

**2012 MUNICIPAL ANNUAL AUDIT  
AND  
FINANCIAL REPORT**

**020093 AVALON BORO, ALLEGHENY COUNTY**

**MaherDuessel**  
Certified Public Accountants

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### Independent Auditor's Report

Members of Council  
Borough of Avalon

We have audited the Modified Cash Basis Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statements of Capital Expenditures and Employee Compensation – regulatory basis (the Schedules) included in the 2012 Annual Audit and Financial Report of the Borough of Avalon (Borough), Pennsylvania.

#### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the financial reporting provisions as described in the instructions provided by the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) to meet filing requirements in Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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

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

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

To meet the financial reporting requirements of the Commonwealth of Pennsylvania, the Schedules are prepared by the Borough on the basis of the instructions provided by DCED, which is a basis of accounting other than accounting principles generally accepted in the United States of America. These requirements permit the Schedules to be prepared on the cash basis of accounting, without financial statement disclosures, without cash flows, without component unit financial information, without

Members of Council  
Borough of Avalon  
Independent Auditor's Report

government-wide financial statements, without Management's Discussion and Analysis, without budgetary comparisons and historical pension information, and require all funds to be aggregated by fund type on the Schedules.

The effects on the Schedules of the variances between the regulatory basis of accounting described above and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the Schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2012 and the results of its operations for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the Schedules referred to above present fairly, in all material respects, the regulatory basis financial position of the Borough as of December 31, 2012, and the regulatory results of its operations for the year then ended in accordance with the financial reporting provisions described in the instructions provided by DCED.

*Walter Duesel*

Pittsburgh, Pennsylvania  
March 19, 2013



AVALON BORO, ALLEGHENY County

**BALANCE SHEET**

December 31, 2012

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
<b>Liabilities and Other Credits</b>											
260-269	Long-Term-Liabilities									4,687,833	4,687,833
240-259	Current Portion of Long-Term Debt and Other Credits									241,095	241,095
<b>Total Liabilities and Other Credits</b>		33,000								4,928,928	4,961,928

<b>Fund and Account Group Equity</b>											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets										
270-289	Fund Balance / Retained Earnings on 12/31	188,259	586,991					2,094,431			2,869,681
291-299	Other Equity										
<b>Total Fund and Account Group Equity</b>		188,259	586,991					2,094,431			2,869,681

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY</b>											7,831,609
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**AVALON BORO, ALLEGHENY County**  
**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**REVENUES**

State								
355.09	Marcellus Shale Impact Fee Distribution	98						98
355.00	All Other State Shared Revenues and Entitlements							
356.00	State Payments in Lieu of Taxes							
<b>Total State</b>		81,576	86,143					167,719

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants							
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services							
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes							
<b>Total Local Government Units</b>								

Charges for Service								
361.00	General Government	23,060						23,060
362.00	Public Safety	43,766						43,766
363.20	Parking	3,909						3,909
363.00	All Other Charges for Highway & Streets Services	43,829						43,829
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)		823,364					823,364
364.30	Solid Waste Collection and Disposal Charge (trash)		43,783					43,783
364.60	Host Municipality Benefit Fee for Solid Waste Facility							
364.00	All Other Charges for Sanitation Services							
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	82,705						82,705

**AVALON BORO, ALLEGHENY County**  
**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**REVENUES**

Charges for Service								
368.00	Airports							
369.00	Bars							
370.00	Cemeteries							
372.00	Electric System							
373.00	Gas System							
374.00	Housing System							
375.00	Markets							
377.00	Transit Systems							
378.00	Water System							
379.00	All Other Charges for Service							
<b>Total Charges for Service</b>		197,269	867,147					1,064,416

Unclassified Operating Revenues							
383.00	Special Assessments						
386.00	Escheats (sale of personal property)						
387.00	Contributions and Donations from Private Sectors	50,497					50,497
388.00	Fiduciary Fund Pension Contributions					134,561	134,561
389.00	All Other Unclassified Operating Revenues	1,156					1,156
<b>Total Unclassified Operating Revenues</b>		51,653				134,561	186,214

Other Financing Sources							
391.00	Proceeds of General Fixed Asset Disposition						
392.00	Interfund Operating Transfers	105,840				33,000	138,840
393.00	Proceeds of General Long-Term Debt						
394.00	Proceeds of Short Term-Debt	300,000					300,000

**AVALON BORO, ALLEGHENY County**  
**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**REVENUES**

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures							
<b>Total Other Financing Sources</b>		405,840					33,000	438,840
<b>TOTAL REVENUES</b>		2,982,892	953,720				364,173	4,300,785

**EXPENDITURES**

General Government								
400.00	Legislative (Governing) Body	31,859						31,859
401.00	Executive (Manager or Mayor)	116,208						116,208
402.00	Auditing Services / Financial Administration	10,920						10,920
403.00	Tax Collection	43,229						43,229
404.00	Solicitor / Legal Services	21,302						21,302
405.00	Secretary / Clerk	71,383						71,383
406.00	Other General Government Administration	4,491						4,491
407.00	IT-Networking Services-Data Processing	3,748						3,748
408.00	Engineering Services							
409.00	General Government Buildings and Plant	45,548						45,548
<b>Total General Government</b>		348,688						348,688

Public Safety								
410.00	Police	934,807						934,807
411.00	Fire	91,290						91,290
412.00	Ambulance / Rescue							
413.00	UCC and Code Enforcement	10,488						10,488
414.00	Planning and Zoning	254						254
415.00	Emergency Management and Communications							

**AVALON BORO, ALLEGHENY County**  
**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**EXPENDITURES**

Public Safety								
416.00	Militia and Armories							
417.00	Examination of Licensed Occupations							
418.00	Public Scales (weights and measures)							
419.00	Other Public Safety	24,889						24,889
<b>Total Public Safety</b>		<b>1,061,728</b>						<b>1,061,728</b>

Health and Human Services								
420.00-425.00	Health and Human Services							
<b>Total Health and Human Services</b>								

Public Works - Sanitation								
426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)		11,035					11,035
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection		576,518					576,518
<b>Total Public Works - Sanitation</b>			<b>587,553</b>					<b>587,553</b>

Public Works - Highways and Streets								
430.00	General Services - Administration	390,394						390,394
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance - Snow Removal							
433.00	Traffic Control Devices	17,541						17,541
434.00	Street Lighting	73,042						73,042
435.00	Sidewalks and Crosswalks							
436.00	Storm Sewers and Drains		21,503					21,503

**AVALON BORO, ALLEGHENY County**  
**STATEMENT OF REVENUES AND EXPENDITURES**

December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**EXPENDITURES**

Public Works - Highways and Streets								
437.00	Repairs of Tools and Machinery							
438.00	Maintenance and Repairs of Roads and Bridges	23,276						23,276
439.00	Highway Construction and Rebuilding Projects							
<b>Total Public Works - Highways and Streets</b>		504,253	21,503					525,756

Other Public Works Enterprises								
440.00	Airports							
441.00	Cemeteries							
442.00	Electric System							
443.00	Gas System							
444.00	Markets							
445.00	Parking							
446.00	Storm Water and Flood Control							
447.00	Transit System							
448.00	Water System							
449.00	Water Transport and Terminals							
<b>Total Other Public Works Enterprises</b>								

Culture and Recreation								
451.00	Culture-Recreation Administration	1,772						1,772
452.00	Participant Recreation	109,250						109,250
453.00	Spectator Recreation	2,313						2,313
454.00	Parks	14,555						14,555
455.00	Shade Trees							
456.00	Libraries	62,907						62,907

AVALON BORO, ALLEGHENY County  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**EXPENDITURES**

Culture and Recreation							
457.00	Civil and Military Celebrations	3,018					3,018
458.00	Senior Citizens' Centers						
459.00	All Other Culture and Recreation						
<b>Total Culture and Recreation</b>		193,815					193,815

Community Development							
461.00	Conservation of Natural Resources						
462.00	Community Development and Housing						
463.00	Economic Development						
464.00	Economic Opportunity						
465-469	All Other Community Development						
<b>Total Community Development</b>							

Debt Service							
471.00	Debt Principal (short-term and long-term)	476,634	56,295				532,929
472.00	Debt Interest (short-term and long-term)	153,150	24,589				177,739
475.00	Fiscal Agent Fees	2,291					2,291
<b>Total Debt Service</b>		632,075	80,884				712,959

Employer Paid Benefits and Withholding Items							
481.00	Employer Paid Withholding Taxes and Unemployment Compensation						
482.00	Judgments and Losses						
483.00	Pension / Retirement Fund Contributions						
484.00	Worker Compensation Insurance	80,019					80,019

AVALON BORO, ALLEGHENY County  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2012

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

**EXPENDITURES**

Employer Paid Benefits and Withholding Items							
487.00	Other Group Insurance Benefits						
<b>Total Employer Paid Benefits and Withholding Items</b>		80,019					80,019

Insurance							
486.00	Insurance, Casualty, and Surety	62,814					
<b>Total Insurance</b>		62,814					62,814

Unclassified Operating Expenditures							
488.00	Fiduciary Fund Benefits and Refunds Paid					131,858	131,858
489.00	All Other Unclassified Expenditures					22,486	22,486
<b>Total Unclassified Operating Expenditures</b>						154,344	154,344

Other Financing Uses							
491.00	Refund of Prior Year Revenues	20,563					20,563
492.00	Interfund Operating Transfers	33,000	72,840			33,000	138,840
493.00	All Other Financing Uses						
<b>Total Other Financing Uses</b>		53,563	72,840			33,000	159,403

<b>TOTAL EXPENDITURES</b>		2,936,955	762,780			187,344	3,887,079
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<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES</b>		45,937	190,940			176,829	413,706
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**AVALON BORO**  
December 31, 2012

**DEBT STATEMENT**

**OUTSTANDING BONDS AND NOTES**

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
<b>General Obligation Bonds and Notes</b>											
General Obligation Bonds	Bond	2003	2033	2,140,000	1,820,000		40,000		1,780,000		1,780,000
General Obligation Bonds	Bond	2006	2036	1,565,000	1,405,000		40,000		1,365,000		1,365,000
Pennvest	Note	2008	2029	1,350,000	1,191,590		56,295		1,135,295		1,135,295
General Obligation Note	Note	2009	2019	780,000	650,000		70,000		580,000		580,000
<b>Revenue Bonds and Notes</b>											
<b>Lease Rental Debt</b>											
<b>Other</b>											
AIM Loan	Note	2011	2016	70,000	70,000		14,000		56,000		56,000
AIM Loan	Note	2008	2012	63,169	25,267		12,634		12,633		12,633

(1) - excludes unamortized premium/discount

<b>Total bonds and notes outstanding</b>	<b>4,928,928</b>
<b>Capitalized lease obligations</b>	<b>0</b>
<b>Net debt</b>	<b>4,928,928</b>

AVALON BORO, ALLEGHENY County  
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2012

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways			
Water			
Other: _____			
<b>TOTAL CAPITAL EXPENDITURES</b>			

**EMPLOYEE COMPENSATION**

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

1,004,104

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**Independent Public Accountant/Certified Public Accountant Submission Page**

See attached opinion page.

**SIGNATURE AND VERIFICATION**

Signed:

See attached Appointed Auditor/CPA