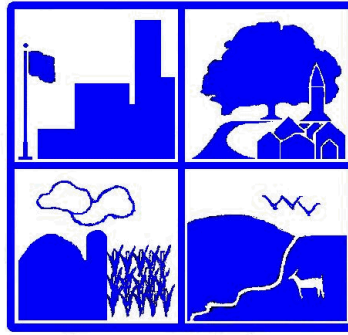


Township of Ferguson, Pennsylvania

Comprehensive Annual Financial Report
For the Year Ended
December 31, 2012





2012

FERGUSON TOWNSHIP

CENTRE COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Calendar Year Ended December 31, 2012

**Prepared by the Township Department of Finance
Eric Endresen, Director**



Township of Ferguson, Pennsylvania

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Township of Ferguson, Pennsylvania

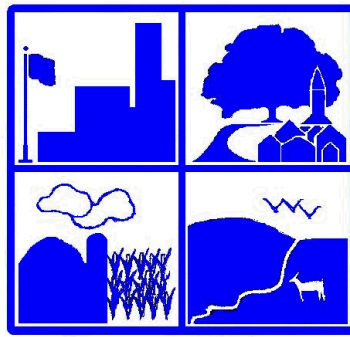
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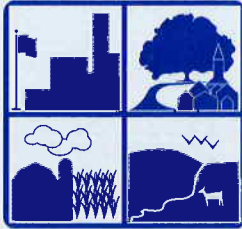
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Introductory Section



TOWNSHIP OF FERGUSON

3147 Research Drive • State College, Pennsylvania 16801
Telephone: 814-238-4651 • Fax: 814-238-3454
www.twp.ferguson.pa.us

June 20, 2013

To the Citizens of Ferguson Township, Centre County, Pennsylvania

The Township Manager and Finance Director are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Township of Ferguson, Centre County, Pennsylvania for the year ended December 31, 2012.

This CAFR is prepared to inform the Board of Supervisors, Township staff, our citizens, bondholders and other interested parties, detailed information concerning the financial condition of the Township government. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with Township management. To provide the basis for making these representations, the management of the Township has established a comprehensive internal control framework that is designed both to protect the Township's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Township's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR was prepared by the Township Finance office and the financial statements were audited by the firm ParenteBeard LLC, State College, PA.

The Management Discussion and Analysis (MD&A) is a narrative introduction, overview and analysis of the accompanying basic financial statements. The MD&A can be found immediately following the report of the independent auditors.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all funds except the employee benefit, internal services, pension trust, and agency funds. The appropriated budgets are prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

Although not legally obligated to do so, for management control purposes, the Board of Supervisors reviews and approves interdepartmental budget transfers. All annual appropriations lapse at calendar year end. The Supervisors may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Supervisors may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof.

To the best of our knowledge and belief, the data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and the results of operations of the Township as measured by the financial activity of the various funds. We believe that all disclosures necessary to enable the reader to gain a reasonable understanding of the Township's financial affairs have been included.

Ferguson Township Profile

Ferguson Township is one of 36 municipalities in Centre County. In terms of population, the Township is the second largest municipality in the County behind the State College Borough. If the student population was removed from the census information, the Township may actually have the largest permanent resident population in the County.

The Centre Region is comprised of six municipalities: The Borough of State College, and the Townships of College, Ferguson, Halfmoon, Harris, and Patton. These municipalities have an estimated 92,687 populous (2011) approximating 60 percent of the total County population living within their boundaries and is considered the urban area of the County. Within the Centre Region, Ferguson Township is the second largest municipality in terms of population (2011 estimates 17,734) and the largest in terms of land area (47.65 square miles). Ferguson has an estimated population density of 372.2 persons per square mile (2011).

Ferguson Township is a home rule municipality. On January 1, 1976, the electorate, by referendum, adopted a home rule charter that institutes a council-manager form of government. The Board of Supervisors as the governing body is comprised of five elected officials: two are elected at large and three are elected by ward. The Board of Supervisors is the policy-making body and is responsible for setting tax rates, approving an annual budget, and enacting ordinances to carry out policy. The Board of Supervisors represents the Township as members of the Centre Region Council of Governments (COG). Each board member serves in various capacities on committees of the COG dealing with regional issues such as transportation, code enforcement, public services, finance and personnel. The Board of Supervisors appoints the Township Solicitor, Auditor and Township Manager.

Of the top 20 employers in the Centre Region, at least 4 of these employers have a presence or home in the Township. These include the largest employer Penn State University, as well as Raytheon (defense contractor), Accuweather (meteorology) and Minitab, Inc. (a software company). New small and medium size businesses are continuing to establish their offices in the Township to be close to the ongoing growth and development.

The local economy is highly dependent upon Penn State University and the effect it has on the region. Penn State University has been a strong economic force for the Township and the Centre Region in general for many years. Being a tax-exempt entity, Penn State continues to purchase local real estate and convert it to tax exempt status does affect the Township negatively, although due to the low property tax rates levied in the Township, this impact is minimized.

The Township has worked on or completed several projects during 2012 that have shaped the Township finances. These are:

- Old Gatesburg Road Extension
- Tudek Park Improvements
- Miscellaneous Road Improvement Projects
- The Centre Region Parks and Rec., of which the Township is a member, is involved in a multimillion dollar project to develop two regional parks. Both of these parks are currently being designed and the funding is secured for the first phase.

The Township annual debt service influences the Township's ability to use the funds for other uses and will continue to do so for the term of the debts. The Township's current debt level is well within the Township's ability to pay and is projected to decrease significantly after 2017. Additionally, funding is set aside annually to replace aging public works vehicles over \$25,000 and to replace aging building equipment in addition to the annual capital replacements for police and other departments.

The long term financial planning outlook for the Township is highly dependent on the growth in the employment tax base to provide sufficient resources for road and park projects, the police force, and the cost of technology.

The Township has sufficient financial reserves in place for the current planned transportation improvement projects. A substantial portion of these reserves will be used to complete the Whitehall Road project. In addition, the cost of debt service for the pools and regional park projects impacts the long term finances of the Township.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ferguson Township for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to express my sincere thanks for all the people that have made this report possible. Without the information they provided, support and their efforts, this report would not be realized. I would like to again specifically thank the Board of Supervisors and Mark Kunkle for their support in this project. In no specific order they are:

Mark Kunkle, Township Manager, Ferguson Township
Board of Supervisors, Ferguson Township
Rick Bair and William Kelly, ParenteBeard LLC, CPAs
Donna Watson, State College School District
Ferguson Township Tax Office
Ferguson Township Planning and Zoning Department
Diane Conrad, Chief of Police, Ferguson Township
Dave Modricker, Director of Public Works, Ferguson Township
Ron Seybert, Township Engineer, Ferguson Township
Steve McDonald, Road Superintendent, Ferguson Township

Weidenhammer Software
Centre Region Finance Directors
State College Borough Finance Office
Ferguson Township Police
Ronald Woodhead, Centre Region Parks & Rec.

If I have omitted anyone, please accept my apologies.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Eric R. Endresen', with a stylized flourish extending from the bottom.

Eric R. Endresen, CPA,
Director of Finance

Ferguson Township

Mission, Vision, and Core Values



Ferguson Township *Mission Statement*

Ferguson Township provides efficient, cost effective, professional services to our residents. This is achieved in a fair, cooperative, ethical and honest manner. The Township manages resources allowing planned sustainable growth while preserving the quality of life and its unique characteristics.



Ferguson Township *Vision Statement*

The Township has appropriate staff and resources to maintain the infrastructure in good condition, provide good service, keep Township operations financially stable and keep pace with technology. As a result, the Township is a leader and model for the Centre Region and other Home Rule municipalities.



Ferguson Township *Core Values*

The Township values: ethical and honest behavior, teamwork, a clean and safe environment, effective, efficient, professionalism in delivering services to our residents, managing resources wisely, preserving the unique character of the Township, partnering with our neighboring municipalities to provide cost effective services.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ferguson Township
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Christopher P. Morrell

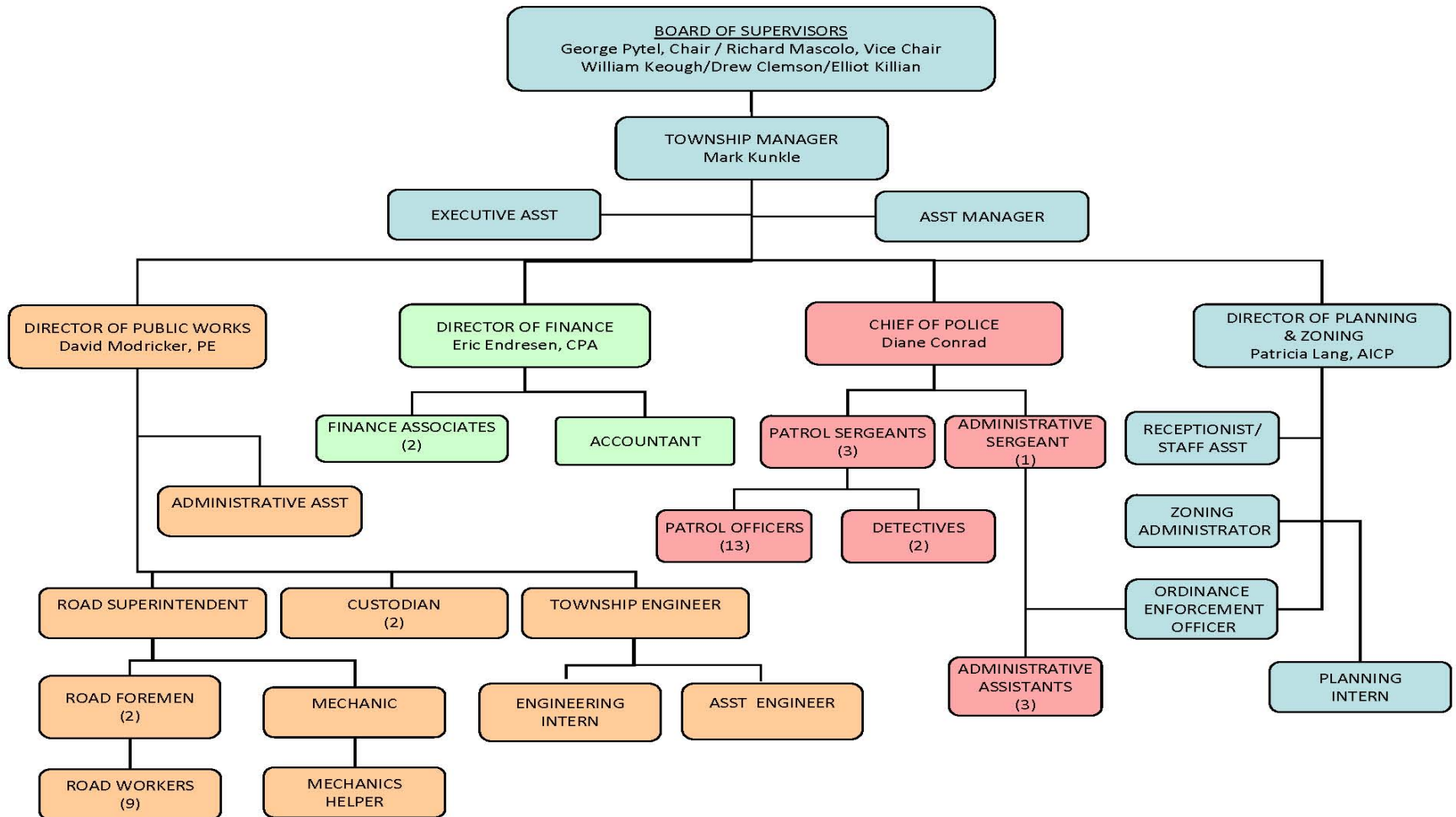
President

Jeffrey R. Enser

Executive Director



Ferguson Township Organizational Chart





List of Principal Officials 2012

George Pytel, Chair, Board of Supervisors

Richard Mascolo, Vice Chair, Board of Supervisors

William Keough, Supervisor

Drew Clemson, Supervisor

Elliot Killian, Supervisor

Mark A. Kunkle, Township Manager

David G. Pribulka, Assistant Manager

David J. Modricker, Director of Public Works

Eric R. Endresen, Director of Finance

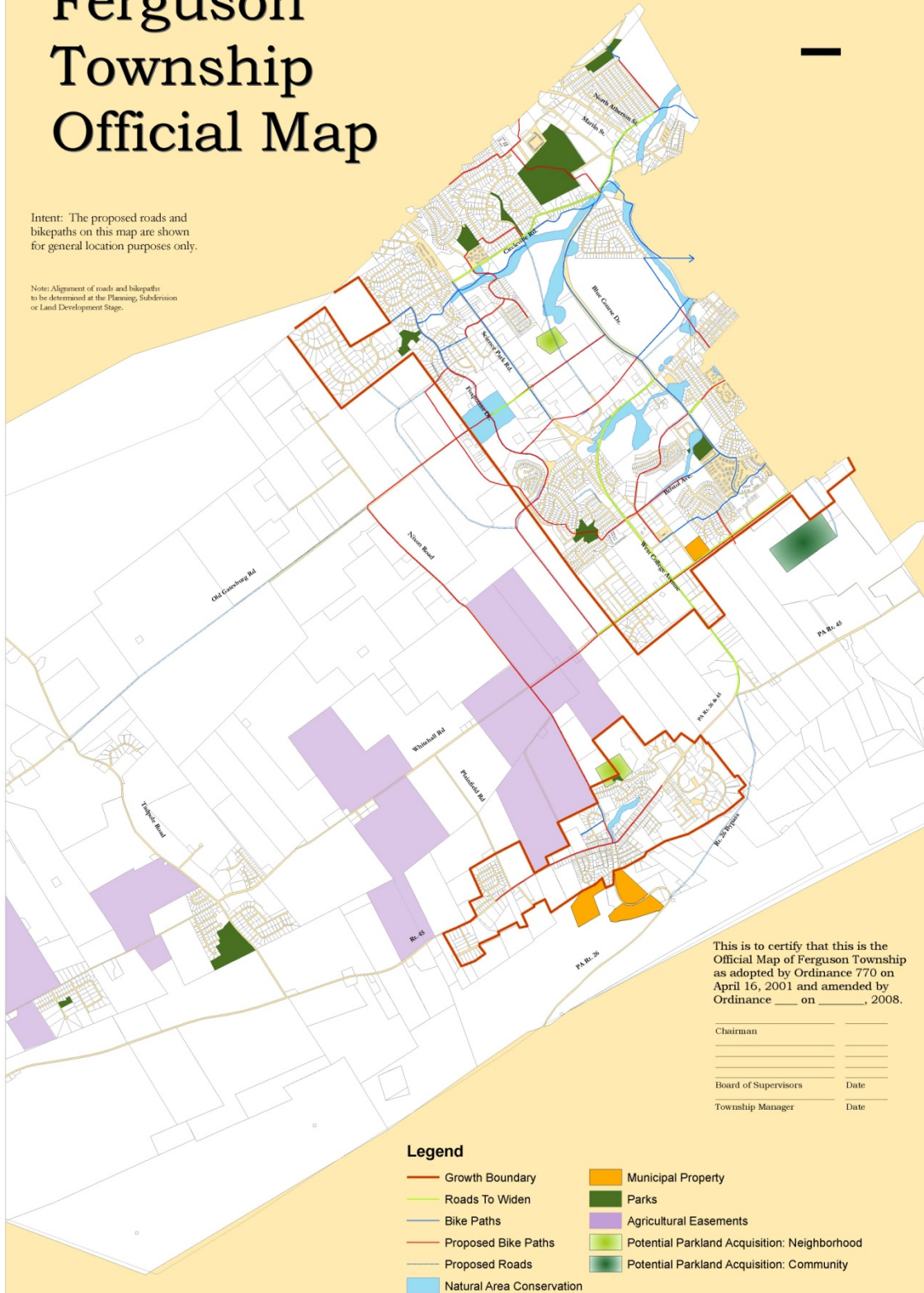
Diane M. Conrad, Chief of Police

Trisha A. Lang, Director of Planning and Zoning

Ferguson Township Official Map

Intent: The proposed roads and bikepaths on this map are shown for general location purposes only.

Note: Alignment of roads and bikepaths to be determined at the Planning, Subdivision or Land Development Stage.



This is to certify that this is the
Official Map of Ferguson Township
as adopted by Ordinance 770 on
April 16, 2001 and amended by
Ordinance ____ on ____, 2008.

Chairman	_____
_____	_____
_____	_____
Board of Supervisors	Date
Township Manager	Date

Legend

- | | |
|-----------------------------|--|
| — Growth Boundary | — Municipal Property |
| — Roads To Widen | — Parks |
| — Bike Paths | — Agricultural Easements |
| — Proposed Bike Paths | — Potential Parkland Acquisition: Neighborhood |
| — Proposed Roads | — Potential Parkland Acquisition: Community |
| — Natural Area Conservation | |

0 1,500 3,000 6,000 9,000 12,000 Feet

Ferguson Township Zoning Map

Riparian Buffer Overlay District (RBOD)

- 35 Feet
- 65 Feet or Extent of Floodplain
- Wetland Buffer 50 Feet

Roads

- Ridge Overlay District (ROD)
- Corridor Overlay District (COD)

Zoning

- Agricultural Research (AR)
- General Commercial (C)
- Forest/Gamelands (FG)
- General Industry (I)
- Light Industry, R_D (IRD)
- Mobile Home Park (MHP)
- Office Commercial (OC)
- Planned Residential Development (PRD)
- Single Family Residential (R1)
- Suburban Single Family Residential (R1B)
- Two Family Residential (R2)
- Townhouse Residential (R3)
- Multi-Family Residential (R4)
- Rural Agriculture (RA)
- Rural Residential (RR)
- Traditional Town Development (TTD)
- Village (V)

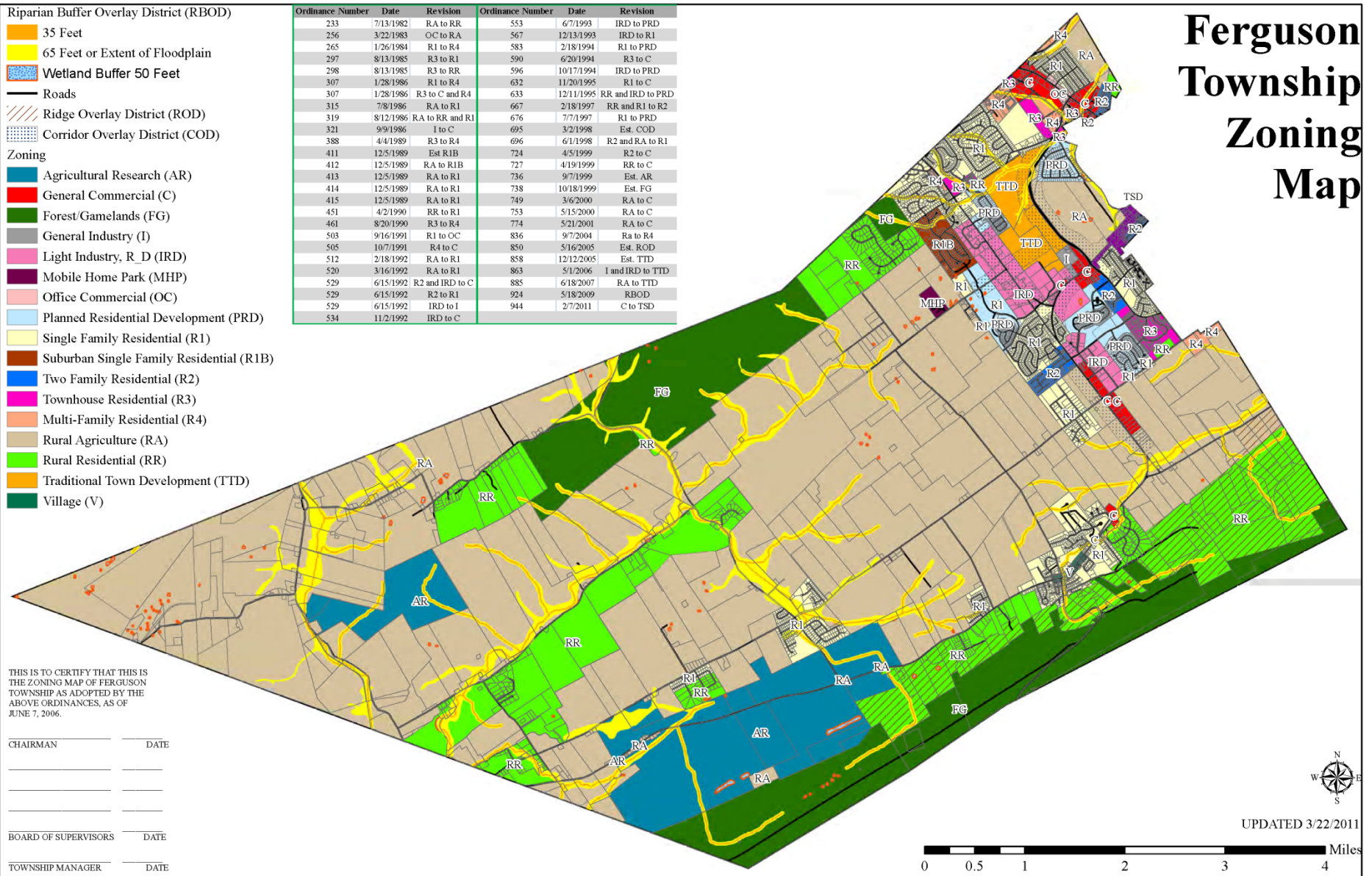
Ordinance Number	Date	Revision	Ordinance Number	Date	Revision
233	7/13/1982	RA to RR	553	6/7/1993	IRD to PRD
256	3/22/1983	OC to RA	567	12/13/1993	IRD to R1
265	1/26/1984	R1 to R4	583	2/18/1994	R1 to PRD
297	8/13/1985	R3 to R1	590	6/20/1994	R3 to C
298	8/13/1985	R3 to RR	596	10/17/1994	IRD to PRD
307	1/28/1986	R1 to R4	632	11/20/1995	R1 to C
307	1/28/1986	R3 to C and R4	633	12/11/1995	RR and IRD to PRD
315	7/8/1986	RA to R1	667	2/18/1997	RR and R1 to R2
319	8/12/1986	RA to RR and R1	676	7/7/1997	R1 to PRD
321	9/9/1986	I to C	695	3/2/1998	Est. COD
388	4/4/1989	R3 to R4	696	6/1/1998	R2 and RA to R1
411	12/5/1989	Est. RIB	724	4/5/1999	R2 to C
412	12/5/1989	RA to R1B	727	4/19/1999	RR to C
413	12/5/1989	RA to R1	736	9/7/1999	Est. AR
414	12/5/1989	RA to R1	738	10/18/1999	Est. FG
415	12/5/1989	RA to R1	749	3/6/2000	RA to C
451	4/2/1990	RR to R1	753	5/15/2000	RA to C
461	8/20/1990	R3 to R4	774	5/21/2001	RA to C
503	9/16/1991	R1 to OC	836	9/7/2004	Ra to R4
505	10/7/1991	R4 to C	850	5/16/2005	Est. ROD
512	2/18/1992	RA to R1	858	12/12/2005	Est. TTD
520	3/16/1992	RA to R1	863	5/1/2006	I and IRD to TTD
529	6/15/1992	R2 and IRD to C	885	6/18/2007	RA to TTD
529	6/15/1992	R2 to R1	924	5/18/2009	RBOD
529	6/15/1992	IRD to I	944	2/7/2011	C to TSD
534	11/2/1992	IRD to C			

THIS IS TO CERTIFY THAT THIS IS THE ZONING MAP OF FERGUSON TOWNSHIP AS ADOPTED BY THE ABOVE ORDINANCES, AS OF JUNE 7, 2006.

CHAIRMAN _____ DATE _____

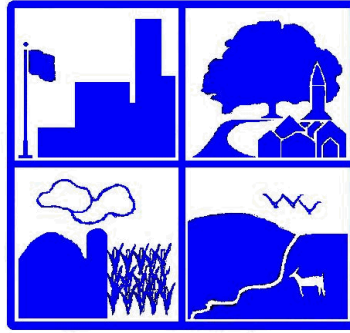
BOARD OF SUPERVISORS _____ DATE _____

TOWNSHIP MANAGER _____ DATE _____



UPDATED 3/22/2011

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Financial Section

Independent Auditors' Report

Board of Supervisors
Township of Ferguson, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania (the "Township") as of December 31, 2012, and for the year then ended, 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

The Township's 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania as of December 31, 2012, and the respective changes in net position and the 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

Accounting principles generally accepted in the United States of America require that Management Discussion and Analysis ("MD&A") on pages 18 through 30 and the supplementary pension trend information on page 69 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* ("GASB") 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Township's basic financial statements. The combining non-major fund financial statements on pages 72 and 73, the budgetary comparison schedules on pages 75 through 80, the combining statements of pension trust funds on pages 82 and 83, and the combining statement of changes in assets and liabilities – all agency funds on page 85, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 5 through 14, and statistical section on pages 87 through 105 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



State College, Pennsylvania
June 20, 2013

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

As management of the Township of Ferguson, Pennsylvania (the "Township"), we offer readers of the Annual Financial Statements this narrative overview and analysis of the financial activities of the Township for the calendar years (12 months) ending December 31, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the Township's basic financial statements, which immediately follows this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. This report includes comparative information for the calendar years ended December 31, 2012 and 2011.

GASB 34 modified the audited financial reports to present them on an accrual accounting basis, which is a widely accepted method commonly used in private industry (GAAP), to assist readers in understanding the governmental financial activities. Part of this report is presented on an accrual accounting basis, while the remainder is presented on a modified accrual basis, more commonly used in governmental accounting.

Financial Highlights GASB 34 Presentation

- At December 31, 2012, the Township had a total of \$15.416 million of unrestricted net position available to meet the Township's long term and ongoing obligations of the governmental activities to citizens and creditors, compared to \$15.603 million at December 31, 2011 representing a decrease of \$187 thousand.
- At December 31, 2012, the Township had a reportable total of \$21.228 million invested in capital assets, net of related debt, compared to \$20.883 million at December 31, 2011 representing an increase of \$345 thousand.
- At December 31, 2012, the Township's long-term debt was \$2.605 million compared to \$3.090 million at December 31, 2011 representing a decrease of \$485 thousand.
- Overall, while the unrestricted net position decreased during the year, the Township's overall financial position improved during the past year considering total fund balances, long term debt, net revenues, and cash flow.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the Township's basic financial statements. In accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Managements' Discussion and Analysis – for State and Local Governments* (GASB 34), the Township's basic financial statements include three components:

- Government-Wide Financial Statements,
- Fund Financial Statements, and
- Notes to the Basic Financial Statements.

Government-Wide Financial Statements

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Government-Wide Financial Statements** distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include public safety (police and fire), streets, library, recreation, parks, planning and zoning, and general administrative support. The Township does not have any *business-type activities*.

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 or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net position changed during the most recent calendar 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 this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 31 and 32 of this report.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Fund Financial Statements

A **Fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary 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, governmental fund financial statements focus on *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the calendar year. Such information may be useful in evaluating a government's financing requirements.

Because the focus of governmental funds is narrower than that of the 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains 12 individual Governmental Funds:

General Fund	Street Light Fund
Debt Service Fund	Transportation Improvement Fund
Liquid Fuels Fund	Park Improvement Fund
Hydrant Fund	Agricultural Preservation Fund
Capital Reserve Fund	Pine Grove Mills Streetscape Fund
Piney Ridge Fund	Regional Capital Recreational Projects Fund

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Transportation Improvement Fund, and Capital Reserve Fund all of which are considered major funds.

Data from the other nine governmental funds are combined into a single, aggregated presentation captioned "other non-major governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for all its Governmental Funds with the exception of the Streetscape Fund in 2012. Budgetary comparison statements have been provided to demonstrate compliance with the budgets.

The basic Governmental Fund financial statements can be found on pages 33 through 37 of this report.

The *Street Light Fund*, the *Hydrant Fund* and the *Liquid Fuels Fund* are **Special Revenue Funds** which are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

The *Transportation Improvement Fund*, *Construction Fund*, *Park Improvement Fund*, *Capital Reserve Fund*, *Piney Ridge Fund*, *Agricultural Preservation Fund*, *Regional Capital Recreation Projects Fund* and *Pine Grove Mills Streetscape Fund* are **Capital Projects Funds**. This includes funds defined as financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

The *Debt Service Fund* is the main vehicle for recording and tracking bond proceeds, required debt payments and loan balances, not otherwise recorded in a capital projects fund.

Proprietary Funds

The Township has no Proprietary Funds.

Fiduciary Funds

The Township has three Fiduciary Funds: *Police Pension Fund*, *Non-Uniform 401 Pension Fund*, and the *Tudek Memorial Park Trust Fund*. These funds account for the assets held by the Township in a trustee capacity or as the agent for individuals, private organizations and other governmental units or funds.

The basic Fiduciary Fund financial statements can be found on pages 38 and 39 of this report.

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.

The notes to the financial statements can be found on pages 40 through 67 of this report.

Fund Balances

Beginning with the year ended December 31, 2011, the Township is reporting fund balances in accordance with GASB Statement 54. This Statement redefines the fund balances into the following hierarchal classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In short, Non-spendable Fund balances are those that are not in spendable form. Restricted Fund balances are those that are restricted by external parties or enabling legislation. Committed Fund balances are those that are restricted by the highest level of decision making authority. Assigned Fund balances are those that are constrained by the Townships' intent to be used for a specific purpose, but are not restricted or committed. Unassigned Fund balances are those that have no formal restrictions for spending. Management feels that the restrictions, commitments and assignments of its fund balances does not significantly affect the resources available for future use of the Township for ongoing operations.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Government-Wide Financial Analysis

Statement of Net Position December 31, 2012 and 2011 (Unaudited)

	Governmental Activities		
	2012	2011	Differences
Current and other	\$ 17,347,126	\$ 17,500,270	\$ (153,144)
Capital assets (net of depreciation)	23,840,548	23,981,921	(141,373)
Total assets	41,187,674	41,482,191	(294,517)
Other liabilities	1,134,957	1,040,345	94,612
Long-term liabilities	2,291,408	2,795,917	(504,509)
Total liabilities	3,426,365	3,836,262	(409,897)
Invested in capital assets, net of related debt	21,228,343	20,883,275	345,068
Restricted	1,117,065	1,160,103	(43,038)
Unrestricted	15,415,901	15,602,551	(186,650)
Total net position	\$ 37,761,309	\$ 37,645,929	\$ 115,380

Statement of Activities Years Ended December 31, 2012 and 2011 (Unaudited)

	Governmental Activities			
	2012	2011	Differences	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 580,400	\$ 608,682	\$ (28,282)	(4.6) %
Operating grants and contributions	531,506	751,857	(220,351)	(29.3) %
Capital grants and contributions	999,364	2,908,628	(1,909,264)	(65.6) %
Total program revenues	2,111,270	4,269,167	(2,157,897)	(50.5) %
General revenues				
Real estate taxes	1,314,567	1,285,660	28,907	2.2 %
Transfer taxes	969,487	832,580	136,907	16.4 %
Earned income taxes	5,542,488	5,890,462	(347,974)	(5.9) %
Local services taxes	307,512	381,124	(73,612)	(19.3) %
Unrestricted investment income	190,669	222,331	(31,662)	(14.2) %
Miscellaneous	468,029	685,870	(217,841)	(31.8) %
Total general revenues	8,792,752	9,298,027	(505,275)	(5.4) %
Total revenues	10,904,022	13,567,194	(2,663,172)	(19.6) %

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

	Governmental Activities			
	2012	2011	Differences	
			\$	%
Expenses				
General government	\$ 1,566,073	\$ 1,573,015	\$ (6,942)	(0.4) %
Public safety	2,662,723	2,671,630	(8,907)	(0.3) %
Health and welfare	5,090	7,166	(2,076)	(29.0) %
Public works-sanitation	33,005	33,005	-	0.0 %
Public works-highways	3,596,766	2,501,936	1,094,830	43.8 %
Other public works	141,282	115,180	26,102	22.7 %
Culture and recreation	1,329,119	1,085,404	243,715	22.5 %
Insurance and other operating	1,382,998	1,377,940	5,058	.4 %
Interest on long-term debt	71,586	79,627	(8,041)	(10.1) %
Total expenses	10,788,642	9,444,903	1,343,739	14.2 %
Changes in Net Position	115,380	4,122,291	(4,006,911)	(97.2) %
Net Position, Beginning	37,645,929	33,523,638	4,122,291	12.3 %
Net Position, Ending	\$ 37,761,309	\$ 37,645,929	\$ 115,380	.3 %

At the end of 2012, the Township is able to report a positive balance of \$37.761 million in total net position which are not significantly affected by restrictions, commitments or any other limitations. The Township's overall financial position improved as reflected in the \$115 thousand increase in total net position shown in the table above.

Governmental Activities:

Governmental activities increased the Township's net position by \$115 thousand. Key elements of this increase are as follows:

- Capital grant decrease of \$1.9 million related to the Old Gatesburg Road project.
- Operating grant decrease of \$220 thousand.
- Increases in general expenditures of \$1.3 million.
- Pay as you go strategy on the part of Township management.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Financial Analysis of the Government's Funds

As noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Financial Analysis of the Major Funds

General Fund

The General Fund is the primary operating fund of the Township. At December 31, 2012, the Unassigned General Fund balance was \$2.992 million compared to \$4.188 million in 2011, a decrease of \$1.196 million. As a measure of the General Fund's liquidity, the Unassigned Fund balance at December 31, 2012 represents 27% ($\$2,991,653/\$10,960,370$) of the total General Fund expenditures (including interfund transfers out) or approximately 100 days ($\$2,991,653/(\$10,960,370/365)$) of operating costs, a decrease of approximately 50 days. This is largely due to the one-time transfer to the Capital Reserve Fund of \$1 million from the General Fund.

There were operating transfers out of the General Fund to other Governmental Funds in the amount of \$3.955 million to support capital equipment needs during the year ended December 31, 2012 compared to \$2.902 million in 2011, representing an increase of \$1.053 million. This includes a one-time transfer to the Capital Reserve Fund of \$1 million. Except for this transfer, the activities are similar to 2011.

General Fund Budgetary Highlights

The 2012 General Fund expenditure budget of \$11.077 million (including interfund transfers of \$3.563 million) compares to \$9.879 million for 2011, representing an increase of \$1.198 million. This increase is a result of the one-time transfer to the Capital Reserve Fund of \$1 million along with general wages and price increases.

The 2012 General Fund actual expenditures (\$7.005 million, less interfund transfers) were less than budgeted expenditures (\$7.513 million) by \$508 thousand or approximately 6.8%. This reflects the actual savings (compared to budget) in general government and public safety expenditures.

The 2012 General Fund revenue budget was \$9.053 million compared to \$9.011 million for 2011, representing an increase of \$42 thousand. This is due to an expected increase in general tax revenues.

The 2012 General Fund actual revenues of \$9.826 million exceeded budgeted revenues of \$9.053 million by \$773 thousand. This is the result of improved economic conditions during the year affecting tax revenues and general revenues.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Statement of Revenues and Expenditures Years Ended December 31, 2012 and 2011 General Fund

	2012	2011	Differences	
			\$	%
Revenues				
Taxes	\$ 8,478,220	\$ 8,403,023	\$ 75,197	.9 %
Licenses and permits	239,880	250,463	(10,583)	(4.2) %
Fines and forfeits	135,854	117,887	17,967	15.2 %
Interest and rents	112,619	122,621	(10,002)	(8.2) %
Intergovernmental	531,506	751,857	(220,351)	(29.3) %
Charges for services	184,294	208,133	(23,839)	(11.5) %
Miscellaneous revenue	143,217	214,471	(71,254)	(33.2) %
Refund of prior year's expenses	255	7,296	(7,041)	(96.5) %
Total revenues	9,825,845	10,075,751	(249,906)	(2.5) %
Expenditures				
General government	1,080,044	1,075,859	4,185	.4 %
Public safety	2,542,589	2,568,204	(25,615)	(1.0) %
Health and welfare	5,090	7,166	(2,076)	(29.0) %
Public works-sanitation	33,005	33,005	-	0.0 %
Public work-highways	730,012	852,404	(122,392)	(14.4) %
Other public works	113,472	87,040	26,432	30.4 %
Culture and recreation	1,171,598	1,061,041	110,557	10.4 %
Insurance and other operating	1,327,779	1,416,317	(88,538)	(6.3) %
Debt service-interest	1,746	164	1,582	964.6 %
Total expenditures	7,005,335	7,101,200	(95,865)	(1.3) %
Excess of Revenues Over Expenditures	2,820,510	2,974,551	(154,041)	(5.2) %
Other Financing Uses				
Operating transfers out, net	(3,955,035)	(2,902,380)	(1,052,655)	36.3 %
Net (Decrease) Increase in Fund Balance	(1,134,525)	72,171	<u>\$ (1,206,696)</u>	<u>(1,672.0) %</u>
Fund Balance, Beginning	5,191,337	5,119,166		
Fund Balance, Ending	<u>\$ 4,056,812</u>	<u>\$ 5,191,337</u>		

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Transportation Improvement Fund

The Transportation Improvement Fund was created to account for certain road projects of the Township. At December 31, 2012, the Transportation Improvement Fund balance was \$6.878 million compared to \$6.704 million in 2011, representing an increase of \$174 thousand. The main reason for this increase is continued tax funding in accordance with the Township Ordinance #783, dated October 15, 2011, and limited spending from the fund during the year in an effort to accumulate funding for some large projects.

Capital Reserve Fund

The Capital Reserve Fund was created to account for financial resources expended to acquire and construct property and capital assets. The Township expended \$915 thousand in 2012 and \$665 thousand in 2011 on such projects. Major projects for 2012 included:

- Road Improvement projects including
 - Whitehall Road Widening
 - Old Gatesburg Road Extension
 - Horseshoe Circle repaving
 - Old Farm Lane repaving
- Microsurfacing, Tar & Chip, Pavement Markings & Curb Repairs
- Tudek Park Improvements
- Haymarket Park Improvements

Debt Service Fund

The Debt Service Fund was created to record and track bond proceeds, required debt payments and loan balances, not otherwise recorded in a capital projects fund. At December 31, 2012, the Debt Service Fund balance was \$835 compared to a fund balance of \$27 in 2011, representing an increase in fund balance of \$808. This is due to the difference in transfers from the General Fund and the debt payments.

Other Capital Projects Funds

The other Capital Projects Funds (separate from the Major Funds) segregate the various capital expenditures (including projects) from the General Fund operating expenditures of the Township. These funds include the Piney Ridge Fund, Agricultural Preservation Fund, Regional Capital Recreation Projects Fund, Pine Grove Mills Streetscape Fund, and the Park Improvement Fund. At December 31, 2012, the combined non-major Capital Projects Funds balance was \$983 thousand compared to \$854 thousand in 2011, representing an increase of \$129 thousand.

Special Revenue Funds

As noted earlier, the Special Revenue Funds are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes. These funds include the Liquid Fuels Fund, Street Light Fund, and Hydrant Fund. The combined expenditures exceeded revenues by \$172 thousand for 2012. The combined revenues exceeded expenditures by \$67 thousand for 2011, a decrease of \$239 thousand.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Long Term Debt

The total principal balance of notes payable and bonds payable at December 31, 2012 was \$2.605 million and \$3.090 million at December 31, 2011, representing a decrease of \$485 thousand. This is the result of the annual debt service principal payment.

Following is a summary of changes in long term liabilities for the years ended December 31, 2012 and 2011:

Governmental Activities	January 1 Balance	Additions	Retirements	December 31 Balance
2012				
Bonds Payable:				
General Obligation Bonds	\$ 3,090,000	\$ -	\$ (485,000)	\$ 2,605,000
Unamortized Premium	8,646	-	(1,441)	7,205
Total Bonds Payable	3,098,646	-	(486,441)	2,612,205
Other Liabilities,				
Accrued Vacation	213,712	19,881	(27,949)	205,644
Total Long Term Liabilities	<u>\$ 3,312,358</u>	<u>\$ 19,881</u>	<u>\$ (514,390)</u>	<u>\$ 2,817,849</u>

Governmental Activities	January 1 Balance	Additions	Retirements	December 31 Balance
2011				
Bonds Payable:				
General Obligation Bonds	\$ 3,565,000	\$ -	\$ (475,000)	\$ 3,090,000
Unamortized Premium	10,087	-	(1,441)	8,646
Total Bonds Payable	3,575,087	-	(476,441)	3,098,646
Other Liabilities,				
Accrued Vacation	145,863	77,324	(9,475)	213,712
Total Long Term Liabilities	<u>\$ 3,720,950</u>	<u>\$ 77,324</u>	<u>\$ (485,916)</u>	<u>\$ 3,312,358</u>

Additional information on the Township's long-term debt can be found at Note 4 in the notes to financial statements.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Pension Trust Funds

The *Police Pension Fund* and the *Non-Uniform 401 Pension Fund* are used to account for the employee retirement plan contributions of the Township and its employees and related benefit payments and other plan costs.

The net position at December 31, 2012 and 2011 of the Police Pension Fund was \$3.578 million and \$3.184 million, respectively, representing an increase of \$394 thousand. This returns the net position balance to the pre-2008 crash levels, but it does not catch up to the potential balances that may have resulted if the market had not crashed. The Township contributed \$189 thousand to the Police Pension Fund in 2012, in accordance with the annual minimum municipal obligation (MMO) compared to \$245 thousand in 2011, representing a decrease of \$56 thousand.

The net position at December 31, 2012 and 2011 of the Non-Uniform 401 Pension Fund were \$2.548 million and \$2.177 million, respectively, an increase of \$371 thousand. The Township contributed \$151 thousand to the non-uniform 401 pension fund in 2012, in accordance with the annual minimum municipal obligation (MMO), compared to \$129 thousand in 2011, representing an increase of \$22 thousand. This is the result of additional wages in 2012 along with the one-time excess payment for Act 205.

The Police Pension Fund was underfunded by \$517 thousand on January 1, 2011, based on the January 1, 2011 actuarial valuation, compared to a deficit of \$878 thousand for January 1, 2009, an improvement of \$361 thousand over the two year period. This is the result of significant investment gains during 2010 and 2011 along with some minor modifications to the plan benefits and assumptions. The next valuation period is January 1, 2013.

Cash Flows and Liquidity

Governmental cash and cash equivalents totaled \$11.934 million and \$10.074 million at December 31, 2012 and 2011, respectively, representing 28.97% and 24.29% of total governmental assets, respectively. This provides for up to 393 days ($\$11,934,497/(\$11,074,916/365)$) (not including interfund transfers) of operating expenditures for 2012 and 296 days ($\$10,074,448/(\$12,419,986/365)$) (not including interfund transfers) for 2011 of governmental operating expenditures, an increase of 97 days. This change is essentially due to the maturation of investments moved to interest bearing cash accounts.

Capital Assets

The Township classifies capital assets as individual items costing \$1,000 or more and an estimated asset life of more than one year. The Township's investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2012 amounted to \$23.841 million and \$23.982 million for 2011 (net of accumulated depreciation) a net decrease of \$141 thousand, the majority of which is depreciation. This investment in capital assets includes land, parks, buildings, equipment, infrastructure and associated improvements. Beginning in 2013, the Township increased the threshold for capital asset reporting to \$2,500 per item.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Following is a breakdown by asset class (net of accumulated depreciation):

<u>Class</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,108,798	\$ 2,050,075
Land improvements	42,761	51,385
Buildings and improvements	4,333,998	4,643,427
Office furniture and equipment	569,680	614,796
Infrastructure	15,215,667	15,169,216
Parks and improvements	432,390	437,931
Vehicles	728,440	791,186
Construction in progress	408,814	223,905
Total	<u>\$ 23,840,548</u>	<u>\$ 23,981,921</u>

Additional information on the Township's capital assets can be found at Note 3 in the notes to financial statements.

Economic Condition and Next Year's Budgets and Rates

The overall economy of 2012 of the Centre Region has been stable with some signs of growth in activity, being offset by state cuts in funding, particularly Penn State University. While this is a small portion of the University's funding, it has impacted the economic activities of the university. Since the University employs significant numbers of Township residents, any change in employment or financial condition of the University directly or indirectly affects the Township's revenues.

Residential and commercial construction increased the Township's real estate taxable assessed values to \$544.202 million at March 1, 2012 from \$540.786 million at March 1, 2011 reflecting an increase of \$3.416 million or .6%.

The Township has experienced significant population growth of 3,627 residents or 26% during the last decade from 14,063 residents in year 2000 to 17,690 in year 2010 according to the US Census.

The 2013 General Fund budget includes an estimated 2 percent increase in expenditures over the 2012 budget figures (less interfund transfers). The interfund transfers are monies transferred from one fund to another. Including these in the totals may give the appearance of larger revenue and expenditures than actual. By removing these from the totals, the reader should get a more accurate view of the recurring operations of the Township in the aggregate. They are included when displaying individual fund activities, however. At the fund level, the interfund transfers provide information about the sources and uses of the transfers. The budget for 2013 provides sufficient revenues to cover General Fund expenditures using existing available fund balance. The 2013 General Fund budget forecasts a net shortfall of \$1.82 million (including interfund transfers of \$3.34 million).

Effective April 1, 2006, the Township joined a healthcare self insurance co-operative in the Centre Region to stabilize the cost of healthcare for the Township employees. The rate increase experience has been between 5%-13% per year since inception.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Finally, the slowly improving current economic environment in 2013 offset by continued limited housing starts/resales, slightly improving credit conditions along with higher than normal, yet improving unemployment will most likely impact the Township's tax revenues for 2013. The extent of this impact is not known at the time of printing. The Township will be closely monitoring revenue streams and controlling spending accordingly during 2013.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ferguson Township Manager at 3147 Research Drive, State College, PA 16801.

Township of Ferguson, Pennsylvania

Statement of Net Position

December 31, 2012

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 11,934,497
Investments	2,485,493
Taxes receivable	2,158,268
Other receivables	168,959
Prepaid expenses	65,159
Due from fiduciary funds	794
Total current assets	<u>16,813,170</u>
Non-current assets:	
Other non-current assets:	
Net pension asset	464,424
Deferred financing costs	69,532
Total other non-current assets	<u>533,956</u>
Capital assets, net of accumulated depreciation	
Land	2,108,798
Buildings and improvements	4,376,760
Equipment	569,680
Vehicles	728,440
Infrastructure	15,648,056
Construction in progress	408,814
Total capital assets, net of accumulated depreciation	<u>23,840,548</u>
Total non-current assets	<u>24,374,504</u>
Total assets	<u><u>\$ 41,187,674</u></u>
Liabilities	
Current liabilities:	
Current maturities of bonds payable, net of unamortized premium	\$ 496,441
Accounts payable	108,201
Payroll and benefits payable	20,194
Curb/development deposits	454,081
Accrued interest	5,675
Other current liabilities	20,365
Current portion of compensated absences	30,000
Total current liabilities	<u>1,134,957</u>
Non-current liabilities:	
Bonds payable, net of unamortized premium	2,115,764
Compensated absences	175,644
Total non-current liabilities	<u>2,291,408</u>
Total liabilities	<u>3,426,365</u>
Net Position	
Invested in capital assets, net of related debt	21,228,343
Restricted for:	
Public works	224,916
Capital projects	758,061
Culture and recreation	134,088
Unrestricted	15,415,901
Total net position	<u>37,761,309</u>
Total liabilities and net position	<u><u>\$ 41,187,674</u></u>

See notes to financial statements

Township of Ferguson, Pennsylvania

Statement of Activities

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Governmental Activities					
General government	\$ 1,566,073	\$ 397,660			\$ 1,168,413
Public safety	2,662,723	135,854	\$ 531,506		1,995,363
Health and welfare	5,090	7,738			(2,648)
Public works - sanitation	33,005				33,005
Public works - highways	3,596,766	12,515		\$ 999,364	2,584,887
Public works - other services	141,282	26,633			114,649
Culture and recreation	1,329,119				1,329,119
Insurance and other operating	1,382,998				1,382,998
Interest on long-term debt	71,586				71,586
Total governmental activities	<u>\$ 10,788,642</u>	<u>\$ 580,400</u>	<u>\$ 531,506</u>	<u>\$ 999,364</u>	<u>8,677,372</u>

General Revenues:

Taxes:

Real estate	1,314,567
Transfer	969,487
Earned income	5,542,488
Local services	307,512
Unrestricted investment earnings	190,669
Miscellaneous	468,029

Total general revenues 8,792,752

Increase in net position 115,380

Net Position, Beginning 37,645,929

Net Position, Ending \$ 37,761,309

See notes to financial statements

Township of Ferguson, Pennsylvania

Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	Capital Projects Funds		Other Non-Major Funds	Totals
		Transportation Improvement Fund	Capital Reserve Fund		
Assets					
Cash	\$ 2,646,171	\$ 5,684,932	\$ 2,395,886	\$ 1,207,508	\$ 11,934,497
Investments	1,580,790	904,703			2,485,493
Taxes receivable	2,158,268				2,158,268
Other accounts receivable	168,959				168,959
Prepaid items	65,159				65,159
Due from other funds	23,511	287,900	131	7,752	319,294
Total	<u>\$ 6,642,858</u>	<u>\$ 6,877,535</u>	<u>\$ 2,396,017</u>	<u>\$ 1,215,260</u>	<u>\$ 17,131,670</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 16,009		\$ 86,517	\$ 5,675	\$ 108,201
Payroll and benefits payable	20,194				20,194
Due to other funds	294,393		23,366	741	318,500
Curb/development deposits	454,081				454,081
Other liabilities/deposits	5,872		14,493		20,365
Deferred tax revenue	1,795,497				1,795,497
Total liabilities	<u>2,586,046</u>	<u>-</u>	<u>124,376</u>	<u>6,416</u>	<u>2,716,838</u>
Fund balances:					
Nonspendable	65,159				65,159
Restricted				1,117,065	1,117,065
Committed	1,000,000	6,877,535	2,271,641	90,944	10,240,120
Assigned				835	835
Unassigned	2,991,653				2,991,653
Total fund balances	<u>4,056,812</u>	<u>6,877,535</u>	<u>2,271,641</u>	<u>1,208,844</u>	<u>14,414,832</u>
Total	<u>\$ 6,642,858</u>	<u>\$ 6,877,535</u>	<u>\$ 2,396,017</u>	<u>\$ 1,215,260</u>	<u>\$ 17,131,670</u>

See notes to financial statements

Township of Ferguson, Pennsylvania

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Total Fund Balances - Governmental Funds \$ 14,414,832

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

Taxes receivable will be collected in the future, but are
not available to pay for current period expenditures
and, therefore, are deferred in the funds. 1,795,497

Deferred financing costs are not reported as
non-current assets in the governmental funds. 69,532

Net pension asset is not available to pay for current
period expenditures and, therefore, is not recorded
in the funds. 464,424

Capital assets used in governmental activities are
not reported as position in governmental funds.
The cost of the capital assets is \$36,791,329
and the accumulated depreciation is \$12,950,781. 23,840,548

Long-term liabilities, including bonds payable, are
not due and payable in the current period, and
therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds and notes payable	\$ (2,612,205)	
Accrued interest	(5,675)	
Compensated absences	(205,644)	(2,823,524)

Total Net Position - Governmental Activities \$ 37,761,309

Township of Ferguson, Pennsylvania

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended December 31, 2012

		Capital Projects Funds			
	General Fund	Transportation Improvement Fund	Capital Reserve Fund	Other Non-Major Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,478,220				\$ 8,478,220
Licenses and permits	239,880				239,880
Fines and forfeits	135,854				135,854
Interest and rents	112,619	\$ 60,066	\$ 11,550	\$ 6,434	190,669
Intergovernmental	531,506	547,550		451,814	1,530,870
Charges for service	184,294			38,975	223,269
Miscellaneous revenue	143,217	135,755	7,183	122,861	409,016
Refund of prior year expenditures	255				255
Total revenues	9,825,845	743,371	18,733	620,084	11,208,033
Expenditures					
Current:					
General government	1,080,044		197,729	550	1,278,323
Public safety	2,542,589		106,760		2,649,349
Health and welfare	5,090				5,090
Public works - sanitation	33,005				33,005
Public works - highways	730,012	1,933,911	68,953	635,287	3,368,163
Public works - other services	113,472			27,810	141,282
Culture and recreation	1,171,598		540,036		1,711,634
Insurance and other operating	1,327,779		1,461		1,329,240
Debt service:					
Debt service - principal				485,000	485,000
Debt service - interest	1,746			72,084	73,830
Total expenditures	7,005,335	1,933,911	914,939	1,220,731	11,074,916
Excess (Deficiency) of Revenues Over Expenditures	2,820,510	(1,190,540)	(896,206)	(600,647)	133,117
Other Financing (Uses) Sources					
Transfers - in		1,363,617	2,032,980	558,438	3,955,035
Sale of capital assets			16,567		16,567
Transfers - out	(3,955,035)				(3,955,035)
Total other financing (uses) sources	(3,955,035)	1,363,617	2,049,547	558,438	16,567
Net (Decrease) Increase in Fund Balance	(1,134,525)	173,077	1,153,341	(42,209)	149,684
Fund Balances, Beginning	5,191,337	6,704,458	1,118,300	1,251,053	14,265,148
Fund Balances, Ending	\$ 4,056,812	\$ 6,877,535	\$ 2,271,641	\$ 1,208,844	\$ 14,414,832

See notes to financial statements

Township of Ferguson, Pennsylvania

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2012

Net Increase in Fund Balances - Total Governmental Funds \$ 149,684

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

Some taxes will not be collected for several months after year-end as they are not considered "available" revenues in the governmental funds. (344,165)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 1,535,859	
Depreciation expense	<u>(1,677,232)</u>	(141,373)

Change in net pension asset. (30,171)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payments on long-term debt made in 2012. 485,000

Deferred financing costs are recorded as expenditures in the governmental funds, but the costs are recorded as a non-current asset in the statement of net position and amortized in the statement of activities. (13,907)

Governmental funds report bond premiums when debt is first issued, whereas these amounts are deferred and reported in the statement of activities. This amount represents accretion of bond premium in 2012. 1,441

Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in governmental funds. The net change is recorded in the statement of activities. 803

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) 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. This amount represents the difference between the amount earned versus the amount used. 8,068

Change in Net Position of Governmental Activities \$ 115,380

Township of Ferguson, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

General Fund

Year Ended December 31, 2012

	Budget Original & Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 8,062,000	\$ 8,478,220	\$ 416,220
Licenses and permits	245,893	239,880	(6,013)
Fines and forfeits	109,000	135,854	26,854
Interest and rents	63,000	112,619	49,619
Intergovernmental	263,809	531,506	267,697
Charges for service	140,500	184,294	43,794
Miscellaneous	168,344	143,217	(25,127)
Refund of prior year expenditures	-	255	255
Total revenues	9,052,546	9,825,845	773,299
Expenditures			
General government	1,219,574	1,080,044	139,530
Public safety	2,759,676	2,542,589	217,087
Health and welfare	6,000	5,090	910
Public works - sanitation	35,000	33,005	1,995
Public works - highways	910,344	730,012	180,332
Other public works	90,150	113,472	(23,322)
Culture and recreation	1,158,523	1,171,598	(13,075)
Insurance and other operating	1,332,784	1,327,779	5,005
Debt service - interest	1,200	1,746	(546)
Total expenditures	7,513,251	7,005,335	507,916
Excess of Revenues Over Expenditures	1,539,295	2,820,510	1,281,215
Other Financing Uses			
Operating transfers - out	(3,563,273)	(3,955,035)	(391,762)
Net Change in Fund Balance	(2,023,978)	(1,134,525)	\$ 889,453
Fund Balance, Beginning	2,023,978	5,191,337	
Fund Balance, Ending	\$ -	\$ 4,056,812	

See notes to financial statements

Township of Ferguson, Pennsylvania

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2012

	Pension Trust Funds	Tudek Memorial Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ 527,794	\$ 123,016	\$ 284,931
Investments, at fair value:			
Fixed income	407,854		
Equities	1,832,132		
Mutual funds	3,357,881		
Accounts receivable		399	
Land		2,118,100	
Land improvements, net		45,055	
Total assets	<u>\$ 6,125,661</u>	<u>\$ 2,286,570</u>	<u>\$ 284,931</u>
Liabilities			
Accounts payable		\$ 625	\$ 284,931
Due to other funds	<u>\$ 139</u>	<u>655</u>	
Total liabilities	<u>139</u>	<u>1,280</u>	<u>284,931</u>
Net Position			
Held in trust for pension benefits	6,125,522		
Reserved		2,285,290	
Total net position	<u>6,125,522</u>	<u>2,285,290</u>	
Total liabilities and net position	<u>\$ 6,125,661</u>	<u>\$ 2,286,570</u>	<u>\$ 284,931</u>

See notes to financial statements

Township of Ferguson, Pennsylvania**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

Year Ended December 31, 2012

	Pension Trust Funds	Tudek Memorial Trust Fund
Additions		
Investment income:		
Interest and dividends	\$ 114,993	\$ 46
Investment expense	(58,771)	
Realized/unrealized gains and losses	530,523	
Net investment income	586,745	46
Grants and gifts - nongovernmental		17,472
Employer contributions	340,359	
Employee contributions	79,355	
Total additions	1,006,459	17,518
Deductions		
Park operations		4,309
Park improvements		18,603
Insurance		2,681
Benefits paid to participants	241,983	
Total deductions	241,983	25,593
Changes in Net Position	764,476	(8,075)
Net Position, Beginning	5,361,046	2,293,365
Net Position, Ending	<u>\$ 6,125,522</u>	<u>\$ 2,285,290</u>

See notes to financial statements

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the Township of Ferguson, Pennsylvania (the "Township"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's financial statements:

Financial Reporting Entity

The Township is located in central Pennsylvania and operates under a Home Rule Charter with an elected five member Board of Supervisors. The Township provides services to its residents in many areas, including general government services, police and fire protection, highway repair and maintenance, and community health and recreation programs.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the activities of the Township (the primary government). The decision to include or exclude a potential component unit in the reporting entity was made by applying the criterion set forth in Governmental Accounting Standards Board Statement No. 14, as amended by Governmental Accounting Standards Board Statement No. 39. Generally, component units are legally separate organizations for which the officials of the Township are financially accountable. The Township is financially accountable to a potential component unit if it appoints a voting majority of the governing body and can either impose its will on the potential component unit or the potential component unit provides specific financial benefits or imposes specific financial burdens on the Township. A potential component unit may also be included in the reporting entity if it is fiscally dependent, regardless of whether a voting majority is appointed by the Township. A potential component unit is fiscally dependent if it requires approval for its budget (and the budget can be modified in that process), cannot levy taxes or set rates and cannot issue debt without the approval of the Township.

Based upon the application of the above criterion, the financial statements of no other organizations are included in the accompanying financial statements. A description of related organizations and jointly governed organizations, while not included as component units, is as follows:

Related Organization

The Ferguson Township Industrial Development Authority (IDA) is a potential component unit that has a separate appointed board and provides services to residents, generally within the geographic boundaries of the government. Although the Township appoints the governing board of this potential component unit, it is excluded from the reporting entity because the government does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding. Additionally, the Township does not have the ability to access a majority of the economic resources received or held by the IDA.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Jointly Governed Organizations

Centre Area Transportation Authority (CATA), Centre Region Council Of Governments (CRCOG), Centre Regional Recreation Authority (CRRRA) and Schlow Library have boards appointed jointly by the area governments' governing bodies. The Township elects two members to the Schlow Centre Region Library governing board and one member to the remaining units' governing boards. Accordingly, these organizations are not component units. These are independent units that select management staff, set user charges, establish budgets and control all aspects of the daily activities. In the event that one of these units would dissolve, however, the assets and/or liabilities would be shared among the participating municipalities. The Township approved the following operating and capital grants to these organizations for 2012: CATA \$113,472, CRCOG \$510,813, CRRRA \$676,033 and Schlow Centre Region Library \$325,059. The Township guarantees bank debt for CRCOG. The Township would be obligated in the event CRCOG was not able to meet principal and interest payments when they become due. As of December 31, 2012 the maximum amount payable under such guarantees is \$5,818,810 plus interest. CRCOG is current with the debt payments and the Township believes this is only a remote possibility that it would be required to perform under the guarantees. Separate financial reports are available at the following addresses: Schlow Library, 211 South Allen Street, State College, PA 16801; Centre Region Council of Governments, 2643 Gateway Drive, State College, PA 16801; Centre Region Recreation Authority, 2643 Gateway Drive #1, State College, PA 16801; Centre Area Transportation Authority, 2081 West Whitehall Road, State College, PA 16801.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements with the exception of those representing balances between the governmental activities and fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (the Township currently has no business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The expenses reported for functional activities include allocated indirect expenses. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

The Township has elected not to implement the requirements of GASB 34 related to infrastructure (roads, sidewalks, etc.) assets acquired prior to January 1, 2004. GASB 34 permits this election for "Phase III" state and local governments, for which the Township qualifies. In the statement of activities, interfund transactions have been eliminated, again, with the exception of those transactions between governmental and fiduciary activities.

The fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Governmental Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Township. It accounts for all financial resources and legally authorized activities of the Township except those required to be accounted for in other specialized funds. The majority of the current operating expenditures of the Township are financed through revenue of the General Fund.

Transportation Improvement Fund

The Transportation Improvement Fund is a capital projects fund and was created to account for specific road projects related to the tax increase in 2001.

Capital Reserve Fund

The Capital Reserve Fund is a capital projects fund and accounts for road projects and capital improvements of the Township. This fund is shown as a major fund in order to maintain consistency of reporting.

Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds

The non-major capital projects funds account for the capital purchases of the Township.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds

Fiduciary funds include trust and agency funds that are used to account for assets held by the Township in a trustee capacity. Fiduciary funds of the Township include two pension trust funds, a private purpose trust fund and the tax office. Pension trust funds are reported using economic resources measurement focus and the accrual basis of accounting which is the same as proprietary funds. The tax office is an Agency Fund. Agency Funds are custodial in nature and do not involve measurement of results of operations or equity, since the assets are due to individuals or entities at some future time.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds except the pension trust, Pine Grove Mills Streetscape and agency funds. The appropriated budget is prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt

Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted

A portion of net position subject to externally imposed conditions by parties outside of the Township (such as creditors, grantors, laws, regulations, or other governments).

Unrestricted

All other categories of net position. These assets may be designated for specific purposes.

Governmental Fund Balances

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies its governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through board resolution. A resolution must be passed to establish, modify or rescind a fund balance commitment.
- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township, but not through a formal action of the Supervisors. The Township Manager was granted authority through Board resolution to assign fund balance.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

- *Unassigned* – includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

The government has not formally adopted a minimum fund balance policy.

Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Cash Equivalents

The Township considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the market values and costs of investments, other than short-term money market investments, are reflected in investment income.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the calendar year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to or from other funds." All trade and certain tax receivables are shown net of an allowance for uncollectible. Township management has determined that an allowance for property taxes receivable is not necessary at December 31, 2012, based on collection history.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, and infrastructure assets (e.g., roads, sidewalks, traffic signals, bike paths, and similar items), are reported in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis from 2004. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are defined by the Township as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets are recorded at historical cost using prevailing wages.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets is not capitalized.

Buildings, land improvements, building improvements, park improvements, furniture and equipment, vehicles, and infrastructure are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	30 years
Land Improvements	10 to 30 years
Building Improvements	10 to 30 years
Park Improvements	10 to 30 years
Furniture & Equipment	3 to 20 years
Infrastructure	10 to 20 years
Vehicles	5 years

Compensated Absences

Employees earn vacation on an anniversary year calendar based upon length of service. It is the Township's policy to permit employees to accumulate unused vacation benefits for one year up to a maximum determined by bargaining unit agreements. If not used in the next anniversary year, the time is lost. Upon termination, employees are paid for all earned vacation days that have not been used up to the maximum number of days. Accumulated paid leave and compensatory time for employees paid out of governmental funds are recorded as an expenditure when due for payment. In the government-wide financial statements, an expense and a liability are recorded as the paid leave and compensatory time benefits accrue to employees.

Pension Plans

The Township provides a separate defined benefit pension plan for uniformed police department personnel and a defined contribution plan for general employees. It is the Township's policy to fund the normal cost of the defined benefit pension plan as required through an actuarial valuation.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Real Estate Taxes

Because the Township operates under a Home Rule Charter, it is not subject to state law limiting the amount of tax levy millage allowable for use in providing general government services or for payment of principal and interest on long-term debt.

The Township's property tax is levied by ordinance of the Board of Supervisors on real property located within the Township. Assessed values are generally 50% of market value as of the date of the last reassessments by the Centre County Board of Property Assessments, Appeals, and Review. The total assessed valuation was approximately \$544,202,000 as of March 1, 2012. For 2012, Township real estate taxes were levied at the rate of 2.422 mills (.002422) on every dollar of taxable adjusted valuation.

Real estate taxes are levied on March 1. The Township tax office bills and collects these taxes. Taxpayers making payments prior to April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. The levy becomes delinquent on December 31. Centre County collects delinquent real estate taxes on behalf of the Township.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Standards

In December 2010, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. As a result, this Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance by codifying all sources of generally accepted accounting principles for state and local governments into a single source. The adoption of the Codification, which became effective January 1, 2012, did not have an impact on the Township's financial statements.

During 2012, the Township adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The adoption replaced the Township's term of "net assets" to "net position".

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

2. Cash, Cash Equivalents, and Investments

Governmental Activities

Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the Township's deposit and investment risks.

Cash and Cash Equivalents

At December 31, 2012, the Township's total bank deposits were \$13,431,953. The Township's cash deposits are held at several local banks and the Pennsylvania Local Government Investment Trust. The operating accounts are held at a local bank and are secured by FDIC insurance up to \$250,000 under current law.

Investment Portfolio

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation (FDIC) to be collateralized by the financial institution.

The deposit and investment policy of the Township adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or pooled for investment purposes in certificates of deposit.

The Township's investment policy identifies permitted investments as follows:

- Insured or collateralized savings accounts or time deposits
- Insured or collateralized certificates of deposits
- United States Treasury bills
- Obligations of the United States government or its agencies or instrumentalities
- Obligations of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Obligations of the political subdivisions of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Pooled investments in accordance with the provisions of the Act of the Pennsylvania General Assembly of July 12, 1972 (P.L. 762, No. 180).

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2012, the Township's total bank deposits and certificates of deposit were \$13,431,953. Of this amount, \$580,400 was insured by the FDIC. \$3,319,952 of the total deposits is held in trust by the Pennsylvania Local Government Investment Trust (PLGIT) in accounts separate and apart from the assets of the financial institution. The PLGIT trust invests in two basic types of Federal Securities: Obligations backed by the full faith and credit of the United States and short term obligations of the U.S. Government and its agencies instrumentalities. The remaining bank deposits of \$9,531,601 were exposed to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging institution, but not in the Township's name.

Local financial institution Certificates of Deposit are held for safekeeping by the Township (except those held by Morgan Stanley Smith Barney).

The Township has investments with the firm Morgan Stanley Smith Barney in the amount of \$1,580,790. The types of investments include certificates of deposit insured by the FDIC in the amount of \$934,711, and mortgage and asset backed securities in the amount of \$554,445 with the remainder in cash or cash equivalents. These investments are held by the investment firm in an account separate and apart from the assets of the financial institution. The brokerage account is held in the Ferguson Township's name.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Township does not have a formal deposit policy for credit risk.

As of December 31, 2012, the Township's credit quality distribution of securities as a percentage of total investments is as follows:

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

Mortgage backed securities	Unrated	22.31%
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Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township places no limit on the amount the Township may invest in any one issuer. As of December 31, 2012, there are no investments that exceed 5% of the total portfolio's market value.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to charges in marked interest rates.

The Township's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments shall have maturities no longer than 3 years. The Township utilizes the "segmented time distribution" as a measurement of interest rate risk for debt securities.

Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2012:

<u>Maturity</u>	<u>Amount</u>
None	\$ 91,634
Less than one year	\$ 1,250,657
One to two years	\$ 428,108
Two to three years	\$ 715,094

Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Township does not have a formal policy for foreign currency risk.

Pension Trust Funds

The deposits and investments of the fiduciary funds are administered by the Police Pension Trustees ("trustees") and are held separately from those of other Township funds.

Assets in the pension trust funds are stated at fair value. The following summarize the investment philosophy of the trustees:

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trustees do not have a formal deposit policy for custodial credit risk. The Police Pension Fund investments are held with Merrill Lynch in the accounts separate and apart from the assets of the financial institution. According to the brokerage, "customer securities are legally the property of customers – they are not on Merrill Lynch's balance sheet and are not exposed to Merrill Lynch's creditors. Under the SEC's customer protection rule, customers' securities must be segregated from Merrill Lynch's proprietary securities." The securities are held in central depositories with the record of ownership reflected on a book entry basis. The brokerage account is held in the Ferguson Township Police Pension Fund name.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Trustees do not have a formal deposit policy for credit risk.

As of December 31, 2012, the Township's credit quality distribution of securities as a percentage of total investments is as follows:

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

Corporate bonds	A	1.23%
Corporate bonds	BBB	.95%
Corporate bonds	BB	.25%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Police Pension fund investment policy requires that investments meet asset allocation formulas prevalent in balanced portfolios using a strategic allocation of 60% S&P 500, 30% Lehman Brothers Government/Credit Index Intermediate, and 10% cash equivalents. Allocations may range from a minimum of 30% equities and/or fixed income investments to a maximum of 70% equities and/or fixed income.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trustees investment guidelines have no formal policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2012:

Maturity	Amount
None	\$ 5,717,806
Less than one year	\$ 69,874
One to two years	\$ 15,181
Two to three years	\$ 322,800

Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Trustees do not have a formal policy for foreign currency risk.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

3. Capital Assets

A summary of changes in capital assets is as follows:

	January 1, 2012	Additions	Transfers	Disposals	December 31, 2012
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,050,075	\$ 58,723			\$ 2,108,798
Construction in progress	223,905	184,909			408,814
Total capital assets not being depreciated	2,273,980	243,632	-	-	2,517,612
Capital assets being depreciated:					
Buildings and improvements	8,472,154	42,167			8,514,321
Equipment	2,096,246	90,775		\$ (9,475)	2,177,546
Vehicles	2,261,942	85,073			2,347,015
Infrastructure	20,160,623	1,074,212			21,234,835
Total capital assets being depreciated	32,990,965	1,292,227	-	(9,475)	34,273,717
Accumulated depreciated:					
Buildings and improvements	(3,777,342)	(360,219)			(4,137,561)
Equipment	(1,481,450)	(135,891)		9,475	(1,607,866)
Vehicles	(1,470,756)	(147,819)			(1,618,575)
Infrastructure	(4,553,476)	(1,033,303)			(5,586,779)
Total accumulated depreciated	(11,283,024)	(1,677,232)	-	9,475	(12,950,781)
Governmental activities capital assets, net	\$ 23,981,921	\$ (141,373)	\$ -	\$ -	\$ 23,840,548

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Depreciation expense was charged to governmental activities as follows:

General government	\$ 401,188
Public safety	99,639
Highway and streets	1,124,455
Culture and recreation	<u>51,950</u>
Total	<u>\$ 1,677,232</u>

4. Long-Term Debt

The changes in long-term liabilities for the year ended December 31, 2012 are as follows:

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012	Current Portion
Bonds payable:					
Bond series 2009	\$ 3,090,000		\$ (485,000)	\$ 2,605,000	\$ 495,000
Unamortized premium	<u>8,646</u>		<u>(1,441)</u>	<u>7,205</u>	<u>1,441</u>
Total bonds payable	3,098,646		(486,441)	2,612,205	496,441
Compensated absences	<u>213,712</u>	<u>\$ 19,881</u>	<u>(27,949)</u>	<u>205,644</u>	<u>30,000</u>
Total long-term liabilities	<u>\$ 3,312,358</u>	<u>\$ 19,881</u>	<u>\$ (514,390)</u>	<u>\$ 2,817,849</u>	<u>\$ 526,411</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

Long-term debt at December 31, 2012 consists of the following:

\$4,435,000 General Obligation Note, Series of 2009, used to refund all outstanding debt, due in varying annual installments through June 2017, interest rates of 2.0% to 3.0%	\$ 2,605,000
Current portion	<u>(495,000)</u>
Long-term debt	<u>\$ 2,110,000</u>

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Debt service requirements at December 31, 2012 are as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 495,000	\$ 63,088	\$ 558,088
2014	505,000	51,825	556,825
2015	520,000	38,362	558,362
2016	535,000	32,106	567,106
2017	550,000	23,856	573,856
Total	<u>\$ 2,605,000</u>	<u>\$ 209,237</u>	<u>\$ 2,814,237</u>

Federal arbitrage regulations are not applicable to the Township's debt.

5. Interfund Accounts

The Township records receipts in the General Fund typically and records a liability/receivable for other funds as needed. Individual fund receivables and payables at December 31, 2012, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 23,511	\$ 294,393
Transportation Improvement Fund	287,900	
Capital Reserve Fund	131	23,366
Park Improvement Fund	339	
Debt Service Fund	6,478	
Liquid Fuels Fund	935	741
Fiduciary Funds		794
Total	<u>\$ 319,294</u>	<u>\$ 319,294</u>

Interfund transfers for the year ended December 31, 2012 were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 3,955,035
Transportation Improvement Fund	1,363,617	
Capital Reserve Fund	2,032,980	
Debt Service Fund	558,438	
Total	<u>\$ 3,955,035</u>	<u>\$ 3,955,035</u>

Transfers are primarily attributable to funding of capital projects and debt service as well as timing and the receipt of funds into the General Fund.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

6. Pensions

The Township has two pension plans for its employees. A single-employer defined benefit pension plan covers all full-time police and a single-employer defined contribution plan covers all full-time non-uniformed employees. The Township's payroll for employees fully and partially vested by the police and non-uniform pension plans for the year ended December 31, 2012 was \$1.428 million and \$1.441 million, respectively, which in total, represents 97% of the Township's total payroll of \$2.944 million for all employees.

Defined Benefit Plan – Police Employees

Plan Description

The Township of Ferguson Police Pension Plan (the "Plan"), granted under the authority of "Municipal Pension Plan Funding Standard and Recovery Act" of 1984; P.L. 1005, No. 205 and Act 600 as amended, for Police Pension Plans is a general government pension plan for police employees offering retirement, disability retirement and death benefits. Township of Ferguson Board of Supervisors are the trustees of the Plan. The actuarial valuation report is available upon request. No other separate pension report is available.

The pension plan annual financial information is included in the financial statements of the Township. The last pension actuarial valuation was January 1, 2011.

As of January 1, 2011 (the date of the most recent actuarial valuation), employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	8
Terminated employees entitled to benefits but not yet receiving them	1
Active plan participants	<u>20</u>
Total	<u>29</u>
Number of participating employers	<u>1</u>

Eligibility

All full-time members of the police force join the Plan upon employment.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Normal Retirement

If a member is hired before January 24, 2001, such member is eligible for normal retirement after attainment of age 50 and completion of 20 years of service. If a member is hired on or after January 24, 2001, such member is eligible for normal retirement after attainment of age 55 and completion of 25 years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation.

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Disability Retirement

If an active member was hired before January 24, 2001, and becomes totally and permanently disabled, such member is eligible for a disability pension after six months of disability. If an active member was hired on or after January 24, 2001 and becomes totally and permanently disabled in the line of duty, such member is eligible for a disability pension after six months of disability. The disability pension is equal to the present value of the accrued benefit at the date of disability.

If an active member becomes totally and permanently disabled in the line of duty after April 17, 2002, such member is eligible for a minimum monthly disability pension equal to 50% of the member's monthly salary at the time of disability.

Death Benefits

If an active member is killed in the line of duty, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 100% of the member's monthly salary at the time of death.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.

Upon the death of an active member who does not have a surviving spouse or eligible child who is entitled to the survivor's benefit, a death benefit is payable to his elected beneficiary equal to the present value of this accrued benefit at the date of death.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Vesting

If a member is hired before January 24, 2001, such member's benefits vest according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
0-4 Years	0%
5	25%
6	30%
7	35%
8	40%
9	45%
10	50%
11	60%
12	70%
13	80%
14	90%
15 or more years	100%

If a member is hired on or after January 24, 2001, such member's benefits vest upon completion of 12 years of service.

The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination multiplied by the applicable vesting percentage.

Accrued pension – The pension accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years of service to date to the total number of years of service projected at normal retirement.

Contributions – The member contributions for 2012 and 2011 were 5% of compensation.

Member contributions are credited with 6% interest.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Funding Policy and Contributions

The Township's funding policy provides for periodic employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The employer contribution rate is determined based on the minimum municipal obligation. Based on this calculation, employees were required to contribute 5% of their base salary to the plan. The minimum municipal obligation was determined by the actuary based on the actuarial valuation as of January 1, 2011. The contribution requirements of Plan members and the Township are established and may be amended by the Board of Supervisors. The Township funded 100% of required contributions. Contributions for 2012 were as follows:

Employee contributions	\$ 79,355
Employer contributions	<u>189,018</u>
Total contributions to the plan	<u>\$ 268,373</u>

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used for the police pension include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 5.0% per year, (c) no post retirement benefit increases, (d) assets valued at market value as determined by the Trustee, (e) use of the 1984 unisex mortality tables, (f) a disability benefit factor of 3.0% added to basic pension costs, and (g) moderate inflation rate of 4% based on long-term historical average rates. The amortization method is level dollar closed, over a remaining amortization period of 16 years. The assumptions made provision for administration expenses to be added to the normal cost.

Any unfunded accrued liabilities will be amortized in accordance with the requirements of PA Act 205 of 1984 as amended.

Annual Pension Cost and Net Pension Obligation

Annual required contribution (ARC)	\$ 204,059
Interest on net pension obligation	(39,568)
Adjustment to ARC	<u>54,698</u>
Annual pension cost (APC)	219,189
Contributions made	<u>(189,018)</u>
Change in net pension obligation (asset)	30,171
Net pension obligation (asset) beginning of year	<u>(494,595)</u>
Net pension obligation (asset) end of year	<u>\$ (464,424)</u>

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

Funded Status and Funding Progress (1)

Actuarial value of assets	\$	3,220,444
Actuarial accrued liability	\$	3,737,017
Unfunded actuarial liability	\$	516,573
Funded ratio		86.2%
Annual covered payroll	\$	1,179,601
Unfunded actuarial liability as a % of covered payroll		43.8%

(1) as of most recent actuarial valuation January 1, 2011.

Historical Trend Information

Three year trend information of the Plan is presented below:

Calendar Year Ending	Annual Pension Cost (APC)	Contributions from Employer	Percentage of APC Contributed	Net Pension Obligation*
2010	\$ 140,878	\$ 129,820	92.2 %	\$ (450,663)
2011	\$ 201,819	\$ 245,751	121.8 %	\$ (494,595)
2012	\$ 219,189	\$ 189,018	86.2 %	\$ (464,424)

*Negative balance represents over-funding of the Plan.

The Actuarial Method used for valuing the assets is the market value.

A Schedule of Funding Progress is provided on page 69 of these financial statements.

On December 10, 2001, the Township passed Ordinance No. 787 amending the police pension plan to comply with PA Act 600. For participants hired on or after January 24, 2001, a disability must result from injuries incurred in service. Also, for participants hired after January 24, 2001, he/she shall be entitled to vest his or her retirement benefits after 5 years of service and are fully vested after 15 years of service.

Defined Contribution Plan – Non-Uniform Employees

The Township of Ferguson Municipal Employees Money Purchase Pension Plan is a 401 qualified, defined contribution plan for all non-uniform employees. Employees who retire at or after age 55 with 10 years of credited service are entitled to retirement benefits. Vesting starts after 3 years of service and employees are fully vested after 7 years. The plan requires that the Township contribute an amount equal to 10% of the employee's base salary (with no contribution from the employee). In conjunction with the 401 plan, the Township requires all participating non-uniform employees to contribute a minimum of 2% of their base salary to a 457 Deferred Compensation Plan.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

The Township, as the employer, is specifically identified as the plan trustee and has selected the ICMA Retirement Corporation as the plan administrator. The Township holds the fiduciary duty to select the fund or funds that the employer's share of the contributions are invested. The Township has limited employer contributions to four model portfolios commonly referred to as the Savings Oriented, Long Term Growth, Conservative Growth, and Traditional Growth portfolios. The Township has chosen not to allow loans on the plan's assets. As specified in the plan document section VI, 6.01, the trustee shall be the employer or such other person which agrees to act in that capacity hereunder. In accordance with the adoption agreement and the plan document, sections XIV 14.05 and XV 15.01, the employer may amend or terminate the plan and the plan administrator may amend the plan upon 30 days written notice to the employer for the express purpose of maintaining compliance with applicable federal laws and regulations of the Internal Revenue Service. The plan document, under section XIV, the employer has the authority to amend the future contributions and vesting schedule, to the extent that current account balances and current vesting may not be reduced.

At December 31, 2012, there were 31 (thirty-one) 401 and 457 plan members.

Pension contributions for year ended December 31, 2012:

	401 Qualified Pension Plan	457 Deferred Compensation Plan
Township contributions	\$ 151,341	
Employee contributions	-	\$ 85,962
Forfeitures	-	-
Total contributions	<u>\$ 151,341</u>	<u>\$ 85,962</u>

The Commonwealth of Pennsylvania provided \$261,056 during 2012 toward the Township contributions to the police and non-uniform pension plan through Act 205.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

The following financial statements present data for the individual pension plans maintained by the Township.

Combining Statement of Pension Trust Funds

December 31, 2012

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 314,471	\$ 213,323	\$ 527,794
Investments, at fair value:			
Fixed income	407,854	-	407,854
Equities	1,832,132	-	1,832,132
Mutual funds	1,023,389	2,334,492	3,357,881
Total	\$ 3,577,846	\$ 2,547,815	\$ 6,125,661
Liabilities			
Due to other funds	\$ 139	\$ -	\$ 139
Net Position			
Held in trust for pension benefits	3,577,707	2,547,815	6,125,522
Total	\$ 3,577,846	\$ 2,547,815	\$ 6,125,661

Combining Statement of Changes in Pension Trust Funds

For the Year Ended December 31, 2012

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total Pension Trust Funds
Additions			
Investment income:			
Interest and dividends	\$ 114,988	\$ 5	\$ 114,993
Investment expense	(58,415)	(356)	(58,771)
Realized/unrealized gains and losses	295,659	234,864	530,523
Net investment income	352,232	234,513	586,745
Employer contributions	189,018	151,341	340,359
Employee contributions	79,355	-	79,355
Total additions	620,605	385,854	1,006,459
Deductions			
Benefits paid to participants	227,006	14,977	241,983
Change in Net Position	393,599	370,877	764,476
Net Position, Beginning	3,184,108	2,176,938	5,361,046
Net Position, Ending	\$ 3,577,707	\$ 2,547,815	\$ 6,125,522

Summary of Significant Accounting Policies – Pension Trust Funds

The plans' financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by Act 205 of the Commonwealth. Benefits and refunds are recognized when due and payable in accordance with the terms of the appropriate plan.

Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Fair value is determined by quoted market price.

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

7. Private Purpose Trust Fund

On June 22, 1993 the Township established the Tom Tudek Memorial Park Trust (the "Trust"). The Trust received its 501(c)(3) status from the Internal Revenue Service on December 22, 1993. The Trust will receive annual contributions from Robert and Elsie Tudek until the principal of the Trust reaches \$100,000. Income amounts will be used by the Township to pay the operating maintenance and improvement expense for the park. Principal amounts may only be used for legal consultation or actions relating to enforcing the terms and conditions of the Trust.

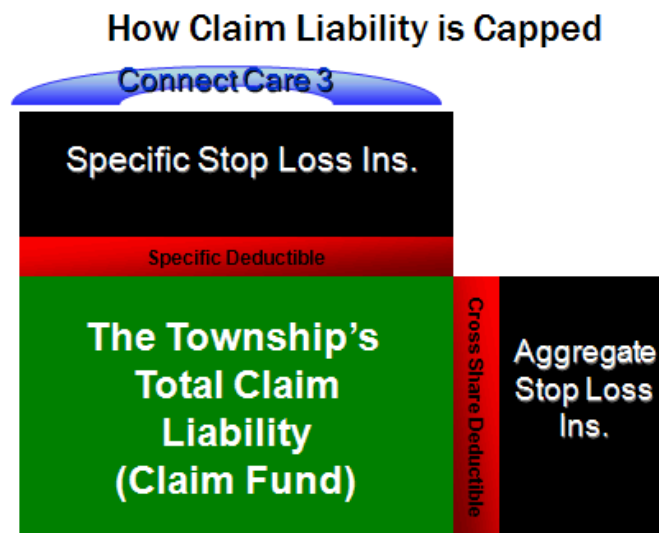
8. Risk Financing

The Township maintains a self insured plan in the General Fund. The plan is for the employee health coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Health Insurance

The health insurance plan is administered by the CRIC (Centre Region Insurance Cooperative) in conjunction with the Benecon Group. The CRIC is made up of several Centre Region municipalities (members) combining employees to reduce the overall risk and cost of the plan.

The plan provides for shared risk up to the amount of cross share assigned to each member for claims below the stop loss protection. If a participant's claim exceeds \$30,000, it is first paid from the specific deductible and then, depending on the amount over \$30,000, it is paid from the specific stop loss insurance. This protects the Township from very high dollar claims.



If the Township has many claims under \$30,000 that exceed the amount in the Township's claim fund, this amount is paid from the Cross Share deductible. This fund is created through mutual agreement of the members to share some of the surpluses of members. As of the date of this report, there have been no claims against the Aggregate Stop Loss since the member contributions have been sufficient to cover the claims.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

9. Fund Balance Classifications

The Township presents its governmental fund balances by level of constraint in the aggregate on its balance sheet – governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Transportation Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
Non-spendable for:					
Prepaid items	<u>\$ 65,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,159</u>
Restricted for:					
Street lights				\$ 13,410	\$ 13,410
Hydrant				28,463	28,463
Liquid fuels				183,043	183,043
Capital projects				109,262	109,262
Regional capital projects				648,799	648,799
Park improvement				134,088	134,088
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,065</u>	<u>\$ 1,117,065</u>
Committed for:					
Capital equipment	\$ 1,000,000				\$ 1,000,000
Transportation improvement		\$ 6,877,535			6,877,535
Capital projects			\$ 2,271,641		2,271,641
Agricultural preservation				\$ 90,944	90,944
Total	<u>\$ 1,000,000</u>	<u>\$ 6,877,535</u>	<u>\$ 2,271,641</u>	<u>\$ 90,944</u>	<u>\$ 10,240,120</u>
Assigned for,					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 835</u>	<u>\$ 835</u>

10. Pending Changes in Accounting Principles

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity. To the extent applicable, GASB 61 is effective for the Township's calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement changes the manner in which nonexchange transactions, debt issuance costs and accounting for leases and the term "deferred" are presented in the financial statements. To the extent applicable, GASB 65 is effective for the Township's calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. This statement amends Statement No. 10, Use of Special Revenue Funds to Report Risk Financing Activities and Statement No. 62, Operating Lease, Purchase of a Loan or Group of Loans, and Servicing Fees. These statements were amended to remove language that conflicts with other statements. To the extent applicable, GASB 66 is effective for financial the Township's calendar year 2013 financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of these statements is to improve accounting and financial reporting by state and local governmental pension plans. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. These statements replace the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. To the extent applicable, the Township is required to adopt Statement No. 67 for its calendar year 2014 financial statements and Statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. To the extent applicable, GASB 69 is effective for government combinations and disposals of government operations occurring in the Township's 2014 calendar year financial statements, and should be applied on a prospective basis.

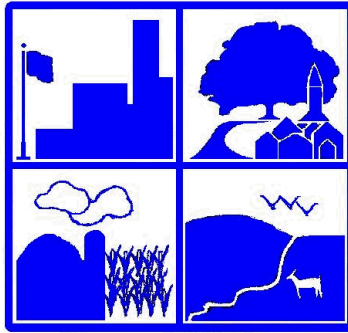
Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2012

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. GASB 70 is effective for the Township's calendar year 2014 financial statements.

Township management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.



**Required Supplementary Information –
Supplementary Pension Trend Information**

Township of Ferguson, Pennsylvania

Supplementary Pension Trend Information

Required for Defined Benefit Plans

Information is as of the Most Recent Actuarial Valuation - January 1, 2011

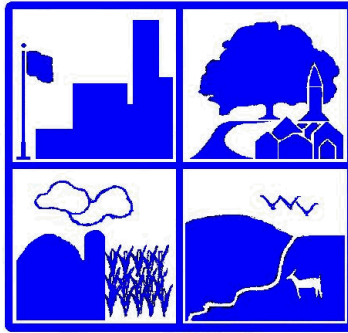
(Unaudited)

Schedule of Funding Progress - Police Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
01/01/07	3,192,294	2,742,389	(449,905)	116.4%	830,277	-54.2%
01/01/09	2,354,324	3,232,323	877,999	72.8%	1,107,787	79.3%
01/01/11	3,220,444	3,737,017	516,573	86.2%	1,179,601	43.8%

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2007	98,866	98,866	100.0%
2008	105,300	114,708	100.0% +
2009	108,605	125,120	100.0% +
2010	125,120	129,394	100.0% +
2011	189,635	245,751	100.0% +
2012	204,059	189,018	92.6%



**Combining Statements of
Non-Major Governmental Funds**

Township of Ferguson, Pennsylvania

Description of Non-Major Governmental Funds
December 31, 2012

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than for debt service and major capital projects) that are legally restricted to expenditures for specified purposes.

The Street Light Fund accounts for assessments specifically restricted for the maintenance of street lights.

The Hydrant Fund accounts for assessments specifically restricted for the installation and maintenance of hydrants.

The Liquid Fuels Fund accounts for state aid revenues used for the building of and improving of roads and bridges. Financing is provided by the Township's share of state taxes on gasoline and diesel fuel.

Capital Projects Funds

Capital Projects Funds account for the capital purchases of the Township.

The Piney Ridge Fund accounts for the funding set aside from a contribution by the Ferguson Township Authority when the Piney Ridge subdivision received sanitary sewer service and for upgrades to the roads within the subdivision.

The Agricultural Preservation Fund accounts for the Township's contributions towards the County's agricultural conservation easements purchases in the Township.

The Regional Capital Recreation Projects Fund accounts for the Township's payments in accordance with the agreement among the Township, the Pennsylvania State University, and Lezzer-Haubert, LLC.

The Park Improvement Fund accounts for funds set aside from fees-in-lieu payments received from the developer and any private donations.

The Pine Grove Mills Streetscape Fund accounts for the specific purpose of acquiring vintage style streetlights in conjunction with a more comprehensive streetscape improvement project. There was no legally adopted budget for this fund in 2012.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

The Debt Service Fund accounts for the payments of principal and interest for the General Obligation Note, Series of 2009.

The annual adopted budgets are prepared on the basis consistent with accounting principles generally accepted in the United States of America.

Township of Ferguson, Pennsylvania

Combining Balance Sheet

Non-Major Governmental Funds

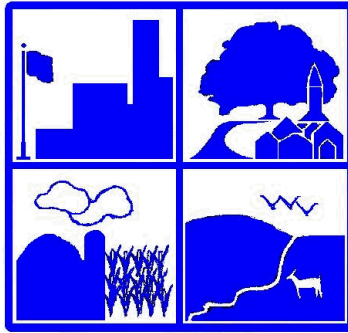
December 31, 2012

	Special Revenue Funds			Capital Projects Funds						
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Piney Ridge Fund	Agricultural Preservation Fund	Regional Capital Recreation Projects	Pine Grove Mill Street	Park Improvement Fund	Debt Service Fund	Total Non-Major Funds
Assets										
Cash	\$ 13,410	\$ 28,463	\$ 182,849	\$ 88,130	\$ 90,944	\$ 648,799	\$ 21,132	\$ 133,749	\$ 32	\$ 1,207,508
Due from other funds			935					339	6,478	7,752
Total	<u>\$ 13,410</u>	<u>\$ 28,463</u>	<u>\$ 183,784</u>	<u>\$ 88,130</u>	<u>\$ 90,944</u>	<u>\$ 648,799</u>	<u>\$ 21,132</u>	<u>\$ 134,088</u>	<u>\$ 6,510</u>	<u>\$ 1,215,260</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable									\$ 5,675	\$ 5,675
Due to other funds			\$ 741							741
Total liabilities			<u>741</u>						<u>5,675</u>	<u>6,416</u>
Fund balances:										
Restricted	\$ 13,410	\$ 28,463	183,043	\$ 88,130		\$ 648,799	\$ 21,132	\$ 134,088		1,117,065
Committed					\$ 90,944					90,944
Assigned									835	835
Total fund balance	<u>13,410</u>	<u>28,463</u>	<u>183,043</u>	<u>88,130</u>	<u>90,944</u>	<u>648,799</u>	<u>21,132</u>	<u>134,088</u>	<u>835</u>	<u>1,208,844</u>
Total	<u>\$ 13,410</u>	<u>\$ 28,463</u>	<u>\$ 183,784</u>	<u>\$ 88,130</u>	<u>\$ 90,944</u>	<u>\$ 648,799</u>	<u>\$ 21,132</u>	<u>\$ 134,088</u>	<u>\$ 6,510</u>	<u>\$ 1,215,260</u>

Township of Ferguson, Pennsylvania

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Funds
Year Ended December 31, 2012

	Special Revenue Funds			Capital Projects Funds						
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Piney Ridge Fund	Agricultural Preservation Fund	Regional Capital Recreation Project	Pine Grove Mill Street	Park Improvement Fund	Debt Service Fund	Total Non-Major Funds
Revenues										
Interest and rents	\$ 4	\$ 9	\$ 95	\$ 24	\$ 21	\$ 6,237	\$ 4	\$ 36	\$ 4	\$ 6,434
Intergovernmental			451,814							451,814
Charges for service	12,342	26,633								38,975
Miscellaneous revenue						101,733	21,128			122,861
Total revenues	12,346	26,642	451,909	24	21	107,970	21,132	36	4	620,084
Expenditures										
General government									550	550
Public works - highways	12,197		623,090							635,287
Public works - other services		27,810								27,810
Debt service:										
Debt service - principal									485,000	485,000
Debt service - interest									72,084	72,084
Total expenditures	12,197	27,810	623,090						557,634	1,220,731
Excess (Deficiency) of Revenues Over Expenditures	149	(1,168)	(171,181)	24	21	107,970	21,132	36	(557,630)	(600,647)
Other Financing Sources										
Transfers - in									558,438	558,438
Net Increase (Decrease) in Fund Balance	149	(1,168)	(171,181)	24	21	107,970	21,132	36	808	(42,209)
Fund Balance, Beginning	13,261	29,631	354,224	88,106	90,923	540,829	-	134,052	27	1,251,053
Fund Balance, Ending	\$ 13,410	\$ 28,463	\$ 183,043	\$ 88,130	\$ 90,944	\$ 648,799	\$ 21,132	\$ 134,088	\$ 835	\$ 1,208,844



**Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget-to-Actual Comparisons**

- **Transportation Improvement Fund**
- **Capital Reserve Fund**
- **Non-Major Governmental Funds –
Special Revenue Funds**
- **Non-Major Governmental Funds –
Capital Projects Funds**
- **Non-Major Governmental Fund –
Debt Service Fund**

Township of Ferguson, Pennsylvania**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget-to-Actual Comparison****Transportation Improvement Fund**

Year Ended December 31, 2012

	Budget Original & Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and rents	\$ 50,000	\$ 60,066	\$ 10,066
Intergovernmental	-	547,550	547,550
Miscellaneous	-	135,755	135,755
Total revenues	50,000	743,371	693,371
Expenditures			
Public works - highways	6,281,000	1,933,911	4,347,089
Excess of Expenditures Over Revenues	(6,231,000)	(1,190,540)	5,040,460
Other Financing Sources			
Operating transfers - in	1,238,273	1,363,617	125,344
Net Change in Fund Balance	(4,992,727)	173,077	<u>\$ 5,165,804</u>
Fund Balance, Beginning	4,992,727	6,704,458	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 6,877,535</u>	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Capital Reserve Fund

Year Ended December 31, 2012

	Budget Original & Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and rents	\$ 3,000	\$ 11,550	\$ 8,550
Miscellaneous	7,010	7,183	173
Total revenues	10,010	18,733	8,723
Expenditures			
General government	184,122	197,729	(13,607)
Public safety	282,985	106,760	176,225
Public works - highways	409,980	68,953	341,027
Culture and recreation	559,158	540,036	19,122
Other operating	6,000	1,461	4,539
Total expenditures	1,442,245	914,939	527,306
Excess of Expenditures Over Revenues	(1,432,235)	(896,206)	536,029
Other Financing Sources			
Transfers - in	1,750,000	2,032,980	282,980
Sale of capital assets	1,000	16,567	15,567
Total other financing sources	1,751,000	2,049,547	298,547
Net Change In Fund Balance	\$ 318,765	1,153,341	\$ 834,576
Fund Balance, Beginning		1,118,300	
Fund Balance, Ending		\$ 2,271,641	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Special Revenue Funds

Year Ended December 31, 2012

	Street Light			Hydrant			Liquid Fuels		
	<u>Budget</u>		<u>Variance with</u>	<u>Budget</u>		<u>Variance with</u>	<u>Budget</u>		<u>Variance with</u>
	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>
	<u>Final</u>		<u>Positive</u>	<u>Final</u>		<u>Positive</u>	<u>Final</u>		<u>Positive</u>
			<u>(Negative)</u>			<u>(Negative)</u>			<u>(Negative)</u>
Revenue									
Interest and rents	\$ 15	\$ 4	\$ (11)	\$ 15	\$ 9	\$ (6)	\$ 500	\$ 95	\$ (405)
Intergovernmental							412,755	451,814	39,059
Charges for service	<u>12,000</u>	<u>12,342</u>	<u>342</u>	<u>29,100</u>	<u>26,633</u>	<u>(2,467)</u>			
Total revenues	<u>12,015</u>	<u>12,346</u>	<u>331</u>	<u>29,115</u>	<u>26,642</u>	<u>(2,473)</u>	<u>413,255</u>	<u>451,909</u>	<u>38,654</u>
Expenditures									
Public works - highways	14,000	12,197	1,803				684,000	623,090	60,910
Public works - other services				<u>28,140</u>	<u>27,810</u>	<u>330</u>			
Total expenditures	<u>14,000</u>	<u>12,197</u>	<u>1,803</u>	<u>28,140</u>	<u>27,810</u>	<u>330</u>	<u>684,000</u>	<u>623,090</u>	<u>60,910</u>
Net (Decrease) Increase in Fund Balance	<u>\$ (1,985)</u>	149	<u>\$ 2,134</u>	<u>\$ 975</u>	(1,168)	<u>\$ (2,143)</u>	<u>\$ (270,745)</u>	(171,181)	<u>\$ 99,564</u>
Fund Balances, Beginning		<u>13,261</u>			<u>29,631</u>			<u>354,224</u>	
Fund Balances, Ending		<u>\$ 13,410</u>			<u>\$ 28,463</u>			<u>\$ 183,043</u>	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2012

	Piney Ridge			Agricultural Preservation		
	<u>Budget</u>		<u>Variance with</u>	<u>Budget</u>		<u>Variance with</u>
	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>
	<u>Final</u>		<u>Positive</u>	<u>Final</u>		<u>Positive</u>
			<u>(Negative)</u>			<u>(Negative)</u>
Revenues						
Interest and rents	\$ 50	\$ 24	\$ (26)	\$ 30	\$ 21	\$ (9)
Expenditures						
Culture and recreation				23,100		23,100
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	50	24	(26)	(23,070)	21	23,091
Other Financing (Uses) Sources						
Transfers - in				15,000		(15,000)
Net Changes in Fund Balances	<u>\$ 50</u>	24	<u>\$ (26)</u>	<u>\$ (8,070)</u>	21	<u>\$ 8,091</u>
Fund Balances, Beginning		88,106			90,923	
Fund Balances, Ending		<u>\$ 88,130</u>			<u>\$ 90,944</u>	

(Continued)

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2012

	Regional Capital Recreation Projects			Park Improvement		
	<u>Budget</u>		<u>Variance with</u>	<u>Budget</u>		<u>Variance with</u>
	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Original &</u>	<u>Actual</u>	<u>Final Budget -</u>
	<u>Final</u>		<u>Positive</u>	<u>Final</u>		<u>Positive</u>
			<u>(Negative)</u>			<u>(Negative)</u>
Revenues						
Interest and rents	\$ 5,150	\$ 6,237	\$ 1,087	\$ 10	\$ 36	\$ 26
Miscellaneous revenue	103,000	101,733	(1,267)			
Total revenues	108,150	107,970	(180)	10	36	26
Net Changes in Fund Balances	<u>\$ 108,150</u>	107,970	<u>\$ (180)</u>	<u>\$ 10</u>	36	<u>\$ 26</u>
Fund Balances, Beginning		<u>540,829</u>			<u>134,052</u>	
Fund Balances, Ending		<u>\$ 648,799</u>			<u>\$ 134,088</u>	

Township of Ferguson, Pennsylvania**Schedule of Revenues, Expenditures, and Changes in Fund Balances**

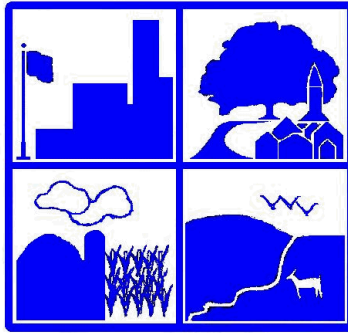
Budget-to-Actual Comparison

Non-Major Governmental Fund

Debt Service Fund

Year Ended December 31, 2012

	<u>Budget</u> <u>Original &</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues			
Interest	\$ -	\$ 4	\$ 4
Expenditures			
General government	600	550	50
Debt service:			
Debt service - principal	485,000	485,000	-
Debt service - interest	<u>72,888</u>	<u>72,084</u>	<u>804</u>
Total expenditures	<u>558,488</u>	<u>557,634</u>	<u>854</u>
Excess of Expenditures Over Revenues	(558,488)	(557,630)	858
Other Financing Sources			
Transfers - in	<u>560,000</u>	<u>558,438</u>	<u>(1,562)</u>
Net Change in Fund Balance	<u>\$ 1,512</u>	808	<u>\$ (704)</u>
Fund Balance, Beginning		<u>27</u>	
Fund Balance, Ending		<u>\$ 835</u>	



Combining Statements of Pension Trust Funds

Township of Ferguson, Pennsylvania

Combining Statement of Pension Trust Funds

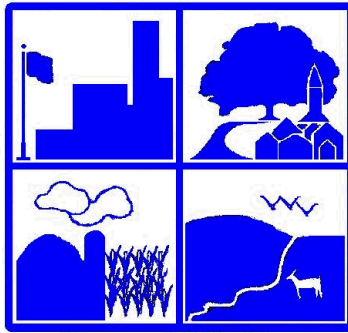
December 31, 2012

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total Trust Funds
Assets			
Cash and cash equivalents	\$ 314,471	\$ 213,323	\$ 527,794
Investments, at fair value:			
Fixed income	407,854		407,854
Equities	1,832,132		1,832,132
Mutual funds	1,023,389	2,334,492	3,357,881
Total	\$ 3,577,846	\$ 2,547,815	\$ 6,125,661
Liabilities			
Due to other funds	\$ 139		\$ 139
Net Position			
Held in trust for pension benefits	3,577,707	\$ 2,547,815	6,125,522
Total	\$ 3,577,846	\$ 2,547,815	\$ 6,125,661

Township of Ferguson, Pennsylvania

Combining Statement of Changes in Pension Trust Funds
Year Ended December 31, 2012

	Police Pension Fund	Non-Uniformed Pension Fund	Total Trust Funds
Additions			
Investment income:			
Interest and dividends	\$ 114,988	\$ 5	\$ 114,993
Investment expense	(58,415)	(356)	(58,771)
Realized/unrealized gains and losses	295,659	234,864	530,523
Net investment income	352,232	234,513	586,745
Employer contributions	189,018	151,341	340,359
Employee contributions	79,355	-	79,355
Total additions	620,605	385,854	1,006,459
Deductions			
Benefits paid to participants	227,006	14,977	241,983
Change in Net Position	393,599	370,877	764,476
Net Position, Beginning	3,184,108	2,176,938	5,361,046
Net Position, Ending	<u>\$ 3,577,707</u>	<u>\$ 2,547,815</u>	<u>\$ 6,125,522</u>



**Combining Statement of Changes in Assets
and Liabilities – All Agency Funds**

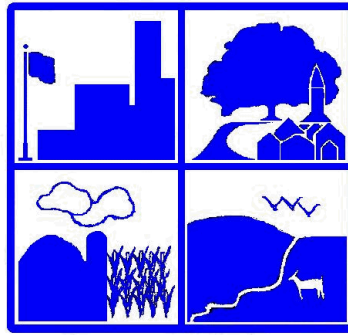
Township of Ferguson, Pennsylvania

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

December 31, 2012

	Balance, January 1, 2012	Additions	Deletions	Balance, December 31, 2012
Earned Income Tax Office				
Assets,				
Cash	<u>\$ 8,359</u>	<u>\$ 4,676,282</u>	<u>\$ (4,628,439)</u>	<u>\$ 56,202</u>
Liabilities,				
Payable to other taxing units	<u>\$ 8,359</u>	<u>\$ 4,676,282</u>	<u>\$ (4,628,439)</u>	<u>\$ 56,202</u>
Real Estate Tax Office				
Assets,				
Cash	<u>\$ 297,899</u>	<u>\$ 21,114,920</u>	<u>\$ (21,184,090)</u>	<u>\$ 228,729</u>
Liabilities,				
Payable to other taxing units	<u>\$ 297,899</u>	<u>\$ 21,114,920</u>	<u>\$ (21,184,090)</u>	<u>\$ 228,729</u>
Total All Agency Funds				
Assets,				
Cash	<u>\$ 306,258</u>	<u>\$ 25,791,202</u>	<u>\$ (25,812,529)</u>	<u>\$ 284,931</u>
Liabilities,				
Payable to other taxing units	<u>\$ 306,258</u>	<u>\$ 25,791,202</u>	<u>\$ (25,812,529)</u>	<u>\$ 284,931</u>



Statistical Section

Township of Ferguson, Pennsylvania

Statistical Section
December 31, 2012

Statistical Section

The Statistical Section presents additional detailed information as a context for understanding the information provided in the financial statements, note disclosures and required supplementary information about the Township's overall financial health.

Financial Trends

Schedules 1 through 4 provide trend information to help the reader understand the changes in the Township's financial health over time.

Revenue Capacity

Schedules 5 through 10 provide information to help the reader assess the Township's ability to generate revenues.

Debt Capacity

Schedules 11 through 13 provide information to help the reader assess the ability of the Township to fulfill the current debt requirements and to provide additional debt if needed in the future.

Demographic and Economic Information

Schedules 14 and 15 offer demographic and economic indicators to help the reader understand the economic environment of the Township as a whole.

Operating Information

Schedules 16 through 18 provide service and infrastructure information to help the reader understand how the activities and services provided by the Township affect the financial statements.

Note: The Township implemented GASB Statement 34 in 2004; therefore, schedules presenting government-wide information include information beginning in that year.

Township of Ferguson, Pennsylvania

Schedule of Government-Wide Net Position by Component

(Unaudited)

Years Ended December 31

Schedule 1

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 3,637,637	\$ 9,714,764	\$ 15,480,980	\$ 17,332,193	\$ 17,993,703	\$ 21,514,479	\$ 17,881,248	\$ 20,883,275	\$ 21,228,343
Restricted	2,497,689						1,411,733	1,160,103	1,117,065
Unrestricted	<u>7,352,479</u>	<u>9,979,972</u>	<u>8,804,653</u>	<u>8,700,755</u>	<u>11,124,825</u>	<u>10,192,207</u>	<u>14,230,657</u>	<u>15,602,551</u>	<u>15,415,901</u>
Total Governmental Activities									
Net Position	<u>\$ 13,487,805</u>	<u>\$ 19,694,736</u>	<u>\$ 24,285,633</u>	<u>\$ 26,032,948</u>	<u>\$ 29,118,528</u>	<u>\$ 31,706,686</u>	<u>\$ 33,523,638</u>	<u>\$ 37,645,929</u>	<u>\$ 37,761,309</u>

Note: (1) The Township has no business type activities.

(2) Accrual basis financial information for the Township is only available from 2004, the first year GASB Statement 34 was implemented.

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Government-Wide Changes in Net Position
(Unaudited)
Years Ended December 31
Schedule 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	\$ 1,227,840	\$ 965,690	\$ 654,632	\$ 1,310,524	\$ 1,185,216	\$ 1,466,992	\$ 1,454,365	\$ 1,573,015	\$ 1,566,073
Public safety	1,451,287	1,669,044	1,969,855	2,136,230	2,404,827	2,437,740	2,519,983	2,671,630	2,662,723
Health and welfare	2,220	3,431	2,586	5,678	2,961	7,317	5,729	7,166	5,090
Public works	1,961,340	1,549,644	1,463,204	1,981,038	1,667,533	1,935,062	2,753,477	2,650,121	3,771,053
Culture and recreation	1,172,232	780,092	702,090	905,683	1,363,566	1,076,279	1,050,198	1,085,404	1,329,119
Conservation and development	15,000	15,000			30,546	11,955			
Insurance and other operating	640,280	795,404	938,315	1,047,775	1,061,465	702,868	1,223,395	1,377,940	1,382,998
Interest on long-term debt	95,629	129,109	131,475	181,020	168,704	138,215	92,996	79,627	71,586
Total governmental activities expenses	6,565,828	5,907,414	5,862,157	7,567,948	7,884,818	7,776,428	9,100,143	9,444,903	10,788,642
Revenues									
Governmental activities:									
Charges for services:									
General government	125,098	133,076	106,637	120,023	310,685	379,075	438,827	438,355	397,660
Public safety	122,774	128,610	29,775	45,645	161,429	132,062	128,099	117,887	135,854
Health and welfare			5,390	6,380	6,013	6,068	6,625	6,328	7,738
Public works	310,754	318,398	37,769	39,192	39,154	44,964	44,628	46,112	39,148
Conservation and development	32,576	32,289							
Operating grants and contributions	2,397,758	1,067,993	1,143,635	790,172	838,783	491,698	518,193	751,857	531,506
Capital grants and contributions	96,267	114,320	45,158	13,500	556,648	582,527	392,822	2,908,628	999,364
Total governmental activities program revenues	3,085,227	1,794,686	1,368,364	1,014,912	1,912,712	1,636,394	1,529,194	4,269,167	2,111,270
Net Expenses									
Governmental activities	(3,480,601)	(4,112,728)	(4,493,793)	(6,553,036)	(5,972,106)	(6,140,034)	(7,570,949)	(5,175,736)	(8,677,372)
General Revenues And Other									
Changes In Net Position:									
Governmental activities:									
Taxes:									
Real estate	807,072	724,877	765,019	797,979	1,238,068	1,264,640	1,275,750	1,285,660	1,314,567
Transfer	1,038,288	1,832,506	1,371,866	1,251,853	1,234,907	840,595	1,034,100	832,580	969,487
Earned income	7,443,663	4,330,192	5,371,056	4,886,700	5,580,764	5,846,005	6,015,241	5,890,462	5,542,488
Local services	42,920	316,119	360,192	366,482	299,621	346,277	319,906	381,124	307,512
Developer contributions		2,646,000							
Franchise fees	130,895	140,607	152,971	152,881					
Fines			95,294	108,818					
Unrestricted investment earnings	132,043	297,018	468,628	436,853	359,670	340,381	211,615	222,331	190,669
Miscellaneous	170,069	32,340	191,286	298,785	344,656	90,294	531,289	685,870	468,029
Total governmental activities general revenues	9,764,950	10,319,659	8,776,312	8,300,351	9,057,686	8,728,192	9,387,901	9,298,027	8,792,752
Changes In Net Position									
Governmental activities	\$ 6,284,349	\$ 6,206,931	\$ 4,282,519	\$ 1,747,315	\$ 3,085,580	\$ 2,588,158	\$ 1,816,952	\$ 4,122,291	\$ 115,380

Notes: (1) The Township has no business type activities.

(2) Accrual basis financial information for the Township is only available from 2004, the year GASB Statement 34 was implemented.

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Governmental Fund Balances

(Unaudited)

Years Ended December 31

Schedule 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (2)	2012 (2)
General Fund										
Non-Spendable (2)									\$ 3,594	\$ 65,159
Committed (2)									1,000,000	1,000,000
Unassigned (2)									4,187,743	2,991,653
Unreserved	\$ 2,118,627	\$ 2,582,920	\$ 3,782,521	\$ 4,140,927	\$ 4,824,174	\$ 4,482,879	\$ 5,058,582	\$ 5,119,166		
Total General Fund	<u>2,118,627</u>	<u>2,582,920</u>	<u>3,782,521</u>	<u>4,140,927</u>	<u>4,824,174</u>	<u>4,482,879</u>	<u>5,058,582</u>	<u>5,119,166</u>	<u>5,191,337</u>	<u>4,056,812</u>
All Other Governmental Funds										
Restricted (2)										
Special revenue funds									397,116	224,916
Capital projects funds									762,987	892,149
Committed (2)										
Capital projects funds									7,913,681	9,240,120
Assigned (2)										
Debt service funds									27	835
Reserved for:										
Capital projects		4,016,236	4,445,800	1,861,064	561,377	1,336,771	1,450,563	1,411,733		
Unreserved, undesignated, reported in:										
Special revenue funds	339,659	277,590	86,075	278,045	200,061	390,210	325,815	330,486		
Capital projects funds	2,509,778	163,100	4,191,044	2,670,841	3,653,616	5,076,180	5,383,208	6,250,624		
Debt service			439	4,803	1,444	1,747	(7,979)	(7,267)		
Total All Other Governmental Funds	<u>2,849,437</u>	<u>4,456,926</u>	<u>8,723,358</u>	<u>4,814,753</u>	<u>4,416,498</u>	<u>6,804,908</u>	<u>7,151,607</u>	<u>7,985,576</u>	<u>9,073,811</u>	<u>10,358,020</u>
Total Governmental Fund Balances	<u>\$ 4,968,064</u>	<u>\$ 7,039,846</u>	<u>\$ 12,505,879</u>	<u>\$ 8,955,680</u>	<u>\$ 9,240,672</u>	<u>\$ 11,287,787</u>	<u>\$ 12,210,189</u>	<u>\$ 13,104,742</u>	<u>\$ 14,265,148</u>	<u>\$ 14,414,832</u>

Note: (1) Amounts are on cash basis prior to 2004; thereafter are on modified accrual.

(2) GASB Statement number 54, Fund Balance Reporting was effective for years beginning after June 15, 2010, prior balances are not restated.

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Changes in Governmental Fund Balances

(Unaudited)

Years Ended December 31

Schedule 4

	2003	2004	2005	2006 (2)	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 6,012,475	\$ 6,421,650	\$ 7,497,728	\$ 7,544,600	\$ 8,067,179	\$ 8,376,605	\$ 7,948,380	\$ 8,082,875	\$ 8,403,023	\$8,478,220
Licenses and permits	131,511	151,321	157,558	172,638	170,481	215,362	220,608	262,036	250,463	239,880
Fines and forfeits	118,508	113,086	106,014	95,294	108,818	116,518	132,062	128,099	117,887	135,854
Special assessments	15,871	21,159	28,926							
Interest and rents	81,645	132,044	249,018	468,628	436,853	359,670	340,381	211,615	222,331	190,669
Intergovernmental	6,353,925	2,804,779	1,507,544	1,188,793	803,672	895,431	1,074,225	911,015	3,660,485	1,530,870
Charges for services	143,931	125,777	142,083	179,570	211,240	209,215	234,625	240,954	253,990	223,269
Other financing sources	88,925	91,751	105,561	15,767	1,482	500,000				
Miscellaneous revenues	52,376	164,395	32,340	222,380	279,703	320,432	61,281	472,726	661,005	409,016
Refund of prior year expenditures						410	3,887	6,946	7,296	255
Total revenues	12,999,167	10,025,962	9,826,772	9,887,670	10,079,428	10,993,643	10,015,449	10,316,266	13,576,480	11,208,033
Expenditures										
General government	1,063,983	1,044,896	1,358,503	2,599,674	2,539,108	1,241,043	1,169,636	1,125,718	1,143,935	1,278,323
Public safety	1,480,204	1,421,183	1,649,577	2,049,776	2,185,869	2,410,533	2,485,741	2,488,052	2,718,215	2,649,349
Health and welfare	2,056	2,220	3,431	2,586	5,678	2,961	7,317	5,729	7,166	5,090
Public works	8,585,005	4,528,030	3,142,886	5,049,669	2,515,353	2,159,994	2,685,156	2,994,141	5,206,287	3,542,450
Culture and recreation	632,743	1,279,595	849,481	796,000	922,915	1,454,367	1,099,725	1,075,672	1,365,651	1,711,634
Conservation and development		15,302				30,546	11,955			
Insurance and other operating	572,405	640,076	693,666	936,345	1,047,775	1,061,465	1,164,589	1,212,337	1,421,872	1,329,240
Debt service-principal	82,350	383,200	384,119	1,884,418	396,000	416,000	329,053	465,000	475,000	485,000
Debt service-interest	171,519	80,327	139,615	119,401	181,738	169,619	143,515	93,771	81,860	73,830
Other costs							116,462			
Total expenditures	12,590,265	9,394,829	8,221,278	13,437,869	9,794,436	8,946,528	9,213,149	9,460,420	12,419,986	11,074,916
Excess (Deficiency) of Revenues Over Expenditures	408,902	631,133	1,605,494	(3,550,199)	284,992	2,047,115	802,300	855,846	1,156,494	133,117
Other Financing Sources (Uses)										
Net transfers in (out)	(34,817)	55,912	(101,439)							
Sale of capital assets	8,655	5,675						38,707	3,912	16,567
Net proceeds from long term debt	108,644	1,500,000	2,968,200				4,435,000			
Bond premium							12,249			
Payments to refund bonds and notes payable							(4,327,147)			
Total other financing sources (uses)	82,482	1,561,587	2,866,761	-	-	-	120,102	38,707	3,912	16,567
Net Change in Fund Balances	<u>\$ 491,384</u>	<u>\$ 2,192,720</u>	<u>\$ 4,472,255</u>	<u>\$ (3,550,199)</u>	<u>\$ 284,992</u>	<u>\$ 2,047,115</u>	<u>\$ 922,402</u>	<u>\$ 894,553</u>	<u>\$ 1,160,406</u>	<u>\$ 149,684</u>
Debt service as a percentage of non capital expenditures (3)	2.07%	8.72%	12.86%	28.92%	8.59%	8.19%	6.47%	6.91%	6.70%	5.86%

Notes: (1) Amounts are on cash basis prior to 2004; thereafter, are on modified accrual basis.

(2) Restatement due to change from modified cash basis to modified accrual basis.

(3) Capital outlay is integrated in all functions of current expenditures. Amount is subtracted from amount used in calculation.

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Earned Income Tax

(Unaudited)

Years Ended December 31

Schedule 5

Calendar Year	Tax Rate	Total Earned Income Tax Collected	% Change
2003	1.40%	\$ 4,219,990	9.67%
2004	1.40%	4,533,371	7.43%
2005	1.40%	4,624,226	2.00%
2006	1.40%	5,049,275	9.19%
2007	1.40%	5,267,427	4.32%
2008	1.40%	5,604,008	6.39%
2009	1.40%	5,496,867	-1.91%
2010	1.40%	5,453,119	-0.80%
2011	1.40%	5,890,462	8.02%
2012	1.40%	5,542,488	-5.91%

Sources: Ferguson Township Operating Budgets (actual)
Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Earned Income Rates - All Direct and Overlapping Governments

(Unaudited)

Years Ended December 31

Schedule 6

Fiscal Year	Tax Rates (% per \$1 of Taxable Income)		
	Township (1)	School (2)	Total
2003	1.40%	0.95%	2.35%
2004	1.40%	0.95%	2.35%
2005	1.40%	0.95%	2.35%
2006	1.40%	0.95%	2.35%
2007	1.40%	0.95%	2.35%
2008	1.40%	0.95%	2.35%
2009	1.40%	0.95%	2.35%
2010	1.40%	0.95%	2.35%
2011	1.40%	0.95%	2.35%
2012	1.40%	0.95%	2.35%

Sources: (1) Ferguson Township Tax Office
(2) State College Area School District

Township of Ferguson, Pennsylvania

Schedule of Principal Earned Income Taxpayers

(Unaudited)

Years Ended December 31

Schedule 7

Income Level	2012 (1)				2003 (1)			
	Number of Filers	Percentage of Total	Tax Liability (3)	Percentage of Total Levy	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total Levy
Greater than \$100,000	1,075	6.80%	\$ 2,502,123	33.89%	509	3.44%	\$ 1,162,051	22.46%
\$75,001 - \$100,000	874	5.54%	1,058,161	14.33%	463	3.13%	562,753	10.88%
\$50,001 - \$75,000	1,479	9.37%	1,258,349	17.04%	1,142	7.72%	971,479	18.77%
\$25,001 - \$50,000	3,129	19.82%	1,580,384	21.41%	3,062	20.71%	1,503,200	29.05%
\$10,001 - \$25,000	2,877	18.22%	693,038	9.39%	2,934	19.84%	700,347	13.53%
\$10,000 and lower	6,355	40.25%	290,614	3.94%	6,677	45.16%	274,606	5.31%
Total	15,789	100.00%	\$ 7,382,669	100.00%	14,787	100.00%	\$ 5,174,436	100.00%

Notes: (1) 2012 collections represent the 2011 tax year and 2003 collections represent the 2002 tax year.

(2) Taxpayers do not necessarily correlate between current and nine years ago.

(3) Calculated based on Township tax rate of 1.4%.

Source: Ferguson Township Tax Office

Township of Ferguson, Pennsylvania

Schedule of Assessed Value of Taxable Properties

(Unaudited)

Years Ended December 31

Schedule 8

Fiscal Year (1)	Agricultural Property	Commercial Property	Industrial Property	Land	Residential Property	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Taxable Assessed Value as a % of Actual Taxable Value	Tax Exempt \$ (memo)
2003	\$ 12,062,020	\$ 117,623,805	\$ 13,798,210	\$ 5,642,770	\$ 282,043,865	\$ 431,170,670	1.58	\$ 862,341,340	50.00%	\$ 22,175,735
2004	12,202,950	123,534,155	14,210,785	5,779,135	295,533,265	451,260,290	1.58	902,520,580	50.00%	25,561,360
2005	13,421,665	124,003,380	13,508,980	6,058,415	309,129,360	466,121,800	1.58	932,243,600	50.00%	26,545,930
2006	14,062,795	129,822,235	13,481,930	6,055,870	324,958,435	488,381,265	1.58	976,762,530	50.00%	26,638,070
2007	14,421,085	130,262,130	13,186,950	6,786,290	340,546,430	505,202,885	1.58	1,010,405,770	50.00%	27,959,275
2008	15,285,225	132,884,930	12,172,300	6,286,075	350,663,250	517,291,780	1.58	1,034,583,560	50.00%	29,891,230
2009	15,720,705	132,576,170	12,172,300	7,400,445	358,974,380	526,844,000	1.58	1,053,688,000	50.00%	30,912,005
2010	16,470,715	133,017,220	11,164,945	6,936,740	364,063,395	531,653,015	1.58	1,063,306,030	50.00%	32,160,585
2011	17,001,920	138,668,730	10,948,925	6,191,775	367,974,515	540,785,865	1.58	1,081,571,730	50.00%	33,146,690
2012	17,138,480	139,442,480	11,015,825	5,968,120	370,636,915	544,201,820	1.58	1,088,403,640	50.00%	33,370,925

Notes: (1) As of March 1 of each year

Source: Centre County Assessment Office Township Tax Duplicate

Township of Ferguson, Pennsylvania

Schedule of Principal Property Taxpayers

(Unaudited)

Years Ended December 31

Schedule 9

Taxpayer	2012			2003		
	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value
Minitab Inc.	\$ 8,709,120	1	1.60%	\$ 4,442,565	2	1.03%
C2S LP	6,566,240	2	1.21%			
Copper Beach Townhomes	6,062,815	3	1.11%	2,899,545	9	0.67%
WHGMH Realty LLC	4,511,265	4	0.83%	4,511,265	1	1.05%
Inland Western State College (Raytheon)	4,119,650	5	0.76%			
Park Crest Terrace LTD	3,250,550	6	0.60%	3,250,000	5	0.75%
CSC Northland LP	2,961,725	7	0.54%			
McWhirter Family Limited Partnership	2,692,945	8	0.49%	2,692,945	10	0.62%
Unico Corporation	2,631,680	9	0.48%			
Hemmingway Place	2,587,830	10	0.48%			
Edens & Avant Financing Ltd Partnership				4,249,905	3	0.99%
David & Natalie Roberts				4,119,650	4	0.96%
QSI Partnership				3,097,780	6	0.72%
Citizens Bank				3,046,740	7	0.71%
Murata Electronics Inc.				2,973,025	8	0.69%
Total	\$ 44,093,820		8.10%	\$ 35,283,420		8.18%
Total Taxable Assessed Value	\$ 544,201,820			\$ 431,170,670		

Source: Ferguson Township Real Estate tax duplicate

Township of Ferguson, Pennsylvania

Schedule of Property Tax Levies and Collections

(Unaudited)

Years Ended December 31

Schedule 10

Fiscal Year	Tax Levy for the Year (1)	Current Tax Collections (2)	Percent of Current Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2003	\$ 673,489	\$ 654,074	97.12%	\$ 6,677	\$ 660,751	98.11%	\$ 12,738	1.89%
2004	704,869	684,842	97.16%	13,064	697,906	99.01%	6,963	0.99%
2005	728,082	707,398	97.16%	5,975	713,373	97.98%	14,709	2.02%
2006	762,852	742,734	97.36%	7,798	750,532	98.39%	12,320	1.61%
2007	789,127	781,519	99.04%	6,571	788,090	99.87%	1,037	0.13%
2008 (3)	1,252,881	1,211,014	96.66%	7,376	1,218,390	97.25%	34,491	2.75%
2009	1,276,016	1,247,574	97.77%	10,800	1,258,374	98.62%	17,642	1.38%
2010	1,287,664	1,238,257	96.16%	19,938	1,258,196	97.71%	29,468	2.29%
2011	1,309,783	1,284,797	98.09%	13,829	1,298,626	99.15%	11,157	0.85%
2012	1,318,057	1,285,000	97.49%	9,000	1,294,000	98.17%	24,057	1.83%

Sources: (1) Taxable Assessed value (Centre County Assessment Office tax duplicate) multiplied by tax rate.

(2) Ferguson Township Operating Budgets (actual) (does not include supplemental) & Bond applications.

(3) Tax rate increase .86 mils

Township of Ferguson, Pennsylvania

Schedule of Ratios of Outstanding Debt by Type

(Unaudited)

Years Ended December 31

Schedule 11

Governmental Activities						
Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income (1)	Percentage of Actual Value of Taxable Property (2)	Per Capita Debt (2)
2003	\$ 3,200,000	\$ 46,738.00	\$ 3,246,738	0.83%	0.38%	\$ 211.12
2004	2,835,000	1,528,538	4,363,538	1.04%	0.48%	281.16
2005	2,470,000	4,477,619	6,947,619	1.58%	0.75%	441.37
2006	2,095,000	2,968,200	5,063,200	1.10%	0.52%	315.64
2007	1,700,000	2,967,200	4,667,200	0.96%	0.46%	285.25
2008	1,285,000	2,966,200	4,251,200	1.07%	0.41%	255.42
2009	4,030,000	-	4,030,000	0.96%	0.38%	242.13
2010	3,565,000	-	3,565,000	0.65%	0.34%	201.53
2011	3,090,000	-	3,090,000	0.53%	0.29%	174.24
2012	2,605,000	-	2,605,000	0.45%	0.24%	146.89

Notes: The Township has no business type debt and therefore is not shown in the schedule.

Sources: (1) See Schedule of Demographic and Economic Statistics for population and personal income data.

(2) See Schedule of Assessed Value of Taxable Properties for property value data.

Township of Ferguson, Pennsylvania

Schedule of Direct and Estimated Overlapping Debt

(Unaudited)

Year Ended December 31, 2012

Schedule 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Township Percentage of Debt</u>	<u>Township Share of Overlapping Debt</u>
Bonded Debt			
Ferguson Township	<u>\$ 2,605,000</u>	100%	<u>\$ 2,605,000</u>
Notes Payable (notes 1,2)			
Centre Region Parks and Rec. (pools)	5,818,810	26.84%	1,561,769
Centre Region Parks and Rec. (parks)	<u>7,001,869</u>	28.04%	<u>1,963,324</u>
Total	<u><u>\$ 15,425,679</u></u>		<u><u>\$ 6,130,093</u></u>

(1) Line of credit; maximum draw of \$7.9 million

(2) The percentage of overlapping debt for the Centre Region Parks & Rec is based upon the CRCOG formula for Parks and Rec. for 2008 and is fixed for 10 years.

Sources: Independent Auditors' Report
Centre Region Parks & Rec

Township of Ferguson, Pennsylvania

Schedule of Legal Debt Margin Information

(Unaudited)

Years Ended December 31

Schedule 13

Fiscal Year	Borrowing Base	Debt Limit Percentage	Debt Limit	Total Net Debt	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2003	\$ 9,060,260	250%	\$ 22,650,650	\$ 3,246,738	\$ 19,403,912	14.3%
2004	10,965,125	250%	27,412,813	4,363,538	23,049,275	15.9%
2005	13,461,597	250%	33,653,993	6,947,619	26,706,374	20.6%
2006	12,831,589	250%	32,078,973	5,063,200	27,015,773	15.8%
2007	13,685,363	250%	34,213,408	4,667,200	29,546,208	13.6%
2008	14,150,296	250%	35,375,740	4,251,200	31,124,540	12.0%
2009	13,684,413	250%	34,211,033	4,580,623	29,630,410	13.4%
2010	13,571,071	250%	33,927,676	4,927,973	28,999,703	14.5%
2011	13,917,882	250%	34,794,705	4,718,383	30,076,322	13.6%
2012	14,713,903	250%	36,784,758	6,130,093	30,654,665	16.7%

Notes: 1. The Commonwealth of Pennsylvania has enacted the "Local Government Debt Act" which limits debts to revenues. In short, revenues of the most recent three years are adjusted for various non-recurring and excludable items. The results are then averaged to calculate the "borrowing base." Certain percentages are applied to the borrowing base to determine the debt limits.

2. The total net debt includes the Township portion of the CRCOG debt. The Township is not liable for any more than its share of the debt.

Sources: (1) Department of Community and Economic Development filings
(2) Independent Auditors' Reports

Township of Ferguson, Pennsylvania

Schedule of Demographic and Economic Statistics

(Unaudited)

Years Ended December 31

Schedule 14

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (3)	School Enrollment (4)	Unemployment Rate (5)
2003	15,379	\$ 392,641,249	\$ 25,531	7,451	4.4%
2004	15,520	419,676,320	27,041	7,343	4.5%
2005	15,741	438,843,339	27,879	7,324	4.0%
2006	16,041	461,066,463	28,743	7,325	3.7%
2007	16,362	484,871,508	29,634	7,233	3.4%
2008	16,644	396,676,452	23,833	7,115	4.3%
2009	16,644	418,912,836	25,169	7,253	6.3%
2010	17,690	549,964,410	31,089	6,950	5.7%
2011	17,734	580,114,608	32,712	6,927	5.1%
2012	17,734	580,114,608	32,712	6,856	6.0%

Note: 2010 data is taken from 2010 US census.

Sources:

- (1) US Census Bureau, except for 2009
- (2) Determined by multiplying population by per capita income
- (3) Economic Development Intelligence System, NC; Pennsylvania Department of Labor and Industry; Penn State Data Center; Sperling's Best Places
- (4) State College Area School District
- (5) US Bureau of Labor Statistics for State College, Pennsylvania annual rate as of December 31

Township of Ferguson, Pennsylvania

Schedule of Principal Employers

(Unaudited)

Years Ended December 31

Schedule 15

Employer	2012			2003		
	Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Penn State University	3,964	1	25.76%	3,199	1	20.30%
HRI Inc.	411	2	2.67%			0.00%
Accu Weather Inc.	361	3	2.35%	304	10	1.93%
Taco Bell/KVF Associates	347	4	2.25%			0.00%
Raytheon Company	344	5	2.24%	440	7	2.79%
Minitab, Inc.	304	6	1.98%			0.00%
Hellenic Venture Inc.	224	7	1.46%			0.00%
Spectrum Control Technology	223	8	1.45%			0.00%
Ahold Financial Services	195	9	1.27%			0.00%
Collegiate Subs, Inc.	176	10	1.14%			0.00%
MBNA (Bank of America)			0.00%	800	2	5.08%
Murata Electronics NA, Inc.			0.00%	740	3	4.70%
Adecco USA, Inc.			0.00%	489	4	3.10%
Jostens			0.00%	474	5	3.01%
State College Area School District			0.00%	449	6	2.85%
Giant Food Stores			0.00%	312	8	1.98%
The Meadows			0.00%	305	9	1.94%
Total	6,549		42.55%	7,512		47.68%
Total Township Employment	15,390			15,756		

Source: Ferguson Township Tax Office

Township of Ferguson, Pennsylvania

Schedule of Full-time Equivalent Township

Employees by Function

(Unaudited)

Years Ended December 31

Schedule 16

Year	General Government	Public Works	Public Safety	Planning & Zoning	Total
2003	8.3	19.9	20.7	3.5	52.4
2004	7.3	13.7	24.8	4.3	50.1
2005	8.6	18.3	21.9	3.3	52.1
2006	7.0	21.8	24.7	4.3	57.8
2007	7.3	22.3	24.0	3.4	57.0
2008	7.1	20.0	24.4	4.0	55.5
2009	7.3	19.3	24.3	3.9	54.8
2010	7.5	19.6	25.0	4.0	56.1
2011	7.3	20.2	24.9	3.8	56.2
2012	7.0	20.0	25.0	3.6	55.6

- Notes: 1. Totals do not include Board of Supervisors
2. Totals include part time employees and overtime hours
3. FTEs are based on 2080 hours for full-time employees

Source: Microdata Payroll Services

Township of Ferguson, Pennsylvania

Schedule of Operating Indicators by Function/Program

(Unaudited)

Years Ended December 31

Schedule 17

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration (5)										
Electricity costs - office	\$ 13,325	\$ 13,073	\$ 13,707	\$ 15,597	\$ 19,549	\$ 14,129	\$ 22,168	\$ 19,704	\$ 24,478	\$ 18,533
Electricity costs - public works	3,479	3,633	3,454	3,996	4,797	6,763	8,155	6,344	8,212	5,629
Heating costs (gas) - office	4,509	3,302	4,276	3,480	2,454	5,416	7,136	3,348	3,676	2,505
Heating costs (gas) - public works	7,793	8,306	9,279	6,484	6,815	5,656	4,163	4,577	7,387	4,790
Police (1)										
Number of sworn officers	17	20	18	20	19	20	20	20	20	20
Total calls for service	4,639	4,508	4,346	4,533	4,475	4,722	4,787	4,760	4,479	4,486
Traffic citations	1,277	1,017	717	824	1,108	1,476	1,869	1,553	781	1,080
Criminal arrests	403	446	405	395	403	345	399	401	312	363
Traffic stops		1,393	957	1,076	1,420	1,693	2,712	3,254	1,975	2,214
Parking tickets	1,290	631	537	519	695	545	1,058	720	812	655
Public Works/Engineering (2,4)										
Highway occupancy permits issued	34	15	16	58	35	39	33	31	71	82
Land development/subdivision plans reviewed	33	21	14	24	29	18	15	17	10	16
Tons of salt purchased	1,175	1,590	1,330	742	1,200	1,917	971	1,119	1,375	924
Cubic yards of leaves/brush collected	10,400	9,010	8,372	5,829	7,342	8,538	12,456	9,721	10,585	11,068
Planning & Zoning (3)										
Zoning permits issued	314	373	334	276	262	244	230	379	249	349
Sign permits issued	NA	NA	NA	NA	NA	50	37	62	53	54
Rental/home occupation permits issued	NA	NA	NA	NA	NA	NA	48	52	73	90
Land Development permits issued	NA	NA	NA	NA	NA	NA	NA	NA	NA	11

NA= data not available

Sources: (1) Ferguson Township Police Department

(2) Ferguson Township Public Works Department

(3) Ferguson Township Planning and Zoning Department

(4) Ferguson Township Annual Operating Budgets

(5) Ferguson Township accounting records

Township of Ferguson, Pennsylvania

Schedule of Capital Asset Statistics by Function/Program
(Unaudited)
Years Ended December 31
Schedule 18

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles (2)	11	14	15	17	16	16	17	17	17	17
Information Technology (1)										
Servers	3	3	3	3	3	4	4	4	4	4
Computers	29	29	29	29	29	31	35	35	35	28
Laptops	6	6	6	6	6	10	10	14	16	15
Police vehicle laptops	7	10	10	10	10	10	10	10	10	10
Public Works (3)										
Road miles of road surface	83.1	83.1	84.4	86.0	87.4	89.8	89.8	89.8	89.8	91.7
Heavy trucks	12	12	14	14	14	14	16	17	17	16
Pickup trucks and autos	4	4	4	4	4	4	5	6	6	6
Parks and Recreation (4)										
Township owned developed parks	9	9	9	9	9	10	10	10	10	10
Number of developed acres	80.5	84.5	84.5	84.5	84.5	172.5	172.5	172.5	172.5	172.5
Township owned un-developed parks				1	1	2	2	2	2	2
Number of un-developed acres				1.5	1.5	80.7	85.7	85.7	116.1	96.1
Number of Regional Park acres located in Ferguson Township (undeveloped)						75	75	75	100	100

Sources: (1) State College Borough IT department, Capital Asset listing
(2) Police Department
(3) Public Works Department
(3) Centre Region Parks & Rec