay all costs and expenses related to the issuance of the 2003 bonds. The bonds were issued in denominations of \$5,000, dated April 15, 2003, and pay interest semi-annually on April 15 and October 15 at rates ranging between 1.10% and 4.10%. In July of 2009 the Township refunded a portion of the bonds using proceeds from General Obligation Bonds, Refunding Series of 2009. The unpaid portion of the bonds at 12/31/09 is \$225,000. Management has determined that approximately 35% of the proceeds from the bond issue are for the benefit of the Township's sewer system. Accordingly, the sewer fund will be responsible for 35% of the principal and interest repayment obligation of the bond issue. The portion of this General Obligation Bond Issue allocated to the Township's sewer projects, and paid for from the Township's proprietary fund, is \$78,750.

A summary of the Township's Proprietary Fund (Business-Type Activity) outstanding debt obligations at December 31, 2009 is as follows:

<u>Year End</u> <u>31-Dec</u>	<u>Bond</u> <u>Principal</u>	<u>1996</u> <u>Pennvest</u> <u>Principal</u>	<u>2001</u> <u>Pennvest</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 46,800	\$ 58,071	\$ 48,407	\$ 34,865	188,143
2011	31,950	60,442	50,075	28,967	171,434
2012	-	62,911	51,800	24,767	139,478
2013	-	54,963	53,584	20,429	128,976
2014	-	-	55,430	17,557	72,987
2015-2019	-	-	307,148	57,791	364,939
2020-2022	-	-	180,282	8,269	188,551
	<u>\$ 78,750</u>	<u>\$ 236,387</u>	<u>\$ 746,726</u>	<u>\$ 192,645</u>	<u>\$ 1,254,508</u>

NOTE 12 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS

REVENUE NOTE

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 – GOVERNMENTAL ACTIVITY LONG-TERM DEBT OBLIGATIONS (Continued)

GENERAL OBLIGATION BONDS

In July of 2009, the Township of North Fayette issued General Obligation Bonds, Refunding Series of 2009 in the amount of \$9,290,000. The purpose of the issue was to (1) refund a portion of the outstanding balance of the Township's General Obligation Bonds - Series of 2003; (2) make certain capital improvements to the Township's sewer system and other general capital improvements deemed necessary by management (3) pay all costs and expenses related to the issuance of the 2009 bonds. The bonds were issued in denominations of \$5,000, dated July 1, 2009. Interest payments are made semi-annually on April 15 and October 15 at rates ranging between 1.85% and 5.0%. The bonds are scheduled to mature on April 15, 2038.

A summary of the Township's Governmental Activity outstanding debt obligations at December 31, 2009 is as follows. The governmental activity long-term debt portion of the Series of 2003 Bond Issue, as described in Note 11, totals \$146,250.

<u>Year End</u> <u>Dec 31</u>	<u>2003 Bond</u> <u>Principal</u>	<u>2009 Bond</u> <u>Principal</u>	<u>Bond</u> <u>Interest</u>	<u>Penworks</u> <u>Principal</u>	<u>Penworks</u> <u>Interest</u>	<u>Total</u>
2010	\$ 73,200	\$ 65,000	\$ 409,434	\$ -	\$ 29,153	\$ 576,787
2011	73,050	85,000	405,711	-	29,153	592,914
2012	-	195,000	401,849	-	29,153	626,002
2013	-	200,000	397,249	-	29,153	626,402
2014	-	205,000	391,883	-	29,153	626,036
2015-2019	-	1,130,000	1,855,652	-	145,763	3,131,415
2020-2024	-	1,375,000	1,615,203	-	145,763	3,135,966
2025-2029	-	1,705,000	1,281,908	1,457,625	87,458	4,531,991
2030-2034	-	2,175,000	819,475	-	-	2,994,475
2035-2038	-	2,155,000	221,875	-	-	2,376,875
	<u>\$ 146,250</u>	<u>\$ 9,290,000</u>	<u>\$ 7,800,239</u>	<u>\$ 1,457,625</u>	<u>\$ 524,749</u>	<u>\$ 19,218,863</u>

CAPITAL LEASE AGREEMENTS

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

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

<u>YEAR END</u> <u>DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$ 55,099	\$ 19,037	\$ 74,136
2011	57,181	16,955	74,136
2012	59,342	14,974	74,316
2013	61,585	12,551	74,136
2014	63,913	10,224	74,137
2015-2018	206,599	15,809	222,408
	<u>\$ 503,719</u>	<u>\$ 89,550</u>	<u>\$ 593,269</u>

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 13 - CHANGES IN LONG-TERM DEBT

The following summarizes the changes in the township's long-term debt obligations during the year ended December 31, 2009:

	Balance 1/1/09	Additions	Reductions	Balance 12/31/09	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 3,138,840	\$ 9,290,000	\$ 2,992,590	\$ 9,436,250	\$ 138,200
General Obligation Notes	1,457,625	-	-	1,457,625	-
Capital Lease Agreement	556,812	-	53,093	503,719	55,099
Total long-term Debt - Governmental Activities	\$ 5,153,277	\$ 9,290,000	\$ 3,045,683	\$ 11,397,594	\$ 193,299
BUSINESS-TYPE ACTIVITIES					
General Obligation Notes	\$ 1,195,769	\$ -	\$ 212,656	\$ 983,113	\$ 106,478
General Obligation Bonds	2,081,160	-	2,002,410	78,750	46,800
Total long-term Debt - Business-Type Activities	\$ 3,276,929	\$ -	\$ 2,215,066	\$ 1,061,863	\$ 153,278

NOTE 14- OPERATING LEASE

In June of 2006, North Fayette Township entered into a lease agreement with General Electric Capital Corporation for the lease of a Savin 8045 copier. The terms of the lease call for 48 monthly payments of \$580.50. The copier lease expense for the Township for 2009 was \$6,966.

NOTE 15- TOWNSHIP PENSION PLANS

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

Plan membership as of January 1, 2009 was comprised of:

Active employees	20
Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to benefits but not yet receiving them	-
Total	<u>26</u>

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 15- TOWNSHIP PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time policemen of the Township of North Fayette shall be participants in the plan.
- ELIGIBILITY** - All participants are eligible for retirement benefits at the later of age Fifty (50) or the completion of twenty-five (25) years of service.
- BENEFITS** - Based on fifty percent of the participant's average monthly salary earned during the 36 month period preceding retirement. Vesting shall occur after completion of twelve years of eligible service.
- TERMINATION** - The plan provides terminated employees with a return of their contributions, if any, plus 5% interest.
- FUNDING** - Employee contributions are equal to 5% of total compensation. Township contributions are to be determined by the actuary. The Township contributed \$352,210 to the plan in 2009, \$125,121 of which was received from the Commonwealth of Pennsylvania's Municipal Pension State Aid allocation. Eligible Township employees contributed \$82,599 to the plan.

The Township has a net pension asset (a negative net pension obligation (NPO) as of December 31, 2008 calculated as follows:

Annual required contribution (ARC)	\$ 363,492
Interest on NPO	-
Adjustment to the ARC	-
Annual pension cost	\$ 363,492
Contributions made	<u>352,210</u>
Change in NPO	\$ 11,282
NPO - January 1, 2008	<u>(194)</u>
NPO - December 31, 2008	<u>\$ 11,088</u>

Pursuant to an agreement dated September 14, 1994 between the Township and three of its retirees, the Township has agreed to supplement the retirement benefits of these retirees in an amount that, when combined with normal retirement benefits, will equal 75% of the retirees final monthly average salary. During 2009, the Township paid \$78,288 in direct annuity payments to these retirees.

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 15- TOWNSHIP PENSION PLANS (Continued)

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

Plan membership as of January 1, 2009 was comprised of:

Active employees	35
Retirees and beneficiaries currently receiving benefits	.
Terminated employees entitled to benefits but not yet receiving them	1
Total	36

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time employees of the Township of North Fayette shall be participants in the plan.

- ELIGIBILITY** - All participants are eligible for retirement benefits at the normal retirement age of sixty-five (65) or early retirement age of sixty (60).

- BENEFITS** - The participant's receive the fair market value of their account as a lump sum or used to purchase an annuity. Vesting shall occur after completion of ten years of eligible service.

- FUNDING** - Employee contributions are equal to 2.5% of total compensation. Township contributions required to be 7% of each eligible participant's compensation. The Township contributed \$109,066 to the plan in 2009, \$2,714 of which was received from the Commonwealth of Pennsylvania's Municipal Pension State Aid allocation. Eligible Township employees contributed \$42,143 to the plan.

NOTE 16- DEFERRED COMPENSATION PLAN

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

TOWNSHIP OF NORTH FAYETTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 17- RISK MANAGEMENT

GENERAL

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

WORKMEN'S COMPENSATION

For its workmen's compensation insurance coverage, the Township participates in the Municipal Risk Management Workmen's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 199 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-settings 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 \$76,026. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the 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 assets of the Trust.

NOTE 18- COMMITMENTS AND CONTINGENT LIABILITIES

LEGAL MATTERS

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

FEDERAL AND STATE FUNDING

The Township of North Fayette's state and federally funded programs are subject to audit by various governmental agencies. The Township is potentially liable for any expenditures disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 19 – SUBSEQUENT EVENT

Management has determined that there are not events subsequent to December 31, 2009 through the date of the financial statements that require disclosure.

***SUPPLEMENTAL
SCHEDULES***

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
<u>TAXES:</u>			
Real Estate Tax - Current	\$ 2,900,000	\$ 2,856,663	\$ 2,717,749
Real Estate Tax - Prior	60,000	91,124	130,703
Deed Transfer Tax	350,000	210,226	465,143
Earned Income Tax	1,850,000	1,950,505	1,973,725
Occupational Privilege Tax	420,000	403,212	355,169
Amusement Tax	3,500	4,423	4,660
Mechanical Device Tax	10,000	6,700	10,950
Parking Tax	30,000	33,849	28,976
TOTAL TAXES	\$ 5,623,500	\$ 5,556,702	\$ 5,687,075
<u>LICENSES AND PERMITS:</u>			
Cable Franchise Fee - Comcast	\$ 205,000	\$ 191,377	\$ 199,810
Cable Franchise Fee - Verizon	-	30,138	-
Transient Vendor Permits	300	20	-
Street Encroachment Permits	5,000	19,458	7,035
Building Permits	85,000	57,831	160,983
Occupancy Permits	4,000	3,580	4,960
Subdivision/Land Development	8,000	7,686	4,850
Other Permits	-	750	-
Solicitor Permits	-	-	375
TOTAL LICENSES AND PERMITS	\$ 307,300	\$ 310,840	\$ 378,013
<u>FINES AND FORFEITURES:</u>			
Vehicle Code and Ordinance Violations	\$ 46,000	\$ 9,022	\$ 50,876
State Police Fines	9,200	9,523	10,090
Parking fines	3,000	2,690	2,870
Individual Fines	3,700	46,132	2,973
TOTAL FINES AND FORFEITURES	\$ 61,900	\$ 67,367	\$ 66,809
<u>INTEREST AND RENTS:</u>			
Interest earnings	\$ 60,000	\$ 11,706	\$ 57,815
Rent	68,313	70,185	68,196
TOTAL INTEREST AND RENTS	\$ 128,313	\$ 81,892	\$ 126,011
<u>INTERGOVERNMENTAL:</u>			
State capital operating grants	\$ -	\$ 16,866	\$ 31,153
Penworks Grant	-	-	156,972
Public utility realty tax	7,200	8,022	7,240
Alcoholic beverage tax	7,400	6,550	7,450
Pension state aid	233,000	231,473	232,602
Volunteer fire relief	98,400	86,015	98,465
Act 77 County Sales tax	150,000	154,595	157,274
TOTAL INTERGOVERNMENTAL	\$ 496,000	\$ 503,521	\$ 691,156

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(MEMORANDUM ONLY)</u> <u>2008</u>
<u>CHARGES FOR SERVICES:</u>			
Hearing fees	\$ 3,000	\$ 4,100	\$ 3,700
Sale of maps and publications	2,900	1,978	3,076
Lien letter fees	16,000	16,740	18,270
Dye test certification	-	4,350	-
Tax collection fees - WASD	47,800	56,487	54,110
Special police services	37,000	43,416	36,254
Sale of police reports	4,800	3,360	4,395
SRO - WASD	50,000	53,938	51,451
Contracted snow removal - PENNDOT	36,400	43,942	41,057
Other contracted services	11,000	14,049	15,256
Solid waste collection revenue	795,000	818,263	804,767
Sale of recyclables	6,000	1,117	6,453
Parks & rec - interest earnings	100	5	100
Rent - fields	400	-	445
Rent - community center/gym	5,000	7,399	6,831
Swimming pool receipts	55,000	54,543	58,972
Rent - picnic shelters	4,500	4,319	4,895
Donations	1,200	1,966	3,476
Program revenues	10,700	10,024	10,297
Seasonal revenues	48,000	48,339	36,789
Event revenues	16,500	2,982	-
TOTAL CHARGES FOR SERVICES	\$ 1,151,300	\$ 1,191,315	\$ 1,160,593
<u>MISCELLANEOUS:</u>			
Miscellaneous revenues	\$ 3,500	\$ 5,927	\$ 9,132
Reimbursement - NFTBIA	10,000	-	10,000
Reimbursement - WACL	1,000	-	-
Health insurance rebate	14,000	-	13,942
Workers' compensation dividend	75,000	76,026	99,591
TOTAL MISCELLANEOUS	\$ 103,500	\$ 81,953	\$ 132,665
<u>OTHER FINANCIAL SOURCES:</u>			
Sale of Township property	\$ 10,000	\$ 9,861	\$ -
Transfer - Sewer Fund	660,000	660,000	200,000
Transfer - Highway Aid Fund	327,400	327,400	337,500
Transfer - Pennworks Fund	-	-	487,066
Refund Prior Year Expenses	-	300	1,062
TOTAL OTHER FINANCIAL SOURCES	\$ 997,400	\$ 997,561	\$ 1,025,628
TOTAL REVENUES AND OTHER FINANCIAL SOURCES	\$ 8,869,213	\$ 8,791,150	\$ 9,267,950

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
GENERAL GOVERNMENT:			
ADMINISTRATION:			
Salary - supervisors	\$ 41,962	\$ 42,492	\$ 42,476
Salary - manager & clerical	211,146	212,011	205,264
Employee benefits	74,775	77,497	78,124
Auditing & financial consulting	4,500	4,400	4,750
Legal expenses	93,850	141,703	113,128
Engineering fees	85,000	134,327	59,763
Other professional services	3,500	11,111	20,615
Communications	10,500	10,200	11,440
Advertising	7,000	5,883	8,166
Liability & bond insurance	25,000	22,388	24,995
Data processing	30,000	32,402	21,070
Office supplies and printing	13,600	14,750	15,057
Memberships & conventions	13,200	8,051	11,137
Postage	13,900	16,327	15,485
Capital purchases	7,200	30,119	7,710
Miscellaneous	11,000	6,293	11,720
TOTAL ADMINISTRATION	\$ 646,133	\$ 769,952	\$ 650,902
TAX COLLECTION:			
Real estate commissions	\$ 30,000	\$ 27,388	\$ 21,610
Earned income tax commissions	85,800	90,170	88,084
General expense	20,300	18,743	17,144
TOTAL TAX COLLECTION	\$ 136,100	\$ 136,301	\$ 126,838
MUNICIPAL BUILDING:			
Salaries - regular	\$ 14,470	\$ 14,696	\$ 13,641
Payroll taxes	1,110	1,124	1,044
Workmens comp benefits	985	759	802
Maintenance supplies	3,000	3,495	3,421
Insurance and bonding	4,200	4,817	-
Utilities	32,000	26,869	34,060
Repairs and maintenance	15,000	13,800	18,845
Miscellaneous	500	789	232
TOTAL MUNICIPAL BUILDING	\$ 71,265	\$ 66,350	\$ 72,044
TOTAL GENERAL GOVERNMENT	\$ 853,498	\$ 972,602	\$ 849,784
PUBLIC SAFETY:			
POLICE PROTECTION:			
Salaries - regular	\$ 1,588,936	\$ 1,552,397	\$ 1,483,333
Salaries - communications	177,203	163,514	158,053
Salaries - overtime	11,563	3,042	(1,919)
Medical benefits	380,700	375,355	344,362
Payroll taxes	152,728	143,725	136,659
Other insurance benefits	15,000	17,101	43,942
Workmen's Compensation benefits	82,256	82,867	84,143
Salaries - overtime	209,717	152,710	146,182
Office supplies and printing	6,000	6,664	4,065

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
PUBLIC SAFETY: (Continued)			
POLICE PROTECTION: (Continued)			
General operating expenses	11,500	10,224	9,128
Uniforms	28,750	20,682	15,104
Vehicle fuel	100,000	45,583	86,183
Petty cash	500	-	172
Crime prevention	2,500	-	-
Communications	40,000	32,755	36,263
Insurance and Bonding	30,600	25,745	-
Vehicle repair and maintenance	15,000	18,075	15,666
Data processing	20,000	21,128	20,166
Dues/subscriptions/education	15,000	15,263	8,085
Animal control	8,000	5,223	6,924
Capital purchases	48,400	49,608	44,149
Vehicle purchases	83,000	103,294	72,297
TOTAL POLICE PROTECTION	\$ 3,027,353	\$ 2,844,954	\$ 2,712,958
FIRE PROTECTION:			
Workmen's Compensation benefits	\$ 13,900	\$ 14,279	\$ 15,118
Auto insurance	-	-	8,080
Rent - radio tower	1,800	1,749	1,819
Rent - fire hydrants	40,000	40,002	39,334
Insurance and bonding	8,200	7,897	-
Contribution to fire department	238,000	206,015	292,601
TOTAL FIRE PROTECTION	\$ 301,900	\$ 269,941	\$ 356,952
PLANNING AND ZONING:			
Salaries- Regular	\$ 61,292	\$ 55,472	\$ 54,384
Medical Benefits	16,700	16,734	15,076
Payroll Taxes	6,689	4,244	4,160
Other Insurance Benefits	1,300	276	234
Workmens Comp Benefits	369	263	285
Office supplies and printing	4,000	359	449
Other professional services	110,300	50,827	5,669
Communications	780	736	-
Advertising	3,500	2,343	2,569
Legal services	20,000	15,490	26,082
Data Processing	2,500	1,425	-
Dues/Subscriptions/Education	4,000	1,736	3,561
TOTAL PLANNING AND ZONING	\$ 231,430	\$ 149,905	\$ 112,468
PROTECTIVE INSPECTION:			
Salaries - regular	\$ 49,378	\$ 49,378	\$ 48,410
Medical benefits	4,690	5,642	5,559
Payroll taxes	3,777	3,777	3,703
Other insurance benefits	300	276	1,006
Workmen's Compensation benefits	322	230	270
Insurance and bonding	800	1,221	-
General operating expenses	9,820	2,552	3,652
Dues/subscriptions/education	2,000	1,306	2,154
TOTAL PROTECTIVE INSPECTION	\$ 71,087	\$ 64,382	\$ 64,755
TOTAL PUBLIC SAFETY	\$ 3,631,770	\$ 3,329,183	\$ 3,247,133

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
PUBLIC WORKS:			
SANITATION:			
Salaries - regular	\$ 328,962	\$ 326,060	\$ 324,988
Medical benefits	97,600	98,559	97,276
Payroll taxes	26,578	26,231	26,338
Other insurance benefits	5,400	1,935	8,752
Workmen's Compensation benefits	18,308	19,681	23,570
Other fringe benefits	-	-	300
Salaries - overtime	18,468	17,941	19,293
Office supplies and printing	1,600	2,216	1,979
Uniforms	1,750	3,394	1,750
Vehicle fuel	42,000	19,092	39,058
Vehicle fluids and oil	6,000	2,796	4,351
Postage	4,290	3,980	3,871
Maintenance supplies	3,000	4,761	710
Vehicle maintenance	28,000	42,505	14,582
Radio Equipment Maintenance	1,540	849	994
Insurance and bonding	7,200	5,601	-
Bad Debt Provision	1,050	-	-
Landfill fees	240,240	205,435	203,323
Miscellaneous	500	810	540
Pennworks Expense	-	-	652,790
Capital purchases	-	59,838	-
TOTAL SANITATION	\$ 832,486	\$ 841,685	\$ 1,424,464
HIGHWAYS:			
Salaries - regular	\$ 870,541	\$ 841,220	\$ 805,707
Medical benefits	226,850	224,564	224,519
Payroll taxes	72,104	68,802	66,490
Other insurance benefits	6,800	5,251	24,561
Workmen's Compensation benefits	49,667	50,063	53,320
Other fringe benefits	-	-	1,145
Salaries - overtime	72,000	60,373	63,442
Office supplies and printing	300	40	40
Uniforms	4,500	2,496	4,500
Vehicle fuel	90,000	39,821	81,581
Vehicle fluids and oil	12,000	9,156	10,933
Safety clothing and supplies	3,500	3,671	2,209
Small tools - Highway Dept.	4,000	4,360	3,748
Small tools - Maintenance	10,000	13,727	8,540
Communications	2,000	2,551	2,954
Radio equipment maintenance	6,000	3,717	6,370
Insurance and bonding	20,200	16,425	-
Dues/subscriptions/education	350	255	445
Snow and ice controls	-	-	249,107
Traffic control devices	52,000	49,644	35,159
Street lighting	110,000	115,352	117,190
Storm sewer maintenance	-	-	18,475
Equipment maintenance	120,000	124,545	114,120
Materials	-	6,245	-
Highway materials - salt	350,000	237,017	147,127
Materials	25,000	12,707	-
Highway materials	250,000	191,343	-
Contracted services	5,000	1,700	-
Miscellaneous	800	1,689	2,004
Capital purchases & improvements	2,500	306,673	74,850
Machinery/Vehicles	-	141,913	-
TOTAL HIGHWAYS	\$ 2,366,112	\$ 2,535,320	\$ 2,118,535
TOTAL PUBLIC WORKS	\$ 3,198,598	\$ 3,377,005	\$ 3,542,999

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
CULTURE AND RECREATION:			
LIBRARIES:			
Contributions	\$ 98,032	\$ 82,944	\$ 67,855
TOTAL LIBRARIES	\$ 98,032	\$ 82,944	\$ 67,855
PARKS AND RECREATION:			
Salaries - regular	\$ 91,861	\$ 90,587	\$ 88,543
Medical benefits	32,110	32,441	26,191
Salaries - seasonal	39,000	50,034	31,002
Payroll taxes	7,107	6,916	7,979
Payroll taxes - seasonal	2,983	3,806	1,162
Other insurance benefits	250	-	90
Workmens comp benefits	7,348	8,417	7,091
Salaries - overtime	-	65	68
Vehicle fuel	1,500	-	-
Communications	800	1,284	-
Travel expenses	-	907	-
Insurance and bonding	600	-	-
Program development	-	-	55,732
Events	54,775	54,989	3,334
Year round program development	5,500	6,776	3,764
Seasonal program development	7,500	9,414	8,211
Utilities	-	-	6,849
Due, subscriptions/education	2,000	704	-
Contributions	500	150	135
Ground improvements	-	2,462	5,293
TOTAL PARKS AND RECREATION	\$ 253,834	\$ 268,951	\$ 245,446
SWIMMING POOL:			
Salaries - regular	\$ 27,000	\$ 33,715	\$ 33,644
Payroll taxes	2,066	2,579	2,626
General operating expenses	8,000	9,981	11,246
Maintenance supplies	3,500	1,839	11,430
Utilities	10,000	22,371	6,726
Repairs & maintenance	5,000	1,809	4,621
Ground Improvements	10,000	11,425	12,822
TOTAL SWIMMING POOL	\$ 65,566	\$ 83,719	\$ 83,115
PARKS - KELSO ROAD:			
Utilities	\$ 10,150	\$ 9,547	\$ 6,981
Maintenance supplies	20,000	13,237	13,253
Repairs and maintenance	7,600	3,104	1,840
Rent - land	2,400	3,000	3,000
Capital purchases	10,000	9,664	8,683
Ground improvements	30,000	26,705	4,637
TOTAL PARKS - KELSO ROAD	\$ 80,150	\$ 65,257	\$ 38,394
CONSERVATION AND DEVELOPMENT:			
Maintenance supplies	\$ 2,300	\$ 2,051	\$ 2,113
Utilities	17,000	15,528	15,764
Repairs and maintenance	10,500	9,532	9,754
Ground improvements	2,200	423	2,035
Building improvements	-	90	-
TOTAL CONSERVATION AND DEVELOPMENT	\$ 32,000	\$ 27,623	\$ 29,666
TOTAL CULTURE AND RECREATION	\$ 529,582	\$ 528,494	\$ 464,477

TOWNSHIP OF NORTH FAYETTE
DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	BUDGET	ACTUAL	(MEMORANDUM ONLY) 2008
<u>DEBT SERVICE:</u>			
Debt service interest	\$ 132,529	\$ 158,820	\$ 111,022
Debt service principal	174,634	142,590	75,660
Fire truck principal	-	53,092	-
Fire truck interest	-	21,044	-
Fiscal Agent Fee	-	450	450
TOTAL DEBT SERVICE	\$ 307,163	\$ 375,996	\$ 187,132
<u>MISCELLANEOUS:</u>			
Pension contributions	\$ 482,957	\$ 461,275	\$ 378,953
Unemployment taxes	18,200	14,393	19,048
Miscellaneous	1,000	24	-
TOTAL MISCELLANEOUS	\$ 502,157	\$ 475,693	\$ 398,000
<u>OTHER FINANCING USES:</u>			
Refund prior year revenues	\$ -	\$ 73,553	\$ 239
Interfund Transfer - Capital Improvement Fund	-	-	600,000
TOTAL OTHER FINANCING USES	\$ -	\$ 73,553	\$ 600,239
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 9,022,768	\$ 9,132,525	\$ 9,289,764

SCHEDULE 3

**TOWNSHIP OF NORTH FAYETTE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	LIQUID FUELS FUND	COMMUNITY PARK FUND	TRAFFIC SIGNALIZATION FUND	CAPITAL IMPROVEMENT FUND	TRAFFIC IMPACT FEE FUND	TOTAL
Cash and Cash Equivalents	\$ 37,045	\$ 3,645	\$ 20,139	\$ 429,290	\$ 57,051	\$ 547,170
TOTAL ASSETS	\$ 37,045	\$ 3,645	\$ 20,139	\$ 429,290	\$ 57,051	\$ 547,170
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ 44,181	\$ 60,278	\$ -	\$ 104,459
TOTAL LIABILITIES	\$ -	\$ -	\$ 44,181	\$ 60,278	\$ -	\$ 104,459
FUND BALANCES:						
Unreserved	\$ 37,045	\$ 3,645	\$ (24,042)	\$ 369,012	\$ 57,051	\$ 442,711
TOTAL FUND BALANCES	\$ 37,045	\$ 3,645	\$ (24,042)	\$ 369,012	\$ 57,051	\$ 442,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,045	\$ 3,645	\$ 20,139	\$ 429,290	\$ 57,051	\$ 547,170

TOWNSHIP OF NORTH FAYETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	LIQUID FUELS FUND	COMMUNITY PARK FUND	TRAFFIC SIGNALIZATION FUND	CAPITAL IMPROVEMENT FUND	TRAFFIC IMPACT FEE FUND	TOTAL
REVENUES:						
Liquid fuels allocation	\$ 325,784	-	-	-	-	\$ 325,784
Donations	-	3,381	-	-	-	3,381
Interest	726	2	6	1,989	702	3,425
TOTAL REVENUES	\$ 326,510	\$ 3,383	\$ 6	\$ 1,989	\$ 702	\$ 332,590
OTHER FINANCING SOURCES:						
Refund of prior year expenses	\$ 6,300	-	-	-	-	\$ 6,300
TOTAL OTHER FINANCING SOURCES	\$ 6,300	\$ -	\$ -	\$ -	\$ -	\$ 6,300
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 332,810	\$ 3,383	\$ 6	\$ 1,989	\$ 702	\$ 338,890
EXPENDITURES:						
General Government	\$ -	-	-	4,951	-	\$ 4,951
Public Works - Highways	-	-	15,570	120,561	-	136,151
Culture and Recreation	-	1,937	-	-	-	1,937
Bank Fees	-	120	-	-	-	120
TOTAL EXPENDITURES	\$ -	\$ 2,057	\$ 15,570	\$ 125,532	\$ -	\$ 143,159
OTHER FINANCING USES:						
Interfund transfer	\$ 327,400	-	-	-	-	\$ 327,400
TOTAL OTHER FINANCING USES	\$ 327,400	\$ -	\$ -	\$ -	\$ -	\$ 327,400
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 327,400	\$ 2,057	\$ 15,570	\$ 125,532	\$ -	\$ 470,559
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 5,410	\$ 1,326	\$ (15,564)	\$ (123,543)	\$ 702	\$ (131,668)
FUND BALANCE - January 1, 2009	31,695	2,319	(6,478)	492,555	56,349	574,380
FUND BALANCE - December 31, 2009 (Deficit)	\$ 37,045	\$ 3,645	\$ (24,042)	\$ 369,012	\$ 57,051	\$ 442,711

NORTH FAYETTE TOWNSHIP
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DEVELOPER ESCROWS
 DECEMBER 31, 2009

		PNC HOLDING TANK CD	1ST COMMON- WEALTH HOLDING TANK	PNC MID AMERICAN	GOODALL ESCROW ACCT.	BAKER SEWER PROJECT ESCROW	IMPERIAL BUSINESS PARK ESCROW	TOTAL
ASSETS:								
Cash and Cash Equivalents		\$ 5,317	\$ 1,680	\$ 3,152	\$ 5,243	\$ 2,862	\$ 20,681	\$ 38,935
TOTAL ASSETS		<u>\$ 5,317</u>	<u>\$ 1,680</u>	<u>\$ 3,152</u>	<u>\$ 5,243</u>	<u>\$ 2,862</u>	<u>\$ 20,681</u>	<u>\$ 38,935</u>
LIABILITIES:								
Due to Developers		\$ 5,231	\$ 1,678	\$ 3,181	\$ 5,203	\$ 2,860	\$ 20,526	\$ 38,679
TOTAL LIABILITIES		<u>\$ 5,231</u>	<u>\$ 1,678</u>	<u>\$ 3,181</u>	<u>\$ 5,203</u>	<u>\$ 2,860</u>	<u>\$ 20,526</u>	<u>\$ 38,679</u>

***SUPPLEMENTAL
SCHEDULES***

TOWNSHIP OF NORTH FAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
DECEMBER 31, 2009

SCHEDULES OF FUNDING PROGRESS:

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY</u>	<u>(UAAL) UNFUNDED ACTUARIAL ACCRUED LIABILITY</u>	<u>FUNDED RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A % OF COVERED PAYROLL</u>
1/1/01	\$3,083,826	\$2,903,846	\$ (179,980)	106%	\$ 946,351	-19.0%
1/1/03	3,390,274	4,090,143	699,869	83%	1,103,696	63.4%
1/1/05	3,633,876	4,694,125	1,060,249	77%	1,386,482	76.5%
1/1/07	4,390,156	6,200,628	1,810,472	71%	1,388,822	130.4%
1/1/09	4,335,219	7,081,982	2,746,763	61%	1,545,377	177.7%

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS:

<u>YEAR ENDED DECEMBER 31</u>	<u>ANNUAL REQ. CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2001	\$ 108,520	100%
2002	100,795	100%
2003	102,487	100%
2004	188,024	80%
2005	244,807	100%
2006	249,756	100%
2007	250,773	100%
2008	251,802	103%
2009	349,025	101%

TOWNSHIP OF NORTH FAYETTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

NOTE 1 – TREND INFORMATION

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

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

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

NOTE 2 – ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuation dated January 1, 2009 for the police pension plan. Additional information included as part of this valuation is as follows:

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Dollar, closed

Remaining Amortization Period – 14 years (aggregate)

Asset Valuation Method – Four year smoothing

Investment Rate of return – 7.0% per annum

Salary Increase – 4.75% per annum