

**ROSS TOWNSHIP, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2013**

ROSS TOWNSHIP, PENNSYLVANIA  
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YEAR ENDED DECEMBER 31, 2013

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Ross Township, Pennsylvania

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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 from material misstatement.

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

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

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# Zelenkofske Axelrod LLC

To the Board of Commissioners  
Ross Township, Pennsylvania  
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## **Opinions**

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 of the Township as of December 31, 2013, 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.

## **Adoption of GASB Statements**

As discussed in Note 2 to the financial statements, in 2013 the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus", Statement No. 65, "Items Previously Reported as Assets and Liabilities", Statement No. 66, "Technical Corrections-2013 an Amendment of GASB Statements No. 10 and No. 62".

## **Other Matters**

### *Required Supplementary Information*

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 49 through 52 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

May 28, 2014  
Pittsburgh, Pennsylvania

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2013

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, 2013. 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

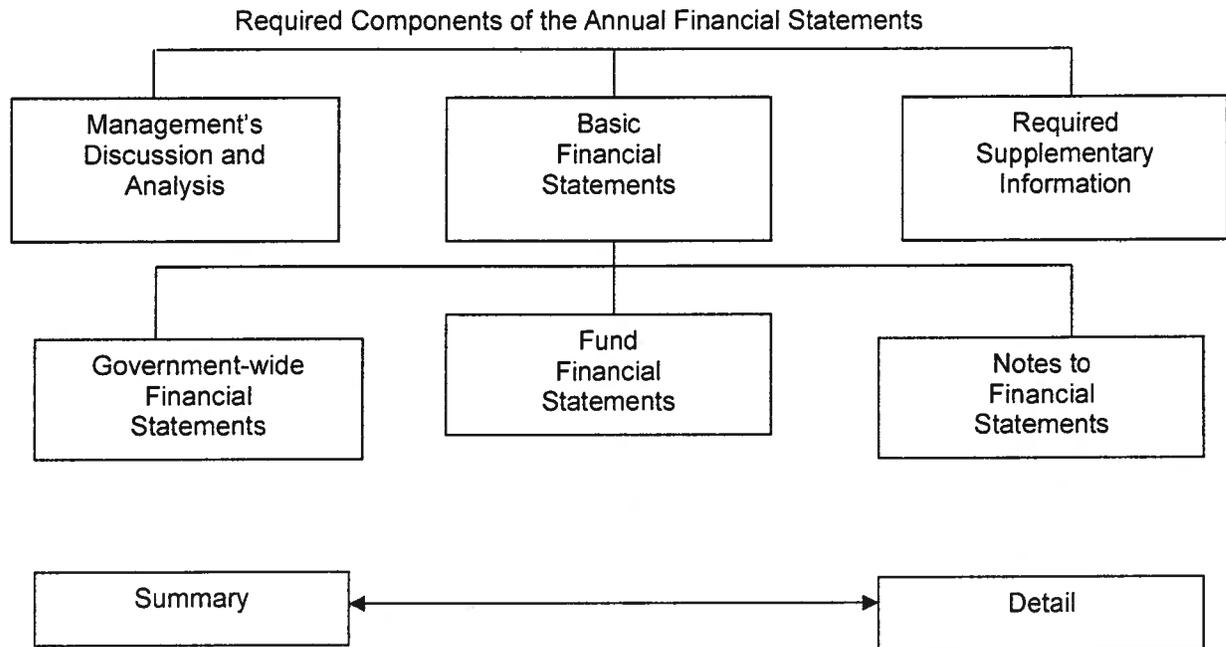
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the TOWNSHIP's government. The basic financial statements include notes that provide additional information essential to a full understanding of 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 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, 2013**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

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><u>Government-wide Statements</u></b>	<b><u>Fund Financial Statements</u></b>	
		<b><u>Governmental</u></b>	<b><u>Fiduciary</u></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 Position  -Statement of activities	-Balance Sheet  -Statement of revenues, expenditures and changes in fund balances	-Statement of fiduciary Net Position
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, 2013**

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 position includes all the TOWNSHIP's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. 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 position 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 position 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 Position is one way to measure the TOWNSHIP's financial position. Over time, increases or decreases in the TOWNSHIP's net position 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 Position 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, 2013**

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

- 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 position balances as follows:
  - Net investment in capital assets
  - Restricted net position 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 position is net position that does 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 position 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. This includes the pension trust funds. 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 position. 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, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The TOWNSHIP's total assets were \$35,642,532 at December 31, 2013. Of this amount, \$19,909,213 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 Position – 2013/2012**

	<b>2013</b>	<b>2012</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<u>                    </u>	<u>                    </u>
Capital Assets	\$ 19,909,213	\$ 20,353,066
Other Assets	<u>15,733,319</u>	<u>13,859,939</u>
Total Assets	<u>\$ 35,642,532</u>	<u>\$ 34,213,005</u>
Current Liabilities	\$ 2,725,850	\$ 3,258,625
Long-term Liabilities	<u>3,316,627</u>	<u>3,581,066</u>
Total Liabilities	<u>\$ 6,042,477</u>	<u>\$ 6,839,691</u>
Net Position		
Net Investment in Capital Assets	\$ 16,306,467	\$ 16,507,917
Restricted Net Position	355	33,069
Unrestricted Net Position	<u>13,293,233</u>	<u>10,832,328</u>
Total Net Position	<u>\$ 29,600,055</u>	<u>\$ 27,373,314</u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**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 2013, taxes brought in \$14,050,763.

**Net Cost of Governmental Activities**

	2013 Total Cost of Services	2012 Total Cost of Services	2013 Net Cost of Services	2012 Net Cost of Services
Program:				
General Government	\$ 1,855,243	\$ 1,626,115	\$ 187,310	\$ 12,764
Public Safety	6,771,794	6,588,355	5,972,388	5,481,920
Fire and Building Inspection	1,402,312	1,379,266	1,181,402	1,183,512
Highways, Roads, and Streets	4,670,896	4,626,448	4,052,754	3,998,172
Sanitation	6,492,675	5,678,960	(342,951)	(536,457)
Parks and Recreation	570,759	622,211	425,057	475,110
Library	416,716	404,346	416,716	404,346
Senior Citizens Service	74,370	68,173	74,370	67,903
Interest on Long-Term Debt	130,320	149,460	130,320	149,460
<b>Total</b>	<b>\$ 22,385,085</b>	<b>\$ 21,143,334</b>	<b>\$ 12,097,366</b>	<b>\$ 11,236,730</b>

The TOWNSHIP relied on property taxes and other general revenues to fund 54% of its governmental activities in 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**Capital Assets**

The TOWNSHIP's investment in capital assets at December 31, 2013, net of accumulated depreciation, was \$19,909,213. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2013:

<b>Capital Assets</b>		
	2013	2012
	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	3,469,612	3,469,612
Vehicles	3,335,556	2,852,055
Infrastructure	10,228,547	10,228,547
Accumulated Depreciation	<u>(11,592,021)</u>	<u>(10,664,667)</u>
 Total Net Capital Assets	 <u>\$ 19,909,213</u>	 <u>\$ 20,353,066</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, 2013**

**Debt Administration**

At December 31, 2013, the TOWNSHIP had \$3,890,790 of debt outstanding. Debt decreased 5.4% from the previous year. The following is a summary of long-term debt for the 2013 year:

	Amounts Payable as of January 1, 2013	Additions	Deletions	Amounts Payable as of December 31, 2013	Due Within One Year
Governmental Activities					
G.O. Bonds	\$ 3,425,000	\$ -	\$ (390,000)	\$ 3,035,000	\$ 405,000
Capital lease obligations	412,263	483,501	(328,018)	567,746	198,102
Compensated absences	276,166	11,878	-	288,044	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 4,113,429</u>	<u>\$ 495,379</u>	<u>\$ (718,018)</u>	<u>\$ 3,890,790</u>	<u>\$ 603,102</u>

The Township has an unfunded Other Post-Employment Liability (OPEB) of \$28,939 at December 31, 2013, an increase of \$1,562 from December 31, 2012. 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, 2013**

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Revenues:		
Taxes	\$ 13,940,518	\$ 12,661,168
Licenses and permits	1,020,963	1,031,664
Fines and forfeits	164,674	156,131
Interest, rent, and royalties	33,066	35,446
Intergovernmental	1,780,562	1,659,089
Charges for services	7,285,366	6,933,715
Miscellaneous	323,149	109,702
Operating transfer in	1,421,785	1,137,323
Proceeds from capital lease	483,501	268,503
	<u>26,453,584</u>	<u>23,992,741</u>
Total Revenues	\$ <u>26,453,584</u>	\$ <u>23,992,741</u>

While a majority of the revenue sources were relatively flat or increased slightly in 2013 when compared to 2012, Tax Revenue increased by almost \$1.3 million. During 2013 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, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Expenditures:		
General government	\$ 1,719,779	\$ 1,377,661
Public Safety	7,040,155	6,640,986
Fire and building inspection	1,397,967	1,374,921
Highways, roads and streets	4,472,928	4,223,194
Sanitation	6,492,675	5,678,960
Parks and recreation	510,647	560,908
Library	416,716	404,346
Senior citizen services	74,370	68,173
Miscellaneous	-	83,121
Debt service	520,929	534,941
Operating transfer out	1,421,785	1,137,323
	<u>24,067,951</u>	<u>22,084,534</u>
Total Expenditures	\$ <u>24,067,951</u>	\$ <u>22,084,534</u>

Most of the Township's expenditures were held relatively flat or increased slightly in 2013 when compared to 2012. The slight increases were caused by employee pay raises and the increased cost of providing healthcare benefits to the employees.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**GOVERNMENTAL FUND BALANCES**

Ending balances for governmental funds at December 31, 2013 and 2012 were as follows:

Fund	2013 Governmental Funds	2012 Governmental Funds
General Fund	\$ 6,714,663	\$ 4,355,379
Sewer Fund	1,704,808	1,645,745
Liquid Fuels	355	33,069
Total	<u>\$ 8,419,826</u>	<u>\$ 6,034,193</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, 2013**

**BUDGETARY HIGHLIGHTS**

The TOWNSHIP adopts an annual appropriated budget for its general fund and sewer fund. Detailed information about the Townships' 2013 general fund and sewer fund budget can be found in Required Supplemental Information.

Overall the TOWNSHIP had a favorable variance of \$2,618,594 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 \$2,266,553 due to better than expected tax collections.

**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 POSITION  
DECEMBER 31, 2013

Assets	2013
<b>Assets</b>	
Cash and cash equivalents	\$ 8,251,228
Accounts receivable	5,462,292
Net pension asset	466,255
Net investment in joint venture	1,553,544
Capital assets, not being depreciated	7,719,337
Capital assets, net of accumulated depreciation	<u>12,189,876</u>
Total Assets	<u>35,642,532</u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable	1,591,537
Accrued payroll and related benefits	254,405
Returnable deposits	159,095
Other liabilities	6,861
Due to external parties	103,574
Accrued interest payable	7,276
Capital lease payable, current portion	198,102
Bonds payable, current portion	405,000
Compensated absences, long-term portion	288,044
Capital lease payable, long-term portion	369,644
Bonds payable, long-term portion	2,630,000
Unfunded other postemployment benefits	<u>28,939</u>
Total Liabilities	<u>6,042,477</u>
<b>Net Position</b>	
Net Investment in Capital Assets	16,306,467
Restricted for:	
Highways and streets	355
Unrestricted	<u>13,293,233</u>
Total Net Position	<u>\$ 29,600,055</u>

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

ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Net Expense Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 1,855,243	\$ 1,203,405	\$ 464,528	\$ -	(187,310)
Public Safety	6,771,794	313,861	485,545	-	(5,972,388)
Fire and Building Inspection	1,402,312	-	220,910	-	(1,181,402)
Highways, roads and streets	4,670,896	-	618,142	-	(4,052,754)
Sanitation	6,492,675	6,835,626	-	-	342,951
Parks and recreation	570,759	145,702	-	-	(425,057)
Library	416,716	-	-	-	(416,716)
Senior citizen services	74,370	-	-	-	(74,370)
Interest on long-term debt	130,320	-	-	-	(130,320)
<b>Total Governmental Activities</b>	<b>\$ 22,385,085</b>	<b>\$ 8,498,594</b>	<b>\$ 1,789,125</b>	<b>\$ -</b>	<b>(12,097,366)</b>

General revenues:

Taxes				
Real Estate				7,355,109
Earned income				4,649,243
Business and mercantile				1,406,144
Other				640,267
Interest income				25,298
Miscellaneous				323,149
<b>Total General revenues</b>				<b>14,399,210</b>
<b>Change in net position</b>				<b>2,301,844</b>
<b>Net position - beginning of year, as restated (see note 14)</b>				<b>27,298,211</b>
<b>Net position - end of year</b>				<b>\$ 29,600,055</b>

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

ROSS TOWNSHIP, PENNSYLVANIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Liquid Fuels</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 7,073,569	\$1,177,304	\$ 355	\$ 8,251,228
Accounts receivable	-			
Taxes	1,186,008	-	-	1,186,008
Sewer charges	-	4,020,705	-	4,020,705
Other	<u>255,579</u>	<u>-</u>	<u>-</u>	<u>255,579</u>
Total Assets	<u>\$ 8,515,156</u>	<u>\$5,198,009</u>	<u>\$ 355</u>	<u>\$ 13,713,520</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 112,044	\$1,479,492	\$ -	\$ 1,591,536
Accrued payroll and related benefits	254,405	-	-	254,405
Returnable deposits	153,435	5,660	-	159,095
Other liabilities	6,861	-	-	6,861
Due to external parties	<u>103,574</u>	<u>-</u>	<u>-</u>	<u>103,574</u>
Total Liabilities	<u>630,319</u>	<u>1,485,152</u>	<u>-</u>	<u>2,115,471</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	1,170,174	-	-	1,170,174
Unavailable revenue-sewer charges	<u>-</u>	<u>2,008,049</u>	<u>-</u>	<u>2,008,049</u>
Total deferred inflow of resources	<u>1,170,174</u>	<u>2,008,049</u>	<u>-</u>	<u>3,178,223</u>
<u>Fund Balance</u>				
Restricted	-	-	355	355
Assigned	1,281,117	1,704,808	-	2,985,925
Unassigned	<u>5,433,546</u>	<u>-</u>	<u>-</u>	<u>5,433,546</u>
Total Fund Balance	<u>6,714,663</u>	<u>1,704,808</u>	<u>355</u>	<u>8,419,826</u>
Total Liabilities and Fund Balance	<u>\$ 8,515,156</u>	<u>\$5,198,009</u>	<u>\$ 355</u>	<u>\$ 10,535,297</u>

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

ROSS TOWNSHIP, PENNSYLVANIA  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2012

Total Fund Balance - Governmental Funds		\$	8,419,826
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			19,909,213
Certain taxes and sewer charges are not available to pay for current period expenditures and, therefore, are deferred in the funds			3,178,223
Accrued Interest Payable on long-term debt is not recognized on the fund statements until due			(7,276)
Amounts contributed in excess of the annual pension cost are not current financial resources and, therefore, not reported in the funds			466,255
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			1,553,544
Unfunded other post employment benefits are not considered current liabilities and are not reported in the funds			(28,939)
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	(3,035,000)		
Capital lease obligation	(567,747)		
Compensated absences	(288,044)		
		<u>          </u>	<u>(3,890,791)</u>
Net Position - Governmental Activities		\$	<u>29,600,055</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, 2013

	General Fund	Sewer Fund	Debt Service Fund	Liquid Fuels	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 13,940,518	\$ -	\$ -	\$ -	\$ 13,940,518
Licenses and permits	1,020,963	-	-	-	1,020,963
Fines and forfeits	164,674	-	-	-	164,674
Interest, rent and royalties	30,761	2,266	-	39	33,066
Intergovernmental	1,162,459	-	-	618,103	1,780,562
Charges for services	485,894	6,799,472	-	-	7,285,366
Miscellaneous	323,149	-	-	-	323,149
<b>Total Revenues</b>	<b>17,128,418</b>	<b>6,801,738</b>	<b>-</b>	<b>618,142</b>	<b>24,548,298</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,719,779	-	-	-	1,719,779
Public Safety	7,040,155	-	-	-	7,040,155
Fire and building inspection	1,397,967	-	-	-	1,397,967
Highways, roads and streets	4,472,928	-	-	-	4,472,928
Sanitation	-	6,492,675	-	-	6,492,675
Parks and recreation	510,647	-	-	-	510,647
Library	416,716	-	-	-	416,716
Senior citizen services	74,370	-	-	-	74,370
Miscellaneous	-	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	390,000	-	390,000
Interest	-	-	130,929	-	130,929
<b>Total Expenditures</b>	<b>15,632,562</b>	<b>6,492,675</b>	<b>520,929</b>	<b>-</b>	<b>22,646,166</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,495,856</b>	<b>309,063</b>	<b>(520,929)</b>	<b>618,142</b>	<b>1,902,132</b>
<b>Other financing sources (Uses)</b>					
Proceeds from capital lease	483,501	-	-	-	483,501
Transfers in	900,856	-	520,929	-	1,421,785
Transfers out	(520,929)	(250,000)	-	(650,856)	(1,421,785)
<b>Total other financing sources (uses)</b>	<b>863,428</b>	<b>(250,000)</b>	<b>520,929</b>	<b>(650,856)</b>	<b>483,501</b>
<b>Net Change in Fund Balance</b>	<b>2,359,284</b>	<b>59,063</b>	<b>-</b>	<b>(32,714)</b>	<b>2,385,633</b>
<b>Fund Balance, Beginning of Year</b>	<b>4,355,379</b>	<b>1,645,745</b>	<b>-</b>	<b>33,069</b>	<b>6,034,193</b>
<b>Fund Balance End of Year</b>	<b>\$ 6,714,663</b>	<b>\$ 1,704,808</b>	<b>\$ -</b>	<b>\$ 355</b>	<b>\$ 8,419,826</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 ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2013

Net Change in Fund Balance - Governmental Funds \$ 2,385,633

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	\$ 483,501	
Depreciation expense	<u>(927,354)</u>	(443,853)

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 position 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	\$ 328,018	
New capital assets acquired through capital leases	<u>(483,501)</u>	(155,483)

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 position. Costs are amortized over the life of the debt in the statement of position.

Principal repayments		390,000
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The change in accrued interest payable on long-term debt is not considered current and is therefore not reported in the funds.

609

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 position.

(253)

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.

(7,768)

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.

146,399

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.

(1,562)

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

(11,878)

Change in Net Position of Governmental Activities

\$ 2,301,844

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

ROSS TOWNSHIP, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013

	Pension Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 1,401,779
Interest/Dividends receivable	51,103
Investments (at fair value)	
U.S. Govt. Securities	3,056,044
Municipal Bonds	45,238
Corporate Bonds and Notes	2,204,154
Mutual Funds	4,849,006
Mortgages	1,520,578
Common stock	17,330,142
Certificates of Deposit	1,306,829
Other Principal Commingled Fund	<u>4,396,799</u>
<b>Total Assets</b>	<u>36,161,672</u>
Net Position: Held in Trust for Pension Benefits	<u>\$ 36,161,672</u>

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

ROSS TOWNSHIP, PENNSYLVANIA  
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2013

Additions	
Employer contributions	\$ 562,801
Employee contributions	248,781
Other receipts	17,243
Investment income	
Net appreciation in fair value of investments	5,722,228
Interest and dividends	<u>426,141</u>
Total investment income	6,148,369
Less investment expense	<u>(25,090)</u>
Net investment income	<u>6,123,279</u>
Total additions	6,952,104
Deductions	
Benefits	2,035,850
Administrative expense	<u>199,857</u>
Total deductions	2,235,707
Increase in Plan Net Position	4,716,397
Net Position: Held in Trust for Pension Benefits - Beginning of Year	<u>31,445,275</u>
Net Position: Held in Trust for Pension Pension Benefits - End of Year	<u>\$ 36,161,672</u>

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

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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. 61 " *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*".

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 position 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, 2013

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. 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, 2013

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.

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, 2013

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, 2013

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, 2013 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 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 Position/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, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/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 \$355 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, 2013.
- *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 \$1,281,117 in the General Fund that is assigned for capital projects, and the entire balance of \$1,704,808 in the Sewer Fund.
- *Unassigned:* This classification includes the residual fund balance of \$5,433,546 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 position presentation. Net Position are categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. 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 Position* – 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 Position* – This category represents net position of the Township, not restricted for any project or other purpose.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

An annual appropriated budget was adopted for 2013 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, 2013, the Township had no outstanding encumbrances.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Township does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and sewer charges. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Adoption of Governmental Accounting Standards Board Statements

In November 2010 the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The adoption of this statement had no effect on the financial reporting information of the Township.

In March 2013, The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of deferred outflows of resources for certain items that were previously recorded as liabilities. The adoption of this GASB also resulted in a restatement for the Township in 2013. See note 14 for details.

In March 2013, The GASB issued Statement No. 66, *Technical Corrections-2013 An Amendment of GASB Statements No. 10 and No. 62*. The adoption of this statement had no effect on the financial reporting information of the Township.

Pending Changes in Accounting Principles

In June 2013, The GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No 25*. The Township is required to adopt statement No. 68 for its calendar year 2014 financial statements.

In June 2013, The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension- an Amendment of GASB Statement No. 27*. The Township is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, The GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. The Township is required to adopt statement No. 69 for its calendar year 2014 financial statements.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Changes in Accounting Principles (Continued)

In April 2013, the GASB issued statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." The Township is required to adopt Statement No. 70 for its calendar year 2014 financial statements.

In November 2013, the GASB issued Statement No. 71 "Pension Transition for Contributions made subsequent to the measurement date-amendment of GASB Statement No. 68." The township is required to adopt Statement No. 71 for its calendar year 2015 financial statements.

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

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, 2013, \$250,000 of the Township's \$8,439,095 governmental funds bank balance was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$8,189,095 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 \$8,251,228 as of December 31, 2013.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

## 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, 2013:

Deposit or Investment Type	Investment Maturities from December 31, 2013				
	Fair Market Value	Less than 1 year	1 - 5 years	6 -10 years	More than 10 years
U.S. Treasury Notes	\$ 1,570,863	\$ -	\$ 86,988	\$ 1,483,875	\$ -
U.S Government Agencies	1,485,181	-	77,794	188,114	1,219,273
Municipal Bonds	45,238	-	45,238	-	-
Corporate Bonds	2,204,154	72,016	1,283,175	817,051	31,912
<b>Total Debt Securities</b>	<b>\$ 5,305,436</b>	<b>\$ 72,016</b>	<b>\$ 1,493,195</b>	<b>\$ 2,489,040</b>	<b>\$ 1,251,185</b>
Cash and Cash Equivalents	\$ 1,401,779				
Common Stock	17,330,142				
Equity Mutual Funds	4,849,006				
Interest Receivable	51,103				
Certificates of Deposits	1,306,829				
Commingled Funds and Mortgages	5,917,377				
<b>Total Cash, Cash Equivalents, and Other Investments</b>	<b>30,856,236</b>				
<b>Total Cash, Cash Equivalents, and Investments Reported on the Statement of Fiduciary Net Assets</b>	<b>\$ 36,161,672</b>				

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

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, 2013 the Township's investments had the following ratings:

<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
AAA	29%
AA1	2%
AA2	3%
AA3	2%
Not Rated	64%

- **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, 2013, the Township's entire pension cash balance of \$1,401,779 (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.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

NOTE 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers at December 31, 2013, are summarized below:

Fund	Transfer in	Transfer out
Major Funds:		
General	\$ 900,856	\$ 520,929
Sewer	-	250,000
Debt Service	520,929	-
Liquid Fuels	-	650,856
	<u>          </u>	<u>          </u>
Total	<u>\$ 1,421,785</u>	<u>\$ 1,421,785</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 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, 2013

## 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, 2013, the date of the most recent valuation, participants in the plan were as follows:

	General <u>Employees</u>	<u>Police</u>
Retirees and beneficiaries	39	37
Active employees	39	42

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, 2013

## 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 2013, 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	\$ 563,054
Contributions made	\$ 562,801
Actuarial valuation date	1/1/2013
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, 2013

## 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, 2013 calculated as follows:

	<b>General Employee &amp; Police Consolidated Totals</b>
Annual required contribution	\$ 547,892
Interest on NPO	(34,988)
Adjustment to ARC	50,150
Annual Pension Cost	563,054
Contribution Made	(562,801)
Change in NPO	253
NPO, 12/31/2013	(466,508)
NPO, 12/31/2013	\$ (466,255)

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, 2013 actuarial reports.

Three-Year Trend Information

Year Ending	Pension Cost (APC)	% of APC Contributed	Obligation (Asset)
12/31/2011	\$ 350,536	124%	\$ (545,786)
12/31/2012	\$ 613,908	100%	\$ (466,508)
12/31/2013	\$ 563,054	100%	\$ (466,255)

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

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## 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.

## 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 2013, total disbursements from the General Fund for eleven beneficiaries were \$38,600.

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:

	Governmental Activities
Annual Required Contribution	\$ 40,589
Interest on Net OPEB Obligation	1,095
Adjustment to ARC	<u>(1,522)</u>
Annual OPEB Cost	<u>40,162</u>
Contribution Made	<u>38,600</u>
Net Increase in Net OPEB Obligation	1,562
Net OPEB Obligation, 12/31/2012	<u>27,377</u>
Net OPEB Obligation, 12/31/2013	<u>\$ 28,939</u>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

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 2013 is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
12/31/2011	\$ 40,748	90%	\$ 23,246
12/31/2012	\$ 41,131	89%	\$ 27,377
12/31/2013	\$ 40,162	96%	\$ 28,939

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$543,793 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$543,793. The covered payroll as of December 31, 2012 of \$3,661,016, and the ratio of the UAAL to the covered payroll was 14.9%.

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, 2013 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, 2013

## 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 2013 assessed value of real property totaled \$2,504,495,665. 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 liened.

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 2013, 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 2013 is as follows:

	Balance at January 1, 2013	Additions	Transfers/ Deletions	Balance at December 31, 2013
<b>Governmental Activities</b>				
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	3,469,612	-	-	3,469,612
Vehicles	2,852,055	483,501	-	3,335,556
Infrastructure - bridges and sewers	4,235,277	-	-	4,235,277
Infrastructure - roads	5,993,270	-	-	5,993,270
<b>Total capital assets, being depreciated</b>	<b>23,298,396</b>	<b>483,501</b>	<b>-</b>	<b>23,781,897</b>
Less: accumulated depreciation for:				
Buildings	(2,598,215)	(176,502)	-	(2,774,717)
Machinery and equipment	(2,258,267)	(154,871)	-	(2,413,138)
Vehicles	(2,185,657)	(185,267)	-	(2,370,924)
Infrastructure - bridges and sewers	(1,335,142)	-	-	(1,335,142)
Infrastructure - roads	(2,287,386)	(410,714)	-	(2,698,100)
<b>Total accumulated depreciation</b>	<b>(10,664,667)</b>	<b>(927,354)</b>	<b>-</b>	<b>(11,592,021)</b>
<b>Total capital assets, being depreciated net</b>	<b>12,633,729</b>	<b>(443,853)</b>	<b>-</b>	<b>12,189,876</b>
<b>Governmental activities, capital assets, net</b>	<b>\$ 20,353,066</b>	<b>\$ (443,853)</b>	<b>\$ -</b>	<b>\$ 19,909,213</b>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

NOTE 8: CAPITAL ASSETS (CONTINUED)

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

Governmental Activities		
General Government	\$	149,522
Public Safety-Police		129,956
Public Works		583,419
Fire and Building Inspection		4,345
Culture and Recreation		<u>60,112</u>
Total Depreciation Expense	\$	<u>927,354</u>

NOTE 9: TAX ANTICIPATION NOTE

During January 2013, the Township obtained a tax anticipation note in the amount of \$3,000,000 at a rate of 1.22%. 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, 2013.

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 \$390,000 was made in the current year, resulting in bonds outstanding at December 31, 2013 of \$3,035,000.

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

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

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Amounts Payable as of <u>January 1, 2013</u>	Additions	Deletions	Amounts Payable as of <u>December 31, 2013</u>	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$ 3,425,000	\$ -	\$ (390,000)	\$ 3,035,000	\$ 405,000
Capital lease obligations	412,263	483,501	(328,018)	567,746	198,102
OPEB	27,377	1,562	-	28,939	-
Compensated absences	<u>276,166</u>	<u>11,878</u>	<u>-</u>	<u>288,044</u>	<u>-</u>
<b>Governmental activities</b>					
long-term liabilities	<u>\$ 4,140,806</u>	<u>\$ 496,941</u>	<u>\$ (718,018)</u>	<u>\$ 3,919,729</u>	<u>\$ 603,102</u>

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

	Governmental Activities		
	Principal	Interest	Total
2014	\$ 405,000	\$ 87,319	\$ 492,319
2015	405,000	78,206	483,206
2016	420,000	68,588	488,588
2017	435,000	57,038	492,038
2018	440,000	43,988	483,988
2019-2020	<u>930,000</u>	<u>46,100</u>	<u>976,100</u>
Totals	<u>\$ 3,035,000</u>	<u>\$ 381,239</u>	<u>\$ 3,416,239</u>

ROSS TOWNSHIP, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

## 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, 2013 and present value of capital lease obligations were:

<u>Year ended December 31</u>	<u>Governmental Activities</u>
2014	\$ 210,116
2015	147,559
2016	135,617
2017	<u>100,315</u>
Total Minimum Lease Payments	593,607
Less amount representing interest	<u>25,861</u>
Present value of net minimum lease payments	<u>567,746</u>
Less: Amount Due Within One Year	198,102
Long-Term Portion	<u><u>\$ 369,644</u></u>

The assets purchased under the capital lease agreement had a book value of \$1,029,841 at December 31, 2013.

## 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, 2013

NOTE 11: JOINT VENTURES AND RELATED ORGANIZATIONS (CONTINUED)

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 \$416,716 for the year ended December 31, 2013.

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 2013. 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 \$1,553,544 as of December 31, 2013.

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, 2013, approximated \$1.32 million. Separate financial statements for the Authority are available at their office.

ROSS TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 11: JOINT VENTURES AND RELATED ORGANIZATIONS (CONTINUED)

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, 2013. The Township has estimated the completion costs of the projects mandated by the ACO to be approximately \$17 million through the year 2013.

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, 2013

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, 2013, the Township paid Worker's Compensation premiums of \$350,135.

NOTE 14: PRIOR PERIOD ADJUSTMENT

As discussed in Note 2, the District adopted the provisions of GASB Statement No. 65, which resulted in a restatement of net position to remove items (bond issuance costs) previously recorded as assets.

As result opening fund balance and net position was restated as follows:

	Governmental <u>Activities</u>
Fund Balance/Net Position January 1, 2013, as previously reported	\$27,373,314
Adoption of GASB Statement No. 65	<u>(75,103)</u>
Fund Balance, January 1, 2013, restated	<u><u>\$27,298,211</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 12,264,815	\$ 12,264,815	\$ 13,940,518	\$ 1,675,703
Licenses and permits	924,150	924,150	1,020,963	96,813
Fines and forfeits	190,000	190,000	164,674	(25,326)
Interest, rent and royalties	22,000	22,000	30,761	8,761
Intergovernmental	818,200	818,200	1,162,459	344,259
Charges for services	501,700	501,700	485,894	(15,806)
Miscellaneous	141,000	141,000	323,149	182,149
<b>Total revenues</b>	<b>14,861,865</b>	<b>14,861,865</b>	<b>17,128,418</b>	<b>2,266,553</b>
<b>Expenditures</b>				
Legislative/governing body	345,011	345,011	333,360	11,651
Executive/manager	229,030	229,030	311,635	(82,605)
Financial administration	235,538	235,538	212,758	22,780
Tax collector	221,390	221,390	162,742	58,648
Legal	124,000	124,000	123,617	383
Data Processing	40,500	40,500	53,241	(12,741)
Engineer	70,000	70,000	169,861	(99,861)
Municipal building	258,565	258,565	231,565	27,000
Public safety	6,692,507	6,692,507	7,161,155	(468,648)
Fire marshal	867,515	867,515	1,046,539	(179,024)
Code enforcement	346,215	346,215	325,388	20,827
Planning and zoning	275,590	275,590	24,384	251,206
Emergency management	3,750	3,750	1,656	2,094
Public works	5,136,889	5,136,889	4,472,928	663,961
Parks and Recreation	1,138,103	1,138,103	1,001,733	136,370
<b>Total expenditures</b>	<b>15,984,603</b>	<b>15,984,603</b>	<b>15,632,562</b>	<b>352,041</b>
Excess (Deficiency) of Revenues over expenditures	<u>(1,122,738)</u>	<u>(1,122,738)</u>	<u>1,495,856</u>	<u>2,618,594</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease	-	-	483,501	483,501
Transfers in	913,375	913,375	900,856	(12,519)
Transfers out	(585,202)	(585,202)	(520,929)	64,273
<b>Total other financing sources (uses)</b>	<u>328,173</u>	<u>328,173</u>	<u>863,428</u>	<u>535,255</u>
<b>Net Change in Fund Balance</b>	<b>\$ (794,565)</b>	<b>\$ (794,565)</b>	<b>2,359,284</b>	<b>\$ 3,153,849</b>
Fund Balance - beginning of year			4,355,379	
Fund Balance - end of year			<u>\$ 6,714,663</u>	

ROSS TOWNSHIP, PENNSYLVANIA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET TO ACTUAL - SEWER FUND  
 YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Interest, rent and royalties	\$ 5,000	\$ 5,000	\$ 2,266	\$ (2,734)
Charges for services	<u>6,969,500</u>	<u>6,969,500</u>	<u>6,799,472</u>	<u>(170,028)</u>
Total revenues	<u>6,974,500</u>	<u>6,974,500</u>	<u>6,801,738</u>	<u>(172,762)</u>
<b>Expenditures</b>				
Financial administration	118,000	118,000	156,390	(38,390)
Sanitation	5,477,610	5,477,610	5,040,304	437,306
Administrative consent order	<u>1,325,000</u>	<u>1,325,000</u>	<u>1,295,981</u>	<u>29,019</u>
Total expenditures	<u>6,920,610</u>	<u>6,920,610</u>	<u>6,492,675</u>	<u>427,935</u>
Excess (Deficiency) of Revenues over expenditures	<u>53,890</u>	<u>53,890</u>	<u>309,063</u>	<u>(600,697)</u>
<b>Other Financing sources (uses)</b>				
Operating transfers out	<u>(53,890)</u>	<u>(53,890)</u>	<u>(250,000)</u>	<u>196,110</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	59,063	<u>\$ (404,587)</u>
Fund balance - beginning of year			<u>1,645,745</u>	
Fund balance - end of year			<u>\$ 1,704,808</u>	

ROSS TOWNSHIP, PENNSYLVANIA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2013

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
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
2011	19,722	100%	n/a	2011	315,178	105%	n/a
2012	126,243	100%	n/a	2012	408,387	76%	24%
2013	109,855	100%	n/a	2013	438,037	89%	11%

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	1/1/2013	Valuation Date	1/1/2013
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	4 year smoothing	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, 2013

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)
1/1/2009	\$ 12,080,774	\$ 10,236,870	\$ (1,843,904)	118.0%	\$ 1,989,640	-92.7%
1/1/2011	11,507,725	11,145,361	(362,364)	103.3%	2,092,655	-17.3%
1/1/2013	11,834,141	11,168,315	(665,826)	106.0%	1,862,444	-35.8%

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)
1/1/2009	\$ 20,662,508	\$ 20,435,490	\$ (227,018)	101.1%	\$ 2,746,719	-8.3%
1/1/2011	21,332,782	21,462,005	129,223	99.4%	2,906,073	4.4%
1/1/2013	22,574,229	23,100,011	525,782	97.7%	3,661,016	14.4%

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)
1/1/2009	\$ -	\$ 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%
1/1/2013	-	543,793	543,793	0.0%	3,661,016	14.9%