

TOWNSHIP OF NORTH HUNTINGDON

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AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**TOWNSHIP OF  
NORTH HUNTINGDON**  
WESTMORELAND COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT BY

CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**TOWNSHIP OF NORTH HUNTINGDON**  
**WESTMORELAND COUNTY, PENNSYLVANIA**

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**TOWNSHIP OF NORTH HUNTINGDON**  
**WESTMORELAND COUNTY, PENNSYLVANIA**

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# **Mark C. Turnley**

*Certified Public Accountant*

1000 3<sup>rd</sup> Avenue  
New Brighton, Pennsylvania 15066  
(724) 384-1081  
FAX (724) 384-8908

**Board of Commissioners  
Township of North Huntingdon**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of North Huntingdon as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Basis for Qualification**

The financial statements do not include the financial data for the Township's legally separate component unit – The North Huntingdon Township Municipal Authority. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Township's primary government. Because of this departure from accounting principles generally accepted in the United States of America, the assets and deferred outflow of resources, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit, the North Huntingdon Township Municipal Authority, as of its latest fiscal year-end April 30, 2015, would have been presented as \$51,944,343, \$10,165,459, \$41,778,884, \$10,618,443, and \$7,125,031 respectively.

### **Modified Opinion**

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Township of North Huntingdon as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Township of North Huntingdon as of December 31, 2015 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

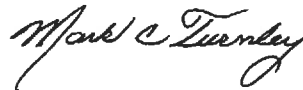
#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv-x and historical pension information on pages 47-50 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.

### ***Other Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of North Huntingdon's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Mark C. Turnley, CPA

August 17, 2016  
New Brighton, Pennsylvania

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

The discussion and analysis of the Township of North Huntingdon's (Township) financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2015 are as follows:

- The assets of Township of North Huntingdon exceeded its liabilities at the close of the year ended December 31, 2015 by \$10,944,568 (Net Position). Overall, net position decreased \$2,697,677 (20%) from December 31, 2014, mainly as the result of the Township's required implementation of Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting for Pensions, which resulted in a restatement and reduction of the January 1, 2015 net position of the Township totaling \$2,544,210.
- Total revenues were \$14,305,391 for 2015 compared to \$14,043,466 in 2014. General revenues, which include taxes and investment earnings, accounted for \$11,514,101 or 80% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$2,791,290 or 20% of total revenues.
- The Township had \$14,458,858 in expenses related to governmental activities compared to \$14,195,873 in 2014. The 2015 expenses were offset by the program specific charges for services and operating grants of \$2,791,290, leaving the remaining net cost of operations totaling \$11,667,568 to be cover by general revenues (primarily taxes).
- As of December 31, 2015, the combined fund balance of the Township's governmental funds totaled \$6,103,677, representing a decrease of \$193,074 (3%) over the previous calendar year. The main decrease in fund balance resulted from the Township's Capital Project Fund, which decreased \$157,224 (96%) over last year. As of December 31, 2015, the Township's General Fund balance was \$5,691,086.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to Township of North Huntingdon's basic financial statements. The Township's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes other supplementary information (schedules) and required supplementary information.



**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of Township of North Huntingdon in a manner similar to a private sector business.

**The Statement of Net Position** presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of Township of North Huntingdon is improving or deteriorating.

**The Statement of Activities** presents information showing how the Township's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods.

The government-wide financial statements distinguish functions of the Township that are principally support by taxes (property and local enabling). The governmental activities of the Township include public safety, streets, culture and recreation and general administrative support.

**Fund Financial Statements**

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds are included in one category: governmental funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions.

Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliations to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Township maintains individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds, Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund which is always considered to be a major fund.

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Governmental Funds: (Continued)**

Non-major governmental fund information for the Liquid Fuels Fund, Light Fund, Water Fund, Fire Fund, Park Fund, and Capital Project Fund is aggregated in a single column for financial reporting purposes, and is broken down in greater detail in the supplementary information (schedules) to the financial statements.

**Fiduciary Funds**

The Township offers two pension plans for all full-time employees (police and non-uniform pension plans). Financial statements for these funds are not required to be reported as they are considered to be agent multi-employer plans held by the Pennsylvania Municipal Retirement System.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Required Supplementary Information**

The Township adopts an annual appropriated budget for its General Fund, Special Revenue Funds, and Capital Projects Fund. Budgetary comparison statements have been provided for the General Fund (Exhibit G), and for the other non-major governmental funds in the supplementary information. In addition, a combining balance sheet and a combining statement of revenues, expenditures and changes in fund balances are presented for the Townships non-major governmental funds. Lastly, the Township presents historical information related to its pension plans in the required supplementary information section of the audit report

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**Government-Wide Financial Analysis**

A condensed version of the Statement of Net Position follows:

**TOWNSHIP OF NORTH HUNTINGDON  
Statement of Net Position  
December 31, 2015 and 2014**

|                                                                                 | 2015                 | 2014                 | Increase<br>(Decrease) | %<br>Change   |
|---------------------------------------------------------------------------------|----------------------|----------------------|------------------------|---------------|
| Current Assets                                                                  | \$ 8,033,338         | \$ 8,110,866         | \$ (77,528)            | -1.0%         |
| Capital Assets                                                                  | 7,536,402            | 7,694,077            | (157,675)              | -2.0%         |
| <b>TOTAL ASSETS</b>                                                             | <b>\$ 15,569,740</b> | <b>\$ 15,804,943</b> | <b>\$ (235,203)</b>    | <b>-1.5%</b>  |
| Deferred Outflow of Resources                                                   | \$ 1,497,057         | \$ -                 | \$ 1,497,057           | 100.0%        |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOW OF RESOURCES</b>                       | <b>\$ 17,066,797</b> | <b>\$ 15,804,943</b> | <b>\$ 1,261,854</b>    | <b>8.0%</b>   |
| Current Liabilities                                                             | \$ 514,333           | \$ 576,386           | \$ (62,053)            | -10.8%        |
| Long-term Liabilities                                                           | 5,596,386            | 1,586,312            | 4,010,074              | 252.8%        |
| <b>TOTAL LIABILITIES</b>                                                        | <b>\$ 6,110,719</b>  | <b>\$ 2,162,698</b>  | <b>\$ 3,948,021</b>    | <b>182.6%</b> |
| Deferred Inflow of Resources                                                    | \$ 11,510            | \$ -                 | \$ 11,510              | 100.0%        |
| Net Investment in<br>in Capital Assets                                          | \$ 7,536,402         | \$ 7,694,077         | \$ (157,675)           | -2.0%         |
| Restricted and Unrestricted                                                     | 3,408,166            | 5,948,168            | (2,540,002)            | -42.7%        |
| <b>TOTAL NET POSITION</b>                                                       | <b>\$ 10,944,568</b> | <b>\$ 13,642,245</b> | <b>\$ (2,697,677)</b>  | <b>-19.8%</b> |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOW OF RESOURCES AND<br/>NET POSITION</b> | <b>\$ 17,066,797</b> | <b>\$ 15,804,943</b> | <b>\$ 1,261,854</b>    | <b>8.0%</b>   |

Capital assets decreased as depreciation expense exceeded fixed asset additions for 2015 by approximately \$139,183. This resulted in a corresponding decrease in net position invested in capital assets. The increase in long-term liabilities is directly related to the Township's implementation of GASB Statement No. 68 which required the Township to recognize a net pension liability related to its police and non-uniform pension plans on its statement of net position for the first time totaling \$3,413,425. The amounts above for deferred outflow and inflow of resources are also related to the implementation of GASB Statement No. 68.

A portion of the Township's net position, \$223,208, represents resources that are subject to external restrictions on how they may be used. The major restrictions on net position are funding source restrictions. The remaining balance of total net position of \$3,184,958 is unrestricted and may be used to meet the Township's obligations to citizens and creditors in accordance with the finance-related legal requirements reflected in the Township's fund structure. At December 31, 2015, the Township reported positive balances in both categories of net position, (restricted and unrestricted).

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**Government-Wide Financial Analysis (Continued)**

A condensed version of the changes in net position follows:

**TOWNSHIP OF NORTH HUNTINGDON  
Year ended December 31, 2015 and 2014  
Changes in Net Position**

|                                       | 2015                 | 2014                 | Increase<br>(Decrease) | %<br>Change  |
|---------------------------------------|----------------------|----------------------|------------------------|--------------|
| <b>REVENUES</b>                       |                      |                      |                        |              |
| <b>Program Revenues:</b>              |                      |                      |                        |              |
| Charges for Services                  | \$ 1,205,615         | \$ 1,253,386         | \$ (47,771)            | -3.81%       |
| Grants and Contributions              | 1,585,675            | 1,959,889            | (374,214)              | -19.09%      |
| <b>General Revenues:</b>              |                      |                      |                        |              |
| Property Taxes                        | 4,428,719            | 4,559,379            | (130,660)              | -2.87%       |
| Local Enabling Taxes                  | 6,821,630            | 6,049,559            | 772,071                | 12.76%       |
| Miscellaneous Revenue                 | 217,943              | 171,064              | 46,879                 | 27.40%       |
| Gain on Sale of Fixed Assets          | 33,465               | 38,570               | (5,105)                | -13.24%      |
| Unrestricted Investment Earnings      | 12,344               | 11,619               | 725                    | 6.24%        |
| <b>TOTAL REVENUES</b>                 | <b>\$ 14,305,391</b> | <b>\$ 14,043,466</b> | <b>\$ 261,925</b>      | <b>1.87%</b> |
| <b>EXPENSES</b>                       |                      |                      |                        |              |
| General Government                    | \$ 1,390,026         | \$ 1,470,128         | \$ (80,102)            | -5.45%       |
| Public Safety                         | 6,747,235            | 6,636,311            | 110,924                | 1.67%        |
| Public Works                          | 5,467,724            | 5,210,911            | 256,813                | 4.93%        |
| Culture and Recreation                | 829,162              | 845,643              | (16,481)               | -1.95%       |
| Community Development                 | 24,711               | 32,880               | (8,169)                | -24.84%      |
| <b>TOTAL EXPENSES</b>                 | <b>\$ 14,458,858</b> | <b>\$ 14,195,873</b> | <b>262,985</b>         | <b>1.85%</b> |
| <b>INCREASE (DEC) IN NET POSITION</b> | <b>\$ (153,467)</b>  | <b>\$ (152,407)</b>  | <b>\$ (1,060)</b>      | <b>0.70%</b> |

The most significant revenues of the Township are taxes (79%), which include property taxes (31%), and local enabling taxes (48%), (principally earned income taxes). Program revenues are (20%) of the total revenue, which include charges for services (8%) and operating grants and contributions (12%). The decrease in grants and contributions is mainly from drilling impact fees of \$67,195 which was a decrease of \$448,642 from 2014.

Public safety is the most significant (47%) of all government activities expenses, followed by highways and roads (38%), general government (10%), and culture and recreation is (5%). Included in these expenses is \$786,782 of depreciation expense, which is (5%) of the total expenses.

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**Government-Wide Financial Analysis (Continued)**

**CAPITAL ASSETS**

At December 31, 2015, the Township had \$7,536,402 invested in capital assets, including land, land improvements, buildings and improvements, infrastructure, equipment and vehicles net of depreciation. This amount represents a net decrease (including additions, deletions and depreciation) of \$157,675, or approximately 2% from last year.

The Township had approximately \$647,599 in capital additions during the 2015 year, mainly comprised of the purchase of equipment and vehicles.

A summary of the Township's capital assets net of accumulated depreciation for the past two years is as follows:

|                            | <b>2015</b>                | <b>2014</b>                | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|----------------------------|----------------------------|----------------------------|--------------------------------------|
| Land                       | \$ 1,255,908               | \$ 1,255,908               | \$ -                                 |
| Land Improvements          | 232,579                    | 203,390                    | 29,189                               |
| Buildings and Improvements | 2,689,050                  | 2,794,804                  | (105,754)                            |
| Machinery and Equipment    | 2,742,228                  | 2,672,093                  | 70,135                               |
| Infrastructure             | 616,637                    | 767,882                    | (151,245)                            |
|                            | <u><u>\$ 7,536,402</u></u> | <u><u>\$ 7,694,077</u></u> | <u><u>\$ (157,675)</u></u>           |

**GOVERNMENTAL FINANCIAL ANALYSIS**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. *The General Fund* is the primary fund utilized by the Township to account for most service and departmental expenditures. Therefore, its performance is essential to the financial well-being of the Township. Outlined below are the significant events that occurred in 2015 with respect to the General Fund.

**General Fund Revenues (Budgetary Basis)**

In 2015, revenues in the General Fund were stronger than projected. \$12,213,094 was received in the General Fund, which is \$920,794 more than projected. Earned income and deed transfer tax revenues were the main revenue streams that exceeded budget projections.

**General Fund Expenditures (Budgetary Basis)**

In general the all expenditures categories in the General Fund came in under the 2015 budget. Total budgeted expenditures for 2015 was \$13,267,317 compared to actual expenditures of \$12,271,734, a difference of \$995,583. The most significant line-items under budget were general government expenditures of \$169,542 and public safety expenditures which were under budget by \$290,445 for calendar year 2015.

**TOWNSHIP OF NORTH HUNTINGDON  
WESTMORELAND COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2015**

**GOVERNMENTAL FINANCIAL ANALYSIS (Continued)**

**General Fund Conclusions**

Overall, the General Fund performed better than predicted in 2015 by approximately \$1,916,377. The year-end fund balance was \$5,691,086 (budgetary basis), which is very positive when it is compared to the overall annual General Fund budget of the Township.

In calendar year 2015, annual expenditures exceeded revenues in the General Fund. In 2015, \$12,213,094 (budgetary basis) in revenue was collected in the General Fund while \$12,271,734 (budgetary basis) was expended in the General Fund. This translates into \$58,640 more in expenses incurred as opposed to revenues collected. The decrease was mainly due to the decrease in drilling impact fees received in 2015 as compared to 2014.

**Non-Major Funds**

In addition to the General Fund, the Township maintains the following funds: Liquid Fuels; Light; Water; Fire Service; Parks; and Capital Projects. Contrary to the General Fund, these funds have been established for specific purposes. The purposes of each fund are further defined in the financial statements. In 2015, all of the non-major funds operated as predicted.

**Other Funds Conclusions**

All funds are self-sufficient and are operating as predicted.

**CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Commissioners' accountability for the money they administer on behalf of the residents of Township of North Huntingdon. If you have questions about this report or wish to request additional financial information, please contact the Township of North Huntingdon offices at 11279 Center Highway, North Huntingdon, PA 15642, (724)-863-3806.

**TOWNSHIP OF NORTH HUNTINGDON**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**EXHIBIT A**

|                                                                             | <b>Governmental<br/>Activities</b> |
|-----------------------------------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                               |                                    |
| <b>Current Assets:</b>                                                      |                                    |
| Cash and Cash Equivalents                                                   | \$ 5,973,836                       |
| Taxes Receivable                                                            | 1,460,013                          |
| Due from other Governments                                                  | 35,192                             |
| Other Accounts Receivable                                                   | 164,855                            |
| Prepaid Expenses                                                            | 399,442                            |
| <b>Total Current Assets</b>                                                 | <b>\$ 8,033,338</b>                |
| <b>Noncurrent Assets:</b>                                                   |                                    |
| Land                                                                        | \$ 1,255,908                       |
| Land Improvements (Net)                                                     | 232,579                            |
| Buildings and Improvements (Net)                                            | 2,689,050                          |
| Machinery and Equipment (Net)                                               | 2,742,228                          |
| Infrastructure (Net)                                                        | 616,637                            |
| <b>Total Noncurrent Assets</b>                                              | <b>\$ 7,536,402</b>                |
| <b>TOTAL ASSETS</b>                                                         | <b>\$ 15,569,740</b>               |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>                                       |                                    |
| Deferred Outflow of Resources - Pensions                                    | \$ 1,497,057                       |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>                                  | <b>\$ 1,497,057</b>                |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>                       | <b>\$ 17,066,797</b>               |
| <b>LIABILITIES</b>                                                          |                                    |
| <b>Current Liabilities:</b>                                                 |                                    |
| Accounts Payable                                                            | \$ 90,172                          |
| Accrued Payroll                                                             | 103,104                            |
| Payroll Tax Liabilities                                                     | 64,505                             |
| Accrued Compensated Absences - Current                                      | 45,000                             |
| Refundable Deposits                                                         | 211,552                            |
| <b>Total Current Liabilities</b>                                            | <b>\$ 514,333</b>                  |
| <b>Noncurrent Liabilities:</b>                                              |                                    |
| Accrued Compensated Absences - Long Term                                    | \$ 486,422                         |
| Net Pension Liability                                                       | 3,413,425                          |
| Net OPEB Obligation                                                         | 1,696,539                          |
| <b>Total Noncurrent Liabilities</b>                                         | <b>\$ 5,596,386</b>                |
| <b>TOTAL LIABILITIES</b>                                                    | <b>\$ 6,110,719</b>                |
| <b>DEFERRED INFLOW OF RESOURCES:</b>                                        |                                    |
| Deferred Inflow of Resources - Pensions                                     | \$ 11,510                          |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                   | <b>\$ 11,510</b>                   |
| <b>NET POSITION</b>                                                         |                                    |
| Net Investment in Capital Assets                                            | \$ 7,536,402                       |
| Restricted For:                                                             |                                    |
| Highways and Streets                                                        | 1,573                              |
| Street Lights                                                               | 10,336                             |
| Hydrants                                                                    | 148,622                            |
| Fire Service                                                                | 56,486                             |
| Capital Projects                                                            | 6,191                              |
| Unrestricted                                                                | 3,184,958                          |
| <b>TOTAL NET POSITION</b>                                                   | <b>\$ 10,944,568</b>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES<br/>AND NET POSITION</b> | <b>\$ 17,066,797</b>               |

The accompanying notes are an integral part of these financial statements

**EXHIBIT B**

**TOWNSHIP OF NORTH HUNTINGDON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

| Functions/Programs                                   | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue<br>and<br>Changes in Net Position |
|------------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|---------------------------------------------------------|
|                                                      |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                                                         |
| <b>Governmental Activities:</b>                      |                      |                         |                                          |                                        |                                                         |
| General Government                                   | \$ 1,390,026         | \$ 797,382              | \$ 31,815                                | \$ -                                   | \$ (560,829)                                            |
| Public Safety - Police                               | 5,391,180            | 97,203                  | 287,683                                  | -                                      | (5,006,294)                                             |
| Public Safety - Fire                                 | 744,469              | -                       | 195,404                                  | -                                      | (549,065)                                               |
| Public Safety - Other                                | 611,586              | 206,693                 | 22,678                                   | -                                      | (382,215)                                               |
| Public Works and Enterprises                         | 5,467,724            | 17,624                  | 1,025,130                                | -                                      | (4,424,970)                                             |
| Culture and Recreation                               | 829,162              | 86,713                  | 22,965                                   | -                                      | (719,484)                                               |
| Community Development                                | 24,711               | -                       | -                                        | -                                      | (24,711)                                                |
| <b>Total Governmental Activities</b>                 | <b>\$ 14,458,858</b> | <b>\$ 1,205,615</b>     | <b>\$ 1,585,675</b>                      | <b>\$ -</b>                            | <b>(11,667,568)</b>                                     |
|                                                      |                      |                         |                                          |                                        |                                                         |
| <b>General Revenues:</b>                             |                      |                         |                                          |                                        |                                                         |
| Taxes:                                               |                      |                         |                                          |                                        |                                                         |
| Property Taxes, Levied for General Purposes (net)    |                      |                         |                                          |                                        | \$ 4,428,719                                            |
| Act 511 Taxes                                        |                      |                         |                                          |                                        | 6,767,777                                               |
| PURTA/Alcohol Beverage tax/Payments in Lieu of Taxes |                      |                         |                                          |                                        | 53,853                                                  |
| Investment Earnings                                  |                      |                         |                                          |                                        | 12,344                                                  |
| Gain on Disposition of Fixed Assets                  |                      |                         |                                          |                                        | 33,465                                                  |
| Miscellaneous                                        |                      |                         |                                          |                                        | 217,943                                                 |
| <b>Total General Revenues</b>                        |                      |                         |                                          |                                        | <b>\$ 11,514,101</b>                                    |
| <b>Change in Net Position</b>                        |                      |                         |                                          |                                        | <b>\$ (153,467)</b>                                     |
| Net Position — January 1, 2015 (Restated)            |                      |                         |                                          |                                        | 11,098,035                                              |
| <b>Net Position — December 31, 2015</b>              |                      |                         |                                          |                                        | <b>\$ 10,944,568</b>                                    |

The accompanying notes are an integral part of these financial statements



**TOWNSHIP OF NORTH HUNTINGDON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

**EXHIBIT C**

|                                                                               | <b>GENERAL<br/>FUND</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|-------------------------------------------------------------------------------|-------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                |                         |                                             |                                         |
| Cash and Cash Equivalents                                                     | \$ 5,578,547            | \$ 395,289                                  | \$ 5,973,836                            |
| Taxes Receivable                                                              | 1,460,013               | -                                           | 1,460,013                               |
| Due From Other Funds                                                          | -                       | 23,651                                      | 23,651                                  |
| Due From Other Governments                                                    | 35,192                  | -                                           | 35,192                                  |
| Other Accounts Receivable                                                     | 164,855                 | -                                           | 164,855                                 |
| Prepaid Expenses                                                              | 399,442                 | -                                           | 399,442                                 |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 7,638,049</b>     | <b>\$ 418,940</b>                           | <b>\$ 8,056,989</b>                     |
| <b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>           |                         |                                             |                                         |
| <b>LIABILITIES:</b>                                                           |                         |                                             |                                         |
| Accounts Payable                                                              | \$ 83,823               | \$ 6,349                                    | \$ 90,172                               |
| Due to Other Funds                                                            | 23,651                  | -                                           | 23,651                                  |
| Accrued Payroll                                                               | 103,104                 | -                                           | 103,104                                 |
| Payroll Tax Liabilities                                                       | 64,505                  | -                                           | 64,505                                  |
| Accrued Compensated Absences - Current                                        | 45,000                  | -                                           | 45,000                                  |
| Refundable Deposits                                                           | 211,552                 | -                                           | 211,552                                 |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 531,635</b>       | <b>\$ 6,349</b>                             | <b>\$ 537,984</b>                       |
| <b>DEFERRED INFLOW OF RESOURCES:</b>                                          |                         |                                             |                                         |
| Delinquent Real Estate and Wage Taxes                                         | \$ 1,415,328            | \$ -                                        | \$ 1,415,328                            |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                     | <b>\$ 1,415,328</b>     | <b>\$ -</b>                                 | <b>\$ 1,415,328</b>                     |
| <b>FUND BALANCES:</b>                                                         |                         |                                             |                                         |
| Nonspendable                                                                  | \$ 399,442              | \$ -                                        | \$ 399,442                              |
| Restricted                                                                    | -                       | 223,208                                     | 223,208                                 |
| Assigned                                                                      | -                       | 189,383                                     | 189,383                                 |
| Unassigned                                                                    | 5,291,644               | -                                           | 5,291,644                               |
| <b>TOTAL FUND BALANCES</b>                                                    | <b>\$ 5,691,086</b>     | <b>\$ 412,591</b>                           | <b>\$ 6,103,677</b>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 7,638,049</b>     | <b>\$ 418,940</b>                           | <b>\$ 8,056,989</b>                     |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH HUNTINGDON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**EXHIBIT D**

|                                                                                                                                                                                                                                   |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                   | <b>\$ 6,103,677</b>  |
| Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from amounts reported for governmental funds on the balance sheet (Exhibit C) because:                                    |                      |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$17,079,380, and the accumulated depreciation is \$9,542,978. | 7,536,402            |
| Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds.      | 1,415,328            |
| Net pension asset and liability are not available or payable in the current period and therefore, are not reported in the funds - Net Pension Liability                                                                           | (3,413,425)          |
| Deferred outflows are recorded as expenditures in the fund statements, but recorded as a deferred outflow in the statement of net position.                                                                                       |                      |
| Deferred Outflows from Pensions                                                                                                                                                                                                   | 1,497,057            |
| Deferred inflows from pensions representing net differences between projected and actual investment earnings and the changes in the proportions are not recorded in the fund statements.                                          |                      |
| Deferred Inflows from Pensions                                                                                                                                                                                                    | (11,510)             |
| Long term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.                                                                                    |                      |
| Long-term liabilities at year end consist of:                                                                                                                                                                                     |                      |
| Net OPEB obligation                                                                                                                                                                                                               | \$ 1,696,539         |
| Compensated absences                                                                                                                                                                                                              | 486,422              |
|                                                                                                                                                                                                                                   | (2,182,961)          |
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                               | <b>\$ 10,944,568</b> |

**NORTH HUNTINGDON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                              | <b><u>GENERAL FUND</u></b> | <b><u>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</u></b> | <b><u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u></b> |
|--------------------------------------------------------------|----------------------------|----------------------------------------------------|------------------------------------------------|
| <b><u>REVENUES</u></b>                                       |                            |                                                    |                                                |
| Taxes                                                        | \$ 9,956,925               | \$ 1,062,800                                       | \$ 11,019,725                                  |
| Licenses and Permits                                         | 656,025                    | -                                                  | 656,025                                        |
| Fines and Forfeitures                                        | 85,874                     | -                                                  | 85,874                                         |
| Interest and Rents                                           | 55,066                     | 103                                                | 55,169                                         |
| Intergovernmental                                            | 776,576                    | 840,688                                            | 1,617,264                                      |
| Charges for Services                                         | 390,465                    | 30,425                                             | 420,890                                        |
| Miscellaneous                                                | 119,909                    | -                                                  | 119,909                                        |
| <b>Total Revenue</b>                                         | <b>\$ 12,040,840</b>       | <b>\$ 1,934,016</b>                                | <b>\$ 13,974,856</b>                           |
| <b><u>EXPENDITURES</u></b>                                   |                            |                                                    |                                                |
| General Government                                           | \$ 1,164,252               | \$ 11,225                                          | \$ 1,175,477                                   |
| Public Safety                                                | 5,317,885                  | 622,773                                            | 5,940,658                                      |
| Public Works                                                 | 3,683,519                  | 1,512,543                                          | 5,196,062                                      |
| Culture and Recreation                                       | 693,132                    | 18,905                                             | 712,037                                        |
| Community Development                                        | 24,711                     | -                                                  | 24,711                                         |
| Insurance                                                    | 349,456                    | -                                                  | 349,456                                        |
| Employee Benefits                                            | 940,957                    | -                                                  | 940,957                                        |
| <b>Total Expenditures</b>                                    | <b>\$ 12,173,912</b>       | <b>\$ 2,165,446</b>                                | <b>\$ 14,339,358</b>                           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (133,072)</b>        | <b>\$ (231,430)</b>                                | <b>\$ (364,502)</b>                            |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                            |                                                    |                                                |
| Refund Prior Year Expense                                    | \$ 172,254                 | \$ -                                               | \$ 172,254                                     |
| Refund Prior Year (Revenue)                                  | (822)                      | (4)                                                | (826)                                          |
| Operating Transfers In                                       | -                          | 97,000                                             | 97,000                                         |
| Operating Transfers (Out)                                    | (97,000)                   | -                                                  | (97,000)                                       |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 74,432</b>           | <b>\$ 96,996</b>                                   | <b>\$ 171,428</b>                              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (58,640)</b>         | <b>\$ (134,434)</b>                                | <b>\$ (193,074)</b>                            |
| <b>FUND BALANCE - JANUARY 1, 2015</b>                        | <b>5,749,726</b>           | <b>547,025</b>                                     | <b>6,296,751</b>                               |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                      | <b>\$ 5,691,086</b>        | <b>\$ 412,591</b>                                  | <b>\$ 6,103,677</b>                            |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH HUNTINGDON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (193,074)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$786,782) exceeds capital outlays (\$647,599) in the period. (139,183)

Proceeds from the sale of Township assets are recognized as revenues in the fund financial statements. In the government-wide financial statements, these proceeds are matched against the net book value of the asset sold to determine a gain or (loss) on the sale of assets (18,492)

The net effect of pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds - Change in Pension Expense 616,332

Because certain property and wage taxes will not be collected for several months after the Township's year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflow of resources from these taxes increased by this amount in 2015. 177,599

The net other post-employment benefits obligation is not considered a current liability in the governmental funds, but is recognized as a long-term obligation in the government-wide financial statements (348,955)

In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences earned exceeded the amount paid in 2015. (247,694)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (153,467)**

**TOWNSHIP OF NORTH HUNTINGDON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                               | Budgeted Amounts      |                       | Actual               | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|-----------------------|-----------------------|----------------------|---------------------------------------------------------|
|                                                               | Original              | Final                 | (Budgetary Basis)    |                                                         |
| <b>REVENUES</b>                                               |                       |                       |                      |                                                         |
| Taxes                                                         | \$ 9,218,000          | \$ 9,218,000          | \$ 9,956,925         | \$ 738,925                                              |
| Licenses and Permits                                          | 638,000               | 638,000               | 656,025              | 18,025                                                  |
| Fines and Forfeitures                                         | 100,000               | 100,000               | 85,874               | (14,126)                                                |
| Interest and Rents                                            | 57,000                | 57,000                | 55,066               | (1,934)                                                 |
| Intergovernmental                                             | 761,800               | 761,800               | 776,576              | 14,776                                                  |
| Charges for Services                                          | 317,500               | 317,500               | 390,465              | 72,965                                                  |
| Miscellaneous                                                 | 100,000               | 100,000               | 119,909              | 19,909                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 11,192,300</b>  | <b>\$ 11,192,300</b>  | <b>\$ 12,040,840</b> | <b>\$ 848,540</b>                                       |
| <b>EXPENDITURES</b>                                           |                       |                       |                      |                                                         |
| General Government                                            | \$ 1,333,794          | \$ 1,333,794          | \$ 1,164,252         | \$ 169,542                                              |
| Public Safety                                                 | 5,608,330             | 5,608,330             | 5,317,885            | 290,445                                                 |
| Public Works                                                  | 3,808,376             | 3,808,376             | 3,683,519            | 124,857                                                 |
| Culture and Recreation                                        | 795,057               | 795,057               | 693,132              | 101,925                                                 |
| Community Development                                         | 56,210                | 56,210                | 24,711               | 31,499                                                  |
| Insurance                                                     | 381,500               | 381,500               | 349,456              | 32,044                                                  |
| Employee Benefits                                             | 946,250               | 946,250               | 940,957              | 5,293                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 12,929,517</b>  | <b>\$ 12,929,517</b>  | <b>\$ 12,173,912</b> | <b>\$ 755,605</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (1,737,217)</b> | <b>\$ (1,737,217)</b> | <b>\$ (133,072)</b>  | <b>\$ 1,604,145</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                      |                                                         |
| Refund of Prior Year Expense                                  | \$ 100,000            | \$ 100,000            | \$ 172,254           | \$ 72,254                                               |
| Refund Prior Year Revenue                                     | (9,000)               | (9,000)               | (822)                | 8,178                                                   |
| Operating Transfers Out                                       | (328,800)             | (328,800)             | (97,000)             | 231,800                                                 |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (237,800)</b>   | <b>\$ (237,800)</b>   | <b>\$ 74,432</b>     | <b>\$ 312,232</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (1,975,017)</b> | <b>\$ (1,975,017)</b> | <b>\$ (58,640)</b>   | <b>\$ 1,916,377</b>                                     |
| <b>FUND BALANCE - JANUARY 1, 2015</b>                         | <b>1,975,017</b>      | <b>1,975,017</b>      | <b>5,749,726</b>     | <b>3,774,709</b>                                        |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                       | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ 5,691,086</b>  | <b>\$ 5,691,086</b>                                     |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of North Huntingdon, located in Westmoreland County, Pennsylvania, was incorporated in 1753 under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania and became a First Class Township in 1953. The administration of the Township consists of a seven member Board of Commissioners and a Township Manager. Members of the Board of Commissioners are elected by the voting public. The Commissioners appoint a Township Manager to administer the day-to-day operations of the Township. The major functions of the Township include public safety, maintenance of Township infrastructure (roads), maintenance of parks and other recreational facilities for use by Township residents, and general administrative functions necessary to facilitate Township responsibilities and resident needs.

The financial statements of the Township of North Huntingdon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Township are discussed below.

**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 Huntingdon consists of all funds, departments, boards and agencies that are not legally separate from the Township. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Township's reporting entity because of the significance of their operating or financial relationships with the Township. Based on the application of the above criteria, the Township of North Huntingdon Municipal Authority is considered a component unit of the Township of North Huntingdon. Separate audited financial statements are available from the Township.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Township as a whole. In specific, these financial statements combine all of the financial activity of the Township's major and non-major funds as described herein Note 1. The government-wide financial statements do not include the financial activity of the Townships fiduciary funds, which cannot be used to finance general operations. GASB Statement No. 34 describes and distinguishes the financial activity in any fund as being either governmental or business-type.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues 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.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The Township allocates the following program revenues under the column 'charges for services' to each functional disbursement category as follows:

- General Government – Lien letters, retail licenses, rents, and other permits.
- Public Safety (Police) – State and local fines and special police services.
- Public Safety (Other) – Building, use and occupancy permits.
- Public Works – Highway occupancy permits.
- Culture and Recreation – park and other facility user fees.

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 other miscellaneous receipts not earmarked for a specific function. The comparison of direct disbursements with program receipts 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. Major funds represent the Township's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. On Exhibits C and E, each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column.

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.

**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:

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**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 FUND:**

**GENERAL FUND** - Established under 'The First 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 revenue such as real estate taxes, local taxes established under Act 511 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.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**LIQUID FUELS 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.

**LIGHT FUND (SPECIAL REVENUE)** - The Light Fund accounts for the portion of real estate tax proceeds designated for street lighting.

**WATER FUND (SPECIAL REVENUE FUND)** - The Water Fund accounts for the portion of real estate tax proceeds designated for fire hydrants.

**FIRE FUND (SPECIAL REVENUE FUND)** - The Fire Fund accounts for the portion of real estate tax proceeds designated for the Township's volunteer fire companies and medic company.

**PARK FUND (SPECIAL REVENUE FUND)** - The Park Fund accounts for a portion of its building permit fees for parks renovation which is designated in developer's agreement.

**CAPITAL PROJECT FUND** - The Capital Project Fund is used to account for the portion of real estate taxes collected for the acquisition and construction of capital projects.

**Proprietary Funds** - 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 does not currently administer any proprietary funds.



**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. 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 and non-uniform pension plans) maintained by the Pennsylvania Municipal Retirement System (PMRS), and are not reflected in the accompanying financial statements. The Township does not maintain any other type of fiduciary fund.

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government activities in the government-wide financial statements and governmental funds use the modified basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenue 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. 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 Huntingdon has determined that the revenues most susceptible to accrual at December 31, 2015 are 1) real estate taxes collected within 60 days of Township's calendar year-end, 2) certain taxpayer Act 511 taxes, 3) cable franchise fees for the fourth quarter of 2015 and 4) other miscellaneous items of income pertaining to the 2015 calendar year received subsequent to December 31, 2015. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflow of resources'.

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 are generally 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, 2015 are those for which the Board of Commissioner's intention was to expense these items as budgeted for in the 2015 official budget, and for which the Township has incurred an obligation during 2015, but has not paid as of December 31, 2015.

Allocations of cost, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS**

On December 17, 2014, the Township of North Huntingdon adopted its 2015 annual budget for its General Fund totaling \$13,267,317 in accordance with the provisions of the Commonwealth of Pennsylvania Township Code. The budget is prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed, if necessary, as approved by the Board of Commissioners. The adjusted budgetary amounts, if any, are reflected in these financial statements (Exhibit G).

The Township also adopts budgets for its special revenue and capital project funds. A comparison of the actual and budgeted amounts for these funds is reflected in the supplemental schedules.

All appropriations of the General and Other Funds lapse at the end of each calendar year.

**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.

**RECEIVABLES**

Receivables, as reflected in Exhibits A and C, are shown at net realizable value as of December 31, 2015.

**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, if any, are classified as 'due from/to other funds' on the governmental funds balance sheet (see Note 6). For the purposes of the government-wide statement of net position, governmental inter-fund receivables and payables have been eliminated.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported as part of governmental activities on the government-wide statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Township maintains a capitalization dollar threshold of \$5,000. 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 in the government-wide statement of activities. The Township began to report infrastructure prospectively in calendar year 2004. The Township has elected not to report infrastructure retroactively as provided for under Governmental Accounting Standards Board (GASB) Statement No. 34.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

All reported capital assets, except land, are depreciated using the straight-line method over the following useful lives:

| <b>CATEGORY</b>            | <b>YEARS</b> |
|----------------------------|--------------|
| Site Improvements          | 5 years      |
| Buildings and Improvements | 20 years     |
| Equipment and Vehicles     | 10 years     |
| Infrastructure             | 10-40 years  |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**COMPENSATED ABSENCES**

The Township reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Employees accrue sick leave each year in varying amounts depending on Township policy as well as collective bargaining agreements. Employees covered by the AFSCME collective bargaining agreement are eligible to receive a payment (in the subsequent year) of \$35.00 per day for any sick leave in excess of 185 days. Upon retirement or separation from employment, the Township will pay \$35.00 per day for unused sick leave. Employees covered by the Police Association collective bargaining agreement are eligible to receive a payment (in the subsequent year) in the amount of 25% of their hourly rate of pay for any sick leave in excess of 1440 hours of accumulated sick leave. Upon retirement, the Township will pay 35% of the hourly rate for unused sick leave. For all other employees eligible to receive sick leave (currently full-time non-union employees), there is no payment for any unused or accumulated sick leave. These amounts are recorded in the government-wide financial statements. The vested amount of accumulated compensated absences is \$531,422 at December 31, 2015, and is recorded in the government-wide financial statements. Of this amount, \$45,000 is estimated to be a short-term liability that will be paid out in 2016 and is reflected in the fund statements as well.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. 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 of long-term liabilities 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. Long-term obligations, if any, 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.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these obligations as an expenditure in the fund financial statements, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Township obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position 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, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The Township did not incur any bond issue costs during the 2015 fiscal year.

**UNEARNED REVENUE**

Unearned revenue arises when the Township receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet reports a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND BALANCE**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose.

The Township of North Huntingdon establishes (and modifies and rescinds) fund equity commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget.

A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Commissioners has given authority to the Township Manager to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Township's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**IMPACT OF RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**IMPACT OF RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement amends Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68.

The effect of implementing GASB Statements No. 68 and 71 on the Township's net position is described in Note 18.

**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.

**NOTE 2 - CASH DEPOSITS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits however they do allow the pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes and prudent business practice.

There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the Townships.

At December 31, 2015, the Township of North Huntingdon had the following carrying values on its cash and cash equivalent accounts:

|                              | <u>Bank Balance</u> | <u>(Memo Only)<br/>Book Balance</u> |
|------------------------------|---------------------|-------------------------------------|
| General Fund                 | \$ 6,218,956        | \$ 5,578,547                        |
| Non Major Governmental Funds | 754,290             | 395,289                             |
|                              | <u>\$ 6,973,246</u> | <u>\$ 5,973,836</u>                 |

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and saving accounts, money market deposit accounts, and certificates of deposit.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 - CASH DEPOSITS (Continued)**

**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 separate policy for custodial credit risk in addition to the requirements of the Township Code. As of December 31, 2015, \$6,723,246 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.

**Interest Rate Risk:**

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 3 - PROPERTY TAXES**

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

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| March 1 – April 30, 2015 | (Discount period) |
| May 1 – June 30, 2015    | (Face period)     |
| July 1 and after         | (Penalty period)  |

Taxpayers are entitled to a 2% discount if taxes are paid prior to April 30<sup>th</sup>. Collections after June 30<sup>th</sup> are assessed a 10% penalty.

By January 15<sup>th</sup> of the year following billing, uncollected taxes are returned to the Tax Claim Bureau of Westmoreland County who collects and liens the delinquent real estate taxes on behalf of the Township. Unpaid taxes as of December 31, 2015 totaling \$119,640 represent 2.6% of the original assessment for 2015 of \$4,560,417.

The tax millage assessment for the 2015 calendar year is 11.55 mills on the assessed value of land and buildings, which represents \$11.55 of revenue for every \$1,000 of assessed value. Tax millage is allocated as follows:

|                  |            |
|------------------|------------|
| General purposes | 9.23 mills |
| Capital          | 1.00 mills |
| Fire safety      | 1.32 mills |

In addition to the millage levied on the total assessed valuation, certain properties are levied 0.15 mills to be used for the upkeep of the fire hydrant system in the Township. Also, a light tax is charged on a cents per foot basis for those properties within 250 feet of a street light.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes receivable as shown in the government-wide statement of net position includes prior year property and earned income taxes of \$1,460,013. For purposes of the governmental fund financial statements, \$1,415,328 of the above property and earned income taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflow of resources in the fund financial statements (Exhibit C).

The effect of recognizing property tax revenue when taxes are levied, and estimating the amount of delinquent earned income taxes receivable, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

Taxes receivable are comprised of the following at December 31, 2015:

|                                  |                     |
|----------------------------------|---------------------|
| Real Estate Taxes - Delinquent   | \$ 255,599          |
| Earned Income Taxes - Delinquent | 1,159,729           |
| Earned Income Taxes - Current    | 415                 |
| Deed Transfer Taxes              | 42,993              |
| Per Capita Taxes                 | 558                 |
| Occupation Taxes                 | 550                 |
| Local Services Tax               | 169                 |
|                                  | <u>\$ 1,460,013</u> |

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

The 'Due from other Governmental Units' total of \$35,192, as reflected in Exhibit A, represents amounts earned by and due the Township of North Huntingdon for 2015 from other governmental agencies for 1) vehicle code violations and ordinance fines totaling \$3,752 and 2) grant funds due from the Commonwealth of Pennsylvania for task force reimbursement totaling \$31,440.

**NOTE 5 - OTHER ACCOUNTS RECEIVABLE**

The 'Other Accounts Receivable' total of \$164,855, as reflected in Exhibit A, represents amounts earned by and due the Township of North Huntingdon for 2015 for 1) Cable Franchise Fees totaling \$158,319 and 2) other miscellaneous accounts receivable totaling \$6,536.

**NOTE 6 - INTER-FUND OBLIGATIONS AND TRANSFERS**

At December 31, 2015, the General Fund was indebted to the Fire Fund and Capital Project Fund for real estate tax collections totaling \$13,455 and \$10,196 respectively. During 2015, the General Fund transferred \$97,000 to the Capital Project Fund to fund various capital expenses.



**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2015 calendar year was as follows:

|                                       | Balance<br>1/1/2015        | Additions                  | Deductions              | Balance<br>12/31/2015      |
|---------------------------------------|----------------------------|----------------------------|-------------------------|----------------------------|
| Land                                  | \$ 1,255,908               | \$ -                       | \$ -                    | \$ 1,255,908               |
| Land Improvements                     | 1,487,081                  | 97,000                     | -                       | 1,584,081                  |
| Buildings and Improvement:            | 4,448,965                  | -                          | -                       | 4,448,965                  |
| Machinery and Equipment               | 6,103,516                  | 550,599                    | 33,585                  | 6,620,530                  |
| Infrastructure                        | 3,169,896                  | -                          | -                       | 3,169,896                  |
|                                       | <u>\$ 16,465,366</u>       | <u>\$ 647,599</u>          | <u>\$ 33,585</u>        | <u>\$ 17,079,380</u>       |
| <b>Less: Accumulated depreciation</b> |                            |                            |                         |                            |
| Land Improvements                     | \$ (1,283,691)             | \$ (67,811)                | \$ -                    | \$ (1,351,502)             |
| Building and Improvements             | (1,654,160)                | (105,755)                  | -                       | (1,759,915)                |
| Machinery and Equipment               | (3,431,423)                | (461,971)                  | (15,092)                | (3,878,302)                |
| Infrastructure                        | (2,402,014)                | (151,245)                  | -                       | (2,553,259)                |
|                                       | <u>\$ (8,771,288)</u>      | <u>\$ (786,782)</u>        | <u>\$ (15,092)</u>      | <u>\$ (9,542,978)</u>      |
| <b>Governmental Activities</b>        |                            |                            |                         |                            |
| <b>Capital Assets, Net</b>            | <u><b>\$ 7,694,078</b></u> | <u><b>\$ (139,183)</b></u> | <u><b>\$ 18,493</b></u> | <u><b>\$ 7,536,402</b></u> |

Depreciation expense was allocated to governmental functions as follows:

|                        |                          |
|------------------------|--------------------------|
| General Government     | \$ 59,504                |
| Public Safety          | 55,925                   |
| Public Works           | 586,306                  |
| Culture and Recreation | 85,047                   |
|                        | <u><b>\$ 786,782</b></u> |

**NOTE 8 - DEFERRED OUTFLOW AND INFLOW OF RESOURCES**

Deferred outflow of resources is comprised of the following at December 31, 2015:

|         | GOVERNMENTAL<br>ACTIVITIES | GOVERNMENTAL<br>FUNDS |
|---------|----------------------------|-----------------------|
| Pension | <u>\$ 1,497,057</u>        | <u>\$ -</u>           |

Deferred inflow of resources is comprised of the following at December 31, 2015:

|                                    | GOVERNMENTAL<br>ACTIVITIES | GOVERNMENTAL<br>FUNDS |
|------------------------------------|----------------------------|-----------------------|
| Delinquent Property Taxes (Note 3) | \$ -                       | \$ 1,415,328          |
| Pension                            | 11,510                     | -                     |
|                                    | <u>\$ 11,510</u>           | <u>\$ 1,415,328</u>   |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – CHANGES LONG-TERM DEBT OBLIGATIONS**

The following represents the changes in the Township's long-term liabilities during the 2015 year:

|                       | <b>1/1/2015</b>     | <b>Additions</b>    | <b>Reductions</b> | <b>12/31/2015</b>   | <b>Due Within<br/>One Year</b> |
|-----------------------|---------------------|---------------------|-------------------|---------------------|--------------------------------|
| Compensated Absences  | \$ 283,728          | \$ 273,324          | \$ 25,630         | \$ 531,422          | \$ 45,000                      |
| Net Pension Liability | -                   | 3,413,425           | -                 | 3,413,425           | -                              |
| Net OPEB Obligation   | 1,347,584           | 348,955             | -                 | 1,696,539           | -                              |
|                       | <u>\$ 1,631,312</u> | <u>\$ 4,035,704</u> | <u>\$ 25,630</u>  | <u>\$ 5,641,386</u> | <u>\$ 45,000</u>               |

**NOTE 10 – GUARANTEED DEBT**

The Township guarantees the debt service payments of the North Huntingdon Township Municipal Township under its Guaranteed Municipal Revenue Bonds, Refunding Series of 2000 (original issue amount \$17,020,000). During 2015, the Township made no contributions to the Township. Township management does not anticipate any contributions being required in the future.

The annual debt service requirements for these bonds are as follows:

| <b>Year End<br/>31-Dec</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2016                       | \$ 1,085,000        | \$ 303,117        | \$ 1,388,117        |
| 2017                       | 1,140,000           | 245,721           | 1,385,721           |
| 2018                       | 1,200,000           | 185,415           | 1,385,415           |
| 2019                       | 1,260,000           | 121,935           | 1,381,935           |
| 2020                       | 1,045,000           | 55,280            | 1,100,280           |
|                            | <u>\$ 5,730,000</u> | <u>\$ 911,468</u> | <u>\$ 6,641,468</u> |

**NOTE 11 - TOWNSHIP PENSION PLANS**

**DESCRIPTION OF PLANS**

The Police Pension Plan was established as a defined benefit pension plan on December 21, 1954 to provide retirement and death benefits to qualified police department employees under the provisions governing police pension plans in the Commonwealth of Pennsylvania and local Township Ordinances. The Non-Uniform Pension Plan was established as a defined benefit pension plan on April 12, 1962. Both plans participate in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office or visiting their website at [pmrs.state.pa.us](http://pmrs.state.pa.us).

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

Plan membership as of December 31, 2014 was comprised of:

|                                                                       | <b><u>POLICE</u></b> | <b><u>NON<br/>UNIFORM</u></b> |
|-----------------------------------------------------------------------|----------------------|-------------------------------|
| Active employees                                                      | 28                   | 44                            |
| Retirees and beneficiaries currently receiving benefits               | 15                   | 22                            |
| Inactive employees entitled to benefits<br>but not yet receiving them | 1                    | 4                             |
| Total                                                                 | <u>44</u>            | <u>70</u>                     |

**PLAN BENEFITS**

The Police Pension Plan provides retirement and death benefits to eligible plan members and their beneficiaries. All participants are eligible for retirement benefits provided that they have attained the normal retirement age of 55 with 12 years of credited service. Early retirement provisions are available after completion of 24 years of service. Monthly pension benefits are equal to 2% times credited service times final average salary (FAS), but in no event is the basic benefit greater than 50% of FAS. The plan provides the surviving spouse fifty percent of a deceased members pension benefit. Participants are fully vested upon completion of twelve (12) years of service.

The Non-Uniform Pension Plan provides retirement and death benefits to eligible plan members and their beneficiaries. All participants are eligible for retirement benefits provided that they have attained the normal retirement age of 60. Early retirement provisions are available after completion of 20 years of service. Monthly pension benefits are equal to 1.75% times credited service times final average salary (FAS), but in no event is the basic benefit greater than 75% of FAS. The plan provides the beneficiary with present value of accrued benefits. Participants are fully vested upon completion of five (5) years of service.

**PLAN CONTRIBUTION REQUIREMENTS**

Employer contributions are actuarially determined reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. This contribution is based upon the Minimum Municipal Obligation (MMO) as defined in Act 205. For the calendar year 2015, the Township contributed \$537,735 and \$244,322 respectively to the Police and Non-Uniform Pension Plans. Participants of both pension plans were required to contribute 5% of compensation to the plans during calendar year 2015.

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY**

The Township's net pension liability (NPL) was measured as of December 31, 2014. The total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date using a set of actuarial assumptions. These assumptions are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010, covering the defined benefit plan participants and all retirees, as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (NPL) as of the Measurement date.

**POLICE PENSION PLAN:**

|                                                       | Total Pension<br>Liability<br>( a ) | Plan Fiduciary<br>Net Position<br>( b ) | Net Pension<br>Liability<br>( c ) |
|-------------------------------------------------------|-------------------------------------|-----------------------------------------|-----------------------------------|
| <b>Balances at 12/31/13</b>                           | \$ 18,267,318                       | \$ 16,855,992                           | \$ 1,411,326                      |
| Changes for the year:                                 |                                     |                                         |                                   |
| Service cost                                          | 471,884                             | -                                       | 471,884                           |
| Interest                                              | 1,015,699                           | -                                       | 1,015,699                         |
| Changes of benefits                                   | -                                   | -                                       | -                                 |
| Changes of assumptions                                | -                                   | -                                       | -                                 |
| Differences between expected<br>and actual experience | 639,151                             | -                                       | 639,151                           |
| Contributions - employer                              | -                                   | 263,265                                 | (263,265)                         |
| Contributions - member                                | -                                   | 138,709                                 | (138,709)                         |
| PMRS investment income                                | -                                   | 910,696                                 | (910,696)                         |
| Market value investment income**                      | -                                   | 2,757                                   | (2,757)                           |
| Transfers                                             | -                                   | -                                       | -                                 |
| Benefit payments                                      | (551,266)                           | (551,266)                               | -                                 |
| PMRS administrative expense                           | -                                   | (880)                                   | 880                               |
| Additional administrative expense                     | -                                   | (34,925)                                | 34,925                            |
| Net changes                                           | 1,575,468                           | 728,356                                 | 847,112                           |
| <b>Balances at 12/31/14</b>                           | <u>\$ 19,842,786</u>                | <u>\$ 17,584,348</u>                    | <u>\$ 2,258,438</u>               |

\*\* Reflects the net investment income/(loss) of (\$55,496) and income/(loss) due to the difference between expected and actual asset values of \$58,253 which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY**

**NON-UNIFORM PLAN:**

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balances at 12/31/13</b>                           | \$ 9,830,626                                 | \$ 9,106,878                                     | \$ 723,748                                 |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | 297,555                                      | -                                                | 297,555                                    |
| Interest                                              | 547,684                                      | -                                                | 547,684                                    |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | 349,273                                      | -                                                | 349,273                                    |
| Contributions - employer                              | -                                            | 195,262                                          | (195,262)                                  |
| Contributions - member                                | -                                            | 136,609                                          | (136,609)                                  |
| PMRS investment income                                | -                                            | 501,342                                          | (501,342)                                  |
| Market value investment income**                      | -                                            | (49,273)                                         | 49,273                                     |
| Transfers                                             | -                                            | -                                                | -                                          |
| Benefit payments                                      | (345,212)                                    | (345,212)                                        | -                                          |
| PMRS administrative expense                           | -                                            | (1,440)                                          | 1,440                                      |
| Additional administrative expense                     | -                                            | (19,227)                                         | 19,227                                     |
| Net changes                                           | 849,300                                      | 418,061                                          | 431,239                                    |
| <b>Balances at 12/31/14</b>                           | <b>\$ 10,679,926</b>                         | <b>\$ 9,524,939</b>                              | <b>\$ 1,154,987</b>                        |

\*\* Reflects the net investment income/(loss) of (\$30,551) and income/(loss) due to the difference between expected and actual asset values of (\$18,722) which includes the impact from allocation of assets in support of the underlying retiree liabilities.

The above does not reflect changes in benefits or assumptions after January 1, 2015. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2014 actuarial valuation with liabilities measured at December 31, 2013. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014. The TPL as of December 31, 2014 was based upon the following actuarial methods and assumptions:

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

- **Actuarial Cost Method** – Entry Age Normal
- **Rates of Pre-Retirement Mortality** – Males RP 2000 with 1 year set back, Females RP 2000 with 5 year set back
- **Rates of Post-Retirement Mortality** – Males and females RP 2000 Sex-Distinct Mortality Table
- **Disabled Life Mortality Rates:** Males and females: RP 2000 with 10 year set forward
- **Termination Rates Before Retirement:** Less than 25 active members – sliding scale 1 year 20% down to 10 plus years at 2.5%. More than 25 active members – sliding scale 1 year 20% down to 10 plus years at 3%.
- **Disability Incidence Rates:** 40% of 1964 OASDI (Social Security)
- **Workers Compensation:** Service related disability benefits payable from municipal plans are offset by 25% of final average salary
- **Salary Scale:** Sliding scale - age 25 (8.3%) down to age 65 (3%)
- **Rates of Retirement:** Under age 46 (5%), age 46-54 (15%), age 55-61 (10%), age 62 (30%), age 63-64 (20%), age 65 (35%), age 66-74 (15%), age 75 (100%)
- **Marital Status and Spouse's Age (if applicable):** 85% of active members, and are assumed to be married for retirees with the 50% J&S form of payment. Male spouses are assumed to be 3 years older than female spouses
- **Social Security Projections (if applicable):** Social security wage base will increase 3.5% compounded annually. CPI will increase 3% compounded annually, average total wages will increase 3.5% compounded annually
- **Post-Retirement Cost of Living Increases:** 3% per year, subject to plan limitations
- **Investment Return:** 5.5% compounded annually, net of expenses
- **Administrative expenses:** The expense assumption is based upon the expected expenses for the current year

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer 'plan fiduciary net position.' PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The 'Additional administrative expenses' are the expenses in excess of the 'PMRS administrative expense' (i.e. \$20 per participant expense paid by each plan). The 'PMRS investment income' is based upon the regular and excess interest used to credit accounts annually. The 'Market value investment income' reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service live of all active and inactive members of the Plan. There were experience gains or losses between the beginning of the year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The following is a schedule of collective deferred inflows and outflows as of December 31, 2014:

**POLICE PENSION PLAN:**

|                                                                                  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|----------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Differences between expected and actual experience                               | \$ 532,626                                           | \$ -                                                |
| Changes of assumptions                                                           | -                                                    | -                                                   |
| Net difference between projected and actual earnings on pension plan investments | -                                                    | 2,206                                               |
| TOTAL                                                                            | <u>\$ 532,626</u>                                    | <u>\$ 2,206</u>                                     |

**NON-UNIFORM PENSION PLAN:**

|                                                                                  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|----------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Differences between expected and actual experience                               | \$ 299,377                                           | \$ -                                                |
| Changes of assumptions                                                           | -                                                    | -                                                   |
| Net difference between projected and actual earnings on pension plan investments | 39,418                                               | -                                                   |
| TOTAL                                                                            | <u>\$ 338,795</u>                                    | <u>\$ -</u>                                         |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended<br/>December 31,</b> | <b>POLICE<br/>PENSION PLAN</b> | <b>NON-UNIFORM<br/>PENSION PLAN</b> |
|------------------------------------|--------------------------------|-------------------------------------|
| 2015                               | \$ 105,974                     | \$ 59,751                           |
| 2016                               | 105,974                        | 59,751                              |
| 2017                               | 105,974                        | 59,751                              |
| 2018                               | 105,972                        | 59,749                              |
| 2019                               | 106,526                        | 49,896                              |
| Thereafter                         | -                              | 49,897                              |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 - TOWNSHIP PENSION PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, the change in Net Pension Liability (NPL) plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. Although not required by GASB, PMRS provides an example of this calculation at [pmrs.state.pa.us/yearendrptg](http://pmrs.state.pa.us/yearendrptg).

**INVESTMENT ASSET ALLOCATION**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence.

There are four steps to the method as follows:

1. Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighing each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown below in the table labeled 'System Nominal and Real Rates of Return by Asset Class'.
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The table labeled 'Confidence Levels for System Nominal and Real Rates of Return' identifies simulated portfolio returns at various confidence levels.

**System Nominal and Real Rates of Return by Asset Class**

|                                            | <b>Target<br/>Asset<br/>Allocation</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected Rate<br/>of Return</b> |
|--------------------------------------------|----------------------------------------|---------------------------------------|--------------------------------------------------|
| Domestic Equities (Large Cap)              | 25%                                    | 11.7%                                 | 8.7%                                             |
| Domestic Equities (Small Cap)              | 15%                                    | 11.4%                                 | 8.4%                                             |
| International Equities (Developed Markets) | 15%                                    | 7.6%                                  | 4.6%                                             |
| International Equities (Emerging Markets)  | 10%                                    | 11.1%                                 | 8.1%                                             |
| Real Estate                                | 20%                                    | 9.7%                                  | 6.7%                                             |
| Fixed Income                               | 15%                                    | 2.0%                                  | -1.0%                                            |
| Total Portfolio                            | 100%                                   | 9.2%                                  | 6.2%                                             |



**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 – TOWNSHIP PENSION PLANS (Continued)**

**INVESTMENT ASSET ALLOCATION (Continued)**

**Confidence Levels for System Nominal and Real Rates of Return**

| <b>Confidence<br/>Interval</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected Rate<br/>of Return</b> |
|--------------------------------|---------------------------------------|--------------------------------------------------|
| 95%                            | 4.7%                                  | 1.7%                                             |
| 90%                            | 5.7%                                  | 2.7%                                             |
| 85%                            | 6.4%                                  | 3.4%                                             |
| 80%                            | 6.9%                                  | 3.9%                                             |
| 75%                            | 7.4%                                  | 4.4%                                             |
| 70%                            | 7.8%                                  | 4.8%                                             |
| 50%                            | 9.2%                                  | 6.2%                                             |

Based on the four part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5%.

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is describe herein under the section 'Discount Rate'. As of December 31, 2014, this rate is equal to 5.5%.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

**DISCOUNT RATE**

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

1. Retiree Plan liability as a percentage of total Plan liability,
2. Active Plan participant liability as a percentage of total Plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS administrative expenses

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 11 – TOWNSHIP PENSION PLANS (Continued)**

**DISCOUNT RATE (Continued)**

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2014 was 5.5%.

This required equivalence between the Regular Interest Rate and the actuarial Discount Rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the actuarial Discount Rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsors contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for the disclosure.

|                                                                      | 1% Decrease   | Current       | 1% Increase   |
|----------------------------------------------------------------------|---------------|---------------|---------------|
|                                                                      | (4.5%)        | Discount Rate | (6.5%)        |
|                                                                      |               | (5.5%)        |               |
| <b><u>POLICE PENSION PLAN</u></b>                                    |               |               |               |
| Total Pension Liability                                              | \$ 22,504,810 | \$ 19,842,786 | \$ 17,614,067 |
| Plan Fiduciary Net Position                                          | 17,584,348    | 17,584,348    | 17,584,348    |
| Net Pension Liability                                                | \$ 4,920,462  | \$ 2,258,438  | \$ 29,719     |
| Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | 78.1%         | 88.6%         | 99.8%         |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – TOWNSHIP PENSION PLANS (Continued)**

**SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**  
**(Continued)**

| <b><u>NON-UNIFORM PENSION PLAN</u></b>                               | <b><u>1% Decrease</u></b> | <b><u>Current</u></b>       | <b><u>1% Increase</u></b> |
|----------------------------------------------------------------------|---------------------------|-----------------------------|---------------------------|
|                                                                      | <b><u>(4.5%)</u></b>      | <b><u>Discount Rate</u></b> | <b><u>(6.5%)</u></b>      |
|                                                                      |                           | <b><u>(5.5%)</u></b>        |                           |
| Total Pension Liability                                              | \$ 12,022,476             | \$ 10,679,926               | \$ 9,531,475              |
| Plan Fiduciary Net Position                                          | 9,524,939                 | 9,524,939                   | 9,524,939                 |
| Net Pension Liability                                                | \$ 2,497,537              | \$ 1,154,987                | \$ 6,536                  |
| Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | 79.2%                     | 89.2%                       | 99.9%                     |

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Township of North Huntingdon provides post-employment benefits to eligible full-time police and non-uniform employees upon retirement as obligated by contract. In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, 'Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions'. The Township adopted the provisions of this statement effective January 1, 2009. This statement provides the accounting and reporting requirements for benefit plans, as well as, requires that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Under GASB Statement No. 45, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan.

The latest actuarial valuation was made January 1, 2015. The post-retirement plan does not issue stand-alone financial reports.

Membership in the plan consisted of the following at January 1, 2015, the date of the last actuarial valuation:

|                                               |           |
|-----------------------------------------------|-----------|
| Retirees and beneficiaries receiving benefits | 24        |
| Active plan members                           | <u>72</u> |
| <b>Total</b>                                  | <u>96</u> |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

The Annual OPEB and Net Pension Obligation for the year ending December 31, 2015, and certain other required supplementary information as of January 1, 2009, 2012, and 2015 is as follows:

|                                            |              |
|--------------------------------------------|--------------|
| Normal Cost                                | \$ 188,594   |
| Amortization of Unfunded Accrued Liability | 353,731      |
| Annual Required Contribution (ARC)         | \$ 542,325   |
| Interest on Net OPEB Obligation            | 60,641       |
| Adjustments to ARC                         | (82,730)     |
| Annual OPEB Cost                           | \$ 520,236   |
| Contributions Made (Estimated)             | (171,281)    |
| Estimated Increase in Net OPEB Obligation  | \$ 348,955   |
| Net OPEB Obligation - January 1, 2014      | 1,347,584    |
| Net OPEB Obligation - December 31, 2014    | \$ 1,696,539 |

**FUNDED STATUS AND FUNDING PROGRESS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the Township are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The contribution requirements of the Township are established and may be amended by the Township. The Township determines the required contribution using the Entry Age Normal Method.

The schedule of funding progress, as shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

|                                | (A)                             | (B)                               | (B-A)<br>(UAAL)                               | (A/B)           | (C)                | (B-A)/C                                 |
|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------------------|-----------------|--------------------|-----------------------------------------|
| ACTUARIAL<br>VALUATION<br>DATE | ACTUARIAL<br>VALUE OF<br>ASSETS | ACTUARIAL<br>ACCRUED<br>LIABILITY | UNFUNDED<br>ACTUARIAL<br>ACCRUED<br>LIABILITY | FUNDED<br>RATIO | COVERED<br>PAYROLL | UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
| 1/1/09                         | \$ -                            | \$ 3,628,945                      | \$ 3,628,945                                  | 0%              | \$ 4,316,426       | 84.07%                                  |
| 1/1/12                         | -                               | 3,663,729                         | 3,663,729                                     | 0%              | 4,837,030          | 75.74%                                  |
| 1/1/15                         | -                               | 5,761,889                         | 5,761,889                                     | 0%              | 5,455,907          | 105.6%                                  |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

The January 1, 2009, 2012, and 2015 actuarial valuation reports utilized the Entry Age Normal Cost Actuarial Cost Method. The UAAL is being amortized based on a level dollar, 30 year open period resulting in an amortization factor of 16.2889. The Discount Rate used was 4.5%. Retiree contributions are assumed to increase at the same rate as the health care cost trend rate which is 7.5% for 2012, decreasing by .5% per year to 5.5% in 2016

A detail description of the provisions of the post-employment benefit plan is available in the GASB 45 actuarial valuation report as of January 1, 2015. The Net OPEB liability of \$1,696,539 is reflected as part of Noncurrent Liabilities in the government-wide financial statement of net position (Exhibit A).

The governmental fund financial statements account for these benefits on a pay-as-you-go basis and are budgeted for and paid by the General Fund. During the 2015, the Township paid approximately \$154,819 in healthcare insurance costs for eligible retirees. The effect of accruing the Township's retiree healthcare at the time the obligation is incurred, as opposed to when these benefits are actually paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**NOTE 13 – DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all employees, permits them to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to the employee until termination, retirement, death, or unforeseeable emergency. At December 31, 2015, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options as selected by the participants. Deferred compensation assets at December 31, 2015 totaled \$1,661,804. Under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the plan is not required to be included in the Township's financial statements.

**NOTE 14 - RISK MANAGEMENT**

The Township of North Huntingdon 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.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 15 - CONTINGENT LIABILITIES**

**SERVICE AGREEMENTS**

The Township has entered into service agreements with the North Huntingdon Township Municipal Township and with Western Westmoreland Municipal Township for the treatment of sewage. The service agreements provide that if receipts and revenues from customers are insufficient to enable the Township and Western Westmoreland Municipal Township to meet their obligations, the Township will provide monies (or its respective share of monies) to fund these obligations. No payments were required under these agreements in 2015.

**LEGAL MATTERS**

The Township, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2015, the Township is unaware of any pending litigation that would be material to the financial position of the Township of North Huntingdon.

**STATE FUNDING**

The Township of North Huntingdon's state funded programs are subject to audit by various governmental agencies. The Township is potentially liable for any expenditure 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 16 – OPERATING LEASE**

In July of 2013, the Township entered into a lease agreement with Digital-Ally for the purchase of police car camera equipment and software totaling \$47,845. The terms of the lease agreement call for the payment of \$20,000 in January of 2013 and 2014, with the balance of the lease totaling \$7,845 to be paid in January of 2015. The Township paid the first and second installments on this lease of \$20,000 in calendar years 2013 and 2014, and the balance of \$7,845 in January of 2015.

**NOTE 17 - FUTURE GASB PRONOUNCEMENTS**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objectives of this Statement are to address issues regarding the measurement of fair value and the applicability of fair value guidance. This Statement will be effective for December 31, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objectives of this Statement are to establish requirements for pensions and pension plans not administered through trusts and to amend certain provisions of GASB Statements 67 and 68. This Statement will be effective for December 31, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objectives of this Statement are to address the financial reports of defined benefit OPEB plans administered through a trust and to address certain disclosure requirements for such plans. This Statement will be effective for December 31, 2017.

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 17 - FUTURE GASB PRONOUNCEMENTS (Continued)**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for December 31, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The primary objectives of this Statement are to reduce the GAAP hierarchy to two categories of authoritative GAAP, to provide implementation guidance, and to address the use of authoritative and non-authoritative literature. This Statement will be effective for December 31, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement defines tax abatements and provides disclosure guidance for governments that have granted tax abatements. This Statement will be effective for December 31, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for December 31, 2016.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for December 31, 2016.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for December 31, 2017.

The effects of the implementation of GASB Statements No. 72 through 80 on the Township's financial statements have not yet been determined.

**NOTE 18 - PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2015, the Township implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Net position as of December 31, 2014 has been restated to include implementation of GASB Nos. 68 and 71 as follows:

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 18 - PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

|                                                                                |                       |
|--------------------------------------------------------------------------------|-----------------------|
| Net Position, December 31, 2014                                                | \$ 13,642,245         |
| Recognition of Deferred Outflows (Inflows) of<br>Resources related to Pensions | 869,215               |
| Recognition of Net Pension Liability                                           | <u>(3,413,425)</u>    |
| Prior Period Adjustment                                                        | \$ <u>(2,544,210)</u> |
| Restated Net Position, December 31, 2014                                       | <u>\$ 11,098,035</u>  |

**NOTE 19 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to December 31, 2015 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.



***SUPPLEMENTARY  
INFORMATION***

**SCHEDULE 1**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                      | BUDGET              | ACTUAL              | OVER<br><UNDER><br>BUDGET |
|--------------------------------------|---------------------|---------------------|---------------------------|
| <b><u>TAXES:</u></b>                 |                     |                     |                           |
| Real estate tax - current            | \$ 3,315,000        | \$ 3,299,043        | \$ (15,957)               |
| Prior years real estate tax          | 175,000             | 189,060             | 14,060                    |
| Per capita tax - current             | 80,000              | 75,527              | (4,473)                   |
| Per capita tax - prior/delinquent    | 20,000              | 20,326              | 326                       |
| Real estate transfer tax             | 500,000             | 629,364             | 129,364                   |
| Earned income tax - current          | 4,000,000           | 4,402,185           | 402,185                   |
| Earned income tax - prior            | 175,000             | 237,145             | 62,145                    |
| Business gross receipt               | 410,000             | 421,016             | 11,016                    |
| Del. Bus. gross receipts             | 70,000              | 167,019             | 97,019                    |
| Occup tax/ems current                | 450,000             | 484,771             | 34,771                    |
| Occupation - prior years             | 10,000              | 19,170              | 9,170                     |
| Mechanical device tax                | 13,000              | 12,300              | (700)                     |
| <b>TOTAL TAXES</b>                   | <b>\$ 9,218,000</b> | <b>\$ 9,956,925</b> | <b>\$ 738,925</b>         |
| <b><u>LICENSES AND PERMITS:</u></b>  |                     |                     |                           |
| Transient retail license             | \$ 1,000            | \$ 2,590            | \$ 1,590                  |
| Cable television franchise           | 615,000             | 635,811             | 20,811                    |
| Hwy occupation permits               | 22,000              | 17,624              | (4,376)                   |
| <b>TOTAL LICENSES AND PERMITS</b>    | <b>\$ 638,000</b>   | <b>\$ 656,025</b>   | <b>\$ 18,025</b>          |
| <b><u>FINES AND FORFEITURES:</u></b> |                     |                     |                           |
| Vehicle code/ordinance fines         | \$ 100,000          | \$ 85,874           | \$ (14,126)               |
| <b>TOTAL FINES AND FORFEITURES</b>   | <b>\$ 100,000</b>   | <b>\$ 85,874</b>    | <b>\$ (14,126)</b>        |
| <b><u>INTEREST AND RENTS:</u></b>    |                     |                     |                           |
| Interest                             | \$ 12,000           | \$ 12,238           | \$ 238                    |
| Municipal building offices           | 45,000              | 42,828              | (2,172)                   |
| <b>TOTAL INTEREST AND RENTS</b>      | <b>\$ 57,000</b>    | <b>\$ 55,066</b>    | <b>\$ (1,934)</b>         |
| <b><u>INTERGOVERNMENTAL:</u></b>     |                     |                     |                           |
| Police operating grant               | \$ 12,000           | \$ 13,276           | \$ 1,276                  |
| Grants                               | -                   | 2,500               | 2,500                     |
| Public utility realty                | 13,000              | 12,330              | (670)                     |
| Drug task force reimb.               | 20,000              | 52,265              | 32,265                    |
| Alcoholic beverage licenses          | 7,000               | 8,350               | 1,350                     |
| State pension assistance             | 422,300             | 392,083             | (30,217)                  |
| Drilling Impact Free                 | 70,000              | 67,195              | (2,805)                   |
| Foreign fire ins.                    | 210,000             | 195,404             | (14,596)                  |
| Recycling performance grant          | 7,500               | -                   | (7,500)                   |
| Payments In Lieu of Taxes            | -                   | 33,173              | 33,173                    |
| <b>TOTAL INTERGOVERNMENTAL</b>       | <b>\$ 761,800</b>   | <b>\$ 776,576</b>   | <b>\$ 14,776</b>          |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 1**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                        | <u>BUDGET</u>        | <u>ACTUAL</u>        | <u>OVER<br/>&lt;UNDER&gt;<br/>BUDGET</u> |
|----------------------------------------|----------------------|----------------------|------------------------------------------|
| <b><u>DEPARTMENTAL EARNINGS:</u></b>   |                      |                      |                                          |
| No lien letters                        | \$ 14,000            | \$ 14,180            | \$ 180                                   |
| Recording-subdivisions                 | 15,000               | 10,525               | (4,475)                                  |
| Engineer Fee Reimburse                 | 20,000               | 82,780               | 62,780                                   |
| Non-conforming use permits             | 2,500                | 1,505                | (995)                                    |
| Grading permits                        | 5,000                | 1,813                | (3,188)                                  |
| Zoning hearing board                   | 8,000                | 4,850                | (3,150)                                  |
| Sale-maps, ord, copies, etc            | 1,000                | 501                  | (499)                                    |
| Copies-accident reports                | 7,500                | 7,844                | 344                                      |
| Burglar alarms                         | 4,000                | 3,485                | (515)                                    |
| Bldg/use & occup permits               | 200,000              | 206,694              | 6,694                                    |
| Septic tank permits                    | 500                  | -                    | (500)                                    |
| Facility users fees                    | 25,000               | 28,760               | 3,760                                    |
| Program fees/donation                  | 15,000               | 27,528               | 12,528                                   |
| <b>TOTAL DEPARTMENTAL EARNINGS</b>     | <b>\$ 317,500</b>    | <b>\$ 390,465</b>    | <b>\$ 72,965</b>                         |
| <b><u>MISCELLANEOUS:</u></b>           |                      |                      |                                          |
| Miscellaneous revenue                  | \$ 100,000           | \$ 45,689            | \$ (54,311)                              |
| Police Dept. Donations                 | -                    | 75                   | 75                                       |
| Sale of fixed assets                   | -                    | 51,957               | 51,957                                   |
| Contribution from Municipal Authority  | -                    | 22,188               | 22,188                                   |
| <b>TOTAL MISCELLANEOUS REVENUES</b>    | <b>\$ 100,000</b>    | <b>\$ 119,909</b>    | <b>\$ 19,909</b>                         |
| <b><u>OTHER FINANCIAL SOURCES:</u></b> |                      |                      |                                          |
| Refund prior year expenses             | \$ 100,000           | \$ 172,254           | \$ 72,254                                |
| <b>TOTAL OTHER FINANCIAL SOURCES</b>   | <b>\$ 100,000</b>    | <b>\$ 172,254</b>    | <b>\$ 72,254</b>                         |
| <b>TOTAL REVENUES</b>                  | <b>\$ 11,292,300</b> | <b>\$ 12,213,094</b> | <b>\$ 920,794</b>                        |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                     | BUDGET            | ACTUAL            | <OVER><br>UNDER<br>BUDGET |
|-------------------------------------|-------------------|-------------------|---------------------------|
| <b>GENERAL GOVERNMENT:</b>          |                   |                   |                           |
| <b>GOVERNING BODY:</b>              |                   |                   |                           |
| Elected officials salary            | \$ 30,625         | \$ 30,625         | \$ -                      |
| Social security                     | 2,400             | 2,343             | 57                        |
| Dues, travel & training             | 10,000            | 5,252             | 4,748                     |
| <b>TOTAL GOVERNING BODY</b>         | <b>\$ 43,025</b>  | <b>\$ 38,220</b>  | <b>\$ 4,805</b>           |
| <b>GENERAL ADMINISTRATION:</b>      |                   |                   |                           |
| Salary--twp. Manager/secr           | \$ 102,024        | \$ 100,062        | \$ 1,962                  |
| Asst. to manager                    | 76,995            | 75,515            | 1,480                     |
| Clerical salaries                   | 205,000           | 221,208           | (16,208)                  |
| Workers comp.                       | 3,000             | 3,051             | (51)                      |
| Fringe benefits                     | 113,000           | 118,324           | (5,324)                   |
| Overtime                            | 7,000             | 2,886             | 4,114                     |
| Supplies/postage                    | 10,000            | 9,460             | 540                       |
| Recycling program exp.              | 4,000             | 4,253             | (253)                     |
| Land Purchase/Miscellaneous         | 5,000             | 3,255             | 1,745                     |
| Twp. Auditors                       | 12,000            | 10,500            | 1,500                     |
| Consulting services                 | 40,000            | 10,383            | 29,617                    |
| Engineer's fee                      | 95,000            | 51,259            | 43,741                    |
| Solicitor's fees                    | 95,000            | 92,730            | 2,270                     |
| Economic Development                | 40,000            | 34,561            | 5,439                     |
| Arbitration hearing                 | 4,000             | 7,085             | (3,085)                   |
| Adv., printing, etc                 | 15,000            | 8,722             | 6,278                     |
| Maintenance & rentals               | 5,000             | 3,056             | 1,944                     |
| Computer system                     | 26,000            | 25,937            | 63                        |
| Manager's dues/subscript            | 2,000             | 1,525             | 476                       |
| Asst.'s dues/subscript              | 500               | 350               | 150                       |
| Admin. Staff training               | 5,500             | 4,997             | 503                       |
| Capital equipment                   | 2,000             | 290               | 1,710                     |
| <b>TOTAL GENERAL ADMINISTRATION</b> | <b>\$ 868,019</b> | <b>\$ 789,409</b> | <b>\$ 78,610</b>          |
| <b>TAX COLLECTION:</b>              |                   |                   |                           |
| Salary - treasurer                  | \$ 10,000         | \$ 10,000         | \$ -                      |
| Commission - tax collector          | 25,000            | 21,800            | 3,200                     |
| Delinquent tax collection           | 13,000            | 575               | 12,425                    |
| Fringe benefits                     | 5,000             | 5,174             | (174)                     |
| Supplies/expenses                   | 35,000            | 27,394            | 7,606                     |
| <b>TOTAL TAX COLLECTION</b>         | <b>\$ 88,000</b>  | <b>\$ 64,943</b>  | <b>\$ 23,057</b>          |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                        | BUDGET              | ACTUAL              | <OVER><br>UNDER<br>BUDGET |
|----------------------------------------|---------------------|---------------------|---------------------------|
| <b>GENERAL GOVERNMENT: (Continued)</b> |                     |                     |                           |
| <b>BUILDING AND PLANT:</b>             |                     |                     |                           |
| Custodian wages                        | \$ 56,750           | \$ 56,961           | \$ (211)                  |
| Workers comp.                          | 5,000               | 5,078               | (78)                      |
| Fringe benefits                        | 22,500              | 20,671              | 1,829                     |
| Overtime                               | 4,000               | 1,944               | 2,056                     |
| Supplies - town house                  | 10,000              | 9,087               | 913                       |
| Supplies - garage                      | 9,000               | 7,153               | 1,847                     |
| Sm. Tools/minor equip                  | 3,000               | 803                 | 2,197                     |
| Telephone                              | 50,000              | 39,658              | 10,342                    |
| Utilities - town house                 | 60,000              | 41,387              | 18,613                    |
| Utilities - garage                     | 50,000              | 43,112              | 6,888                     |
| Repairs & maint. t. h.                 | 25,000              | 18,341              | 6,659                     |
| Repairs & maint.- garage               | 12,000              | 13,771              | (1,771)                   |
| Repairs & maint. of equip              | 2,500               | 2,722               | (222)                     |
| Capital improvements                   | 25,000              | 10,995              | 14,005                    |
| <b>TOTAL BUILDING AND PLANT</b>        | <b>\$ 334,750</b>   | <b>\$ 271,681</b>   | <b>\$ 63,069</b>          |
| <b>TOTAL GENERAL GOVERNMENT</b>        | <b>\$ 1,333,794</b> | <b>\$ 1,164,252</b> | <b>\$ 169,542</b>         |
| <b>PUBLIC SAFETY:</b>                  |                     |                     |                           |
| <b>POLICE PROTECTION:</b>              |                     |                     |                           |
| Police chief's salary                  | \$ 103,222          | \$ 101,335          | \$ 1,887                  |
| Police salary                          | 2,607,000           | 2,526,035           | 80,965                    |
| Workers Compensation                   | 214,000             | 214,416             | (416)                     |
| Fringe benefits                        | 675,000             | 663,066             | 11,934                    |
| Overtime                               | 205,000             | 239,894             | (34,894)                  |
| Dispatcher's wages                     | 350,000             | 336,487             | 13,513                    |
| Workers Compensation                   | 3,000               | 3,047               | (47)                      |
| Fringe benefits                        | 116,000             | 108,962             | 7,038                     |
| Overtime                               | 11,000              | 4,549               | 6,451                     |
| K-9 compensation/expenses              | 10,000              | 9,521               | 479                       |
| Uniforms - policemen                   | 35,250              | 20,903              | 14,347                    |
| Uniforms - dispatchers                 | 3,500               | 1,388               | 2,112                     |
| Vests - police                         | 7,500               | 3,179               | 4,321                     |
| Office supplies                        | 12,000              | 9,847               | 2,153                     |
| Vehicle fuel                           | 80,000              | 46,645              | 33,355                    |
| Vascar                                 | 5,000               | 2,891               | 2,109                     |
| Ammunition                             | 6,500               | 5,973               | 527                       |
| Affiliated program asst.               | 5,000               | 1,323               | 3,677                     |
| Miscellaneous                          | 11,000              | 11,799              | (799)                     |
| Repairs to vehicles                    | 60,000              | 48,408              | 11,592                    |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                          | BUDGET              | ACTUAL              | <OVER><br>UNDER<br>BUDGET |
|------------------------------------------|---------------------|---------------------|---------------------------|
| <b><u>PUBLIC SAFETY: (Continued)</u></b> |                     |                     |                           |
| Minor equipment                          | 7,000               | 2,910               | 4,090                     |
| Blood alcohol tests                      | 8,000               | 4,336               | 3,664                     |
| Civil service commission                 | 2,000               | 1,600               | 400                       |
| Radio maintenance                        | 15,000              | 5,979               | 9,021                     |
| Equipment maint. Contract                | 65,000              | 60,320              | 4,680                     |
| Dog officer                              | 7,250               | 7,680               | (430)                     |
| Seminars & training                      | 14,000              | 13,724              | 276                       |
| <b>TOTAL POLICE PROTECTION</b>           | <b>\$ 4,638,222</b> | <b>\$ 4,456,220</b> | <b>\$ 182,002</b>         |
| <b><u>FIRE DEPARTMENT:</u></b>           |                     |                     |                           |
| Workers Comp.                            | \$ 45,000           | \$ 55,677           | \$ (10,677)               |
| Gasoline                                 | 27,000              | 13,013              | 13,987                    |
| Firemens Relief Assoc.                   | 210,000             | 195,404             | 14,596                    |
| <b>TOTAL FIRE PROTECTION</b>             | <b>\$ 282,000</b>   | <b>\$ 264,094</b>   | <b>\$ 17,906</b>          |
| <b><u>RESCUE 8:</u></b>                  |                     |                     |                           |
| Worker's Comp.                           | \$ 5,000            | \$ 5,078            | \$ (78)                   |
| Gasoline                                 | 60,000              | 34,811              | 25,189                    |
| Utilities - Rescue 8                     | 18,000              | 13,777              | 4,223                     |
| Contribution to Rescue 8                 | 36,000              | 36,000              | -                         |
| <b>TOTAL RESCUE 8</b>                    | <b>\$ 119,000</b>   | <b>\$ 89,667</b>    | <b>\$ 29,333</b>          |
| <b><u>PLANNING AND ZONING</u></b>        |                     |                     |                           |
| Planning Dir. Salary                     | \$ 100,845          | \$ 98,905           | \$ 1,940                  |
| Building inspector sal.                  | 58,444              | 52,323              | 6,121                     |
| Planner salary                           | 59,012              | 57,877              | 1,135                     |
| Clerical Wages                           | 52,000              | 52,200              | (200)                     |
| Code officer                             | 48,807              | 47,869              | 938                       |
| Zoning hearing board sala                | 4,200               | 2,100               | 2,100                     |
| Intern                                   | 5,000               | 2,391               | 2,609                     |
| Workers comp.                            | 3,000               | 3,043               | (43)                      |
| Fringe benefits                          | 116,000             | 111,824             | 4,176                     |
| Overtime                                 | 1,500               | 572                 | 928                       |
| Z.O. Safety shoes                        | 800                 | 642                 | 158                       |
| Planning commission exp.                 | 1,000               | 305                 | 695                       |
| Office supplies                          | 14,500              | 8,608               | 5,892                     |
| Vehicle maint. & fuel                    | 6,000               | 3,189               | 2,811                     |
| Minor equipment                          | 2,000               | 686                 | 1,314                     |
| Professional services                    | 32,000              | 18,423              | 13,577                    |
| Special legal services                   | -                   | -                   | -                         |
| Adv./Rec. fees                           | 4,000               | 3,466               | 534                       |
| Dues & subscriptions                     | 3,000               | 1,686               | 1,314                     |
| Lien Cost                                | 3,000               | 1,717               | 1,283                     |
| Training                                 | 8,000               | 8,212               | (212)                     |
| Refunds                                  | 1,000               | -                   | 1,000                     |
| <b>TOTAL PLANNING AND ZONING</b>         | <b>\$ 524,108</b>   | <b>\$ 476,039</b>   | <b>\$ 48,069</b>          |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                     | BUDGET              | ACTUAL              | <OVER><br>UNDER<br>BUDGET |
|-------------------------------------|---------------------|---------------------|---------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>   |                     |                     |                           |
| <b>EMERGENCY MANAGEMENT:</b>        |                     |                     |                           |
| Consulting Fee                      | \$ 3,000            | \$ 4,000            | \$ (1,000)                |
| Supplies/materials                  | 3,500               | 2,652               | 848                       |
| Miscellaneous                       | 2,500               | 30                  | 2,470                     |
| Equipment                           | 9,000               | 5,740               | 3,260                     |
| Dues & Subscriptions                | 1,000               | -                   | 1,000                     |
| Training                            | 3,000               | 630                 | 2,370                     |
| <b>TOTAL EMERGENCY MANAGEMENT</b>   | <b>\$ 22,000</b>    | <b>\$ 13,052</b>    | <b>\$ 8,948</b>           |
| <b>SCHOOL CROSSING GUARDS:</b>      |                     |                     |                           |
| School crossing wages               | \$ 19,000           | \$ 17,127           | \$ 1,873                  |
| Social security                     | 1,500               | 1,310               | 190                       |
| Supplies                            | 2,500               | -                   | 2,500                     |
| <b>TOTAL SCHOOL CROSSING GUARDS</b> | <b>\$ 23,000</b>    | <b>\$ 18,437</b>    | <b>\$ 4,563</b>           |
| <b>TOTAL PUBLIC SAFETY</b>          | <b>\$ 5,608,330</b> | <b>\$ 5,317,509</b> | <b>\$ 290,821</b>         |
| <b>PUBLIC WORKS:</b>                |                     |                     |                           |
| <b>PUBLIC WORK SERVICE:</b>         |                     |                     |                           |
| Rd. Supt. Wages                     | \$ 73,456           | \$ 72,044           | \$ 1,412                  |
| Asst. Rd. Supt. Wages               | 64,740              | 63,495              | 1,245                     |
| Road Dept. Hourly Wages             | 1,183,000           | 1,086,001           | 96,999                    |
| Wages - Seasonal Employees          | 18,480              | 13,672              | 4,808                     |
| Worker's compensation               | 109,000             | 106,989             | 2,011                     |
| Fringe Benefits                     | 490,000             | 414,330             | 75,670                    |
| Overtime                            | 150,000             | 134,533             | 15,467                    |
| Safety equip/shoes                  | 8,000               | 9,210               | (1,210)                   |
| Supplies - Misc.                    | 18,000              | 24,162              | (6,162)                   |
| Office supplies                     | 1,500               | 1,697               | (197)                     |
| Top Soil                            | 6,000               | 13,071              | (7,071)                   |
| Gas - Oil - Diesel                  | 115,000             | 78,630              | 36,370                    |
| General Expenses                    | 5,000               | 4,525               | 475                       |
| Repair & Maint. / Equipment         | 125,000             | 176,662             | (51,662)                  |
| Sm. Tools & Minor Equip             | 12,000              | 11,576              | 424                       |
| Radio Maintenance                   | 1,500               | 1,216               | 284                       |
| Rental of Machinery                 | 35,000              | 37,771              | (2,771)                   |
| Training                            | 5,000               | 841                 | 4,159                     |
| Anti - Skid                         | 12,000              | -                   | 12,000                    |
| Calcium Chloride                    | 5,000               | 2,898               | 2,102                     |
| Highway Supplies - Signs            | 20,000              | 17,627              | 2,373                     |
| Traffic Paint                       | 1,500               | 791                 | 709                       |
| Traffic Line Paint Contra           | 14,000              | 10,454              | 3,546                     |
| Traffic Signal Maintenance          | 30,000              | 131,917             | (101,917)                 |
| Storm Drainage Supplies             | 60,000              | 71,192              | (11,192)                  |
| Concrete                            | 26,000              | 27,973              | (1,973)                   |
| Rd. Reconstruction & Repair         | 874,700             | 749,030             | 125,670                   |
| Stone                               | 102,000             | 96,822              | 5,178                     |
| Paving                              | 2,500               | -                   | 2,500                     |
| Capital Projects                    | 240,000             | 226,460             | 13,540                    |
| <b>TOTAL PUBLIC WORK SERVICE</b>    | <b>\$ 3,808,376</b> | <b>\$ 3,683,519</b> | <b>\$ 124,857</b>         |
| <b>TOTAL PUBLIC WORKS</b>           | <b>\$ 3,808,376</b> | <b>\$ 3,683,519</b> | <b>\$ 124,857</b>         |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                      | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>&lt;OVER&gt;<br/>UNDER<br/>BUDGET</u> |
|--------------------------------------|-------------------|-------------------|------------------------------------------|
| <b>CULTURE AND RECREATION</b>        |                   |                   |                                          |
| <b><u>PARKS DEPARTMENT:</u></b>      |                   |                   |                                          |
| Parks/Rec. Director Salary           | \$ 63,597         | \$ 62,374         | \$ 1,223                                 |
| Supplies and Postage                 | 4,000             | 2,301             | 1,699                                    |
| Program Supplies                     | 75,000            | 73,916            | 1,084                                    |
| Miscellaneous                        | 2,500             | 598               | 1,902                                    |
| Professional Services                | 30,000            | 9,466             | 20,534                                   |
| Adv. & Printing                      | 15,000            | 13,010            | 1,990                                    |
| Dues & Subscriptions                 | 1,500             | 525               | 975                                      |
| Training                             | 3,500             | 2,246             | 1,254                                    |
| Recreation Board                     | 1,500             | -                 | 1,500                                    |
| Wages - Park                         | 235,000           | 231,223           | 3,777                                    |
| Summer Pt Emp.                       | 36,960            | 20,512            | 16,448                                   |
| Workers Comp.                        | 25,000            | 24,578            | 422                                      |
| Fringe Benefits                      | 113,500           | 96,439            | 17,061                                   |
| Overtime                             | 20,000            | 16,894            | 3,106                                    |
| Operating Supplies                   | 29,000            | 28,703            | 297                                      |
| Gasoline                             | 22,000            | 11,302            | 10,698                                   |
| Repairs - Mach./Equip.               | 16,000            | 11,604            | 4,396                                    |
| Sm. Tools & Minor Equip.             | 6,000             | 2,149             | 3,851                                    |
| Utilities                            | 23,000            | 24,003            | (1,003)                                  |
| Repairs - Land & Buildings           | 50,000            | 53,944            | (3,944)                                  |
| Playground Equip.                    | 10,000            | -                 | 10,000                                   |
| Rental of Equipment                  | 12,000            | 7,347             | 4,653                                    |
| <b>TOTAL PARKS DEPARTMENT</b>        | <b>\$ 795,057</b> | <b>\$ 693,132</b> | <b>\$ 101,925</b>                        |
| <b>TOTAL CULTURE AND RECREATION</b>  | <b>\$ 795,057</b> | <b>\$ 693,132</b> | <b>\$ 101,925</b>                        |
| <b><u>COMMUNITY DEVELOPMENT:</u></b> |                   |                   |                                          |
| Donations                            | \$ 1,000          | \$ -              | \$ 1,000                                 |
| Westmoreland Cty. Transit            | 5,210             | 5,211             | (1)                                      |
| Community Demolition                 | 50,000            | 19,500            | 30,500                                   |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>   | <b>\$ 56,210</b>  | <b>\$ 24,711</b>  | <b>\$ 31,499</b>                         |
| <b><u>INSURANCE:</u></b>             |                   |                   |                                          |
| Unemployment Comp.                   | \$ 17,000         | \$ 12,395         | \$ 4,605                                 |
| Property, Fleet, Liabilities         | 275,000           | 264,218           | 10,782                                   |
| Public Officials Error               | 28,000            | 25,361            | 2,639                                    |
| Law Enforcement Insurance            | 51,000            | 44,905            | 6,095                                    |
| Bonds                                | 500               | 1,957             | (1,457)                                  |
| Ins. Deductible & Costs              | 10,000            | 620               | 9,380                                    |
| <b>TOTAL INSURANCE</b>               | <b>\$ 381,500</b> | <b>\$ 349,456</b> | <b>\$ 32,044</b>                         |

The accompanying notes are an integral part of these financial statements



**SCHEDULE 2**

**TOWNSHIP OF NORTH HUNTINGDON**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                        | <u>BUDGET</u>        | <u>ACTUAL</u>        | <u>&lt;OVER&gt;<br/>UNDER<br/>BUDGET</u> |
|--------------------------------------------------------|----------------------|----------------------|------------------------------------------|
| <b><u>EMPLOYEE BENEFITS:</u></b>                       |                      |                      |                                          |
| Health Ins.                                            | \$ 107,300           | \$ 95,509            | \$ 11,791                                |
| Retired Employee Benefits                              | 1,750                | 1,445                | 305                                      |
| PMRS Pensions                                          | 782,100              | 782,077              | 23                                       |
| Medical Evaluations                                    | 3,000                | 3,141                | (141)                                    |
| 65 Special                                             | 52,100               | 58,785               | (6,685)                                  |
| <b>TOTAL EMPLOYEE BENEFITS</b>                         | <b>\$ 946,250</b>    | <b>\$ 940,957</b>    | <b>\$ 5,293</b>                          |
| <b><u>OTHER FINANCING USES:</u></b>                    |                      |                      |                                          |
| Miscellaneous Tax Refunds                              | \$ 4,000             | \$ 790               | \$ 3,210                                 |
| Real Est. Tax Refund                                   | 5,000                | 32                   | 4,968                                    |
| Interfund Transfer - Capital Reserve Fund              | 328,800              | 97,000               | 231,800                                  |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b>\$ 337,800</b>    | <b>\$ 97,822</b>     | <b>\$ 239,978</b>                        |
| <b>TOTAL EXPENDITURES AND<br/>OTHER FINANCING USES</b> | <b>\$ 13,267,317</b> | <b>\$ 12,271,734</b> | <b>\$ 995,583</b>                        |

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH HUNTINGDON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

|                                            | LIQUID FUELS<br>FUND | LIGHT<br>FUND    | WATER<br>FUND     | FIRE<br>FUND     | PARK<br>FUND      | CAPITAL<br>PROJECT<br>FUND | TOTAL             |
|--------------------------------------------|----------------------|------------------|-------------------|------------------|-------------------|----------------------------|-------------------|
|                                            |                      |                  |                   |                  |                   |                            |                   |
| Cash and Cash Equivalents                  | \$ 1,573             | \$ 10,336        | \$ 148,622        | \$ 43,031        | \$ 189,383        | \$ 2,344                   | \$ 395,289        |
| Due from Other Funds                       | -                    | -                | -                 | 13,455           | -                 | 10,196                     | 23,651            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 1,573</b>      | <b>\$ 10,336</b> | <b>\$ 148,622</b> | <b>\$ 56,486</b> | <b>\$ 189,383</b> | <b>\$ 12,540</b>           | <b>\$ 418,940</b> |
| <b>LIABILITIES</b>                         |                      |                  |                   |                  |                   |                            |                   |
| Accounts Payable                           | \$ -                 | \$ -             | \$ -              | \$ -             | \$ -              | \$ 6,349                   | \$ 6,349          |
| <b>TOTAL ACCOUNTS PAYABLE</b>              | <b>\$ -</b>          | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ 6,349</b>            | <b>\$ 6,349</b>   |
| <b>FUND BALANCES</b>                       |                      |                  |                   |                  |                   |                            |                   |
| Restricted                                 | \$ 1,573             | \$ 10,336        | \$ 148,622        | \$ 56,486        | \$ -              | \$ 6,191                   | \$ 223,208        |
| Assigned                                   | -                    | -                | -                 | -                | 189,383           | -                          | 189,383           |
| <b>TOTAL FUND BALANCES</b>                 | <b>\$ 1,573</b>      | <b>\$ 10,336</b> | <b>\$ 148,622</b> | <b>\$ 56,486</b> | <b>\$ 189,383</b> | <b>\$ 6,191</b>            | <b>\$ 412,591</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 1,573</b>      | <b>\$ 10,336</b> | <b>\$ 148,622</b> | <b>\$ 56,486</b> | <b>\$ 189,383</b> | <b>\$ 12,540</b>           | <b>\$ 418,940</b> |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH HUNTINGDON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                               | LIQUID FUELS<br>FUND | LIGHT<br>FUND     | WATER<br>FUND     | FIRE<br>FUND      | PARK<br>FUND      | CAPITAL<br>PROJECT<br>FUND | TOTAL               |
|-----------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|---------------------|
| <b>REVENUES:</b>                              |                      |                   |                   |                   |                   |                            |                     |
| Real Estate Taxes                             | \$ -                 | \$ 170,486        | \$ 52,869         | \$ 477,602        | \$ -              | \$ 361,843                 | \$ 1,062,800        |
| Interest                                      | 39                   | 4                 | 15                | 15                | 17                | 13                         | 103                 |
| Intergovernmental                             | 840,688              | -                 | -                 | -                 | -                 | -                          | 840,688             |
| Charges for Services                          | -                    | -                 | 150               | -                 | 30,275            | -                          | 30,425              |
| <b>TOTAL REVENUES</b>                         | <b>\$ 840,727</b>    | <b>\$ 170,490</b> | <b>\$ 53,034</b>  | <b>\$ 477,617</b> | <b>\$ 30,292</b>  | <b>\$ 361,856</b>          | <b>\$ 1,934,016</b> |
| <b>EXPENDITURES:</b>                          |                      |                   |                   |                   |                   |                            |                     |
| General Government                            | \$ -                 | \$ 8,557          | \$ 2,668          | \$ -              | \$ -              | \$ -                       | \$ 11,225           |
| Public Safety                                 | -                    | -                 | -                 | 480,000           | -                 | 142,773                    | 622,773             |
| Public Works                                  | 844,747              | 160,340           | 53,054            | -                 | -                 | 454,402                    | 1,512,543           |
| Culture and Recreation                        | -                    | -                 | -                 | -                 | -                 | 18,905                     | 18,905              |
| <b>TOTAL EXPENDITURES</b>                     | <b>\$ 844,747</b>    | <b>\$ 168,897</b> | <b>\$ 55,722</b>  | <b>\$ 480,000</b> | <b>\$ -</b>       | <b>\$ 616,080</b>          | <b>\$ 2,165,446</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                      |                   |                   |                   |                   |                            |                     |
| Operating Transfers In                        | \$ -                 | \$ -              | \$ -              | \$ -              | \$ -              | \$ 97,000                  | \$ 97,000           |
| Tax Refunds                                   | -                    | -                 | (4)               | -                 | -                 | -                          | (4)                 |
| <b>TOTAL OTHER FINANCING SOURCES AND USES</b> | <b>\$ -</b>          | <b>\$ -</b>       | <b>(4)</b>        | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 97,000</b>           | <b>\$ 96,996</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>            | <b>\$ (4,020)</b>    | <b>\$ 1,593</b>   | <b>\$ (2,692)</b> | <b>\$ (2,383)</b> | <b>\$ 30,292</b>  | <b>\$ (157,224)</b>        | <b>\$ (134,434)</b> |
| FUND BALANCE - January 1, 2015                | 5,593                | 8,743             | 151,314           | 58,869            | 159,091           | 163,415                    | 547,025             |
| <b>FUND BALANCE - December 31, 2015</b>       | <b>\$ 1,573</b>      | <b>\$ 10,336</b>  | <b>\$ 148,622</b> | <b>\$ 56,486</b>  | <b>\$ 189,383</b> | <b>\$ 6,191</b>            | <b>\$ 412,591</b>   |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF NORTH HUNTINGDON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                          | Liquid Fuels Fund            |                   |                    | Light Fund                   |                   |                    | Water Fund                   |                   |                   |
|----------------------------------------------------------|------------------------------|-------------------|--------------------|------------------------------|-------------------|--------------------|------------------------------|-------------------|-------------------|
|                                                          | Original and<br>Final Budget | Actual            | Variance           | Original and<br>Final Budget | Actual            | Variance           | Original and<br>Final Budget | Actual            | Variance          |
| <b>REVENUES</b>                                          |                              |                   |                    |                              |                   |                    |                              |                   |                   |
| Property Taxes                                           | \$ -                         | \$ -              | \$ -               | \$ 144,100                   | \$ 170,486        | \$ 26,386          | \$ 51,100                    | \$ 52,869         | \$ 1,769          |
| Interest, Rent and Royalties                             | 300                          | 39                | (261)              | 50                           | 4                 | (46)               | 50                           | 15                | (35)              |
| Intergovernmental Revenues                               | 825,000                      | 840,688           | 15,688             | -                            | -                 | -                  | -                            | -                 | -                 |
| Charge for Services                                      | -                            | -                 | -                  | -                            | -                 | -                  | 300                          | 150               | (150)             |
| <b>Total Revenues</b>                                    | <b>\$ 825,300</b>            | <b>\$ 840,727</b> | <b>\$ 15,427</b>   | <b>\$ 144,150</b>            | <b>\$ 170,490</b> | <b>\$ 26,340</b>   | <b>\$ 51,450</b>             | <b>\$ 53,034</b>  | <b>\$ 1,584</b>   |
| <b>EXPENDITURES</b>                                      |                              |                   |                    |                              |                   |                    |                              |                   |                   |
| General Government                                       | \$ -                         | \$ -              | \$ -               | \$ 7,400                     | \$ 8,557          | \$ (1,157)         | \$ 2,600                     | \$ 2,668          | \$ (68)           |
| Public Works                                             | 830,300                      | 844,747           | (14,447)           | 136,650                      | 160,340           | (23,690)           | 48,850                       | 53,054            | (4,204)           |
| <b>Total Expenditures</b>                                | <b>\$ 830,300</b>            | <b>\$ 844,747</b> | <b>\$ (14,447)</b> | <b>\$ 144,050</b>            | <b>\$ 168,897</b> | <b>\$ (24,847)</b> | <b>\$ 51,450</b>             | <b>\$ 55,722</b>  | <b>\$ (4,272)</b> |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <b>\$ (5,000)</b>            | <b>\$ (4,020)</b> | <b>\$ 980</b>      | <b>\$ 100</b>                | <b>\$ 1,593</b>   | <b>\$ 1,493</b>    | <b>\$ -</b>                  | <b>\$ (2,688)</b> | <b>\$ (2,688)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                              |                   |                    |                              |                   |                    |                              |                   |                   |
| Tax Refunds                                              | \$ -                         | \$ -              | \$ -               | (100)                        | \$ -              | \$ 100             | \$ -                         | \$ (4)            | \$ (4)            |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ -</b>                  | <b>\$ -</b>       | <b>\$ -</b>        | <b>\$ (100)</b>              | <b>\$ -</b>       | <b>\$ 100</b>      | <b>\$ -</b>                  | <b>\$ (4)</b>     | <b>\$ (4)</b>     |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ (5,000)</b>            | <b>\$ (4,020)</b> | <b>\$ 980</b>      | <b>\$ -</b>                  | <b>\$ 1,593</b>   | <b>\$ 1,593</b>    | <b>\$ -</b>                  | <b>\$ (2,692)</b> | <b>\$ (2,692)</b> |
| <b>FUND BALANCE - JANUARY 1, 2015</b>                    | <b>5,000</b>                 | <b>5,593</b>      | <b>593</b>         | <b>-</b>                     | <b>8,743</b>      | <b>8,743</b>       | <b>-</b>                     | <b>151,314</b>    | <b>151,314</b>    |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                  | <b>\$ -</b>                  | <b>\$ 1,573</b>   | <b>\$ 1,573</b>    | <b>\$ -</b>                  | <b>\$ 10,336</b>  | <b>\$ 10,336</b>   | <b>\$ -</b>                  | <b>\$ 148,622</b> | <b>\$ 148,622</b> |

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF NORTH HUNTINGDON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

|                                                          | Fire Service Fund            |                   |                    | Park Fund                    |                   |                   | Capital Project Fund         |                     |                     |
|----------------------------------------------------------|------------------------------|-------------------|--------------------|------------------------------|-------------------|-------------------|------------------------------|---------------------|---------------------|
|                                                          | Original and<br>Final Budget | Actual            | Variance           | Original and<br>Final Budget | Actual            | Variance          | Original and<br>Final Budget | Actual              | Variance            |
| <b>REVENUES</b>                                          |                              |                   |                    |                              |                   |                   |                              |                     |                     |
| Property Taxes                                           | \$ 463,100                   | \$ 477,602        | \$ 14,502          | \$ -                         | \$ -              | \$ -              | \$ 353,500                   | \$ 361,843          | \$ 8,343            |
| Interest, Rent and Royalties                             | 50                           | 15                | (35)               | 250                          | 17                | (233)             | 200                          | 13                  | (187)               |
| Charge for Services                                      | -                            | -                 | -                  | 20,000                       | 30,275            | 10,275            | -                            | -                   | -                   |
| <b>Total Revenues</b>                                    | <b>\$ 463,150</b>            | <b>\$ 477,617</b> | <b>\$ 14,467</b>   | <b>\$ 20,250</b>             | <b>\$ 30,292</b>  | <b>\$ 10,042</b>  | <b>\$ 353,700</b>            | <b>\$ 361,856</b>   | <b>\$ 8,156</b>     |
| <b>EXPENDITURES</b>                                      |                              |                   |                    |                              |                   |                   |                              |                     |                     |
| General Government                                       | \$ -                         | \$ -              | \$ -               | \$ -                         | \$ -              | \$ -              | \$ 50,000                    | \$ -                | \$ 50,000           |
| Public Safety                                            | 463,050                      | 480,000           | (16,950)           | -                            | -                 | -                 | 182,500                      | 142,773             | 39,727              |
| Public Works                                             | -                            | -                 | -                  | -                            | -                 | -                 | 495,000                      | 454,402             | 40,598              |
| Culture and Recreation                                   | -                            | -                 | -                  | 62,000                       | -                 | 62,000            | 69,000                       | 18,905              | 50,095              |
| <b>Total Expenditures</b>                                | <b>\$ 463,050</b>            | <b>\$ 480,000</b> | <b>\$ (16,950)</b> | <b>\$ 62,000</b>             | <b>\$ -</b>       | <b>\$ 62,000</b>  | <b>\$ 796,500</b>            | <b>\$ 616,080</b>   | <b>\$ 180,420</b>   |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <b>\$ 100</b>                | <b>\$ (2,383)</b> | <b>\$ (2,483)</b>  | <b>\$ (41,750)</b>           | <b>\$ 30,292</b>  | <b>\$ 72,042</b>  | <b>\$ (442,800)</b>          | <b>\$ (254,224)</b> | <b>\$ 188,576</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                              |                   |                    |                              |                   |                   |                              |                     |                     |
| Operating Transfers In                                   | \$ -                         | \$ -              | \$ -               | \$ -                         | \$ -              | \$ -              | \$ 328,800                   | \$ 97,000           | \$ (231,800)        |
| Tax Refunds                                              | (100)                        | -                 | 100                | -                            | -                 | -                 | -                            | -                   | -                   |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ (100)</b>              | <b>\$ -</b>       | <b>\$ 100</b>      | <b>\$ -</b>                  | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 328,800</b>            | <b>\$ 97,000</b>    | <b>\$ (231,800)</b> |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ -</b>                  | <b>\$ (2,383)</b> | <b>\$ (2,383)</b>  | <b>\$ (41,750)</b>           | <b>\$ 30,292</b>  | <b>\$ 72,042</b>  | <b>\$ (114,000)</b>          | <b>\$ (157,224)</b> | <b>\$ (43,224)</b>  |
| <b>FUND BALANCE - JANUARY 1, 2015</b>                    | <b>-</b>                     | <b>58,869</b>     | <b>(2,383)</b>     | <b>144,000</b>               | <b>159,091</b>    | <b>72,042</b>     | <b>114,000</b>               | <b>163,415</b>      | <b>(43,224)</b>     |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                  | <b>\$ -</b>                  | <b>\$ 56,486</b>  | <b>\$ (4,766)</b>  | <b>\$ 102,250</b>            | <b>\$ 189,383</b> | <b>\$ 144,084</b> | <b>\$ -</b>                  | <b>\$ 6,191</b>     | <b>\$ (86,448)</b>  |

The accompanying notes are an integral part of these financial statements

***REQUIRED SUPPLEMENTARY  
INFORMATION***

**TOWNSHIP OF NORTH HUNTINGDON**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**MEASUREMENT YEAR ENDING DECEMBER 31, 2014**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                                           | <b>POLICE<br/>PENSION<br/>PLAN</b> | <b>NON-UNIFORM<br/>PENSION<br/>PLAN</b> |
|---------------------------------------------------------------------------|------------------------------------|-----------------------------------------|
| <b>Total Pension Liability-Beginning</b>                                  | \$ 18,267,318                      | \$ 9,830,626                            |
| Service Cost                                                              | 471,884                            | 297,555                                 |
| Interest (Includes Interest on Service Cost)                              | 1,015,699                          | 547,684                                 |
| Changes of Benefit Terms                                                  | -                                  | -                                       |
| Differences Between Expected and Actual Experience                        | 639,151                            | 349,273                                 |
| Changes of Assumptions                                                    | -                                  | -                                       |
| Transfers                                                                 | -                                  | -                                       |
| Benefit payments, including Refunds of Members Contributions              | (551,266)                          | (345,212)                               |
| Net Change in Total Pension Liability                                     | <u>\$ 1,575,468</u>                | <u>\$ 849,300</u>                       |
| <b>Total Pension Liability-Ending</b>                                     | <u>\$ 19,842,786</u>               | <u>\$ 10,679,926</u>                    |
| <br><b>Plan Fiduciary Net Position-Beginning</b>                          | <br>\$ 16,855,992                  | <br>\$ 9,106,878                        |
| Contributions-employer                                                    | 263,265                            | 195,262                                 |
| Contributions-member                                                      | 138,709                            | 136,609                                 |
| PMRS Investment Income                                                    | 910,696                            | 501,342                                 |
| Market Value Investment Income                                            | 2,757                              | (49,273)                                |
| Transfers                                                                 | -                                  | -                                       |
| Benefit payments, including Refunds of Members Contributions              | (551,266)                          | (345,212)                               |
| PMRS Administrative Expense                                               | (880)                              | (1,440)                                 |
| Additional Administrative Expense                                         | (34,925)                           | (19,227)                                |
| Change in Plan Fiduciary Net Position                                     | <u>\$ 728,356</u>                  | <u>\$ 418,061</u>                       |
| <b>Plan Fiduciary Net Position-Ending</b>                                 | <u>\$ 17,584,348</u>               | <u>\$ 9,524,939</u>                     |
| <br><b>Net Pension Liability-Ending</b>                                   | <br><u>\$ 2,258,438</u>            | <br><u>\$ 1,154,987</u>                 |
| <br><b>RATIOS:</b>                                                        |                                    |                                         |
| Plan Fiduciary Net Position as a<br>Percentage of Total Pension Liability | 88.62%                             | 89.19%                                  |
| <br>Covered-employee Payroll                                              | <br>\$ 2,586,271                   | <br>\$ 2,704,465                        |
| <br>Net Pension Liability as a Percentage<br>of Covered-employee Payroll  | <br>87.32%                         | <br>42.71%                              |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2014 only.

**TOWNSHIP OF NORTH HUNTINGDON**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS**  
**MEASUREMENT YEAR ENDING DECEMBER 31, 2014**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                              | <b><u>POLICE<br/>PENSION<br/>PLAN</u></b> | <b><u>NON-UNIFORM<br/>PENSION<br/>PLAN</u></b> |
|--------------------------------------------------------------|-------------------------------------------|------------------------------------------------|
| Actuarially Determined Contribution                          | \$ 255,893                                | \$ 195,262                                     |
| Contributions                                                | <u>263,265</u>                            | <u>195,262</u>                                 |
| Contribution Deficiency (Excess)                             | <u>\$ (7,372)</u>                         | <u>\$ -</u>                                    |
| <b>RATIOS:</b>                                               |                                           |                                                |
| Covered-employee Payroll                                     | \$ 2,586,271                              | \$ 2,704,465                                   |
| Contributions as a Percentage of<br>Covered-employee Payroll | 10.18%                                    | 7.22%                                          |

**NOTES TO SCHEDULE:**

Valuation Date - January 1, 2011

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial cost method: Entry Age  
Amortization method: Level Dollar Based upon Act 205 Amortization Periods  
Asset valuation method: Based upon the Municipal Reserves  
Discount Rate: 5.5%  
Inflation: 3%  
Salary increases: Age Related Scale with Merit and Inflation Component  
COLA Increases: 3% for those Eligible for a COLA  
Pre-Retirement Mortality Rates: Males-RP 2000 with 1 Year Set Back,  
Females-RP 2000 with 5 Year Set Back  
Post-Retirement Mortality Rates: Sex Distinct RP 2000 Combined Healthy Mortality

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2014 only.



**TOWNSHIP OF NORTH HUNTINGDON**  
**SCHEDULES OF FUNDING PROGRESS**  
**DEFINED BENEFIT PENSION PLAN**  
**DECEMBER 31, 2015**

**SCHEDULES OF FUNDING PROGRESS:**

|                                | (A)                             | (B)                               | (B-A)<br>(UAAL)                               | (A/B)           | (C)                | (B-A)/C                                 |
|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------------------|-----------------|--------------------|-----------------------------------------|
| ACTUARIAL<br>VALUATION<br>DATE | ACTUARIAL<br>VALUE OF<br>ASSETS | ACTUARIAL<br>ACCRUED<br>LIABILITY | UNFUNDED<br>ACTUARIAL<br>ACCRUED<br>LIABILITY | FUNDED<br>RATIO | COVERED<br>PAYROLL | UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
| <b>NON-<br/>UNIFORM:</b>       |                                 |                                   |                                               |                 |                    |                                         |
| 1/1/2005                       | \$ 8,601,016                    | \$ 6,031,767                      | \$ (2,569,249)                                | 142.60%         | \$ 2,141,561       | -119.97%                                |
| 1/1/2007                       | 5,971,941                       | 6,475,833                         | 503,892                                       | 92.22%          | 2,139,748          | 23.55%                                  |
| 1/1/2009                       | 6,915,993                       | 7,257,234                         | 341,241                                       | 95.30%          | 2,403,106          | 14.20%                                  |
| 1/1/2011                       | 7,642,084                       | 8,265,969                         | 623,885                                       | 92.45%          | 2,590,474          | 24.08%                                  |
| 1/1/2013                       | 8,800,973                       | 9,407,242                         | 606,269                                       | 93.56%          | 2,595,456          | 23.36%                                  |
| <b>POLICE:</b>                 |                                 |                                   |                                               |                 |                    |                                         |
| 1/1/2005                       | \$ 11,453,056                   | \$ 8,560,022                      | \$ (2,893,034)                                | 133.80%         | \$ 1,855,774       | -155.89%                                |
| 1/1/2007                       | 11,774,469                      | 10,092,155                        | (1,682,314)                                   | 116.67%         | 2,114,350          | -79.57%                                 |
| 1/1/2009                       | 13,092,955                      | 12,254,734                        | (838,221)                                     | 106.84%         | 2,450,395          | -34.21%                                 |
| 1/1/2011                       | 14,669,593                      | 14,441,886                        | (227,707)                                     | 101.58%         | 2,643,327          | -8.61%                                  |
| 1/1/2013                       | 15,683,602                      | 16,897,148                        | 1,213,546                                     | 93%             | 2,482,026          | 48.9%                                   |

**TOWNSHIP OF NORTH HUNTINGDON**  
**NOTES TO SCHEDULES OF FUNDING PROGRESS (RSI)**  
**DECEMBER 31, 2015**

**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 assets 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, 2013. Additional information included as part of this valuation applicable to the police and non-uniform pension plans (both plans unless otherwise indicated) is as follows:

Actuarial Cost Method - Entry Age Normal

Amortization Method - Level Dollar Closed

Remaining Amortization Period – 11 (Non-Uniform)    10 (Police)

Asset Valuation Method - Market Value

Investment Rate of return – 5.5% per annum

Salary Increase – 3% inflation and age-related scale

Mortality – Pre and Post-retirement – RP2000 Mortality Tables