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**ACCOUNTING MEASUREMENT**

Governmental fund budgets 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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 Township.

Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township creates budgets for the following **Governmental Funds**:

**General Fund**

This is the operating fund of the Township. It accounts for all financial resources except those required to be accounted for in another fund.

**State Liquid Fuels Tax Fund**

State law requires a separate fund for the accounting of Liquid Fuels Tax monies. Revenues for this fund are derived from the State gasoline tax. This fund provides additional resources to finance the annual street program.

**Storm Sewer Improvement Fund**

This fund is used to account for storm sewer improvement fees paid by developers and monies expended for storm water management projects. This fund is required by local ordinance.

**Field Improvement Fund**

This fund is used to account for the user fees and donations from the Upper St. Clair Athletic Association and the Township appropriations made for the renovation of existing ball fields and building of new ones.

**Library Regional Asset District (RAD) Fund**

This fund is used to account for all revenues received from the Regional Asset District that have been allocated to the Township to maintain and improve the Municipal Library.

**Boyce/Mayview Park RAD Fund**

This fund is used to account for all revenues received from the Regional Asset District that have been allocated to the Township to maintain and improve Boyce/Mayview Regional Park.

**Capital Projects Fund**

This fund accounts for costs of capital assets acquired for use in the Township for general government, public safety, public works, or parks and recreation purposes.

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The Township creates budgets for the following **Proprietary Funds**:

***ENTERPRISE FUNDS***

**Sanitary Sewer Fund**

This fund accounts for costs associated with providing sewage treatment and disposal service to all parts of the Township. This fund was established in 1985 by ordinance so that user fees could primarily fund the costs associated with regular system maintenance and Corrective Action Plan projects which were being instituted.

**Township/School District Magazine Fund**

This enterprise fund is used to account for all revenues and expenditures associated with operation of the Township's Magazine publication. The magazine is published four times a year, and the revenues generated from advertising fees cover all costs of publication.

**Boyce/Mayview Community Recreation Center Fund**

This fund is used to account for all revenues and expenditures for the operation of the Township's Community Recreation Center (CRC) located in Boyce/Mayview Regional Park. Debt service payments for the construction of the CRC are accounted for in this fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating revenues and expenses* from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer usage charges, advertisement fees and membership fees. Operating expenses for the enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. Transfers are recognized in the accounting period in which the interfund receivable and payable arise.

The basis of accounting defined for budgetary purposes in the aforementioned governmental and proprietary fund sections is also the same basis of accounting used in the Township's audited financial statements.

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**ACCOUNTING SYSTEMS**

In developing and evaluating the Township's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use of or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The auditors believe that the Township's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Key controls are evaluated continually.

**BUDGETARY CONTROL**

An operating budget is legally adopted each year for the General Fund, State Liquid Fuels Tax Fund, Storm Sewer Improvement Fund, Field Improvement Fund, Library Regional Asset District Fund and Boyce/Mayview Park Regional Asset District Fund (Special Revenue Funds), Debt Service Funds for the General Obligation Bonds of 2003, 2006, 2007 and 2008, the Capital Projects Fund (Capital Projects Funds), the Sanitary Sewer Fund, the Township/School District Magazine Fund and the Boyce/Mayview Community Recreation Center Fund (Enterprise Funds) on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). No budgets were legally adopted for the Pension Trust Funds, the Library Endowment Fund, MATUSC (Special Revenue Funds) or the Capital Projects Fund 2007 and 2008 (Capital Projects Funds).

Adoption of the budget by the Board of Commissioners constitutes approximations of the expenditures for the fiscal year and the budget is employed as a management control device during the year. Within the General Fund accounts, the Township manager is authorized to transfer budgeted amounts between operating departments provided that such transfers do not alter total expenditures approved by the Board of Commissioners. Therefore, in the General Fund, as in all other funds that have legally adopted budgets, the measurement level of control over expenditures is the surplus or deficit of the funds as a whole. Operating departments are charged with the maintenance of the budget for the department as a whole; however, operating departments may exceed the appropriation with the approval of the Township Manager. Any excess appropriations at the end of the fiscal year are not carried forward; but instead, lapse.

Budgetary control is maintained through a monthly line item review by disseminating monthly financial reports to all departments. Monthly reports are prepared for each department reflecting current and accumulated expenditures as well as the percent of budget expenditures compared to percent of current year.