

# **Township of Cranberry**

## **Financial Statements and Required Supplementary and Supplementary Information**

**Year Ended December 31, 2012  
with Independent Auditor's Report**

**MaherDuessel**  
Certified Public Accountants

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# TOWNSHIP OF CRANBERRY

YEAR ENDED DECEMBER 31, 2012

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YEAR ENDED DECEMBER 31, 2012

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## Independent Auditor's Report

Board of Supervisors  
Township of Cranberry

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Cranberry (Township), Pennsylvania, as of and for the year ended December 31, 2012, 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.

### **Auditor's 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2012, and the respective changes in financial position and, where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and pension information on pages i through xii, page 43, and pages 44 through 46, respectively, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Mahe Duessel***

Pittsburgh, Pennsylvania  
August 26, 2013

## **Management's Discussion and Analysis**

As management of the Township of Cranberry (Township), Pennsylvania, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2012.

### **Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$77,113,634.
- The Township's net position increased by \$7,451,659.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$24,066,928.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,964,115.

### **Overview of Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user

fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, highways, roads, and streets, culture and recreation, community development, and interest on long-term debt. The business-type activities of the Township include water, sewer, golf course, solid waste, and swimming pool operations.

The government-wide financial statements include not only the Township itself (known as the primary government), but also a legally separate public library. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 and 2 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains seventeen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Transportation Improvement Program East Fund, the Capital Improvement Fund, and the 2011 Bond Fund as these funds are considered to be major funds. Data from the other thirteen funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report, and are described in more detail in Note 1 to the financial statements.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

*Proprietary funds.* The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water, sewer, golf course, solid waste, and swimming pool operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for water, sewer, golf course, and solid waste operations, all four of which are considered to be major funds of the Township. The Swimming Pool Fund is considered an other enterprise fund.

The basic proprietary fund financial statements can be found on pages 7 through 9 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10 and 11 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 12 through 42 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits to its police officers (presented in the accompanying notes) and budgetary comparison schedules for the General Fund and each major Special Revenue Fund. Required supplementary information can be found on pages 43 through 46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual governmental and fiduciary fund statements can be found on pages 47 through 52 of this report.



### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$77,113,634 at the close of the most recent fiscal year. Of this amount, \$43,822,139 (or 57%) is net investment in capital assets (e.g., land, buildings, and equipment), which includes some infrastructure and construction in progress, less any related debt used to acquire those assets that is still outstanding.

The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Township of Cranberry's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	27,649,758	26,809,539	14,971,762	19,187,552	42,621,520	45,997,091
Capital assets	49,745,513	42,814,686	44,033,470	41,342,178	93,778,983	84,156,864
<b>Total assets</b>	<b>77,395,271</b>	<b>69,624,225</b>	<b>59,005,232</b>	<b>60,529,730</b>	<b>136,400,503</b>	<b>130,153,955</b>
Current and other liabilities	1,969,295	1,120,303	1,588,213	1,408,194	3,557,508	2,528,497
Long-term liabilities	21,547,411	21,944,065	34,181,950	36,019,418	55,729,361	57,963,483
<b>Total liabilities</b>	<b>23,516,706</b>	<b>23,064,368</b>	<b>35,770,163</b>	<b>37,427,612</b>	<b>59,286,869</b>	<b>60,491,980</b>
Net Position:						
Net investment in capital assets,	30,294,676	24,371,285	13,527,463	11,722,760	43,822,139	36,094,045
Restricted	11,155,576	12,266,363	-	-	11,155,576	12,266,363
Unrestricted	12,428,313	9,922,209	9,707,606	11,379,358	22,135,919	21,301,567
<b>Total net position</b>	<b>53,878,565</b>	<b>46,559,857</b>	<b>23,235,069</b>	<b>23,102,118</b>	<b>77,113,634</b>	<b>69,661,975</b>

The balance of unrestricted net position, \$22,135,919 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, for the Township as a whole as well as for its separate governmental and business-type activities.

**Governmental Activities.** Governmental activities increased the Township's net position by \$7,318,708. Business-type activities increased the Township's net position by \$132,951. Key elements of these increases are as follows:

**Township of Cranberry's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	3,694,588	2,794,366	16,884,671	15,740,298	20,579,259	18,534,664
Operating grants	1,152,817	1,325,727	138,833	-	1,291,650	1,325,727
Capital grants	6,997,923	4,242,226	105,000	176,726	7,102,923	4,418,952
General revenues:						
Property taxes	4,624,944	3,739,241	-	-	4,624,944	3,739,241
Earned income taxes	5,899,993	5,603,738	-	-	5,899,993	5,603,738
Other taxes	4,430,540	4,004,236	-	-	4,430,540	4,004,236
Interest and rents	293,339	301,765	17,736	7,345	311,075	309,110
Other	115,234	99,737	-	-	115,234	99,737
Transfers	(98,056)	246,129	98,056	(246,129)	-	-
<b>Total revenues</b>	<b>27,111,322</b>	<b>22,357,165</b>	<b>17,244,296</b>	<b>15,678,240</b>	<b>44,355,618</b>	<b>38,035,405</b>

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Expenses</b>						
General government	4,571,975	4,622,037	-	-	4,571,975	4,622,037
Public safety	5,372,476	5,649,110	-	-	5,372,476	5,649,110
Highways, road, and streets	6,373,495	6,288,375	-	-	6,373,495	6,288,375
Culture and recreation	1,987,278	2,050,018	-	-	1,987,278	2,050,018
Community development	845,111	875,512	-	-	845,111	875,512
Interest on long-term debt	642,279	770,025	-	-	642,279	770,025
Water	-	-	5,248,216	4,929,698	5,248,216	4,929,698
Sewer	-	-	6,743,385	6,874,806	6,743,385	6,874,806
Golf course	-	-	2,464,377	2,522,445	2,464,377	2,522,445
Solid waste	-	-	1,901,364	1,766,273	1,901,364	1,766,273
Pool	-	-	754,003	743,981	754,003	743,981
<b>Total Expenses</b>	<b>19,792,614</b>	<b>20,255,077</b>	<b>17,111,345</b>	<b>16,837,203</b>	<b>36,903,959</b>	<b>37,092,280</b>
Change in net position	7,318,708	2,102,088	132,951	(1,158,963)	7,451,659	943,125
Net position - beginning	46,559,857	44,457,769	23,102,118	24,261,081	69,661,975	68,718,850
Net position - ending	53,878,565	46,559,857	23,235,069	23,102,118	77,113,634	69,661,975

The following table depicts revenues by source for governmental activities in 2012:

**Revenues by Source - Governmental Activities**

Charges for services	14%
Operating grants	4%
Capital grants	26%
Property taxes	17%
Earned income taxes	22%
Other taxes	16%
Interest and rents	1%
Total	100%

Government-wide revenues were primarily derived from capital grants at 26% and earned income taxes at 22%. Property taxes, at 17%, are the third largest source of revenue.

The following table depicts expenses by programs for governmental activities in 2012:

**Expenses by Program - Governmental Activities**

General government	23%
Public safety	27%
Highways, roads, and streets	33%
Culture and recreation	10%
Community Development	4%
Interest on long-term debt	3%
Total	100%

Total expenses for all programs in 2012 were \$19,792,614. The expenses reflect the delivery of a wide range of services, with the largest being highways, roads, and streets at 33%. The second largest program is public safety at 27%. The program ranked third is general government at 23%.

The following table depicts the net program expenses/revenues by function/program for governmental activities for the period ending December 31, 2012:

**Net Program Expenses/Revenues**

General government	\$(3,759,883)
Public safety	(4,031,909)
Highways, roads, and streets	694,561
Culture and recreation	(1,214,761)
Community development	1,006,985
Interest on long-term debt	(642,279)
Total	\$(7,947,286)

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general fund revenue for support, needing approximately \$4 million in 2012. General government expenses required approximately \$3.76 million in general revenues for support. Culture and Recreation needed approximately \$1.21 million.

**Business-type Activities.** Business-type activities increased the Township's net position by \$132,951. The Township's customer base for sewer and water and solid waste continues to grow.

- 98% of revenues come from charges for services and 2% from capital grants and contributions.

**Expenses and Program Revenues - Business-type Activities**

<b>Program</b>	<b>Program Revenues</b>	<b>Expenses*</b>
Sewer	6,490,568	5,109,451
Water	6,009,935	4,681,399
Golf Course	2,169,789	1,992,444
Solid Waste	1,881,447	1,815,279
Swimming Pool	576,765	663,729

\* depreciation removed

## **Financial Analysis of the Township's Funds**

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

*Governmental funds.* The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of approximately \$24 million.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,964,115.

*Proprietary funds.* The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year amounted to \$2,668,119, the Sewer Fund \$6,541,264, the Golf Course Fund (\$225,542), the Solid Waste Fund \$640,073, and the Swimming Pool Fund \$83,692. Other factors concerning the finances of these funds have already been addressed in the discussion of the Township's business-type activities.

## **General Fund Budgetary Highlights**

Revenues exceeded budgetary estimates by 17%. Increases in revenue can be seen in the Act 511 taxes as well as building permits. Expenditures were 3% under budget. Actual revenues exceeded expenditures by \$2,949,190. There was no need to draw upon existing fund balance.

## Capital Assets and Debt Administration

**Capital Assets.** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$93,778,983 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and infrastructure.

### Summary of the Township of Cranberry's Capital Assets

	<b>Governmental Activities 2012</b>	<b>Business-type Activities 2012</b>	<b>Total</b>
Land	13,103,783	3,366,304	16,470,087
Construction in Progress	2,398,152	3,594,894	5,993,046
<b>Total Non-Depreciable Assets</b>	<b>15,501,935</b>	<b>6,961,198</b>	<b>22,463,133</b>
Buildings	18,433,185	21,032,577	39,465,762
Site Improvements	3,553,849	4,278,310	7,832,159
Machinery, Equipment, Vehicles	10,399,394	18,774,740	29,174,134
Infrastructure	36,245,144	31,367,185	67,612,329
Carts – in service	-	809,684	809,684
Carts – not in service	-	74,853	74,853
<b>Total Depreciable Assets</b>	<b>68,631,572</b>	<b>76,337,349</b>	<b>144,968,921</b>
Accumulated Depreciation	-34,387,994	-39,265,077	-73,653,071
Total Depreciable Assets, Net	34,243,578	37,072,272	71,315,850
<b>Total Capital Assets</b>	<b>49,745,513</b>	<b>44,033,470</b>	<b>93,778,983</b>

More detailed information about the Township's capital assets can be found in Note 5 of the notes to financial statements.

**Long-Term Debt.** At the end of the current fiscal year, the Township had total debt outstanding of \$55,729,672. The Township's bond rating is Aa2 by Moody's Investor Service.

#### **Township of Cranberry's Outstanding Debt**

	<b>Governmental Activities 2012</b>	<b>Business-type Activities 2012</b>	<b>Total</b>
General Obligation Bonds	22,159,461	36,133,029	58,292,490
Deferred Refunding Loss	-881,645	-1,951,079	-2,832,724
Promissory Note	269,595	-	269,595
Compensated Absences	127,073	63,846	190,919
<b>Total</b>	<b>21,674,484</b>	<b>34,245,796</b>	<b>55,920,280</b>

More detailed information about the Township's long-term debt can be found in Note 7 of the notes to financial statements.

#### **Economic Factors**

The Township's population grew by more than 60% in the 1990's. The population estimate for 2012 is 29,115. Strong commercial growth continues to occur along Rt. 228 and Rt. 19. 136 non-residential permits were issued in 2012. Residential growth continues throughout the Township. In 2012, 338 new housing units were built.

Employment opportunities are derived from within the Township as well as from the City of Pittsburgh (less than a half an hour from Cranberry). The Township is home to five of the top ten employers in Butler County. Almost 20,000 people work in the Township. The Township's two largest employers are Westinghouse Electric (corporate and research headquarters) and Verizon Wireless (customer service center). In addition, the Pittsburgh area contains many corporate headquarters, colleges, universities, and major health care facilities. The demographics of the Township are skewed toward a younger, healthier, better educated, and more prosperous population than in most of Western Pennsylvania.



## **2013 Budget Highlights**

The 2013 General Fund budget represents approximately 3% growth in operating expenses and maintains the same level of services for an increasing population and increased business presence. All activities funded by the Township General Fund budget will focus on four core values: Efficiency, Employee Safety/Wellness, Communications, both externally and internally, as well as Customer Service. Combined with state and privately funded projects, township staff will be managing over \$40 million worth of improvements to the Township's infrastructure. Specific projects will include continuing transportation improvements, technology enhancements, new Public Safety facilities, and recreation improvements. Planning efforts are in place for a sustainable future. The Township wants to promote volunteerism as well as partnerships with its community organizations. The Township will also aggressively pursue all state and federal funding opportunities to enhance those initiatives.

As for the Township's business-type activities, at the time of budget preparation, there were no rate increases anticipated for water service, sewer service, or solid waste collection. The sewer collection system rehabilitation program continues to be funded to reduce infiltration and inflow to reduce operating costs at the treatment facility and to extend the time for the planned facility expansion. Infrastructure improvements include completing the Sewer Interceptor #1 replacement, water transmission line replacement, and begin sewage treatment plant improvement design.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Department, 2525 Rochester Road, Suite 400, Cranberry Township, PA 16066

Questions regarding the Cranberry Public Library financial information should be directed to the Library Director, Cranberry Public Library, 2525 Rochester Road, Suite 300, Cranberry Township, PA 16066.

# TOWNSHIP OF CRANBERRY

## STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cranberry Public Library
<b>Assets</b>				
Cash and cash equivalents	\$ 1,014,295	\$ 1,564,702	\$ 2,578,997	\$ 217,568
Investments	27,186,413	8,349,352	35,535,765	111,613
Receivable:				
Taxes	2,869,283	-	2,869,283	-
Customers - billed	-	207,912	207,912	-
Customers - unbilled	-	710,145	710,145	-
Other	111,282	31,456	142,738	20,983
Internal balances	(3,828,057)	3,828,057	-	-
Inventory	37,419	85,603	123,022	-
Net pension asset	226,641	-	226,641	-
Restricted assets:				
Beneficial interest in net position of community foundation	-	-	-	396,972
Capital assets, net:				
Non-depreciable	15,501,935	6,961,198	22,463,133	-
Depreciable	34,243,578	37,072,272	71,315,850	128,566
Other assets, net:				
Unamortized bond issue costs	32,482	194,535	227,017	-
<b>Total Assets</b>	<b>77,395,271</b>	<b>59,005,232</b>	<b>136,400,503</b>	<b>875,702</b>
<b>Liabilities</b>				
Accounts payable	618,198	806,038	1,424,236	39,070
Accrued payroll and related expenses	366,503	75,133	441,636	-
Accrued interest payable	219,220	424,434	643,654	-
Unearned revenue	638,301	136,175	774,476	-
Security deposits	-	82,587	82,587	-
Compensated absences	127,073	63,846	190,919	-
Long-term debt, current portion	1,289,836	1,744,445	3,034,281	-
Long-term debt, long-term portion	20,257,575	32,437,505	52,695,080	-
<b>Total Liabilities</b>	<b>23,516,706</b>	<b>35,770,163</b>	<b>59,286,869</b>	<b>39,070</b>
<b>Net Position</b>				
Net investment in capital assets	30,294,676	13,527,463	43,822,139	128,566
Restricted, expendable (see Note 1)	11,155,576	-	11,155,576	-
Restricted for Cranberry Legacy Fund, nonexpendable	-	-	-	396,972
Unrestricted	12,428,313	9,707,606	22,135,919	311,094
<b>Total Net Position</b>	<b>\$ 53,878,565</b>	<b>\$ 23,235,069</b>	<b>\$ 77,113,634</b>	<b>\$ 836,632</b>

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

# TOWNSHIP OF CRANBERRY

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Cranberry Public Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 4,571,975	\$ 444,179	\$ 367,913	\$ -	\$ (3,759,883)	\$ -	\$ (3,759,883)	\$ -
Public safety	5,372,476	555,877	784,690	-	(4,031,909)	-	(4,031,909)	-
Highways, roads, and streets	6,373,495	70,133	-	6,997,923	694,561	-	694,561	-
Culture and recreation	1,987,278	772,303	214	-	(1,214,761)	-	(1,214,761)	-
Community development	845,111	1,852,096	-	-	1,006,985	-	1,006,985	-
Interest on long-term debt	642,279	-	-	-	(642,279)	-	(642,279)	-
Total governmental activities	19,792,614	3,694,588	1,152,817	6,997,923	(7,947,286)	-	(7,947,286)	-
Business-type activities:								
Water	5,248,216	5,904,935	-	105,000	-	761,719	761,719	-
Sewer	6,743,385	6,490,568	-	-	-	(252,817)	(252,817)	-
Golf course	2,464,377	2,169,789	-	-	-	(294,588)	(294,588)	-
Solid waste	1,901,364	1,742,614	138,833	-	-	(19,917)	(19,917)	-
Other	754,003	576,765	-	-	-	(177,238)	(177,238)	-
Total business-type activities	17,111,345	16,884,671	138,833	105,000	-	17,159	17,159	-
Total primary government	\$ 36,903,959	\$ 20,579,259	\$ 1,291,650	\$ 7,102,923	(7,947,286)	17,159	(7,930,127)	-
<b>Component Unit:</b>								
Cranberry Public Library	\$ 689,657	\$ 32,760	\$ 743,821	\$ -				86,924
General revenues:								
Taxes:								
Property					4,624,944	-	4,624,944	-
Earned income					5,899,993	-	5,899,993	-
Business privilege					1,956,646	-	1,956,646	-
Local service					1,122,304	-	1,122,304	-
Real estate transfer					1,351,590	-	1,351,590	-
Interest, rents, and royalties					293,339	17,736	311,075	-
Gain on disposal of capital assets					56,301	-	56,301	-
Other					58,933	-	58,933	-
Transfers - internal activities					(98,056)	98,056	-	-
Total general revenues and transfers					15,265,994	115,792	15,381,786	-
Change in Net Position					7,318,708	132,951	7,451,659	86,924
Net position - beginning of year					46,559,857	23,102,118	69,661,975	749,708
Net position - end of year					\$ 53,878,565	\$ 23,235,069	\$ 77,113,634	\$ 836,632

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

# TOWNSHIP OF CRANBERRY

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2012

		Special Revenue Fund		Capital Projects Funds		
	General Fund	Transportation Improvement Program East Fund	Capital Improvement Fund	2011 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 995,008	\$ -	\$ -	\$ -	\$ 19,287	\$ 1,014,295
Investments	6,721,533	6,052,499	2,612,767	6,213,537	5,586,077	27,186,413
Taxes receivable	2,869,283	-	-	-	-	2,869,283
Other receivables	111,282	-	-	-	-	111,282
Due from other funds	672,653	1,188	6,000	-	188,427	868,268
Inventory	37,419	-	-	-	-	37,419
<b>Total Assets</b>	<b>\$ 11,407,178</b>	<b>\$ 6,053,687</b>	<b>\$ 2,618,767</b>	<b>\$ 6,213,537</b>	<b>\$ 5,793,791</b>	<b>\$ 32,086,960</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 260,229	\$ -	\$ 7,651	\$ 221,800	\$ 128,518	\$ 618,198
Accrued payroll and related expenses	366,503	-	-	-	-	366,503
Due to other funds	777,889	-	17,092	3,675,943	225,401	4,696,325
Unearned revenue	2,001,023	-	-	-	337,983	2,339,006
<b>Total Liabilities</b>	<b>3,405,644</b>	<b>-</b>	<b>24,743</b>	<b>3,897,743</b>	<b>691,902</b>	<b>8,020,032</b>
<b>Fund Balance:</b>						
Nonspendable:						
Inventory	37,419	-	-	-	-	37,419
Restricted:						
Transportation improvement	-	6,053,687	-	-	244,572	6,298,259
Highways and streets	-	-	-	-	167,966	167,966
Recreation	-	-	-	-	506,739	506,739
Library	-	-	-	-	(4,172)	(4,172)
Fire protection	-	-	-	-	958,404	958,404
Capital projects	-	-	-	2,315,794	-	2,315,794
Development review	-	-	-	-	740,272	740,272
Infrastructure improvement	-	-	-	-	2,450,298	2,450,298
Storm water maintenance	-	-	-	-	24,272	24,272
Public building improvements	-	-	-	-	13,538	13,538
Assigned:						
Capital improvements	-	-	2,594,024	-	-	2,594,024
Unassigned	7,964,115	-	-	-	-	7,964,115
<b>Total Fund Balance</b>	<b>8,001,534</b>	<b>6,053,687</b>	<b>2,594,024</b>	<b>2,315,794</b>	<b>5,101,889</b>	<b>24,066,928</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 11,407,178</b>	<b>\$ 6,053,687</b>	<b>\$ 2,618,767</b>	<b>\$ 6,213,537</b>	<b>\$ 5,793,791</b>	<b>\$ 32,086,960</b>

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

# TOWNSHIP OF CRANBERRY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2012

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 24,066,928</b>
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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 as assets in governmental funds.	49,745,513
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Certain taxes are not available to pay for current period expenditures and, therefore, are reported as unearned in the funds.	1,700,705
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Amounts contributed in excess of the annual pension cost are not current financial resources and, therefore, not reported in the funds.	226,641
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Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	32,482
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Accrued interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(219,220)
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Long-term liabilities, including compensated absences and bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,674,484)</u>
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<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 53,878,565</u></b>
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The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF CRANBERRY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2012

		Special Revenue Fund		Capital Projects Funds			
		Transportation Improvement Program East Fund		Capital Improvement Fund	2011 Bond Fund	Other Governmental Funds	Total Governmental Funds
	General Fund						
<b>Revenues:</b>							
Taxes:							
Property	\$ 2,867,845	\$ -	\$ -	\$ -	\$ -	\$ 1,758,606	\$ 4,626,451
Earned income	5,893,655	-	-	-	-	-	5,893,655
Business privilege	1,956,646	-	-	-	-	-	1,956,646
Local service	1,122,304	-	-	-	-	-	1,122,304
Real estate transfer	1,351,590	-	-	-	-	-	1,351,590
Licenses, permits, and fees	2,319,016	-	-	-	-	257,782	2,576,798
Fines and forfeitures	117,113	-	-	-	-	-	117,113
Interest, rents, and royalties	230,743	18,026	1,422	34,727	8,421	-	293,339
Intergovernmental	886,133	-	515,735	-	624,544	-	2,026,412
Contributions and donations	266,793	580,856	5,000	-	991,166	-	1,843,815
Charges for services	1,000,568	-	-	-	-	-	1,000,568
Miscellaneous	56,134	-	2,799	-	-	-	58,933
Total revenues	18,068,540	598,882	524,956	34,727	3,640,519	-	22,867,624
<b>Expenditures:</b>							
Current:							
General government	2,696,577	-	-	-	-	-	2,696,577
Public safety	4,770,154	-	-	-	-	494,578	5,264,732
Highways, roads, and streets	3,723,166	3,358	-	-	-	1,236,656	4,963,180
Culture and recreation	1,609,429	-	-	-	-	377,461	1,986,890
Community development	845,111	-	-	-	-	-	845,111
Miscellaneous	98	-	-	60,943	1,298	-	62,339
Debt service:							
Principal retirement	816,428	-	-	-	-	609,352	1,425,780
Interest charges	537,412	-	-	-	-	8,211	545,623
Bond issue costs	-	-	125,357	-	-	-	125,357
Capital outlay	120,975	63,645	1,906,267	1,293,683	2,551,127	-	5,935,697
Total expenditures	15,119,350	67,003	2,031,624	1,354,626	5,278,683	-	23,851,286
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	2,949,190	531,879	(1,506,668)	(1,319,899)	(1,638,164)	-	(983,662)
<b>Other Financing Sources (Uses):</b>							
Proceeds from general obligation debt	-	-	11,855,000	-	-	-	11,855,000
Bond premium	-	-	893,076	-	-	-	893,076
Payment to bond refunding escrow agent	-	-	(11,688,342)	-	-	-	(11,688,342)
Proceeds from sale of capital assets	56,301	-	-	-	-	-	56,301
Transfers in	300,000	-	888,532	-	90,498	-	1,279,030
Transfers out	(1,282,086)	-	-	-	(95,000)	-	(1,377,086)
Total other financing sources (uses)	(925,785)	-	1,948,266	-	(4,502)	-	1,017,979
<b>Net Change in Fund Balance</b>	2,023,405	531,879	441,598	(1,319,899)	(1,642,666)	-	34,317
<b>Fund Balance:</b>							
Beginning of year	5,978,129	5,521,808	2,152,426	3,635,693	6,744,555	-	24,032,611
End of year	\$ 8,001,534	\$ 6,053,687	\$ 2,594,024	\$ 2,315,794	\$ 5,101,889	\$ -	\$ 24,066,928

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

# TOWNSHIP OF CRANBERRY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

### Net Change in Fund Balance - Governmental Funds

\$ 34,317

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

Governmental funds report capital outlays as expenditures and contributions of capital assets are not reported. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributions exceeded depreciation in the current period.

Capital outlays	\$ 5,497,264
Capital contributions	4,280,622
Depreciation expense	<u>(2,847,059)</u>

6,930,827

The net pension asset is reflected on the statement of net position, but is not considered an asset that is available to pay current liabilities for the fund statements. The value of this item changed by this amount during the year.

14,016

Some taxes will not be collected for several months after the Township's year-end, and they are not considered "available" revenues in the governmental funds.

4,831

In the statement of activities, accumulated employee benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

65,327

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(84,191)

The issuance of long-term obligations (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issue costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Issuance of long-term debt	(11,855,000)
Payment to refunding agent	11,688,342
Principal payments	1,425,780
Bond premium	(893,076)
Amortization of bond discounts/premiums	79,557
Amortization of bond issue costs	(10,175)
Amortization of deferred refunding loss	<u>(81,847)</u>

353,581

### Change in Net Position of Governmental Activities

\$ 7,318,708

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

# TOWNSHIP OF CRANBERRY

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2012

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 457,658	\$ 1,101,705	\$ 5,339	\$ -	\$ -	\$ 1,564,702
Investments	2,715,452	4,669,690	172,676	697,280	94,254	8,349,352
Accounts receivable:						
Customers - billed	96,918	90,185	-	20,809	-	207,912
Customers - unbilled	323,063	387,082	-	-	-	710,145
Other	26,971	-	-	-	4,485	31,456
Due from other funds	1,739,171	1,678,018	75	73,251	1,400,129	4,890,644
Inventory	-	-	85,603	-	-	85,603
Total current assets	5,359,233	7,926,680	263,693	791,340	1,498,868	15,839,814
Non-current assets:						
Capital assets:						
Land	91,517	171,340	3,103,447	-	-	3,366,304
Construction in progress	-	3,594,894	-	-	-	3,594,894
Buildings	6,794,053	8,761,842	2,963,085	-	2,513,597	21,032,577
Site improvements	386,565	269,103	3,622,642	-	-	4,278,310
Machinery, equipment, and vehicles	1,412,240	15,953,820	1,321,796	69,687	17,197	18,774,740
Infrastructure	12,977,352	18,389,833	-	-	-	31,367,185
Carts - in-service	-	-	-	809,684	-	809,684
Carts - not in-service	-	-	-	74,853	-	74,853
Less: accumulated depreciation	(8,325,555)	(24,525,385)	(4,322,726)	(606,602)	(1,484,809)	(39,265,077)
Other assets:						
Unamortized bond issue costs	-	145,042	49,493	-	-	194,535
Total non-current assets	13,336,172	22,760,489	6,737,737	347,622	1,045,985	44,228,005
<b>Total Assets</b>	18,695,405	30,687,169	7,001,430	1,138,962	2,544,853	60,067,819
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	354,434	266,613	53,597	129,480	1,914	806,038
Accrued payroll and related expenses	26,974	38,171	5,736	4,252	-	75,133
Accrued interest payable	-	310,116	101,233	-	13,085	424,434
Due to other funds	701,286	115,673	232,050	13,401	177	1,062,587
Unearned revenue	-	-	136,175	-	-	136,175
Security deposits	82,587	-	-	-	-	82,587
Long-term debt - current portion	6,000	1,169,000	260,000	-	309,445	1,744,445
Total current liabilities	1,171,281	1,899,573	788,791	147,133	324,621	4,331,399
Non-current liabilities:						
Compensated absences	25,833	23,942	9,937	4,134	-	63,846
Long-term debt - net of current maturities:						
General obligation bonds	1,431,000	21,274,000	7,010,000	-	2,135,640	31,850,640
Deferred loss on early retirement of debt	-	(1,440,472)	(510,607)	-	-	(1,951,079)
Unamortized bond premium	108,353	1,759,356	566,475	-	103,760	2,537,944
Total non-current liabilities	1,565,186	21,616,826	7,075,805	4,134	2,239,400	32,501,351
<b>Total Liabilities</b>	2,736,467	23,516,399	7,864,596	151,267	2,564,021	36,832,750
<b>Net Position</b>						
Net investment in capital assets	13,290,819	629,506	(637,624)	347,622	(102,860)	13,527,463
Unrestricted	2,668,119	6,541,264	(225,542)	640,073	83,692	9,707,606
<b>Total Net Position</b>	\$ 15,958,938	\$ 7,170,770	\$ (863,166)	\$ 987,695	\$ (19,168)	\$ 23,235,069

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



# TOWNSHIP OF CRANBERRY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
<b>Operating Revenues:</b>						
Charges for services	\$ 5,623,266	\$ 6,406,316	\$ 2,169,789	\$ 1,695,124	\$ 575,032	\$ 16,469,527
Penalties and interest	43,511	43,695	-	16,687	-	103,893
Miscellaneous revenues	65,183	40,557	-	30,803	339	136,882
Total operating revenues	5,731,960	6,490,568	2,169,789	1,742,614	575,371	16,710,302
<b>Operating Expenses:</b>						
Wages, benefits, and related taxes	917,553	1,441,019	649,077	150,632	299,190	3,457,471
Employee insurance	237,501	330,229	91,012	23,498	19,443	701,683
Pension	91,086	128,225	27,499	8,180	2,503	257,493
Administrative expenses	66,679	95,007	57,869	43,516	9,387	272,458
Materials and supplies	92,103	137,327	115,203	36,374	32,799	413,806
Collection and disposal cost	-	-	-	1,456,679	-	1,456,679
Water purchase	2,618,723	-	-	-	-	2,618,723
Chemicals	-	547,636	110,418	-	40,658	698,712
Laboratory	-	44,751	-	-	-	44,751
Telephone and utilities	74,344	646,443	43,949	-	51,429	816,165
Repairs and maintenance	215,127	165,929	8,405	5,736	3,599	398,796
Minor equipment rental and purchase	25,352	25,707	31,853	-	8,165	91,077
Vehicle expense	40,593	29,641	27,813	-	-	98,047
Professional and other services	249,174	398,728	309,057	90,664	49,988	1,097,611
Concession and other products and services	-	-	225,907	-	57,796	283,703
Depreciation	566,817	1,633,934	471,933	86,085	90,274	2,849,043
Miscellaneous expenses	2,065	162,176	-	-	-	164,241
Total operating expenses	5,197,117	5,786,752	2,169,995	1,901,364	665,231	15,720,459
<b>Operating Income (Loss)</b>	534,843	703,816	(206)	(158,750)	(89,860)	989,843
<b>Non-Operating Revenues (Expenses):</b>						
Interest income	8,284	8,583	117	686	66	17,736
Rental income	172,975	-	-	-	1,394	174,369
Grant revenue	105,000	-	-	138,833	-	243,833
Interest expense	(51,099)	(956,633)	(294,382)	-	(88,772)	(1,390,886)
Total non-operating revenues (expenses)	235,160	(948,050)	(294,265)	139,519	(87,312)	(954,948)
Income (loss) before transfers	770,003	(244,234)	(294,471)	(19,231)	(177,172)	34,895
Transfers in	-	-	223,970	-	403,116	627,086
Transfers out	(145,249)	(333,781)	-	(50,000)	-	(529,030)
Total transfers	(145,249)	(333,781)	223,970	(50,000)	403,116	98,056
<b>Change in Net Position</b>	624,754	(578,015)	(70,501)	(69,231)	225,944	132,951
<b>Net Position:</b>						
Beginning of year	15,334,184	7,748,785	(792,665)	1,056,926	(245,112)	23,102,118
End of year	\$ 15,958,938	\$ 7,170,770	\$ (863,166)	\$ 987,695	\$ (19,168)	\$ 23,235,069

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

# TOWNSHIP OF CRANBERRY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
<b>Cash Flows From Operating Activities:</b>						
Receipts from customers	\$ 5,655,466	\$ 6,488,796	\$ 2,181,807	\$ 1,694,111	\$ 575,032	\$ 16,595,212
Payments to suppliers	(3,393,739)	(2,318,430)	(918,728)	(1,634,384)	(256,300)	(8,521,581)
Payments to employees	(1,168,700)	(1,786,414)	(740,111)	(173,869)	(320,025)	(4,189,119)
Other receipts (payments), net	71,473	40,557	-	30,803	339	143,172
Net cash provided by (used in) operating activities	1,164,500	2,424,509	522,968	(83,339)	(954)	4,027,684
<b>Cash Flows From Non-Capital Financing Activities:</b>						
Transfers from (to) other funds, net	213,566	1,858,005	148,321	(72,030)	403,183	2,551,045
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(1,849,882)	(3,588,476)	(101,977)	-	-	(5,540,335)
Principal paid on capital debt	(6,000)	(1,224,000)	(285,000)	-	(308,883)	(1,823,883)
Interest paid on capital debt	(57,871)	(943,887)	(294,718)	-	(94,233)	(1,390,709)
Grants	105,000	-	-	138,833	-	243,833
Net cash provided by (used in) capital and related financing activities	(1,808,753)	(5,756,363)	(681,695)	138,833	(403,116)	(8,511,094)
<b>Cash Flows From Investing Activities:</b>						
Interest income	8,284	8,583	117	686	66	17,736
Rental income	172,975	-	-	-	1,394	174,369
Net sales (purchases) of investments	531,931	1,141,734	8,960	15,850	(573)	1,697,902
Net cash provided by (used in) investing activities	713,190	1,150,317	9,077	16,536	887	1,890,007
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	282,503	(323,532)	(1,329)	-	-	(42,358)
<b>Cash and Cash Equivalents:</b>						
Beginning of year	175,155	1,425,237	6,668	-	-	1,607,060
End of year	\$ 457,658	\$ 1,101,705	\$ 5,339	\$ -	\$ -	\$ 1,564,702
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>						
Operating income (loss)	\$ 534,843	\$ 703,816	\$ (206)	\$ (158,750)	\$ (89,860)	\$ 989,843
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	566,817	1,633,934	471,933	86,085	90,274	2,849,043
Change in:						
Receivables, net	(11,311)	38,785	-	(17,700)	-	9,774
Inventory	-	-	(995)	-	-	(995)
Accounts payable and accrued expenses	81,507	(30,821)	22,274	6,765	24	79,749
Accrued interest payable	-	93,961	17,966	-	-	111,927
Security deposits	6,290	-	-	-	-	6,290
Compensated absences	(13,646)	(15,166)	(22)	261	(1,392)	(29,965)
Unearned revenue	-	-	12,018	-	-	12,018
Total adjustments	629,657	1,720,693	523,174	75,411	88,906	3,037,841
Net cash provided by (used in) operating activities	\$ 1,164,500	\$ 2,424,509	\$ 522,968	\$ (83,339)	\$ (954)	\$ 4,027,684
<b>Supplementary Information:</b>						
Non-cash capital and related financing activities:						
Amortization of bond issue costs, premiums, and deferred refunding loss charged to interest	\$ 6,772	\$ 231,878	\$ 29,479	\$ -	\$ 35,276	\$ 303,405

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

# TOWNSHIP OF CRANBERRY

## STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2012

<b>Assets</b>	
Cash and cash equivalents	\$ 595,618
Investments:	
U.S. Government agency obligations	104,228
Corporate bonds	208,997
Mutual funds	<u>12,303,863</u>
<b>Total Assets</b>	<u>13,212,706</u>
<b>Net Position Held in Trust for Pension Benefits</b>	<u><u>\$ 13,212,706</u></u>

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

# TOWNSHIP OF CRANBERRY

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2012

### **Additions:**

Employer contributions	\$ 733,049
Employee contributions	110,178
Total contributions	843,227
Investment gain:	
Net appreciation in fair value of investments	1,051,507
Interest and dividends	364,567
Total investment gain	1,416,074
Total additions	2,259,301

### **Deductions:**

Benefits	597,724
Administrative expense	33,310
Total deductions	631,034

**Change in Plan Net Position** 1,628,267

### **Net Position Held in Trust for Pension Benefits:**

Beginning of year	11,584,439
End of year	\$ 13,212,706

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

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Cranberry (Township) is a second-class township organized under laws of the Commonwealth of Pennsylvania. The Township operates under a supervisors-manager form of government and provides the following services: public safety, highways and streets, health and welfare, recreation, public improvements, planning and zoning, and general administrative services.

#### Reporting Entity

These financial statements present the Township (the primary government) and the Township's discretely presented component unit, as described below. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

#### Cranberry Public Library

The Cranberry Public Library (Library) was created in 1973 to establish, maintain, and encourage the use of a library by the general public in the Township. The Library is considered a special purpose government in that it is engaged in a single governmental program and does not provide the multitude of basic governmental services such as general government services, public safety, parks, and recreation, etc. The Internal Revenue Service considers the Library exempt from federal income tax as defined in Section 501(c)(3) of the Internal Revenue Code. The Library is primarily funded through a dedicated real estate tax millage from the Township, the Butler County Federated Library System, and various state and local grants. Although the Library is a legally separate entity, the Township's Board of Supervisors (Board) appoints a majority of the Library's Board of Directors.

The Library's financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recorded when a liability is incurred. The Library issues separate financial statements, which are available at the Library's office.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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primary government is reported separately from its legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants 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 as *general revenues*.

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial 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. Expenditures are generally 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.

Property, earned income, local services, and franchise taxes, as well as 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.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Basic Financial Statement – Fund Financial Statements

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

The *Transportation Improvement Program East Fund*, a Special Revenue Fund, accounts for the impact fees restricted for usage on the eastern side of the Township.

The *Capital Improvement Fund*, a Capital Projects Fund, accounts for financial resources to be used for the acquisition or construction of major capital projects and facilities.

The *2011 Bond Fund*, a Capital Projects Fund, accounts for the cash proceeds received from the 2011 bond issuance and various capital projects funded by the issue.

Additionally, the Township reports the following other governmental funds:

The *Other Governmental Funds* are comprised of Special Revenue Funds and Capital Projects Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (other than major capital projects). The Township uses the following nine Special Revenue Funds: Fire Protection Fund, Library Fund, Recreational Facilities Fund, Transportation Improvement Program West Fund, Developers' Deposits Fund, Developers' Contributions Fund, Highway Aid Fund, Storm Water Maintenance Fund, and the Transportation Improvement Program South-East Fund.

The Capital Projects Funds are used to account for the accumulation of resources to use in the acquisition or construction of major capital purchases and facilities (other than those financed by proprietary funds). The Township uses the following four Capital

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Projects Funds: Fire Capital Fund, Township Transportation Improvement Program Fund, Road Equipment Fund, and Public Building Fund.

### Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township reports the following major proprietary funds:

The *Water, Sewer, and Solid Waste Funds* account for transactions related to providing water, sewer, and solid waste services to Township residents.

The *Golf Course Fund* accounts for transactions related to operating the Township's golf course.

Additionally, the Township reports the following other proprietary fund information:

The *Swimming Pool Fund* accounts for transactions related to providing services to residents at the Township's swimming pool and recreation park.

### Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Township programs. The reporting focus is on net position and changes in net position, and is reported using accounting principles similar to proprietary funds.

The *Police Pension Fund* and *Non-Uniform Pension Fund* account for assets held by the Township in a trustee capacity for the future payment of retirement benefits to employees.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's governmental activities, business-type activities, and component unit. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These items are presented as internal balances and eliminated in the total primary government column.

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Revenue Classification of Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Township's proprietary funds are charges to customers for sales and services. The Township also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Cash and Cash Equivalents

The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. For purposes of the basic financial statements, the Township considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within 90 days of the date they are acquired.

### Investments

Investments are reported at fair value.

### Inventories

Inventories are carried at cost using the first-in, first-out method.

### Capital Assets

Capital assets are reported in the applicable proprietary fund, or governmental or business-type activities columns in the government-wide financial statements, at historical cost, or estimated historical cost if purchased or constructed. Contributed capital assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Township's threshold for capitalization of assets is as follows:

Land and land improvements	\$1
Building and building improvements	\$1
Construction in progress	\$1

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Machinery, equipment, and vehicles	\$5,000
Infrastructure	\$50,000
Site improvements	\$5,000

Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	20-50 years
Infrastructure	10-60 years
Site improvements	10-20 years
Machinery, equipment, and vehicles	5-20 years

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. The Township follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. When the asset is ready for use, costs relating thereto are transferred to property, plant, and equipment. Upon determination that a project will be abandoned, the related costs are charged to expense.

Interest costs of proprietary fund capital assets are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

### Compensated Absences

The Township accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee in the government-wide and proprietary funds 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. Since the current liability calculated by the Township is considered immaterial, the entire balance is reported as non-current for financial statement purposes.

### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds type statement of net position. Bond premiums and discounts, as well as issue costs and deferred refunding gains and losses, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issue costs are amortized over the term of the related debt

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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In the fund financial statements, bond premium and discounts, as well as bond issue costs, are recognized during the current period. 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. Issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via formal action by the Board and must be made prior to the end of the year. A commitment can only be modified or removed by the same formal action. There was no committed fund balance at December 31, 2012.
- Assigned – This category represents intentions of the Board to use the funds for specific purposes. The Board has delegated the authority to assign amounts to be used for specific purposes to the Township Manager or his/her designee.
- Unassigned – This category includes the residual classification for the Township's General Fund and includes all spendable amounts not contained in other classifications.

The Township's policy is to use funds in the order of the most restrictive to the least restrictive.

### Net Position

The government-wide and proprietary funds financial statements are required to report three components of net position:

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net asset use through external restrictions. Net position is restricted as described below:

Amount	Restriction
\$ 958,404	Fire protection
(4,172)	Library
506,739	Recreation
6,298,259	Transportation improvement
740,272	Development review
2,450,298	Infrastructure improvement
167,966	Highways and streets
24,272	Storm water maintenance
13,538	Public building improvements
<u>\$ 11,155,576</u>	

Unrestricted - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

The Library Fund and Transportation Improvement Program West Fund had a deficit fund balance at December 31, 2012 of \$4,172 and \$13,781, respectively. The Swimming Pool Fund and Golf Course Fund had a deficit net position balance at December 31, 2012 of \$19,168 and \$863,166, respectively. This deficit will be financed through future revenues of the fund and through transfers from other funds.

### 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.

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Township's 2012 financial statements:

GASB has issued Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary.

GASB has issued Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The primary impact of this statement on the Township's 2012 financial statements related to reporting the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources as net "position," rather than net "assets." As of December 31, 2012, the Township had no items that qualified for reporting in the deferred inflow of resources or deferred outflow of resources categories.

### Pending Pronouncements

GASB has issued Statement No. 61, *"The Financial Reporting Entity: Omnibus,"* effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* effective for the year ending December 31, 2013. This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 67, *"Financial Reporting for Pension Plans,"* effective for financial statements for periods beginning after June 15, 2013, and has also issued Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* effective for fiscal years beginning after June 15, 2014. These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The effect of implementation of these statements have not yet been determined.

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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GASB has issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*," effective for financial statements for the periods beginning after June 15, 2013 (the Township's December 31, 2014 financial statements). This Statement requires a guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The effect of implementation of this statement has not yet been determined.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Budgets and Budgetary Accounting

Annual budgets for the General and Special Revenue Funds are adopted on a budgetary basis of accounting whereby revenues are budgeted in the year receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The differences between the basis used and that which is consistent with generally accepted accounting principles is not material. All annual appropriations lapse at fiscal year-end.

The Township uses the following procedures in establishing the budgetary data reflected in the financial statements.

- The Township's staff begins preparation of the annual budget in mid-September of each year.
- Budget requests from departments (revenue and expenses) must be submitted to the Township Manager by the second week of October.
- The Township Manager, in consult with Assistant Managers and the Director of Finance, prepare a tentative budget for presentation to the Board.
- Meetings regarding the budget with the Board take place the second and third weeks of November. The Board of Supervisors adopts the tentative budget the fourth week of November.
- The availability of the tentative budget is advertised publicly. According to the Second Class Township Code of the Commonwealth of Pennsylvania, the budget must be available to the public for 20 days prior to its final adoption.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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- The Board adopts the final budget at their final meeting of the year, typically the third week of December. The Second Class Township Code requires that the budget be adopted prior to December 31 of each year.

Appropriations may be transferred between accounts within functions without approval of the Board. During the year ended December 31, 2012, the Board enacted one supplemental appropriation resolution. Also, during the year ended December 31, 2012, expenditures exceeded appropriations in the Highways, Roads and Streets, Miscellaneous, and Community Development departments, as well as Capital Outlay expenditures of the General Fund, and also within the Highways, Roads and Streets department in the Transportation Improvement Program East Fund. These overages were funded by available fund balance.

### 3. REAL ESTATE TAXES

Real estate taxes are based on assessed valuations provided by the County of Butler (County), and are billed and collected by the Township's elected tax collector.

The millage for 2012 was 13 mills applied to an assessed valuation of \$358,341,979. The Township apportions the millage and property taxes collected in the following manner:

General Fund	8.03 mills
Fire Protection Fund	1.27 mills
Fire Capital Fund	0.85 mills
Library Fund	1.00 mills
Public Building Fund	1.00 mills
Road Equipment Fund	0.85 mills

The Township's property tax calendar is as follows:

Discount of 2% if paid by April 30
Face value if paid by June 30
Penalty of 10% if paid between July 1 and December 31

After one year, unpaid taxes are turned over to the Butler County Tax Claim Bureau, and a sheriff's sale is conducted on the property if settlement is not made within one additional year. Delinquent taxes are considered fully collectible.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 4. CASH, DEPOSITS, AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types 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 allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township and the Library adheres to state statutes. Deposits of the governmental funds, proprietary funds, and the Library are either maintained in demand deposits and certificates of deposit or are pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township or Library.

#### Deposits

*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, 2012, \$11,242,306 of the Township’s \$14,237,558 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). These deposits have carrying amounts of \$13,179,286 as of December 31, 2012. Included within these amounts are \$10,600,289 of certificates of deposits (bank and book balance), which are considered investments for presentation on the statement of net position and governmental funds balance sheet.

#### Investments

The investments in PLGIT are “pooled” with other local governments and school districts in an effort to maximize return and minimize costs associated with investing. PLGIT invests in two basic types of federal securities: obligations backed by the full faith and credit of the United States Government and short-term obligations of the United States Government or its agencies or instrumentalities (which may or may not be backed by the full faith and credit of the United States Government). The PLGIT Trust may also invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies and may also have repurchase agreements. Finally, the trust is also authorized to invest in certificates of deposit which are insured by the FDIC or which are collateralized as provided by law. PLGIT investments are subject to oversight by the Commonwealth of Pennsylvania.

As of December 31, 2012, the entire fair value of the investments in PLGIT of \$20,818,182 is considered to be investments for presentation on the statement of net position and governmental funds balance sheet. These deposits have a carrying amount of \$20,818,182 as of December 31, 2012.



# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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In addition to the pooled PLGIT investments, the Township also invests in U.S. Government agency obligations. The fair value of the investments as of December 31, 2012 was \$4,117,294.

*Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2012, investments in PLGIT received an AAA rating and the U.S. Government agency obligations received an AA+ rating from Standard & Poor's.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Township does not have a formal investment policy for custodial credit risk. The Township's investments in PLGIT cannot be classified by risk category because the investment is not evidenced by securities that exist in physical or book entry form.

*Interest Rate Risk* – The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

### Pension Trust Funds

In addition to the investments authorized for the governmental funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, mutual funds, real estate, and other investments consistent with sound business practices. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from other Township funds. These investments are stated at fair value.

As of December 31, 2012, the Township had the following cash, cash equivalents, and investments in its Pension Trust Funds:

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2012		
		Less than 1 year	1-5 Years	6-10 Years
U.S. Government agency obligations	\$ 104,228	\$ 104,228	\$ -	\$ -
Corporate bonds	208,997	103,835	105,162	-
Total debt securities	313,225	\$ 208,063	\$ 105,162	\$ -
Cash and cash equivalents	595,618			
Mutual funds	12,303,863			
<b>Total cash, cash equivalents, and investments reported on statement of fiduciary net position</b>	<b>\$ 13,212,706</b>			

*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 Funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

As of December 31, 2012, the Pension Trust Funds' investments in corporate bonds have received the following ratings from Standard & Poor's:

Investment Type	Rating	Percentage of Total Pension Trust Fund Corporate Bonds
Corporate bonds	AAA	32.9%
Corporate bonds	A	33.6%
Corporate bonds	A-	31.9%
Corporate bonds	Not rated	1.6%
		100.0%

*Custodial Credit Risk* – 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. All of the Township's Pension Trust Fund investments in U.S Government agency obligations and corporate bonds are exposed to custodial credit risk, as the investments are held on behalf of the Township by the trustee, in the name of the trustee. The Pension Trust Funds' money market cash funds (which are included in cash and cash equivalents on the statement of fiduciary net position) and investments in mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. However, to reduce investment risks, the investment policy guidelines for the

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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police pension fund and the municipal employees' pension fund identify range allocations for all investments. The total plan range allocations are as follows:

<u>Asset Class</u>	<u>Allocation Range</u>
Equity	40% - 65%
Fixed income	20% - 60%
Cash equivalents	0% - 20%

*Concentration of Credit Risk* – The Township places no limit on the amount the Township may invest in any one issuer. The Township has no investments of greater than 5% with one issuer.

*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.

### Deposits and Investments – Cranberry Public Library (Component Unit)

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of bank failure, the Library's deposits may not be returned to it. The Library does not have a formal deposit policy for credit risk. As of December 31, 2012, the carrying amount of the Library's cash and deposits was \$217,568 and the related bank balance totaled \$218,015, all of which was covered by federal depository insurance.

*Custodial Credit Risk – Investments.* The Library's investments in mutual funds of \$111,613 are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

*Restricted Investments.* During 2010, the Library liquidated and transferred its total investment portfolio to the Cranberry Township Community Chest to invest in their established Endowment Fund, The Cranberry Legacy Fund. The Library relinquished control of the investments at the time of the transfer. The Library will receive its respective portion of investment income earned by The Cranberry Legacy Fund and will be entitled to reinvest the funds or receive an income distribution. There were donations of \$1,000 and an investment gain of \$32,311, which was reinvested, for the year ended December 31, 2012. At December 31, 2012, the fair value of the underlying investments was \$396,972.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 5. CAPITAL ASSETS

A summary of capital asset activity during 2012 was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 9,499,596	\$ 3,604,187	\$ -	\$ 13,103,783
Construction in progress	-	2,398,152	-	2,398,152
Total non-depreciable capital assets	9,499,596	6,002,339	-	15,501,935
Depreciable capital assets:				
Buildings	17,035,388	1,397,797	-	18,433,185
Site improvements	3,518,398	35,451	-	3,553,849
Machinery, equipment, and vehicles	9,800,939	716,677	(118,222)	10,399,394
Infrastructure	34,619,522	1,625,622	-	36,245,144
Total depreciable capital assets	64,974,247	3,775,547	(118,222)	68,631,572
Less accumulated depreciation for:				
Buildings	(6,782,990)	(578,749)	-	(7,361,739)
Site improvements	(2,264,099)	(178,100)	-	(2,442,199)
Machinery, equipment, and vehicles	(6,389,823)	(694,993)	118,222	(6,966,594)
Infrastructure	(16,222,245)	(1,395,217)	-	(17,617,462)
Total accumulated depreciation	(31,659,157)	(2,847,059)	118,222	(34,387,994)
Total depreciable capital assets, net	33,315,090	928,488	-	34,243,578
Governmental activities, capital assets, net	\$ 42,814,686			\$ 49,745,513

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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	Balance at January 1, 2012	Transfers/ Additions	Transfers/ Deletions	Balance at December 31, 2012
<b>Business-type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 3,366,304	\$ -	\$ -	\$ 3,366,304
Construction in progress	1,503,242	3,484,483	(1,392,831)	3,594,894
Total non-depreciable capital assets	4,869,546	3,484,483	(1,392,831)	6,961,198
Depreciable capital assets:				
Buildings	18,095,338	2,937,239	-	21,032,577
Site improvements	4,278,310	-	-	4,278,310
Machinery, equipment, and vehicles	18,530,793	322,308	(78,361)	18,774,740
Carts - in-service	809,684	-	-	809,684
Carts - not in-service	74,853	-	-	74,853
Infrastructure	31,178,049	189,136	-	31,367,185
Total depreciable capital assets	72,967,027	3,448,683	(78,361)	76,337,349
Less accumulated depreciation for:				
Buildings	(8,146,389)	(611,029)	-	(8,757,418)
Site improvements	(2,652,766)	(267,386)	-	(2,920,152)
Machinery, equipment, and vehicles	(13,472,780)	(1,311,400)	78,361	(14,705,819)
Carts - in-service	(501,561)	(80,969)	-	(582,530)
Infrastructure	(11,720,899)	(578,259)	-	(12,299,158)
Total accumulated depreciation	(36,494,395)	(2,849,043)	78,361	(39,265,077)
Total depreciable capital assets, net	36,472,632	599,640	-	37,072,272
Business-type activities, capital assets, net	\$ 41,342,178			\$ 44,033,470

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# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

Governmental activities:	
General government	\$ 1,328,612
Public safety	107,744
Culture and recreation	388
Highways, roads, and streets	<u>1,410,315</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,847,059</u></u>
Business-type activities:	
Water	\$ 566,817
Sewer	1,633,934
Golf course	471,933
Solid waste	86,085
Other enterprise fund	<u>90,274</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,849,043</u></u>

### Infrastructure Assets Contributed by Developers

A significant portion of infrastructure assets related to governmental activities and business-type activities is built by developers and contributed to the Township. Once the Township has valid title to the property, the related capital assets are recorded at fair value on the government-wide financial statements and on the proprietary funds financial statements, as applicable. During the year ended December 31, 2012, infrastructure assets contributed by developers amounted to \$900,622, and are recorded as capital grants and contribution revenue within governmental activities.

### Contributed Land

During the year ended December 31, 2012, land with an estimated value of \$3,380,000 was contributed to the Township. The contributed land is recorded within capital grants and contribution revenue within governmental activities.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of and for the year ended December 31, 2012, are summarized below:

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds:		
General Fund	\$ 672,653	\$ 777,889
Transportation Improvement Program East Fund	1,188	-
Capital Improvement Fund	6,000	17,092
2011 Bond Fund	-	3,675,943
Major Enterprise Funds:		
Water Fund	1,739,171	701,286
Sewer Fund	1,678,018	115,673
Golf Course Fund	75	232,050
Solid Waste Fund	73,251	13,401
Other Enterprise Fund	1,400,129	177
Other Governmental Funds	188,427	225,401
Total	<u>\$ 5,758,912</u>	<u>\$ 5,758,912</u>
Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 300,000	\$ 1,282,086
Capital Improvement Fund	888,532	-
Major Enterprise Funds:		
Water Fund	-	145,249
Sewer Fund	-	333,781
Golf Course Fund	223,970	-
Solid Waste Fund	-	50,000
Other Enterprise Fund	403,116	-
Other Governmental Funds	90,498	95,000
Total	<u>\$ 1,906,116</u>	<u>\$ 1,906,116</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.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The amount due from the 2011 Bond Fund to the Water, Sewer, and Other enterprise funds represents the portion of 2011 Bond issue proceeds that will be used for future projects in those funds, but the cash and investments are held by the 2011 Bond Fund at December 31, 2012.

The transfers between funds represent ongoing activity between the funds for the disbursements made from the General Fund, and the transfer from the General Fund to the Capital Improvement Fund represents amounts set aside for capital projects.

### 7. LONG-TERM LIABILITIES

#### General Obligation Bonds

General obligation bonds are backed by the full faith and credit of the Township. General obligation bonds issued are as follows:

Series	Issue Amount	Maturity Date	Interest Rate	Balance at December 31, 2012
2003A	\$ 7,885,000	2016	1.10-4.03%	\$ 3,760,000
2003B*	1,535,000	2025	1.65-4.60%	-
2008*	9,995,000	2024	3.00-4.00%	-
2010	4,470,000	2021	.50-3.00%	3,660,000
2011	37,405,000	2031	.30-4.27%	35,735,000
2012	11,855,000	2025	.30-2.75%	11,535,000

\* Refunded in 2012

#### Promissory Note

The promissory note is secured by the related equipment. The promissory note issued is as follows:

Purpose	Year of Issue	Issue Amount	Maturity Date	Interest Rate	Balance at December 31, 2012
Fire truck	2008	\$ 447,796	2018	3.00%	\$ 269,595

A detail of long-term liability activity for governmental activities for the year ended December 31, 2012 is as follows:



# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Additions	Amortization, Retirements, and Refunding	Balance at December 31, 2012	Due Within One Year
General obligation bonds:					
Series A of 2003, net of unamortized discount	\$ 3,266,032 (11,385)	\$ - -	\$ (607,712) 2,277	\$ 2,658,320 (9,108)	\$ 629,230 -
Series B of 2003, net of unamortized discount	1,105,000 (14,149)	- -	(1,105,000) 14,149	- -	- -
Series of 2008, net of unamortized discount	9,960,000 (79,667)	- -	(9,960,000) 79,667	- -	- -
Series of 2010	4,020,000	-	(360,000)	3,660,000	370,000
Series of 2011, net of unamortized premium	3,340,000 262,723	- -	(98,716) (13,136)	3,241,284 249,587	116,325 -
Series of 2012, net of unamortized premium	- -	11,855,000 893,076	(320,000) (68,698)	11,535,000 824,378	130,000
	<u>21,848,554</u>	<u>12,748,076</u>	<u>(12,437,169)</u>	<u>22,159,461</u>	<u>1,245,555</u>
Deferred refunding loss	(213,436)	(750,056)	81,847	(881,645)	-
Promissory note payable	308,947	-	(39,352)	269,595	44,281
Compensated absences	192,400	-	(65,327)	127,073	-
	<u>\$ 22,136,465</u>	<u>\$ 11,998,020</u>	<u>\$ (12,460,001)</u>	<u>\$ 21,674,484</u>	<u>\$ 1,289,836</u>

A detail of long-term liability activity for business-type activities for the year ended December 31, 2012 is as follows:

	Balance at January 1, 2012	Additions	Amortization, Retirements, and Refunding	Balance at December 31, 2012	Due Within One Year
General obligation bonds:					
Series A of 2003	\$ 1,353,968	\$ -	\$ (252,288)	\$ 1,101,680	\$ 260,770
Series of 2011, net of unamortized premium	34,065,000 2,689,208	- -	(1,571,595) (151,264)	32,493,405 2,537,944	1,483,675 -
	<u>38,108,176</u>	<u>-</u>	<u>(1,975,147)</u>	<u>36,133,029</u>	<u>1,744,445</u>
Deferred refunding loss	(2,088,758)	-	137,679	(1,951,079)	-
Compensated absences	93,811	-	(29,965)	63,846	-
	<u>\$ 36,113,229</u>	<u>\$ -</u>	<u>\$ (1,867,433)</u>	<u>\$ 34,245,796</u>	<u>\$ 1,744,445</u>

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Future Maturities

The future scheduled maturities of General Obligation Bonds are as follows:

	Governmental and Business-type Activities		
	Principal	Interest	Total
2013	\$ 2,990,000	\$ 1,930,630	\$ 4,920,630
2014	3,085,000	1,989,250	5,074,250
2015	3,185,000	1,884,010	5,069,010
2016	3,285,000	1,782,426	5,067,426
2017	3,385,000	1,673,608	5,058,608
2018-2022	18,830,000	6,454,864	25,284,864
2023-2027	16,050,000	2,481,317	18,531,317
2028-2031	3,880,000	292,534	4,172,534
	<u>\$ 54,690,000</u>	<u>\$ 18,488,639</u>	<u>\$ 73,178,639</u>

The future scheduled payments required to amortize the promissory note outstanding as of December 31, 2012 are as follows:

	Governmental Activities		
	Principal	Interest	Total
2013	\$ 44,281	\$ 7,606	\$ 51,887
2014	45,628	6,259	51,887
2015	47,016	4,871	51,887
2016	48,446	3,441	51,887
2017	49,919	1,968	51,887
2018	34,305	482	34,787
	<u>\$ 269,595</u>	<u>\$ 24,627</u>	<u>\$ 294,222</u>

### Bond Refundings

In 2012, the Township issued the Series of 2012 General Obligation Bonds (2012 Bonds), the proceeds of which were used to advance refund the Series B of 2003 General Obligation Bonds (2003B Bonds), and Series of 2008 General Obligation Bonds (2008 Bonds). As a result, the 2003B and 2008 Bonds are considered defeased and the liability for these bonds has been removed from the financial statements. At December 31, 2012, \$1,045,000 and \$9,950,000 of the 2003B and 2008 Bonds, respectively, are outstanding.

This refunding did not materially reduce total debt service payments. However, the refunding did result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$866,000. The refunding of the 2003B

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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and 2008 Bonds generated a loss on defeasance of approximately \$752,798, which is deferred and is amortized over the life of the refunding portion of the 2012 Bonds.

### 8. POLICE PENSION PLAN

#### Plan Description

The Police Pension Plan (Plan) is a single employer defined benefit plan established under the provisions of Act 205 and Act 600 of the Commonwealth of Pennsylvania. The Plan is governed by the Township's Board which has delegated the authority to manage certain Plan assets to the Township Manager. Plan provisions and contribution requirements are established and may be amended by the Township. A stand-alone financial report of the Plan is available upon request in the Township's finance office.

#### Summary of Significant Accounting Policies

Financial information of the Township's plan is presented on the accrual basis of accounting. Employer contributions to the Plan are recognized when due as required by Act 205 and Act 600. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. 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 Plan did not have any investment transactions with related parties during the year.

#### Significant Provisions of the Police Pension Plan

*A. Participation* - Any individual employed by the Township on a regular, full-time basis as a member of the Township's police force is covered by the Plan from the participant's date of hire. At January 1, 2011, the date of the most recent valuation, participants in the Plan were as follows:

Participants:	
Retirees and beneficiaries	11
Active employees:	
Vested	8
Nonvested	19

*B. Vesting* – Participants are 100% vested after 12 years of service.

*C. Retirement Benefit* - A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 50 for employment that began prior to

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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January 1, 1992. Those employees hired after January 1, 1992 are entitled to receive benefits after completing 25 years of service and attaining age 55. The scheduled monthly retirement benefit is 50% of the participant's final average monthly compensation earned during the last 36 months of employment, plus an additional monthly benefit of \$10 for each completed year of service in excess of 25 years, up to a maximum monthly increment of \$100.

*D. Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

*E. Death Benefit* - If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest.

If a participant's death occurs in the line of duty and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 100% of the participant's salary at the time of death. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 50% of the pension the participant was receiving or entitled to receive on the date of death.

*F. Funding* - The Plan is funded on an annual basis pursuant to the provisions of Act 205 and Act 600. In addition, participants are required to contribute 5.5% of their compensation. The annual pension cost and contribution, as well as the Plan assumptions for the Plan, are as follows:

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Annual pension cost	\$	414,337
Contributions made	\$	428,353
Actuarial valuation date		1/1/2011
Actuarial cost method		Entry Age Normal
Amortization method		Level Dollar Closed
Asset valuation method		4 year Smoothing
Amortization period		11 years
Actuarial assumptions:		
Investment rate of return		7.5%
Projected salary increases		5.5%
Underlying inflation rate		3.0%

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Plan and funded from investment earnings.

### Net Pension Asset

The Township's net pension asset (a negative net pension obligation (NPO)) as of December 31, 2012 is calculated as follows:

Annual required contribution	\$	428,325
Interest on NPO		(15,947)
Adjustment to the ARC		1,959
		<hr/>
Annual pension cost		414,337
Contribution made		<hr/> (428,353)
Change in NPO		(14,016)
NPO, 12/31/2011		<hr/> (212,625)
NPO, 12/31/2012	\$	<hr/> <hr/> (226,641)

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2010	\$ 383,829	99.7%	\$ (11,477)
12/31/2011	382,912	152.5%	(212,625)
12/31/2012	414,337	103.4%	(226,641)

### Changes in Actuarial Assumptions

Based upon an actuarial valuation performed as of January 1, 2011, the salary scale assumption was adjusted from 5.0% to 5.5% per year based on the historical averages of the plan. This assumption change increased the unfunded actuarial accrued liability by approximately \$109,000.

### Statement of Plan Net Position

<u>Assets</u>	
Cash and cash equivalents	\$ 172,902
Investments (at fair value):	
U.S. Government agency obligations	104,228
Corporate bonds	208,997
Mutual funds	8,555,788
<b>Total Assets</b>	<b>9,041,915</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 9,041,915</b>

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### Statement of Changes in Plan Net Position

<b>Additions:</b>	
Employer contributions	\$ 428,353
Employee contributions	110,178
Investment gain:	
Net appreciation in	
fair value of investments	571,085
Interest and dividends	403,251
Total investment gain	974,336
Total additions	1,512,867
<b>Deductions:</b>	
Benefits	336,296
Administrative expense	33,310
Total deductions	369,606
<b>Change in Plan Net Position</b>	1,143,261
<b>Net Position Held in Trust for Pension Benefits:</b>	
Beginning of year	7,898,654
End of year	\$ 9,041,915

### Funded Status

The Township's funded status and related information for the Plan as of the latest actuarial valuation date, January 1, 2011, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
\$ 7,461,902	\$ 8,993,143	\$(1,531,241)	82.97%	\$ 2,265,422	-67.59%

The schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 9. NON-UNIFORM PENSION PLAN

#### Plan Description

The Non-Uniform Pension Plan (Plan) is a single employer defined contribution plan established under the provisions of Act 205 of the Commonwealth of Pennsylvania. The Plan is governed by the Township's Board which has delegated the authority to manage certain plan assets to the Township Manager. Plan provisions and contribution requirements are established and may be amended by the Township. The Plan provides for retirement, disability, and death benefits to Plan members and their beneficiaries.

#### Summary of Significant Accounting Policies

Financial information of the Township's plan is presented on the accrual basis of accounting. Employer contributions to Plan are recognized when due as required by Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. 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 Plan did not have any investment transactions with related parties during the year.

#### Significant Provisions of the Non-Uniform Pension Plan

*A. Funding Policy* - Active members are not required to contribute to the Plan. The Township is required to contribute through yearly contributions five percent (5%) of the participant's annual compensation into an account maintained for the participant. The Township contributes seven percent (7%) to accounts of participants who are union members. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution.

*B. Participation* - The Plan covers all full-time employees of the Township who are not members of the Township's police force. Employees who have worked 1,000 hours or more during the year are entitled to a contribution allocation for that year. Effective January 1, 2013, immediate participation is permitted.

*C. Vesting* - Any account share attributable to the participants' voluntary contributions is always 100% vested. All other accounts will vest according to the cause of termination. In case of death, disability, or retirement the vesting is 100%. In case of termination for any other reason, a participant will vest as follows:



# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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<u>Years of Service</u>	<u>Vesting %</u>
Less than 3	0%
3, but less than 4	20%
4, but less than 5	40%
5, but less than 6	60%
6, but less than 7	80%
7 or more	100%

*D. Benefits* - In case of death, disability, retirement or any other employment termination, the participant or beneficiary will be entitled to the distribution of the participant's account balance based on the then-current value of their vested interest, plus 100% of the voluntary contributions made.

*E. Death Benefits* - If a participant dies prior to retirement age, the beneficiary will be entitled to the accumulated contributions.

*F. Contributions* - A contribution in the amount of \$304,696 was made by the Township to the Plan during year ended December 31, 2012.

### 10. DEFERRED COMPENSATION PLANS

Employees of the Township may participate in a deferred compensation plan (plan) adopted under the provisions of Internal Revenue Code Section 457 (Deferred compensation plans with respect to service for State and Local Governments).

The plan is available to all full-time employees of the Township. As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The Township contributes 5% of employees' salary, after a six-month waiting period, to the plan on behalf of all full-time administrative employees and Teamster members. For utility workers, the Township matches employee contributions to a maximum of 3%. During 2012, the Township contributed approximately \$352,800 to the plan, and employee contributions were approximately \$322,400.

During August of 2012, the Township established two 401(a) plans. The plans are available to the Township Manager and administrative employees. The plans were created to allow the Township Manager and administrative employees greater opportunity to maximize their

# TOWNSHIP OF CRANBERRY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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deferred compensation contribution to the deferred compensation plan. During 2012, the Township contributed approximately \$35,700 to the plans.

### 11. COMMITMENTS AND CONTINGENCIES

The Township is the defendant in a number of lawsuits arising principally from the normal course of operation. In the opinion of the administration, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

Additionally, the former Authority, which has been merged into the Township, is party to various legal proceedings which normally occur in Authority operations. These legal proceedings are not likely to have a material adverse impact on the Township.

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. There have been no significant changes in insurance coverage since the prior year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Township has signed various contracts related to capital projects that began during 2012, but were not completed as of December 31, 2012. The total amount of unpaid commitments on these contracts is approximately \$5.8 million at December 31, 2012.

### 12. LEASE AND NAMING RIGHTS AGREEMENTS

#### Telecommunication Tower Lease Agreements

The Township has entered into numerous lease agreements with cellular phone providers for the installation of telecommunication towers on Township property. During 2012, the total revenue under these lease agreements was approximately \$173,000. The majority of the lease agreements are for a term of five years, with varying renewal dates for additional five year periods. Three additional lease agreements are for a period exceeding five years, and extend to 2050, 2058, and 2073. Monthly lease payments range from approximately \$600 to \$3,000.

#### Graham Park Lease Agreements

The Township has entered into lease agreements through 2018 with three local athletic associations for use of Graham Park during the year. During 2012, the total revenue under

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# **TOWNSHIP OF CRANBERRY**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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these lease agreements was approximately \$140,800. The annual lease payments total approximately \$136,000 per year.

### **Graham Park Naming Rights Agreement**

In 2008, the Township entered into a naming rights agreement with Dick's Sporting Goods for the stadium at Graham Park. Under this agreement, and for a number of considerations, the most substantial of which was the naming of the stadium, the Township received an initial payment of \$200,000, and will continue to receive \$200,000 each year until the agreement expires in 2017.

### **13. SIGNIFICANT COMPONENT UNIT TRANSACTIONS**

During 2012, the Township provided approximately \$516,000 of support to the Library in the form of dedicated real estate tax revenues and contributions of facilities.

## **Required Supplementary Information**

**TOWNSHIP OF CRANBERRY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND AND TRANSPORTATION IMPROVEMENT PROGRAM EAST FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	General Fund				Transportation Improvement Program East Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
<b>Revenues:</b>								
Taxes:								
Property	\$ 2,866,280	\$ 2,866,280	\$ 2,867,845	\$ 1,565	\$ -	\$ -	\$ -	\$ -
Earned income	5,040,033	5,040,033	5,893,655	853,622	-	-	-	-
Business privilege	1,880,000	1,880,000	1,956,646	76,646	-	-	-	-
Local service	1,000,000	1,000,000	1,122,304	122,304	-	-	-	-
Real estate transfer	1,000,000	1,000,000	1,351,590	351,590	-	-	-	-
Licenses, permits, and fees	1,300,900	1,300,900	2,319,016	1,018,116	-	-	-	-
Fines and forfeitures	107,000	107,000	117,113	10,113	-	-	-	-
Interest, rents, and royalties	215,947	215,947	230,743	14,796	5,000	5,000	18,026	13,026
Intergovernmental	736,500	736,500	886,133	149,633	-	-	-	-
Contributions and donations	238,000	238,000	266,793	28,793	-	-	580,856	580,856
Charges for services	970,474	970,474	1,000,568	30,094	-	-	-	-
Miscellaneous	80,000	80,000	56,134	(23,866)	-	-	-	-
Total revenues	15,435,134	15,435,134	18,068,540	2,633,406	5,000	5,000	598,882	593,882
<b>Expenditures:</b>								
Current:								
General government	2,881,667	2,881,667	2,696,577	185,090	-	-	-	-
Public safety	4,783,890	4,783,890	4,770,154	13,736	-	-	-	-
Highways, roads, and streets	3,662,150	3,662,150	3,723,166	(61,016)	-	-	3,358	(3,358)
Culture and recreation	1,716,899	1,716,899	1,609,429	107,470	-	-	-	-
Community development	838,819	838,819	845,111	(6,292)	-	-	-	-
Miscellaneous	-	-	98	(98)	-	-	-	-
Debt service	1,611,060	1,611,060	1,353,840	257,220	-	-	-	-
Capital outlay	100,650	100,650	120,975	(20,325)	150,000	150,000	63,645	86,355
Total expenditures	15,595,135	15,595,135	15,119,350	475,785	150,000	150,000	67,003	82,997
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(160,001)</b>	<b>(160,001)</b>	<b>2,949,190</b>	<b>3,109,191</b>	<b>(145,000)</b>	<b>(145,000)</b>	<b>531,879</b>	<b>676,879</b>
<b>Other Financing Sources (Uses):</b>								
Proceeds from sale of capital assets	10,000	10,000	56,301	46,301	-	-	-	-
Transfers in	300,000	300,000	300,000	-	-	-	-	-
Transfers out	(900,000)	(1,028,970)	(1,282,086)	(253,116)	-	-	-	-
Total other financing sources (uses)	(590,000)	(718,970)	(925,785)	(206,815)	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ (750,001)</b>	<b>\$ (878,971)</b>	<b>2,023,405</b>	<b>\$ 2,902,376</b>	<b>\$ (145,000)</b>	<b>\$ (145,000)</b>	<b>531,879</b>	<b>\$ 676,879</b>
<b>Fund Balance:</b>								
Beginning of year			5,978,129				5,521,808	
End of year			<u>\$ 8,001,534</u>				<u>\$ 6,053,687</u>	

# TOWNSHIP OF CRANBERRY

## SCHEDULE OF FUNDING PROGRESS - PENSION TRUST FUND

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a % of Covered Payroll
<b>Police:</b>	1/1/2007	\$ 6,093,213	\$ 6,987,181	\$ (893,968)	87.2%	\$ 1,929,340	-46.3%
	1/1/2009	6,227,017	7,838,502	(1,611,485)	79.4%	2,133,755	-75.5%
	1/1/2011	7,461,902	8,993,143	(1,531,241)	83.0%	2,265,422	-67.6%

Note: State law requires biennial valuations on the odd-numbered years.

See accompanying note to required supplementary schedules.

# TOWNSHIP OF CRANBERRY

## SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES - PENSION TRUST FUND

Calendar Year	Police	
	Annual Required Contributions	Percentage Contributed
2007	\$ 275,231	100.0%
2008	271,197	100.0%
2009	268,577	100.0%
2010	382,807	100.0%
2011	381,814	153.0%
2012	428,325	100.0%

See accompanying note to required supplementary schedules.

# TOWNSHIP OF CRANBERRY

## NOTE TO REQUIRED SUPPLEMENTARY SCHEDULES PENSION TRUST FUND

YEAR ENDED DECEMBER 31, 2012

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

	<u>Police</u>
Actuarial valuation date	1/1/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Asset valuation method	4 Year Smoothing
Amortization period	11 years
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.5%
Underlying inflation rate	3.0%
Cost of living adjustments	100% change in CPI-W



## **Supplementary Information**

# TOWNSHIP OF CRANBERRY

## COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	Special Revenue Funds							
	Fire Protection Fund	Library Fund	Recreational Facilities Fund	Transportation Improvement Program West Fund	Developers' Deposits Fund	Developers' Contributions Fund	Highway Aid Fund	Storm Water Maintenance Fund
<b>Assets</b>								
Cash and cash equivalents	\$ 1,951	\$ 1,253	\$ -	\$ -	\$ 12,700	\$ -	\$ -	\$ -
Investments	279,810	53,248	501,889	3,460	1,082,325	2,508,814	90,658	24,272
Due from other funds	13,618	152,836	4,850	-	-	1,090	-	-
<b>Total Assets</b>	<b>\$ 295,379</b>	<b>\$ 207,337</b>	<b>\$ 506,739</b>	<b>\$ 3,460</b>	<b>\$ 1,095,025</b>	<b>\$ 2,509,904</b>	<b>\$ 90,658</b>	<b>\$ 24,272</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 13,083	\$ 1,191	\$ -	\$ 17,241	\$ 8,644	\$ 59,606	\$ -	\$ -
Unearned revenue	-	-	-	-	337,983	-	-	-
Due to other funds	5,957	210,318	-	-	8,126	-	-	-
<b>Total Liabilities</b>	<b>19,040</b>	<b>211,509</b>	<b>-</b>	<b>17,241</b>	<b>354,753</b>	<b>59,606</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>								
Restricted	276,339	(4,172)	506,739	(13,781)	740,272	2,450,298	90,658	24,272
<b>Total Fund Balance</b>	<b>276,339</b>	<b>(4,172)</b>	<b>506,739</b>	<b>(13,781)</b>	<b>740,272</b>	<b>2,450,298</b>	<b>90,658</b>	<b>24,272</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 295,379</b>	<b>\$ 207,337</b>	<b>\$ 506,739</b>	<b>\$ 3,460</b>	<b>\$ 1,095,025</b>	<b>\$ 2,509,904</b>	<b>\$ 90,658</b>	<b>\$ 24,272</b>

(Continued)

# TOWNSHIP OF CRANBERRY

## COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2012

(Continued)

	Special Revenue Funds		Capital Projects Funds					
	Transportation Improvement Program South- East Fund	Total Special Revenue Funds	Fire Capital Fund	Township Transportation Improvement Program Fund	Road Equipment Fund	Public Building Fund	Total Capital Projects Funds	Total Other Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 15,904	\$ 1,065	\$ -	\$ 1,065	\$ 1,253	\$ 3,383	\$ 19,287
Investments	260,479	4,804,955	678,820	20,667	73,076	8,559	781,122	5,586,077
Due from other funds	-	172,394	9,118	-	3,177	3,738	16,033	188,427
<b>Total Assets</b>	<u>\$ 260,479</u>	<u>\$ 4,993,253</u>	<u>\$ 689,003</u>	<u>\$ 20,667</u>	<u>\$ 77,318</u>	<u>\$ 13,550</u>	<u>\$ 800,538</u>	<u>\$ 5,793,791</u>
<b>Liabilities and Fund Balance</b>								
Liabilities:								
Accounts payable and accrued expenses	\$ 22,793	\$ 122,558	\$ 5,938	\$ -	\$ 10	\$ 12	\$ 5,960	\$ 128,518
Unearned revenue	-	337,983	-	-	-	-	-	337,983
Due to other funds	-	224,401	1,000	-	-	-	1,000	225,401
Total Liabilities	<u>22,793</u>	<u>684,942</u>	<u>6,938</u>	<u>-</u>	<u>10</u>	<u>12</u>	<u>6,960</u>	<u>691,902</u>
Fund Balance:								
Restricted	<u>237,686</u>	<u>4,308,311</u>	<u>682,065</u>	<u>20,667</u>	<u>77,308</u>	<u>13,538</u>	<u>793,578</u>	<u>5,101,889</u>
Total Fund Balance	<u>237,686</u>	<u>4,308,311</u>	<u>682,065</u>	<u>20,667</u>	<u>77,308</u>	<u>13,538</u>	<u>793,578</u>	<u>5,101,889</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 260,479</u>	<u>\$ 4,993,253</u>	<u>\$ 689,003</u>	<u>\$ 20,667</u>	<u>\$ 77,318</u>	<u>\$ 13,550</u>	<u>\$ 800,538</u>	<u>\$ 5,793,791</u>

(Concluded)

# TOWNSHIP OF CRANBERRY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds							
	Fire Protection Fund	Library Fund	Recreational Facilities Fund	Transportation Improvement Program West Fund	Developers' Deposits Fund	Developers' Contributions Fund	Highway Aid Fund	Storm Water Maintenance Fund
<b>Revenues:</b>								
Taxes	\$ 449,682	\$ 353,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	257,782	-	-	-	-	-
Interest, rents, and royalties	109	83	123	2,733	363	4,322	138	5
Intergovernmental	-	-	-	-	-	-	624,544	-
Contributions and donations	-	-	-	400,835	-	305,586	-	24,267
Total revenues	449,791	354,077	257,905	403,568	363	309,908	624,682	24,272
<b>Expenditures:</b>								
Public safety	437,830	-	-	-	-	-	-	-
Highways, roads, and streets	-	-	-	81,932	561,822	-	570,109	-
Culture and recreation	-	377,461	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	1,298	-	-
Debt service:								
Principal retirement	-	-	175,000	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	1,794,655	-	442,782	-	-
Total expenditures	437,830	377,461	175,000	1,876,587	561,822	444,080	570,109	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	11,961	(23,384)	82,905	(1,473,019)	(561,459)	(134,172)	54,573	24,272
<b>Other Financing Sources (Uses):</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
<b>Net Change in Fund Balance</b>	11,961	(23,384)	82,905	(1,473,019)	(561,459)	(134,172)	54,573	24,272
<b>Fund Balance:</b>								
Beginning of year	264,378	19,212	423,834	1,459,238	1,301,731	2,584,470	36,085	-
End of year	\$ 276,339	\$ (4,172)	\$ 506,739	\$ (13,781)	\$ 740,272	\$ 2,450,298	\$ 90,658	\$ 24,272

(Continued)

# TOWNSHIP OF CRANBERRY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2012

(Continued)

	Special Revenue Funds		Capital Projects Funds					
	Transportation Improvement Program South- East Fund	Total Special Revenue Funds	Fire Capital Fund	Township Transportation Improvement Program Fund	Road Equipment Fund	Public Building Fund	Total Capital Projects Funds	Total Other Governmental Funds
<b>Revenues:</b>								
Taxes	\$ -	\$ 803,676	\$ 300,973	\$ -	\$ 300,468	\$ 353,489	\$ 954,930	\$ 1,758,606
Licenses, permits, and fees	-	257,782	-	-	-	-	-	257,782
Interest, rents, and royalties	1	7,877	458	5	32	49	544	8,421
Intergovernmental	-	624,544	-	-	-	-	-	624,544
Contributions and donations	260,478	991,166	-	-	-	-	-	991,166
Total revenues	260,479	2,685,045	301,431	5	300,500	353,538	955,474	3,640,519
<b>Expenditures:</b>								
Public safety	-	437,830	56,748	-	-	-	56,748	494,578
Highways, roads, and streets	22,793	1,236,656	-	-	-	-	-	1,236,656
Culture and recreation	-	377,461	-	-	-	-	-	377,461
Miscellaneous	-	1,298	-	-	-	-	-	1,298
Debt service:								
Principal retirement	-	175,000	189,352	-	-	245,000	434,352	609,352
Interest charges	-	-	8,211	-	-	-	8,211	8,211
Capital outlay	-	2,237,437	-	-	313,690	-	313,690	2,551,127
Total expenditures	22,793	4,465,682	254,311	-	313,690	245,000	813,001	5,278,683
<b>Excess (Deficiency) of Revenues Over (Under)</b>								
<b>Expenditures</b>	237,686	(1,780,637)	47,120	5	(13,190)	108,538	142,473	(1,638,164)
<b>Other Financing Sources (Uses):</b>								
Transfers in	-	-	-	-	90,498	-	90,498	90,498
Transfers out	-	-	-	-	-	(95,000)	(95,000)	(95,000)
Total other financing sources (uses)	-	-	-	-	90,498	(95,000)	(4,502)	(4,502)
<b>Net Change in Fund Balance</b>	237,686	(1,780,637)	47,120	5	77,308	13,538	137,971	(1,642,666)
<b>Fund Balance:</b>								
Beginning of year	-	6,088,948	634,945	20,662	-	-	655,607	6,744,555
End of year	\$ 237,686	\$ 4,308,311	\$ 682,065	\$ 20,667	\$ 77,308	\$ 13,538	\$ 793,578	\$ 5,101,889

(Concluded)

# TOWNSHIP OF CRANBERRY

## COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2012

<b>Assets</b>	<b>Police Pension Fund</b>	<b>Non-Uniform Pension Fund</b>	<b>Total Pension Trust Funds</b>
Cash and cash equivalents	\$ 172,902	\$ 422,716	\$ 595,618
Investments:			
U.S. Government agency obligations	104,228	-	104,228
Corporate bonds	208,997	-	208,997
Mutual funds	8,555,788	3,748,075	12,303,863
<b>Total Assets</b>	<b>9,041,915</b>	<b>4,170,791</b>	<b>13,212,706</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 9,041,915</b>	<b>\$ 4,170,791</b>	<b>\$ 13,212,706</b>

# TOWNSHIP OF CRANBERRY

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2012

	Police Pension Fund	Non-Uniform Pension Fund	Total Pension Trust Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Additions:</b>			
Employer contributions	\$ 428,353	\$ 304,696	\$ 733,049
Employee contributions	110,178	-	110,178
	<u>538,531</u>	<u>304,696</u>	<u>843,227</u>
Investment gain:			
Net appreciation in fair value of investments	719,526	331,981	1,051,507
Interest and dividends	254,810	109,757	364,567
	<u>974,336</u>	<u>441,738</u>	<u>1,416,074</u>
Total investment gain	<u>974,336</u>	<u>441,738</u>	<u>1,416,074</u>
Total additions	<u>1,512,867</u>	<u>746,434</u>	<u>2,259,301</u>
<b>Deductions:</b>			
Benefits	336,296	261,428	597,724
Administrative expense	33,310	-	33,310
	<u>369,606</u>	<u>261,428</u>	<u>631,034</u>
Total deductions	<u>369,606</u>	<u>261,428</u>	<u>631,034</u>
<b>Change in Plan Net Position</b>	1,143,261	485,006	1,628,267
<b>Net Position Held in Trust for Pension Benefits:</b>			
Beginning of year	7,898,654	3,685,785	11,584,439
End of year	<u>\$ 9,041,915</u>	<u>\$ 4,170,791</u>	<u>\$ 13,212,706</u>