

**ROSS TOWNSHIP, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2011**

ROSS TOWNSHIP, PENNSYLVANIA  
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YEAR ENDED DECEMBER 31, 2011

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Ross Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities and each major fund of Ross Township, Pennsylvania (Township), as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund information of the Township as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 2011 the Township adopted the provisions of Governmental Accounting Standards Board's Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and Statement No. 59, "Financial Instruments Omnibus." The adoption of Statement No. 54 resulted in additional disclosures related to fund balances and a restatement of beginning fund balances as a result of the new fund type definitions.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of employer contributions, the schedules of funding progress, and budgetary comparison information on pages 3 through 15 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 sufficient evidence to express an opinion or provide any assurance.

*Zelenkofske Axelrod LLC*

Zelenkofske Axelrod LLC

April 5, 2012  
Pittsburgh, Pennsylvania

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

ROSS TOWNSHIP, PENNSYLVANIA, hereafter referred to as the "TOWNSHIP", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the TOWNSHIP's financial performance during the year that ended on December 31, 2011. Please read this Management Discussion and Analysis in conjunction with the TOWNSHIP's financial statements that follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplemental information

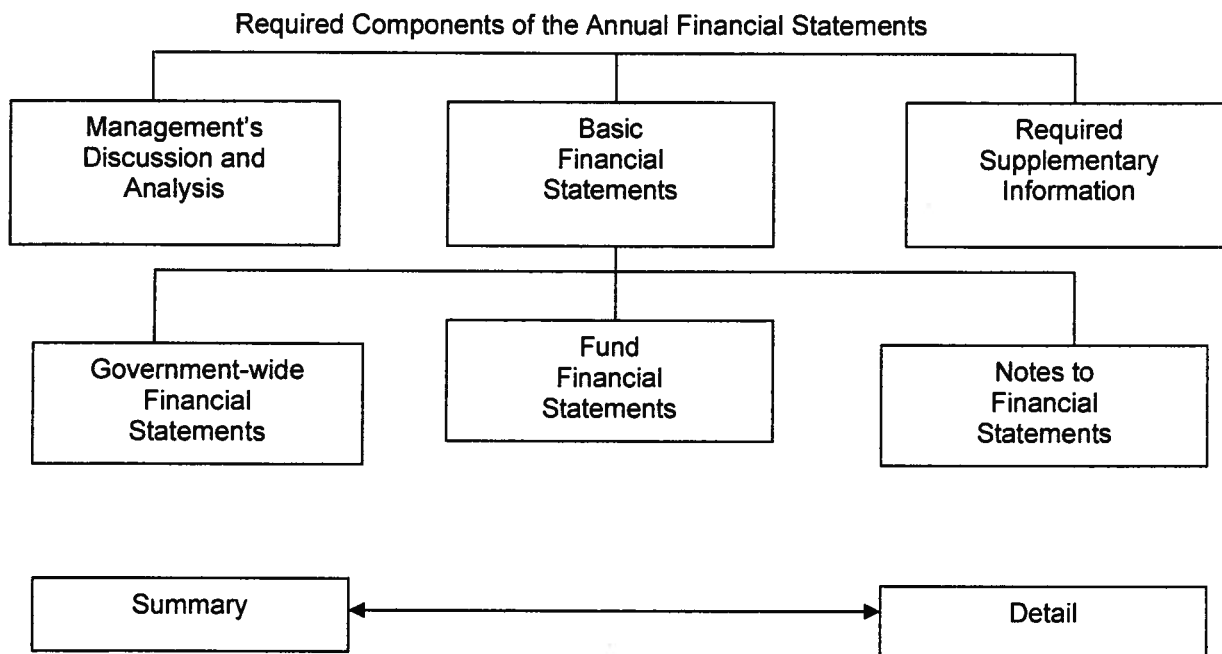
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the TOWNSHIP's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the TOWNSHIP's budget to actual figures for the general fund and the sewer fund. The other supplemental information is provided for a breakdown of the non-major governmental funds.

The basic financial statements present two different views of the TOWNSHIP.

- *Government-wide financial statements*, the first two statements, provide information about the TOWNSHIP's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the TOWNSHIP's government. They provide more detail on operations than the government-wide statements. There are two types of fund financial statements:
  - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
  - *Fiduciary funds statements* reflect activities involving resources that are held by the TOWNSHIP as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the TOWNSHIP's programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Table A-1: Organization of the Township's annual financial report**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

Table A-2 summarizes the major features of the Township's financial statements, including the area of the Township's activities they cover and the types of information they contain.

**Table A-2: Major features of the government-wide and fund financial statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental</b>	<b>Fiduciary</b>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the Township, such as public safety	Instances in which the Township administers resources on behalf of others
Required Financial Statements	-Statement of net assets -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

**Government-wide financial statements**

Government-wide financial statements report information about the TOWNSHIP as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all the TOWNSHIP's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the TOWNSHIP's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net assets are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net assets are one way to measure the TOWNSHIP's financial position. Over time, increases or decreases in the TOWNSHIP's net assets are one indicator of whether the TOWNSHIP's financial position is improving or deteriorating. However, other non-financial factors such as changes in the TOWNSHIP's property tax base and general economic conditions must be considered to assess the overall position of the TOWNSHIP.

The activities for the primary government include the TOWNSHIP's basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

Government-wide statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net asset balances as follows:
  - Net assets invested in capital assets, net of related debt
  - Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted net assets are net assets that do not meet any of the above restrictions

**Fund Financial Statements**

Fund financial statements provide more detailed information on the TOWNSHIP's most significant funds, not the TOWNSHIP as a whole. Funds are accounting devices, i.e., a group of related accounts, the TOWNSHIP uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The TOWNSHIP has two kinds of funds:

- *Governmental funds* include most of the TOWNSHIP's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The TOWNSHIP adopts an annual budget for the general fund, as required by state law, and the sewer fund. A budgetary comparison of the TOWNSHIP's general and sewer funds is presented as required supplementary information.

- *Fiduciary Funds* are for which the TOWNSHIP is the trustee or fiduciary. These include the pension trust funds and certain agency funds, or clearing accounts for assets held by the TOWNSHIP in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The TOWNSHIP is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets. These funds are excluded from the TOWNSHIP's government-wide financial statements because the TOWNSHIP cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Assets**

The TOWNSHIP's total assets were \$31,812,476 at December 31, 2011. Of this amount, \$21,016,154 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The TOWNSHIP adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

**Condensed Statement of Net Assets – 2011/2010**

	<u>2011 Governmental Activities</u>	<u>2010 Governmental Activities</u>
Capital Assets	\$ 21,016,154	\$ 21,636,611
Other Assets	<u>10,796,322</u>	<u>8,874,313</u>
Total Assets	<u>\$ 31,812,476</u>	<u>\$ 30,510,924</u>
Current Liabilities	\$ 2,155,217	\$ 2,189,259
Long-term Liabilities	<u>3,927,348</u>	<u>4,169,477</u>
Total Liabilities	<u>\$ 6,082,565</u>	<u>\$ 6,358,736</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 16,872,978	\$ 17,189,139
Restricted Net Assets	7,057	332
Unrestricted Net Assets	<u>8,849,876</u>	<u>6,962,717</u>
Total Net Assets	<u>\$ 25,729,911</u>	<u>\$ 24,152,188</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Change in Net Assets**

The following statement of activities represents the changes in net assets for the years ended December 31, 2011 and 2010. It shows revenues by source and expenses by function.

**Condensed Statement of Activities**

	2011 Governmental Activities	2010 Governmental Activities
Program Revenues:		
Charges for Services	\$ 8,095,659	\$ 9,009,253
Grants and Contributions	1,709,453	1,322,299
General Revenues:		
Real Estate Taxes	6,390,399	4,574,090
Other Taxes	5,805,088	5,169,027
Unrestricted Investment Earnings	93,624	104,937
Miscellaneous	317	23,972
Total Revenues	<u>\$ 22,094,540</u>	<u>\$ 20,203,578</u>
Expenses:		
General Government	\$ 1,546,768	\$ 1,563,087
Public Safety	6,070,373	5,848,026
Fire and Building Inspection	1,516,044	1,056,159
Highways, Roads, and Streets	4,387,291	4,283,270
Sanitation	5,823,134	5,596,072
Parks and Recreation	568,192	476,086
Library	426,321	415,078
Senior Citizens Service	74,370	74,370
Interest on Long-Term Debt	104,324	111,556
Total Expenses	<u>20,516,817</u>	<u>19,423,704</u>
Change in Net Assets	<u>1,577,723</u>	<u>779,874</u>
Net Assets - January 1	<u>24,152,188</u>	<u>23,372,314</u>
Net Assets - December 31	<u>\$ 25,729,911</u>	<u>\$ 24,152,188</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2011, taxes brought in \$12,195,487.

**Net Cost of Governmental Activities**

	2011 Total Cost of Services	2010 Total Cost of Services	2011 Net Cost of Services	2010 Net Cost of Services
Program:				
General Government	\$ 1,546,768	\$ 1,563,087	\$ 138,143	\$ 596,335
Public Safety	6,070,373	5,848,025	(5,180,783)	(5,386,950)
Fire and Building Inspection	1,516,044	1,056,159	(1,172,533)	(984,054)
Highways, Roads, and Streets	4,387,291	4,283,270	(3,747,284)	(3,658,240)
Sanitation	5,823,134	5,596,072	303,057	1,266,238
Parks and Recreation	568,192	476,086	(451,022)	(328,625)
Library	426,321	415,078	(426,321)	(415,078)
Senior Citizens Service	74,370	74,370	(70,638)	(70,221)
Interest on Long-Term Debt	104,324	111,556	(104,324)	(111,556)
<b>Total</b>	<b><u>\$ 20,516,817</u></b>	<b><u>\$ 19,423,703</u></b>	<b><u>\$ (10,711,705)</u></b>	<b><u>\$ (9,092,151)</u></b>

The TOWNSHIP relied on property taxes and other general revenues to fund 52% of its governmental activities in 2011.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Capital Assets**

The TOWNSHIP's investment in capital assets at December 31, 2011, net of accumulated depreciation, was \$21,016,154. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2011:

	<b>Capital Assets</b>	
	2011	2010
	Governmental Activities	Governmental Activities
	<u>                    </u>	<u>                    </u>
Land	\$ 7,719,337	\$ 7,719,337
Building	6,748,182	6,748,182
Equipment and Machinery	3,301,478	3,301,478
Vehicles	2,751,686	2,487,399
Infrastructure	10,228,547	10,228,547
Accumulated Depreciation	<u>(9,733,076)</u>	<u>(8,848,332)</u>
 Total Net Capital Assets	 <u>\$ 21,016,154</u>	 <u>\$ 21,636,611</u>

Detailed information about the TOWNSHIP's capital assets can be found in Note 8, Notes to the Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Debt Administration**

At December 31, 2011, the TOWNSHIP had \$4,404,207 of debt outstanding. Debt decreased 5.54% from the previous year. The following is a summary of long-term debt for the 2011 year:

	Amounts Payable as of January 1, 2011	Additions	Deletions	Amounts Payable as of December 31, 2011	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$ 4,190,000	\$ -	\$ (380,000)	\$ 3,810,000	\$ 385,000
Capital lease obligations	257,472	264,287	(196,950)	324,809	115,105
Compensated absences	215,040	54,358	-	269,398	-
	<u>4,662,512</u>	<u>318,645</u>	<u>(576,950)</u>	<u>4,404,207</u>	<u>500,105</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 4,662,512</u>	<u>\$ 318,645</u>	<u>\$ (576,950)</u>	<u>\$ 4,404,207</u>	<u>\$ 500,105</u>

The Township has an unfunded Other Post-Employment Liability (OPEB) of \$23,246 at December 31, 2011, an increase of \$3,897 from December 31, 2010. The liability results from health insurance payments that will be made on behalf of police officers after retirement.

See Note 10 for more information regarding long-term debt.

**GOVERNMENTAL FUNDS**

The TOWNSHIP uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the TOWNSHIP's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the TOWNSHIP's net resources available for spending at the end of the year.

The TOWNSHIP's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the TOWNSHIP. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Revenues:		
Taxes	\$ 12,174,628	\$ 9,517,343
Licenses and permits	1,004,666	1,068,675
Fines and forfeits	217,142	172,162
Interest, rent, and royalties	54,279	23,350
Intergovernmental	1,709,453	1,252,945
Charges for services	6,868,746	7,554,514
Miscellaneous	317	23,972
Operating transfer in	1,368,088	1,362,181
Proceeds from capital lease	<u>264,287</u>	<u>233,081</u>
Total Revenues	<u>\$ 23,661,606</u>	<u>\$ 21,208,223</u>

While a majority of the revenue sources were relatively flat or increased slightly in 2011 when compared to 2010, Tax Revenue increased by over \$2.5 million, due to an increase in Millage from 1.9 to 3.0 mills. During 2011 total Revenues increased also partly because of an overall improvement in the business climate.

**GOVERNMENTAL FUND EXPENDITURES**

Governmental fund expenditures by function at December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Expenditures:		
General government	\$ 1,380,383	\$ 1,318,286
Public Safety	6,283,501	5,922,938
Fire and building inspection	1,507,784	1,041,146
Highways, roads and streets	3,983,645	3,892,779
Sanitation	5,823,134	5,596,072
Parks and recreation	506,889	420,866
Library	426,321	415,078
Senior citizen services	74,370	74,370
Miscellaneous	-	79,387
Debt service	484,681	610,895
Operating transfer out	<u>1,368,088</u>	<u>1,362,181</u>
Total Expenditures	<u>\$ 21,838,796</u>	<u>\$ 20,733,998</u>

Most of the Township's expenditures were held relatively flat or increased slightly in 2011 when compared to 2010. The slight increases were caused by employee pay raises and the increased

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

cost of providing healthcare benefits to the employees. This caused total expenditures to increase by about \$1.1 Million.

**GOVERNMENTAL FUND BALANCES**

Ending balances for governmental funds at December 31, 2011 and 2010 were as follows:

Fund	2011 Governmental Funds	2010 Governmental Funds
General Fund	\$ 2,889,148	\$ 1,126,665
Sewer Fund	1,229,781	1,176,179
Liquid Fuels	<u>7,057</u>	<u>332</u>
Total	<u>\$ 4,125,986</u>	<u>\$ 2,303,176</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**BUDGETARY HIGHLIGHTS**

The TOWNSHIP adopts an annual appropriated budget for its general fund and sewer fund. Detailed information about the Townships' 2011 general fund and sewer fund budget can be found in Required Supplemental Information.

Overall the TOWNSHIP had a favorable variance of \$1,281,038 for actual results in comparison to budget for the General Fund. Numerous factors went into these results. General Fund revenue had a positive variance of \$1,436,666 due to a 1.1 Real Estate Millage increase while expenditures had a negative variance of \$427,769 for actual results in comparison to budget. Some of this was caused by Public Safety's purchases of capital equipment and higher than budgeted gasoline costs throughout Township operations.

**ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET**

Ross Township is very fortunate in that, a large portion of our revenue stream is from our business taxes related to our high end retail district, the recent economic environment affected those businesses has improved. We also have a large population of residents that are senior citizens and those residents are less directly affected by housing price fluctuations and job market changes. In general the Pittsburgh area seems to have been insulated from the large swings in the housing markets. The Township has continued to implement programs to reduce costs whenever possible and will continue to work toward reducing overall expenditures.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the TOWNSHIP's finances and to demonstrate the TOWNSHIP's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Ross Township Finance Department  
1000 Ross Municipal Drive  
Pittsburgh, PA 15237



ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

Assets	2011
<b>Assets</b>	
Cash and cash equivalents	\$ 3,616,840
Accounts receivable	5,016,802
Unamortized bond discount and issuance costs	84,491
Net pension asset	545,786
Net investment in joint venture	1,532,403
Capital assets, not being depreciated	7,719,337
Capital assets, net of accumulated depreciation	13,296,817
Total Assets	31,812,476
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable	1,123,921
Accrued payroll and related benefits	200,539
Returnable deposits	206,367
Other liabilities	5,196
Due to external parties	110,722
Accrued interest payable	8,367
Capital lease payable, current portion	115,105
Bonds payable, current portion	385,000
Compensated absences, long-term portion	269,398
Capital lease payable, long-term portion	209,704
Bonds payable, long-term portion	3,425,000
Unfunded other postemployment benefits	23,246
Total Liabilities	6,082,565
<b>Net Assets</b>	
Invested in capital assets, net of related debt	16,872,978
Restricted for:	
Highways and streets	7,057
Unrestricted	8,849,876
Total Net Assets	\$ 25,729,911

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

	Program Revenues			Capital Grants and Contributions	Total	Net Expense Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions			
\$	1,546,768	\$ 1,310,590	\$ 374,321	\$ -	\$ 138,143	
	6,070,373	537,976	351,614	-	(5,180,783)	
	1,516,044	-	343,511	-	(1,172,533)	
	4,387,291	-	640,007	-	(3,747,284)	
	5,823,134	6,126,191	-	-	303,057	
	568,192	117,170	-	-	(451,022)	
	426,321	-	-	-	(426,321)	
	74,370	3,732	-	-	(70,638)	
	104,324	-	-	-	(104,324)	
\$	20,516,817	\$ 8,095,659	\$ 1,709,453	\$ -	(10,711,705)	

Functions/Programs

Primary Government:
Governmental Activities:
General Government
Public Safety
Fire and Building Inspection
Highways, roads and streets
Sanitation
Parks and recreation
Library
Senior citizen services
Interest on long-term debt
Total Governmental Activities

General revenues:

Taxes	
Real Estate	6,390,399
Earned income	4,034,708
Business and mercantile	1,150,362
Other	620,018
Interest income	93,624
Miscellaneous	317
Total General revenues	12,289,428
Change in net assets	1,577,723
Net assets - beginning of year	24,152,188
Net assets - end of year	\$ 25,729,911

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Liquid Fuels</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,336,502	\$1,273,281	\$ 7,057	\$ 3,616,840
Accounts receivable	-			
Taxes	1,035,624	-	-	1,035,624
Sewer charges	-	3,592,748	-	3,592,748
Other	388,430	-	-	388,430
Due from other governmental funds	<u>888,866</u>	<u>102,605</u>	-	<u>991,471</u>
Total Assets	<u>\$ 4,649,422</u>	<u>\$4,968,634</u>	<u>\$ 7,057</u>	<u>\$ 9,625,113</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 56,752	\$1,067,169	\$ -	\$ 1,123,921
Accrued Payroll and related benefits	200,539	-	-	200,539
Returnable deposits	201,414	4,953	-	206,367
Other liabilities	5,196	-	-	5,196
Due to other governmental funds	170,630	820,841	-	991,471
Due to external parties	110,722	-	-	110,722
Deferred revenue	<u>1,015,021</u>	<u>1,845,890</u>	-	<u>2,860,911</u>
Total Liabilities	<u>1,760,274</u>	<u>3,738,853</u>	-	<u>5,499,127</u>
<b>Fund Balance</b>				
Restricted	-	-	7,057	7,057
Assigned	7,510	1,229,781	-	1,237,291
Unassigned	<u>2,881,638</u>	-	-	<u>2,881,638</u>
Total Fund Balance	<u>2,889,148</u>	<u>1,229,781</u>	<u>7,057</u>	<u>4,125,986</u>
Total Liabilities and Fund Balance	<u>\$ 4,649,422</u>	<u>\$4,968,634</u>	<u>\$ 7,057</u>	<u>\$ 9,625,113</u>

The accompanying notes are an integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 DECEMBER 31, 2011

Total Fund Balance - Governmental Funds	\$ 4,125,986
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	21,016,154
Certain taxes and sewer charges are not available to pay for current period expenditures and, therefore, are deferred in the funds	2,860,911
Accrued Interest Payable on long-term debt is not recognized on the fund statements until due	(8,367)
Amounts contributed in excess of the annual pension cost are not current financial resources and, therefore, not reported in the funds	545,786
The Township's net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds	1,532,403
Unfunded other post employment benefits are not considered current liabilities and are not reported in the funds	(23,246)
Long-term liabilities, including compensated absences, capital leases, and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term debt	(3,810,000)
Capital lease obligation	(324,809)
Compensated absences	(269,398)
Unamortized bond issuance costs and discount	<u>84,491</u>
	<u>(4,319,716)</u>
Net Assets - Governmental Activities	<u>\$ 25,729,911</u>

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011

	General Fund	Sewer Fund	Debt Service Fund	Liquid Fuels	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 12,174,628	\$ -	\$ -	\$ -	\$ 12,174,628
Licenses and permits	1,004,666	-	-	-	1,004,666
Fines and forfeits	217,142	-	-	-	217,142
Interest, rent and royalties	48,504	5,650	-	125	54,279
Intergovernmental	1,069,446	-	-	640,007	1,709,453
Charges for services	747,660	6,121,086	-	-	6,868,746
Miscellaneous	317	-	-	-	317
<b>Total Revenues</b>	<b>15,262,363</b>	<b>6,126,736</b>	<b>-</b>	<b>640,132</b>	<b>22,029,231</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,380,383	-	-	-	1,380,383
Public Safety	6,283,501	-	-	-	6,283,501
Fire and building inspection	1,507,784	-	-	-	1,507,784
Highways, roads and streets	3,983,645	-	-	-	3,983,645
Sanitation	-	5,823,134	-	-	5,823,134
Parks and recreation	506,889	-	-	-	506,889
Library	426,321	-	-	-	426,321
Senior citizen services	74,370	-	-	-	74,370
<b>Debt Service</b>					
Principal	-	-	380,000	-	380,000
Interest	-	-	104,681	-	104,681
<b>Total Expenditures</b>	<b>14,162,893</b>	<b>5,823,134</b>	<b>484,681</b>	<b>-</b>	<b>20,470,708</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,099,470</b>	<b>303,602</b>	<b>(484,681)</b>	<b>640,132</b>	<b>1,558,523</b>
<b>Other financing sources (Uses)</b>					
Proceeds from capital lease	264,287	-	-	-	264,287
Transfers in	883,407	-	484,681	-	1,368,088
Transfers out	(484,681)	(250,000)	-	(633,407)	(1,368,088)
<b>Total other financing sources (uses)</b>	<b>663,013</b>	<b>(250,000)</b>	<b>484,681</b>	<b>(633,407)</b>	<b>264,287</b>
<b>Net Change in Fund Balance</b>	<b>1,762,483</b>	<b>53,602</b>	<b>-</b>	<b>6,725</b>	<b>1,822,810</b>
<b>Fund Balance, Beginning of Year, (As Restated, Note 15)</b>	<b>1,126,665</b>	<b>1,176,179</b>	<b>-</b>	<b>332</b>	<b>2,303,176</b>
<b>Fund Balance End of Year</b>	<b>\$ 2,889,148</b>	<b>\$ 1,229,781</b>	<b>\$ -</b>	<b>\$ 7,057</b>	<b>\$ 4,125,986</b>

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE IN THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balance - Governmental Funds \$ 1,822,810

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

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

Capital additions	\$ 264,287	
Depreciation expense	<u>(884,744)</u>	(620,457)

The acquisition of capital assets through capital lease arrangements are only expensed when the monthly payments are made on the leases at the fund level. Such transactions only affect net assets when new capital leases are entered into. This amount is the difference between capital lease payments and new capital lease obligations.

Payments made on capital lease obligations	\$ 196,950	
New capital assets acquired through capital leases	<u>(264,287)</u>	(67,337)

The issuance and repayment of long-term debt and certain costs associated with each are recorded as revenues and expenses in the funds. These amounts are shown as a reduction or addition to a liability in the statement of net assets. Costs are amortized over the life of the debt in the statement of net assets

Principal repayments	380,000	
Amortization of bond issuance costs and discounts	<u>(9,388)</u>	370,612

The change in accrued interest payable on long-term debt is not considered current and is therefore not reported in the funds.

357

Amounts contributed in excess of the annual pension cost consume the current financial resources of the governmental funds. This excess is treated as an asset on the statement of net assets.

64,684

The Township's increase in the value of net investment in joint venture does not represent a revenue that would be recorded in the governmental funds.

39,345

Change in receivables in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds until measurable and available.

25,964

The change in the amount of unfunded other post employment benefits does not require the use of current financial resources and is not reported as an expenditure in the funds.

(3,897)

Increase in compensated absence liability is reflected within the statement of net assets, but not included in the fund statement.

(54,358)

Change in Net Assets of Governmental Activities

\$ 1,577,723

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,155,574	\$ 438,090
Interest/Dividends receivable	106,388	-
Investments (at fair value)		
U.S. Govt. Securities	4,192,649	-
Corporate Bonds and Notes	1,307,663	-
Mutual Funds	3,276,009	-
Mortgages	1,149,756	-
Common stock	11,917,164	-
Other Principal Commingled Fund	4,450,052	-
Other assets	-	109,122
<b>Total Assets</b>	<u>29,555,255</u>	<u>547,212</u>
<b>Liabilities</b>		
Police benefits payable	-	186,991
Escrow liabilities	-	272,628
Other liabilities	-	87,593
<b>Total liabilities</b>	<u>-</u>	<u>547,212</u>
<b>Net Asset Held in Trust for Pension Benefits</b>	<u>\$ 29,555,255</u>	<u>\$ -</u>

The accompanying notes are in integral part of the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PENSION TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2011

Additions

Employer contributions	\$	-
Employee contributions		22,842
Other receipts		392,378
Investment income		
Net depreciation in fair value of investments		(23,628)
Interest and dividends		578,298
Total investment income		554,670
Less investment expense		(27,457)
Net investment income		527,213
Total additions		942,433
Deductions		
Benefits		1,827,788
Administrative expense		182,626
Total deductions		2,010,414
Decrease in Plan Net Assets		(1,067,981)
Fund Balance - Beginning of Year		30,623,236
Fund Balance - End of Year	\$	<u>29,555,255</u>

The accompanying notes are in integral part of the financial statements.



ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 1: REPORTING ENTITY

Ross Township, Pennsylvania (Township) operates under the First Class Township Code (Code). In accordance with the Code, the Township is governed by an elected Board of nine Commissioners (Commissioners) and a Manager who is appointed by the Commissioners. The Township covers approximately 15 square miles and has a population of approximately 32,600 residents. The Township provides services in many areas to its residents, including various general government services, public safety, highway maintenance, sanitation, and health and welfare. No potential component units meet the criteria for inclusion in the Township reporting entity as defined by Government Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*", which was amended by GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*."

Please refer to Note 11 for a description of joint ventures, a jointly governed organization, and a related organization of the Township.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, (of which the Township has none) which rely to a significant extent on fees and charges for support.

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. 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.
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.

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

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 pension trust fund financial statements. Agency funds report only assets and liabilities, and as such do not have a measurement focus. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Government fund financial statements are reported using the current financial resource 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 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 reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- The Sewer Fund, a special revenue fund, is used to account for resources derived from sewer billings to Township residents and related disbursements. Sewer treatment services are provided by the Allegheny County Sanitary Authority (ALCOSAN). The Township has contracted with Jordan Tax Service to perform sewage billing services. Jordan Tax Service bills the Township customers based on ALCONSAN rates plus the Township surcharge (\$2.25 per 1,000 gallons of water consumed) and collects the billing receipts and deposits payments directly into the Sewer Fund. The Township then pays ALCOSAN for providing services. The Township is responsible for the collection of past due balances.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement, Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

Additionally, the Township reports the following fund types:

- Special Revenue

Liquid Fuels Fund

To account for the Township's allocation of liquid fuel tax from the Commonwealth of Pennsylvania which is transferred to the General Fund as a reimbursement for amounts expended on snow and ice removal, street signs and markings, street lighting, storm sewers and drains, and certain capital purchases.

- Debt Service

Debt Service Fund

Used for payment of principal and interest on general long-term obligations of the Township.

Additionally, the Township reports the following fiduciary funds:

- The Pension Trust Funds are used to account for the assets held by the Township in a trustees capacity for future payment of retirement benefits to employees of former employees. The Township has two separate pension trust funds: the General Employees Plan and the Police Plan.
- The Police Benefit Agency Fund is used to account for assets held by the Township in a trustee capacity for the police.
- The Community 2000 Fund is used to account for assets held by the Township in a trustee capacity for the Community 2000 organization.
- The Jack's Run Fund is used to account for assets held by the Township in a trustee capacity for Jack's Run sewer project, a joint project between ALCOSAN, the Borough of Bellevue, and the Township.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value based on quoted market prices.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the Township as assets with initial, individual costs of more than \$5,000 and an estimated historical cost or historical cost if purchased or constructed and have a useful life beyond one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Township chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Township are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Infrastructure - bridges and sewers	50
Infrastructure - roads	20
Vehicles	2-8
Machinery, equipment, and fixtures	5-20

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability as of December 31, 2011 for compensated absences is determined by the vacation and sick days payments that would be made if employees were to leave or retire from the Township. Compensated absences accrue when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees earn vacation, based upon their anniversary date for use during the current calendar year. The number of days earned each month varies depending upon length of service and union contracts. Vacation pay cannot be carried over; therefore, it is not recorded as a liability.

Employees earn sick days based upon their contract. General employees (those other than police officers) are not paid sick leave upon termination, therefore, no liability is accrued. Police officers earn sick leave at the rate of 10 sick days in the first year, 15 sick days in the second year, and 18 sick days in each of the following years. Unused sick days maybe accumulated, up to a maximum of 200 days. Upon retirement, severance pay is due to each officer in the amount of  $\frac{1}{4}$  day for each day of accumulated sick time or sell back sick days awarded but unused in the last 36 months at full-rate of pay to a maximum of 54 days. Using the vesting method, all officers with 10 years of service of more are presumed to stay until retirement and  $\frac{1}{4}$  of sick leave is accrued.

The liability for compensated absences has typically been liquidated by the General Fund in prior years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

*Fund Balance Classification:* The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township had no fund balances under this classification at year end.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets/Fund Balances (Continued)

- *Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. At year end, the entire balance of \$7,057 in the Liquid Fuels fund was restricted.
- *Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Township did not have any committed resources as of December 31, 2011.
- *Assigned:* This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners or through the Board of Commissioners delegating this responsibility to the Township's management. This classification includes \$7,510 in the General Fund that is assigned for McKnight Road traffic control, and the entire balance of \$1,785,282 in the Sewer Fund.
- *Unassigned:* This classification includes the residual fund balance of \$2,881,638 in the General Fund.

The Township would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the Township, not restricted for any project or other purpose.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

An annual appropriated budget was adopted for 2011 for the General Fund and the Sewer Fund on the same basis of accounting described above for governmental fund types. Management control over other Special Revenue Funds is exercised through either their relationship with the General Fund or the terms of grant awards. Management control over the Debt Service Fund is exercised through the indenture provisions of the general obligation bonds issued to fund the capital projects. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements:

- The proposed budget is published or made available for public inspection at least twenty days prior to the date set for the adoption of the budget.
- Final action is not taken on the proposed budget until after at least ten days of public notice.
- The Commissioners legally adopt the budget prior to December 31 of each preceding year.

Appropriations may be transferred between departments only if approved by a Commissioner's resolution. Department heads, in consultation with the Township Manager, may transfer funds within departments. The Commissioners also have the authority to enact supplemental appropriations and emergency appropriations. No emergency or supplemental appropriations were necessary during the year. The budget and actual financial statements presented for the General Fund and Sewer Fund display departmental information as the Township defines departments for budgetary purposes.

The financial statement captions in the schedule of revenues, expenditures and changes in fund balance reflect the functions (General Government, Public Safety, etc.). Budgetary amounts reflected in the schedule of revenues, expenditures, and changes in fund balance – budget and actual incorporate any budgetary transfers approved by the Commissioners throughout the year. Any excess appropriation lapses at the end of the fiscal year.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Encumbrances

The Township uses encumbrances accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-appropriation is required by the Commissioners. As of December 31, 2011, the Township had no outstanding encumbrances.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board Statements

The Township adopted the provisions of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The adoption of the statement resulted in a restatement of fund balances due to the definition of a special revenue fund becoming more clearly defined

The Township adopted the provisions of GASB Statement No. 59, "*Financial Instruments Omnibus*". The adoption of this statement had no effect on the financial reporting information of the Township.

Pending Changes in Accounting Principles

In December 2009 the GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans*." The Township is required to adopt Statement No. 57 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*". The Township is required to adopt Statement No. 60 for its calendar year 2012 financial statements.

In November 2010 the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*". The Township is required to adopt Statement No. 61 for its calendar year 2013 financial statements.

In December 2010 the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The Township is required to adopt Statement No. 62 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The Township is required to adopt Statement No. 63 for its calendar year 2012 financial statements.

In June 2011 the GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*". The Township is required to adopt Statement No. 64 for its calendar year 2012 financial statements.

The Township has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.



ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 3: DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are either maintained in demand deposits and certificates of deposit or invested with Pennsylvania Local Government Investment Trust (PLGIT) or the Commonwealth INVEST program. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

Cash

The following is a description of the Township's deposit risk:

- Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk.

As of December 31, 2011, \$500,000 of the Township's \$3,702,093 governmental funds bank balance was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$3,202,093 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$3,616,840, as of December 31, 2011.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Funds

The Pension Trust Funds' investments are held separately from those of other Township funds. The Commissioners determine the investment managers of the General Employees Pension Plan and the Police Pension Committee determines the investment managers of the Police Pension Plan. The Commissioners and investment managers meet periodically with the trustees to discuss the general categories of investments to be made. Currently, the investments agreed upon are U.S. government obligations, common stock, and mutual funds. Investments were consistent with those authorized.

Assets in the Pension Trust Funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition.

Pension fund investments consisted of the following at December 31, 2011:

Deposit or Investment Type	Investment Maturities from December 31, 2011				
	Fair Market Value	Less than 1 year	1 - 5 years	6 -10 years	More than 10 years
U.S. Treasury Notes	\$ 1,970,468	\$ 415,074	\$ 1,022,229	\$ 533,165	\$ -
U.S. Government Agencies	2,222,181	-	157,186	428,187	1,636,808
Corporate Bonds	1,307,663	-	353,297	866,918	87,448
<b>Total Debt Securities</b>	<b>\$ 5,500,312</b>	<b>\$ 415,074</b>	<b>\$ 1,532,712</b>	<b>\$ 1,828,270</b>	<b>\$ 1,724,256</b>
Cash and Cash Equivalents	\$ 3,155,574				
Common Stock	11,917,164				
Equity Mutual Funds	3,276,009				
Interest Receivable	106,388				
Commingled Funds and Mortgages	5,599,808				
<b>Total Cash, Cash Equivalents, and Other Investments</b>	<b>24,054,943</b>				
<b>Total Cash, Cash Equivalents, and Investments Reported on the Statement of Fiduciary Net Assets</b>	<b>\$ 29,555,255</b>				

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Funds (Continued)

The following is a description of the Pension Trust Fund's deposit and investment risks:

- **Credit Risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Fund has no formal deposit or investment policy that would limit its choices based on credit ratings by nationally recognized statistical ratings organizations. As of December 31, 2011 the Township's investments had the following ratings:

<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
AAA	32%
AA1	1%
AA2	3%
AA3	3%
Not Rated	61%

- **Custodial Credit Risk** – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. The Township's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2011, the Township's entire pension cash balance of \$3,155,574 (bank and book balance) was exposed to custodial credit risk.
- **Interest Rate Risk** – The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturities of the various investments are disclosed above.

Agency Funds

The Township maintains bank accounts for the various Agency Funds. The balance of these accounts is reflected in the statement of fiduciary net assets. The bank balance of deposits for the Agency Funds is \$438,090. None of this bank balance was covered by federal depository insurance. The entire balance was collateralized in accordance with Act 72 of the Pennsylvania State Legislature. These deposits have carrying amounts of \$438,090 as of December 31, 2011.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers at December 31, 2011, are summarized below:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 888,866	\$ 170,630
Sewer	102,605	820,841
Total	<u>\$ 991,471</u>	<u>\$ 991,471</u>

Fund	Transfer in	Transfer out
Major Funds:		
General	\$ 883,407	\$ 484,681
Sewer	-	250,000
Debt Service	484,681	-
Liquid Fuels	-	633,407
Total	<u>\$ 1,368,088</u>	<u>\$ 1,368,088</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The transfer from the General Fund to the Debt Service Funds was for debt service payments. The transfer from the Sewer Fund represents transfers to the General Fund for operating purposes. The transfer from the Liquid Fuels Fund to the General Fund represents reimbursements made to the General Fund for expenditures on behalf of the Liquid Fuels Fund.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 5: PENSION PLAN

Plan Description

The Township administers two single employer defined benefit pension plans covering substantially all full-time employees, the General Employees Pension Plan and Police Pension Plan.

The General Employees Pension Plan is a contributory plan available to all full-time permanent employees, other than police officers, who are hired prior to age sixty. Pension benefits become vested after the completion of ten years of service. Eligibility for the normal retirement benefit is the later of age 55 or completion of 25 years of service. Participants hired prior to November 1, 1988 may retire at the later of age 60 or the completion of 20 years of service, if earlier. The monthly benefit is equal to (a) one-half of "Final Monthly Average Compensation" plus (b) a service increment of \$10 per month for each completed year of service in excess of 25. "Final Monthly Average Compensation" is the salary averaged over the highest 36 months in the final five calendar years prior to retirement or other severance.

The Police Pension Plan is a contributory plan available to all full-time Township police officers. Pension benefits become 100% vested after the completion of twelve years of service. Eligibility for the normal retirement benefit is attained at the later of age 50 or completion of 25 years of service. The monthly pension benefit is equal to (a) one-half of "average monthly salary" plus (b) a service increment of \$100 per month for service in excess of 26 years. "Average monthly salary" is the average monthly compensation earned during the final 36 months of employment prior to retirement or other severance. The Police Pension Plan provided for an annual cost-of-living adjustment of up to 3% per year, to a maximum of 15%. This incentive does not apply to members who choose to continue to work beyond the later of the date they are eligible to retire or age 60.

Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (Act). Employee contributions have been eliminated from the plans subject to the plans meeting certain financial conditions. The plans do not issue separate reports.

At January 1, 2011, the date of the most recent valuation, participants in the plan were as follows:

	General	
	<u>Employees</u>	<u>Police</u>
Retirees and beneficiaries	36	38
Active employees	40	36

Summary of Significant Accounting Policies

Financial information of the Township's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by the Act.

Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 5: PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies (continued)

Investments of the plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. The plans did not have any investment transactions with related parties during the year.

Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth of Pennsylvania allocation must be funded by the Township (and could include employee contributions).

For 2011, no employee contribution was required for either plan, and a Township contribution was required for the Police Pension Plan only. Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Contributions and Funding Policy (Continued)

The Township's annual pension cost and related information for each plan is as follows:

	General Employee and Police <u>Consolidated Total</u>
Annual pension cost	\$ 350,536
Contributions made	\$ 415,220
Actuarial valuation date	1/1/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Asset valuation method	75% Fair Value 25% Cost/ 4 year smoothing
Amortization period	17 Years
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0%
Underlying inflation rate	3.0%

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

## NOTE 5: PENSION PLAN (CONTINUED)

Contributions and Funding Policy (Continued)

The Township has a net pension asset (a negative net pension obligation (NPO)) as of December 31, 2011 calculated as follows:

	<b>General Employee &amp; Police Consolidated Totals</b>
Annual required contribution	\$ 334,900
Interest on NPO	(36,082)
Adjustment TO ARC	51,718
Annual Pension Cost	350,536
Contribution Made	(415,220)
Change in NPO	(64,684)
NPO, 12/31/2010	(481,102)
NPO, 12/31/2011	\$ (545,786)

Both the General Employees Pension Plan and the Police Pension Plan NPO calculation have been adjusted in the current year to reflect changes based upon the January 1, 2011 actuarial reports.

Three-Year Trend Information

Year Ending	Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
12/31/2009	\$ 221,817	112%	\$ (402,010)
12/31/2010	\$ 242,748	133%	\$ (481,102)
12/31/2011	\$ 350,536	124%	\$ (545,786)

Additional Historical trend information to the extent available is presented as required supplementary information.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 5: PENSION PLAN (CONTINUED)

Changes in Actuarial Assumptions and Effect of Plan Amendments

The General Employees Pension Plan has been amended for two benefit changes. The benefit multiplier for public works employees was increased from 50% to 55% on November 1, 2005. In addition, the service increment for clerical workers was increased from \$10 to \$25 per year of service in excess of 25 years, effective January 1, 2005.

Statement of Plan Net Assets

Assets	General Employee & Police Consolidated Totals
Cash and cash equivalents	\$ 3,155,574
Interest/Dividends receivable	106,388
Investments (at fair value):	
U.S. Govt. Securities	4,192,649
Corporate Bonds and Notes	1,307,663
Mutual Funds	3,276,009
Mortgages	1,149,756
Common stock	11,917,164
Other Principal Commingled Fund	4,450,052
Total Assets	\$ 29,555,255
Liabilities	-
Net Assets Held in Trust for Pension Benefits	\$ 29,555,255



ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 5: PENSION PLAN (CONTINUED)

Statement of Changes in Plan Net Assets

	General Employee & Police Consolidated Totals
	Totals
Additions:	
Employer contribution	\$ -
Employee contribution	22,842
Other receipts	392,378
Investment income:	
Net depreciation in fair value of investments	(23,628)
Interest and dividends	578,298
	554,670
Total investment income	554,670
Less investment expense	(27,457)
	527,213
Net investment income	527,213
Total additions	942,433
Deductions:	
Benefits	1,827,788
Administrative expense	182,626
	2,010,414
Total Deductions	2,010,414
Decrease in Plan Net Assets	(1,067,981)
Fund Balance - Reserved for Employees'	
Pension Benefits (Plan Net Assets):	
Beginning of Year	30,623,236
End of Year	\$ 29,555,255

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 6: OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 5, the Township provides post employment health care benefits to all retired police officers, in accordance with collective bargaining agreements between the Township and the Township Police. Effective for retirees during 1996 and subsequent years, the Township pays \$200 per month towards the retiree's own health care costs until the officer is eligible for Medicare. Retirees not eligible for Medicare shall be paid this monthly stipend for life.

Expenditures for post-retirement health care benefits are recognized in the General Fund when paid by the Township. During 2011, total disbursements from the General Fund for eleven beneficiaries were \$36,851.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan:

	<u>Governmental Activities</u>
Annual Required Contribution	\$ 41,050
Interest on Net OPEB Obligation	774
Adjustment to ARC	<u>(1,076)</u>
Annual OPEB Cost	<u>40,748</u>
Contribution Made	<u>36,851</u>
Net Increase in Net OPEB Obligation	3,897
Net OPEB Obligation, 12/31/2010	<u>19,349</u>
Net OPEB Obligation, 12/31/2011	<u>\$ 23,246</u>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 6: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
12/31/2009	\$ 32,217	81%	\$ 16,425
12/31/2010	\$ 32,124	91%	\$ 19,349
12/31/2011	\$ 40,748	90%	\$ 23,246

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$567,018 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$567,018. The covered payroll as of December 31, 2010 of \$3,191,450.

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return, which is the expected long-term investment yield on investments that are expected to be used to finance the payments of benefits. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

## NOTE 7: REAL ESTATE TAXES

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on July 1. The 2011 assessed value of real property totaled \$1,983,761,052. These taxes are billed by the County and collected by the elected Township Treasurer. Taxes paid through August 31 are given a 2% discount. Amounts paid after October 31 are assessed a 10% penalty. Taxpayers may elect to pay the face amount of the tax in equal quarterly installments. Any uncollected balances as of December 31 are sent to the delinquent tax collector to be lienied.

Under the Code, the Township is permitted to levy real estate taxes up to 30 mills for general purposes. Additional taxes may be levied for certain specified purposes. For 2011, Township real estate taxes were levied as 3.0 mills for general purposes.

## NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2011 is as follows:

	Balance at January 1, 2011	Additions	Transfers/ Deletions	Balance at December 31, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 7,719,337	\$ -	\$ -	\$ 7,719,337
Capital assets, being depreciated:				
Buildings	6,748,182	-	-	6,748,182
Machinery and equipment	3,301,478	-	-	3,301,478
Vehicles	2,487,399	264,287	-	2,751,686
Infrastructure - bridges and sewers	4,235,277	-	-	4,235,277
Infrastructure - roads	5,993,270	-	-	5,993,270
Total capital assets, being depreciated	<u>22,765,606</u>	<u>264,287</u>	<u>-</u>	<u>23,029,893</u>
Less: accumulated depreciation for:				
Buildings	(2,245,211)	(176,502)	-	(2,421,713)
Machinery and equipment	(1,891,682)	(184,787)	-	(2,076,469)
Vehicles	(1,910,339)	(112,741)	-	(2,023,080)
Infrastructure - bridges and sewers	(1,335,142)	-	-	(1,335,142)
Infrastructure - roads	(1,465,958)	(410,714)	-	(1,876,672)
Total accumulated depreciation	<u>(8,848,332)</u>	<u>(884,744)</u>	<u>-</u>	<u>(9,733,076)</u>
Total capital assets, being depreciated net	<u>13,917,274</u>	<u>(620,457)</u>	<u>-</u>	<u>13,296,817</u>
Governmental activities, capital assets, net	<u>\$ 21,636,611</u>	<u>\$ (620,457)</u>	<u>\$ -</u>	<u>\$ 21,016,154</u>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 8: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities	
General Government	\$ 153,100
Public Safety-Police	141,738
Public Works	520,343
Fire and Building Inspection	8,260
Culture and Recreation	<u>61,303</u>
Total Depreciation Expense	<u>\$ 884,744</u>

NOTE 9: TAX ANTICIPATION NOTE

During January 2011, the Township obtained a tax anticipation note in the amount of \$2,750,000 at a rate of 1.88%. Note proceeds are anticipated to be used for general operating expenses of the government in anticipation of current year tax revenues. The tax anticipation note was paid in full as of December 31, 2011.

NOTE 10: LONG-TERM DEBT

In October 2009, the Township issued General Obligation Bonds in the amount of \$4,650,000, to refund \$4,480,000 of outstanding Series 2002 Bonds and to purchase capital assets for the township.

The Series 2009 Bonds bear interest at rates ranging from 1.125% to 3.375%, and are scheduled to mature annually through December 2020. A principal payment of \$380,000 was made in the current year, resulting in bonds outstanding at December 31, 2011 of \$3,810,000.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 10: LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Amounts Payable as of January 1, 2011	Additions	Deletions	Amounts Payable as of December 31, 2011	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$ 4,190,000	\$ -	\$ (380,000)	\$ 3,810,000	\$ 385,000
Capital lease obligations	257,472	264,287	(196,950)	324,809	115,105
OPEB	19,349	3,897	-	23,246	-
Compensated absences	215,040	54,358	-	269,398	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 4,681,861</b>	<b>\$ 322,542</b>	<b>\$ (576,950)</b>	<b>\$ 4,427,453</b>	<b>\$ 500,105</b>

Annual debt service requirements for the General Obligation Bonds of the Township are as follows:

	Governmental Activities		
	Principal	Interest	Total
2012	\$ 385,000	\$ 100,406	\$ 485,406
2013	390,000	94,631	484,631
2015	405,000	87,319	492,319
2015	405,000	78,206	483,206
2016	420,000	68,588	488,588
2017-2020	1,805,000	147,125	1,952,125
<b>Totals</b>	<b>\$ 3,810,000</b>	<b>\$ 576,275</b>	<b>\$ 4,386,275</b>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

## NOTE 10: LONG-TERM DEBT (CONTINUED)

## Capital Leases

The Township has entered into capital leases for equipment to be used in operations. Amortization expense has been included with depreciation. Future minimum lease payments at December 31, 2011 and present value of capital lease obligations were:

<u>Year ended December 31</u>	<u>Governmental Activities</u>
2012	\$ 123,473
2013	115,106
2014	78,681
2015	<u>24,492</u>
Total Minimum Lease Payments	341,752
Less amount representing interest	<u>16,943</u>
Present value of net minimum lease payments	<u>324,809</u>
Less: Amount Due Within One Year	115,105
Long-Term Portion	<u>\$ 209,704</u>

The assets purchased under the capital lease agreement had a book value of \$725,360 at December 31, 2011.

## NOTE 11: JOINT VENTURES AND RELATED ORGANIZATIONS

## Joint Ventures

Northland Public Library

Northland Public Library (Library) is a public library that is considered to be a municipal authority by the Commonwealth of Pennsylvania.

The governing body of the Library is its Board of Trustees, which is comprised of seven members appointed by the elected officials of its five supporting municipalities (one of which is the Township). Since no individual municipality has control, the Library is not considered a component unit of any one-member community.

The Library meets the criteria for a joint venture as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to joint control, in which participants retain an on-going financial responsibility.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 11: JOINT VENTURES AND RELATED ORGANIZATIONS

Northland Public Library (Continued)

The Township, per contractual agreement, is obligated to pay a share of the budgeted expenses of operation annually. The Township's contribution is based upon circulation, population, and assessed valuation. Such payments amounted to \$426,321 for the year ended December 31, 2011.

The Township has no equity interest in the Library.

The Library issues separate financial statements, which are available at the Northland Public Library, 300 Cumberland Road, Pittsburgh, PA 15237.

Lowries Run Joint Owned Sewer

Lowries Run Joint Owned Sewer (Lowries Run) is a joint venture formed to handle the sewer activity in a particular area of the northern suburbs of Pittsburgh.

The governing body of Lowries Run is its Board of Directors, which is comprised of representatives from its two member entities (the Township and the McCandless Township Sanitary Authority). Since no individual entity has control, Lowries Run is not considered a component unit of any one member.

Lowries Run meets the criteria for a joint venture as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to control, in which participants retain and on-going financial responsibility.

The Township is responsible for a pro rata share of net expenses incurred by this entity which could not be met with existing resources. The Township was not required to make a contribution for 2011. The Township maintains a 50% equity interest in Lowries Run, and if Lowries Run were to be liquidated, the Township would receive 50% of the assets. The Township holds an equity interest in Lowries Run valued at \$1,532,403 as of December 31, 2011.

Lowries Run issues separate financial statements, which are available at the McCandless Township Sanitary Authority, Wexford, PA 15090.

Jointly Governed Organization

Girty's Run Joint Sewer Authority

The Township, in conjunction with three other neighboring municipalities, created the Girty's Run Joint Authority (Authority) to handle the sewer systems and the main trunk line within the Girty's Run Watershed. The governing Board of the Authority is comprised of two representatives from each of the member municipalities. Except for user fees related to sewer system usage based on the volume of watershed for each respective municipality, no participant has any obligation, entitlement, or residual interest. The Township's user charges related to the Authority for the year ended December 31, 2011, approximated \$1.53 million. Separate financial statements for the Authority are available at their office.



ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011

NOTE 11: JOINT VENTURES AND RELATED ORGANIZATIONS

Related Organizations

Ross/West View EMS

Ross/West View EMS (EMS) is a related organization in that a majority of its governing Board is appointed by the Commissioners, without the Township being financially accountable for the organization. The EMS Board is appointed by the Township and operates independently of any ongoing involvement of the Commissioners. Separate financial statements for EMS are available at their office.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Sanitary Sewer System

In 1997, the United States Environmental Protection Agency (USEPA) ordered 51 communities tributary to the ALCOSAN, which includes the Township, whose sanitary sewers had been identified as being subject to wet weather overflows. The Township signed an Administrative Consent Order (ACO) in January 2004. The ACO details the timetable for completion of each phase which will involve inspecting, mapping, correcting, and monitoring the sewer system. The Township is subject to a civil penalty for untimely completion of each term or provision of the ACO. The Township has paid no civil penalties for the year ended December 31, 2011. The Township has estimated the completion costs of the projects mandated by the ACO to be approximately \$661,000 through the year 2011.

Other

Various claims and lawsuits are pending against the Township. In the opinion of the Township management and solicitor, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying financial statements.

NOTE 13: RISK FINANCING

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011

NOTE 13: RISK FINANCING (CONTINUED)

For its workers compensation insurance coverage, the Township participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 199 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1992 (Act 44), as amended. All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. For the year ended December 31, 2011, the Township paid Worker's Compensation premiums of \$374,842.

NOTE 14: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended December 31, 2011, expenditures exceeded appropriations in total in the General Fund by \$427,769. The over expenditures were due to a contribution that was made to local fire departments, which was funded through a grant from the State government.

NOTE 15: RESTATEMENT OF FUND BALANCES

Prior years fund balances were restated to account for the effect that the adoption of GASB Statement No.54 had on the financial statements as January 1, 2011.

Fund Level Restatement	General Fund	Liquid Fuels	Other Non Major Funds
Beginning fund balance, as of January 1, 2011, as previously Reported	\$ 1,109,271	\$ -	\$ 17,726
Remove amounts related to The Mcknight Road Traffic Fund from Other Nonmajor Funds and combine them with The General Fund	<u>17,394</u>	<u>332</u>	<u>(17,726)</u>
Beginning fund balance, as Restated, January 1, 2011	<u>\$ 1,126,665</u>	<u>\$ 332</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROSS TOWNSHIP, PENNSYLVANIA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 11,319,000	\$ 11,319,000	\$ 12,174,628	\$ 855,628
Licenses and permits	851,950	851,950	1,004,666	152,716
Fines and forfeits	175,000	175,000	217,142	42,142
Interest, rent and royalties	15,000	15,000	48,504	33,504
Intergovernmental	787,072	787,072	1,069,446	282,374
Charges for services	481,175	481,175	747,660	266,485
Miscellaneous	196,500	196,500	317	(196,183)
<b>Total revenues</b>	<b>13,825,697</b>	<b>13,825,697</b>	<b>15,262,363</b>	<b>1,436,666</b>
<b>Expenditures</b>				
Legislative/governing body	371,380	371,380	400,590	(29,210)
Executive/manager	342,678	342,678	229,344	113,334
Financial administration	132,802	132,802	130,754	2,048
Tax collector	238,387	238,387	318,712	(80,325)
Data Processing	28,500	28,500	34,897	(6,397)
Engineer	64,172	64,172	58,121	6,051
Municipal building	153,200	153,200	157,347	(4,147)
Public safety	6,054,795	6,054,795	6,283,501	(228,706)
Fire marshal	763,626	763,626	1,206,666	(443,040)
Code enforcement	312,655	312,655	271,942	40,713
Planning and zoning	31,850	31,850	25,731	6,119
Emergency management	3,375	3,375	3,445	(70)
Public works	2,648,644	2,648,644	2,643,711	4,933
Construction/resurfacing	346,000	346,000	373,420	(27,420)
Snow and ice removal	487,150	487,150	484,313	2,837
Street signs and markings	17,700	17,700	28,400	(10,700)
Street lighting	301,000	301,000	307,597	(6,597)
Sidewalks/crosswalks	9,000	9,000	11,436	(2,436)
Storm sewers	70,000	70,000	24,005	45,995
Machinery and equipment maintenance	206,000	206,000	158,621	47,379
Guide rails and posts	2,000	2,000	2,860	(860)
Recreation administration	314,478	314,478	274,366	40,112
Municipal center	34,250	34,250	25,579	8,671
Community center	159,161	159,161	114,832	44,329
Parks/streets	93,000	93,000	92,012	988
Library	426,321	426,321	426,321	-
Senior citizen services	75,000	75,000	74,370	630
Employee benefits	48,000	48,000	-	48,000
<b>Total expenditures</b>	<b>13,735,124</b>	<b>13,735,124</b>	<b>14,162,893</b>	<b>(427,769)</b>
<b>Excess (Deficiency) of Revenues over expenditures</b>	<b>90,573</b>	<b>90,573</b>	<b>1,099,470</b>	<b>1,008,897</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease	-	-	264,287	264,287
Transfers in	875,553	875,553	883,407	7,854
Transfers out	(484,681)	(484,681)	(484,681)	-
<b>Total other financing sources (uses)</b>	<b>390,872</b>	<b>390,872</b>	<b>663,013</b>	<b>272,141</b>
<b>Net Change in Fund Balance</b>	<b>\$ 481,445</b>	<b>\$ 481,445</b>	<b>1,762,483</b>	<b>\$ 1,281,038</b>
Fund Balance - beginning of year (as restated, note 15)			1,126,665	
Fund Balance - end of year			<b>\$ 2,889,148</b>	

ROSS TOWNSHIP, PENNSYLVANIA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET TO ACTUAL - SEWER FUND  
 YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Interest, rent and royalties	\$ 2,000	\$ 2,000	\$ 5,650	\$ 3,650
Engineering services	8,500	8,500	-	(8,500)
Charges for services	<u>5,495,250</u>	<u>5,495,250</u>	<u>6,121,086</u>	<u>625,836</u>
<b>Total revenues</b>	<u>5,505,750</u>	<u>5,505,750</u>	<u>6,126,736</u>	<u>620,986</u>
<b>Expenditures</b>				
Financial administration	157,684	157,684	168,550	(10,866)
Sanitation	4,964,500	4,964,500	5,454,706	(490,206)
Administrative consent order	<u>701,000</u>	<u>701,000</u>	<u>199,878</u>	<u>501,122</u>
<b>Total expenditures</b>	<u>5,823,184</u>	<u>5,823,184</u>	<u>5,823,134</u>	<u>50</u>
<b>Excess (Deficiency) of Revenues over expenditures</b>	<u>(317,434)</u>	<u>(317,434)</u>	<u>303,602</u>	<u>620,936</u>
<b>Other Financing sources (uses)</b>				
Operating transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(250,000)</u>	<u>50,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (517,434)</u>	<u>\$ (517,434)</u>	53,602	<u>\$ 670,936</u>
Fund balance - beginning of year			<u>1,176,179</u>	
Fund balance - end of year			<u>\$ 1,229,781</u>	

ROSS TOWNSHIP, PENNSYLVANIA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2011

Schedule of Employer Contributions

General Employees				Police			
Year Ended December 31	Annual Required Contribution	State Aid Percentage Contributed	Township Percentage Contributed	Year Ended December 31	Annual Required Contribution	State Aid Percentage Contributed	Township Percentage Contributed
2005	\$ -	n/a	n/a	2005	\$ 219,445	125%	n/a
2006	-	n/a	n/a	2006	319,835	118%	n/a
2007	-	n/a	n/a	2007	345,494	115%	n/a
2008	-	n/a	n/a	2008	271,624	131%	n/a
2009	-	n/a	n/a	2009	209,607	118%	n/a
2010	-	n/a	n/a	2010	229,683	105%	n/a

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	1/1/2011	Valuation Date	1/1/2011
Actuarial cost method	Entry Age Normal	Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open	Amortization method	Level Dollar Open
Remaining amortization period	Not applicable*	Remaining amortization period	Not applicable*
Asset valuation method	75% FV 25% Cost	Asset valuation method	4 year smoothing
Amortization Period	17 years	Amortization Period	17 years
Actuarial assumptions:		Actuarial assumptions:	
Investment rate of return	7.50%	Investment rate of return	7.50%
Projected salary increases	5.00%	Projected salary increases	5.00%
Includes inflation at:	3.00%	Includes inflation at:	3.00%
Cost-of-living adjustments	3.00%	Cost-of-living adjustments	3.00%

ROSS TOWNSHIP, PENNSYLVANIA  
SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2011

Schedule of Funding Progress

General Employees						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2007	\$ 12,128,343	\$ 9,047,239	\$ (3,081,104)	134.1%	\$ 1,766,673	-174.4%
1/1/2009	12,080,774	10,236,870	(1,843,904)	118.0%	1,989,640	-92.7%
1/1/2011	11,036,272	11,145,361	109,089	99.0%	2,092,655	5.2%

Police						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2007	\$ 21,033,687	\$ 19,052,546	\$ (1,981,141)	110.4%	\$ 3,106,770	-63.8%
1/1/2009	20,662,508	20,435,490	(227,018)	101.1%	2,746,719	-8.3%
1/1/2011	20,417,112	21,462,005	1,044,893	95.1%	2,906,073	36.0%

Schedule of Funding Progress for Post Employment Benefits other than Pensions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2008	\$ -	\$ 327,435	\$ 327,435	0.0%	\$ 3,324,724	9.8%
1/1/2009	-	322,167	322,167	0.0%	3,397,590	9.5%
1/1/2011	-	567,018	567,018	0.0%	3,191,450	17.8%