

Township of Cranberry

Financial Statements and Required Supplementary and Supplementary Information

**Year Ended December 31, 2013
with Independent Auditor's Report**

MaherDuessel
Certified Public Accountants

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TOWNSHIP OF CRANBERRY

YEAR ENDED DECEMBER 31, 2013

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TOWNSHIP OF CRANBERRY

YEAR ENDED DECEMBER 31, 2013

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

Management's Responsibility for the Financial Statements

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

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, 2013, 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 42, and pages 43 through 45, 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.

Maher Duessel

Pittsburgh, Pennsylvania
June 25, 2014

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, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities at the close of the most recent fiscal year by \$82,663,222.
- The Township's net position increased by \$5,776,605.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$23,766,504.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,353,339.
- As required by adoption of GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*," the Township has restated beginning net position. The specifics of this restatement are described in detail in Note 1 to the financial statements, and all the amounts and balances in this MD&A reflect the impact of this restatement for both 2013 and 2012.

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, deferred outflows of resources, and liabilities, except fiduciary funds. Net Position – the difference between the Township's assets and deferred outflows of resources and liabilities – is one way to measure the Township's financial health or 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 41 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 42 through 45 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 46 through 51 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 and deferred outflows of resources exceeded liabilities by \$82,663,222 at the close of the most recent fiscal year. Of this amount, \$47,884,776 (or 58%) 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$27,451,016	\$27,617,276	\$11,480,982	\$14,777,227	\$38,931,998	\$42,394,503
Capital assets	54,142,911	49,745,513	45,842,886	44,033,470	99,985,797	93,778,983
Total assets	81,593,927	77,362,789	57,323,868	58,810,697	138,917,795	136,173,486
Deferred Outflows of Resources	797,056	881,645	1,813,400	1,951,079	2,610,456	2,832,724
Current and other liabilities	1,961,143	1,842,222	1,407,352	1,524,367	3,368,495	3,366,589
Long-term liabilities	21,190,692	22,556,129	34,305,842	36,196,875	55,496,534	58,753,004
Total liabilities	23,151,835	24,398,351	35,713,194	37,721,242	58,865,029	62,119,593
Net Position:						
Net investment in capital assets	34,102,197	30,294,676	13,782,579	13,527,463	47,884,776	43,822,139
Restricted	11,154,848	11,155,576	-	-	11,154,848	11,155,576
Unrestricted	13,982,103	12,395,831	9,641,495	9,513,071	23,623,598	21,908,902
Total net position	\$59,239,148	\$53,846,083	\$23,424,074	\$23,040,534	\$82,663,222	\$76,886,617

The balance of unrestricted net position, \$23,623,598, 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 \$5,393,065. Business-type activities increased the Township's net position by \$383,540. Key elements of these increases are as follows:

Township of Cranberry's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 3,765,475	\$ 3,694,588	\$ 17,393,020	\$ 16,884,671	\$ 21,158,495	\$ 20,579,259
Operating grants	1,264,796	1,152,817	110,698	138,833	1,375,494	1,291,650
Capital grants	4,743,828	6,997,923	-	105,000	4,743,828	7,102,923
General revenues:						
Property taxes	4,768,759	4,624,944	-	-	4,768,759	4,624,944
Earned income taxes	6,450,969	5,899,993	-	-	6,450,969	5,899,993
Other taxes	5,057,498	4,430,540	-	-	5,057,498	4,430,540
Interest and rents	224,363	293,339	17,563	17,736	241,926	311,075
Other	179,735	115,234	140,917	-	320,652	115,234
Transfers	(341,038)	(98,056)	341,038	98,056	-	-
Total revenues	26,114,385	27,111,322	18,003,236	17,244,296	44,117,621	44,355,618

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses						
General government	4,668,840	4,571,975	-	-	4,668,840	4,571,975
Public safety	5,688,014	5,372,476	-	-	5,688,014	5,372,476
Highways, roads, and streets	6,655,988	6,373,495	-	-	6,655,988	6,373,495
Culture and recreation	2,120,449	1,987,278	-	-	2,120,449	1,987,278
Community development	880,522	845,111	-	-	880,522	845,111
Interest on long-term debt	707,507	599,206	-	-	707,507	599,206
Water	-	-	5,350,555	5,248,216	5,350,555	5,248,216
Sewer	-	-	7,197,914	6,732,228	7,197,914	6,732,228
Golf course	-	-	2,463,166	2,461,772	2,463,166	2,461,772
Solid waste	-	-	1,939,679	1,901,364	1,939,679	1,901,364
Pool	-	-	668,382	754,003	668,382	754,003
Total Expenses	20,721,320	19,749,541	17,619,696	17,097,583	38,341,016	36,847,124
Change in net position	5,393,065	7,361,781	383,540	146,713	5,776,605	7,508,494
Net position - beginning	53,846,083	46,484,302	23,040,534	22,893,821	76,886,617	69,378,123
Net position - ending	\$ 59,239,148	\$ 53,846,083	\$ 23,424,074	\$ 23,040,534	\$ 82,663,222	\$ 76,886,617

The following table depicts revenues by source for governmental activities in 2013:

Revenues by Source - Governmental Activities

Charges for services	14%
Operating grants	5%
Capital grants	18%
Property taxes	18%
Earned income taxes	24%
Other taxes	19%
Other revenues	2%
Total	100%

Government-wide revenues were primarily derived from earned income taxes at 24% and capital grants and property taxes at 18%.

The following table depicts expenses by programs for governmental activities in 2013:

Expenses by Program - Governmental Activities

General government	23%
Public safety	27%
Highways, roads, and streets	32%
Culture and recreation	10%
Community development	4%
Interest on long-term debt	4%
Total	100%

Total expenses for all programs in 2013 were \$20,721,320. The expenses reflect the delivery of a wide range of services, with the largest being highways, roads, and streets at 32%. 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, 2013:

Net Program Expenses/Revenues

General government	\$(3,785,220)
Public safety	(4,236,711)
Highways, roads, and streets	(2,104,375)
Culture and recreation	(806,152)
Community development	692,744
Interest on long-term debt	(707,507)
Total	\$(10,947,221)

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 \$4.23 million in 2013. General government expenses required approximately \$3.79 million in general revenues for support. Highways, roads, and streets needed approximately \$2 million.

Business-type Activities. Business-type activities increased the Township's net position by \$383,540. The Township's customer base for sewer and water and solid waste continues to grow.

- 99% of revenues come from charges for services and 1% from operating grants and contributions.

Expenses and Program Revenues - Business-type Activities

Program	Program Revenues	Expenses*
Sewer	\$7,104,238	\$5,540,007
Water	5,960,713	4,746,387
Golf Course	2,047,129	1,980,961
Solid Waste	1,747,015	1,853,594
Swimming Pool	533,925	568,325

* 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 \$10,353,339.

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 \$3,878,908, the Sewer Fund \$5,157,531, the Golf Course Fund \$167,274, the Solid Waste Fund \$295,863, and the Swimming Pool Fund \$141,919. 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 19%. Increases in revenue can be seen in the Act 511 taxes as well as building permits. Expenditures were 4% under budget. Actual revenues exceeded expenditures by \$2,395,691. 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, 2013, amounts to \$99,985,797 (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

	Governmental Activities 2013	Business-type Activities 2013	Total
Land	\$14,434,958	\$3,366,304	\$17,801,262
Construction in Progress	500,000	-	500,000
Total Non-Depreciable Assets	14,934,958	3,366,304	18,301,262
Buildings	20,245,383	21,032,577	41,277,960
Site Improvements	4,708,551	4,278,310	8,986,861
Machinery, Equipment, Vehicles	10,797,540	19,292,608	30,090,148
Infrastructure	40,863,262	38,796,114	79,659,376
Carts – in service	-	809,684	809,684
Carts – not in service	-	74,853	74,853
Total Depreciable Assets	76,614,736	84,284,146	160,898,882
Accumulated Depreciation	-37,406,783	-41,807,564	-79,214,347
Total Depreciable Assets, Net	39,207,953	42,476,582	81,684,535
Total Capital Assets	\$54,142,911	\$45,842,886	\$99,985,797

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 \$55,295,894. The Township's bond rating is Aa2 by Moody's Investor Service.

Township of Cranberry's Outstanding Debt

	Governmental Activities 2012	Business-type Activities 2012	Total
General Obligation Bonds	\$20,834,330	\$34,236,250	\$55,070,580
Promissory Note	225,314	-	225,314
Compensated Absences	131,048	69,592	200,640
Total	\$21,190,692	\$34,305,842	\$55,496,534

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 and continues to grow. The population estimate for 2013 is 29,490. Strong commercial growth continues to occur along Rt. 228 and Rt. 19. 106 non-residential permits were issued in 2013. Residential growth continues throughout the Township. In 2013, 128 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.

2014 Budget Highlights

The 2014 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 \$20 million worth of improvements to the Township's infrastructure. Specific projects will include continuing transportation improvements, technology enhancements, renovations to the municipal center's public spaces, 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 a water transmission line replacement, and begin sewage treatment plant improvement final 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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cranberry Public Library
Assets				
Cash and cash equivalents	\$ 1,560,265	\$ 1,538,185	\$ 3,098,450	\$ 233,014
Investments	25,174,673	6,042,916	31,217,589	106,886
Receivable:				
Taxes	3,088,685	-	3,088,685	-
Customers - billed	-	151,962	151,962	-
Customers - unbilled	-	808,818	808,818	-
Other	175,811	31,456	207,267	9,393
Internal balances	(2,821,912)	2,821,912	-	-
Inventory	43,886	85,733	129,619	-
Net pension asset	229,608	-	229,608	-
Restricted assets:				
Beneficial interest in net position of community foundation	-	-	-	454,321
Capital assets, net:				
Non-depreciable	14,934,958	3,366,304	18,301,262	-
Depreciable	39,207,953	42,476,582	81,684,535	132,504
Total Assets	81,593,927	57,323,868	138,917,795	936,118
Deferred Outflows of Resources				
Deferred charge on refunding	797,056	1,813,400	2,610,456	-
Liabilities				
Accounts payable	308,759	670,809	979,568	44,116
Accrued payroll and related expenses	351,704	75,133	426,837	-
Accrued interest payable	211,307	424,434	635,741	-
Unearned revenue	369,309	145,908	515,217	-
Developer deposit liability	720,064	-	720,064	-
Security deposits	-	91,068	91,068	-
Compensated absences	131,048	69,592	200,640	-
Long-term debt, current portion	1,329,571	1,799,710	3,129,281	-
Long-term debt, long-term portion	19,730,073	32,436,540	52,166,613	-
Total Liabilities	23,151,835	35,713,194	58,865,029	44,116
Net Position				
Net investment in capital assets	34,102,197	13,782,579	47,884,776	132,504
Restricted, expendable (see Note 1)	11,154,848	-	11,154,848	-
Restricted for Cranberry Legacy Fund, nonexpendable	-	-	-	454,321
Unrestricted	13,982,103	9,641,495	23,623,598	305,177
Total Net Position	\$ 59,239,148	\$ 23,424,074	\$ 82,663,222	\$ 892,002

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

TOWNSHIP OF CRANBERRY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

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		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 4,668,840	\$ 479,546	\$ 404,074	\$ -	\$ (3,785,220)	\$ -	\$ (3,785,220)	\$ -
Public safety	5,688,014	590,581	860,722	-	(4,236,711)	-	(4,236,711)	-
Highways, roads, and streets	6,655,988	95,785	-	4,455,828	(2,104,375)	-	(2,104,375)	-
Culture and recreation	2,120,449	1,026,297	-	288,000	(806,152)	-	(806,152)	-
Community development	880,522	1,573,266	-	-	692,744	-	692,744	-
Interest on long-term debt	707,507	-	-	-	(707,507)	-	(707,507)	-
Total governmental activities	20,721,320	3,765,475	1,264,796	4,743,828	(10,947,221)	-	(10,947,221)	-
Business-type activities:								
Water	5,350,555	5,960,713	-	-	-	610,158	610,158	-
Sewer	7,197,914	7,104,238	-	-	-	(93,676)	(93,676)	-
Golf course	2,463,166	2,047,129	-	-	-	(416,037)	(416,037)	-
Solid waste	1,939,679	1,747,015	110,698	-	-	(81,966)	(81,966)	-
Other	668,382	533,925	-	-	-	(134,457)	(134,457)	-
Total business-type activities	17,619,696	17,393,020	110,698	-	-	(115,978)	(115,978)	-
Total primary government	\$ 38,341,016	\$ 21,158,495	\$ 1,375,494	\$ 4,743,828	(10,947,221)	(115,978)	(11,063,199)	-
Component Unit:								
Cranberry Public Library	\$ 705,533	\$ 38,002	\$ 722,901	\$ -				55,370
General revenues:								
Taxes:								
Property					4,768,759	-	4,768,759	-
Earned income					6,450,969	-	6,450,969	-
Business privilege					2,391,054	-	2,391,054	-
Local service					1,253,344	-	1,253,344	-
Real estate transfer					1,413,100	-	1,413,100	-
Interest, rents, and royalties					224,363	17,563	241,926	-
Gain on disposal of capital assets					19,595	140,402	159,997	-
Insurance proceeds					97,241	-	97,241	-
Other					62,899	515	63,414	-
Transfers - internal activities					(341,038)	341,038	-	-
Total general revenues and transfers					16,340,286	499,518	16,839,804	-
Change in Net Position					5,393,065	383,540	5,776,605	55,370
Net position - beginning of year (as restated)					53,846,083	23,040,534	76,886,617	836,632
Net position - end of year					\$ 59,239,148	\$ 23,424,074	\$ 82,663,222	\$ 892,002

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

TOWNSHIP OF CRANBERRY

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	Special Revenue Fund		Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Transportation Improvement Program East Fund	Capital Improvement Fund	2011 Bond Fund		
Assets						
Cash and cash equivalents	\$ 1,544,370	\$ -	\$ -	\$ -	\$ 15,895	\$ 1,560,265
Investments	8,028,810	6,122,689	1,804,954	3,353,780	5,864,440	25,174,673
Taxes receivable	3,088,685	-	-	-	-	3,088,685
Other receivables	175,811	-	-	-	-	175,811
Due from other funds	333,404	-	-	-	15,612	349,016
Inventory	43,886	-	-	-	-	43,886
Total Assets	\$ 13,214,966	\$ 6,122,689	\$ 1,804,954	\$ 3,353,780	\$ 5,895,947	\$ 30,392,336
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable and accrued expenses	\$ 168,778	\$ -	\$ 23,704	\$ 20,599	\$ 95,678	\$ 308,759
Accrued payroll and related expenses	351,704	-	-	-	-	351,704
Due to other funds	222,882	-	-	2,900,000	48,046	3,170,928
Unearned revenue	369,309	-	-	-	-	369,309
Developer deposit liability	-	-	-	-	720,064	720,064
Total Liabilities	1,112,673	-	23,704	2,920,599	863,788	4,920,764
Deferred Inflows of Resources:						
Unavailable revenue - taxes	1,705,068	-	-	-	-	1,705,068
Fund Balance:						
Nonspendable:						
Inventory	43,886	-	-	-	-	43,886
Restricted:						
Transportation improvement	-	6,122,689	-	-	502,759	6,625,448
Highways and streets	-	-	-	-	295,053	295,053
Recreation	-	-	-	-	749,877	749,877
Library	-	-	-	-	67,143	67,143
Fire protection	-	-	-	-	943,326	943,326
Capital projects	-	-	-	433,181	-	433,181
Development review	-	-	-	-	435,304	435,304
Infrastructure improvement	-	-	-	-	1,975,625	1,975,625
Storm water maintenance	-	-	-	-	24,278	24,278
Public building improvements	-	-	-	-	38,794	38,794
Assigned:						
Capital improvements	-	-	1,781,250	-	-	1,781,250
Unassigned	10,353,339	-	-	-	-	10,353,339
Total Fund Balance	10,397,225	6,122,689	1,781,250	433,181	5,032,159	23,766,504
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 13,214,966	\$ 6,122,689	\$ 1,804,954	\$ 3,353,780	\$ 5,895,947	\$ 30,392,336

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, 2013

Total Fund Balance - Governmental Funds	\$ 23,766,504
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.	54,142,911
Certain taxes are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	1,705,068
Amounts contributed in excess of the annual pension cost are not current financial resources and, therefore, not reported in the funds.	229,608
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(211,307)
Government funds do not report a loss on the refunding of debt, as it is not a current period expenditure, whereas these amounts are reported as a deferred outflow and amortized in the statement of net position.	797,056
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>(21,190,692)</u>
Total Net Position - Governmental Activities	<u>\$ 59,239,148</u>

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, 2013

		Special Revenue Fund					
		Transportation Improvement Program East Fund		Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	General Fund			Capital Improvement Fund	2011 Bond Fund		
Revenues:							
Taxes:							
Property	\$ 2,957,040	\$ -	\$ -	\$ -	\$ -	\$ 1,815,087	\$ 4,772,127
Earned income	6,443,238	-	-	-	-	-	6,443,238
Business privilege	2,391,054	-	-	-	-	-	2,391,054
Local service	1,253,344	-	-	-	-	-	1,253,344
Real estate transfer	1,413,100	-	-	-	-	-	1,413,100
Licenses, permits, and fees	2,090,670	-	-	-	-	468,012	2,558,682
Fines and forfeitures	109,178	-	-	-	-	-	109,178
Interest, rents, and royalties	185,671	12,808	4,149	16,920	4,815	224,363	
Intergovernmental	978,061	-	-	-	614,492	1,592,553	
Contributions and donations	286,735	97,494	5,000	-	578,495	967,724	
Charges for services	1,097,615	-	-	-	-	1,097,615	
Miscellaneous	62,648	-	-	-	251	62,899	
Total revenues	19,268,354	110,302	9,149	16,920	3,481,152	22,885,877	
Expenditures:							
Current:							
General government	2,929,173	-	-	-	-	2,929,173	
Public safety	4,994,010	-	-	-	589,227	5,583,237	
Highways, roads, and streets	3,833,863	13,937	-	-	1,182,848	5,030,648	
Culture and recreation	1,709,025	-	-	-	293,957	2,002,982	
Community development	880,522	-	-	-	-	880,522	
Miscellaneous	1,042	-	-	-	2,422	3,464	
Debt service:							
Principal retirement	625,573	-	-	-	664,281	1,289,854	
Interest charges	702,783	-	-	-	7,606	710,389	
Capital outlay	89,831	27,363	1,827,755	1,871,340	715,541	4,531,830	
Total expenditures	15,765,822	41,300	1,827,755	1,871,340	3,455,882	22,962,099	
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,502,532	69,002	(1,818,606)	(1,854,420)	25,270	(76,222)	
Other Financing Sources (Uses):							
Proceeds from sale of capital assets	19,595	-	-	-	-	19,595	
Insurance proceeds	-	-	97,241	-	-	97,241	
Transfers in	600,000	-	970,000	-	-	1,570,000	
Transfers out	(1,726,436)	-	(61,409)	(28,193)	(95,000)	(1,911,038)	
Total other financing sources (uses)	(1,106,841)	-	1,005,832	(28,193)	(95,000)	(224,202)	
Net Change in Fund Balance	2,395,691	69,002	(812,774)	(1,882,613)	(69,730)	(300,424)	
Fund Balance:							
Beginning of year	8,001,534	6,053,687	2,594,024	2,315,794	5,101,889	24,066,928	
End of year	\$ 10,397,225	\$ 6,122,689	\$ 1,781,250	\$ 433,181	\$ 5,032,159	\$ 23,766,504	

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, 2013

Net Change in Fund Balance - Governmental Funds

\$ (300,424)

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	\$ 4,081,763
Capital contributions	3,448,347
Depreciation expense	<u>(3,132,712)</u>

4,397,398

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.

2,967

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.

4,363

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.

(3,975)

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.

7,913

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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Principal payments	1,289,854
Amortization of bond discounts/premiums	79,558
Amortization of deferred charge on refunding	<u>(84,589)</u>

1,284,823

Change in Net Position of Governmental Activities

\$ 5,393,065

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

TOWNSHIP OF CRANBERRY

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2013

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 641,213	\$ 890,576	\$ 6,396	\$ -	\$ -	\$ 1,538,185
Investments	2,576,437	2,758,181	115,001	392,816	200,481	6,042,916
Accounts receivable:						
Customers - billed	70,310	81,652	-	-	-	151,962
Customers - unbilled	343,940	464,878	-	-	-	808,818
Other	26,971	-	-	-	4,485	31,456
Due from other funds	653,505	1,078,245	-	49,144	1,353,877	3,134,771
Inventory	-	-	85,733	-	-	85,733
Total current assets	4,312,376	5,273,532	207,130	441,960	1,558,843	11,793,841
Non-current assets:						
Capital assets:						
Land	91,517	171,340	3,103,447	-	-	3,366,304
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	1,420,938	16,337,932	1,385,445	69,687	78,606	19,292,608
Infrastructure	14,346,511	24,449,603	-	-	-	38,796,114
Carts - in-service	-	-	-	809,684	-	809,684
Carts - not in-service	-	-	-	74,853	-	74,853
Less: accumulated depreciation	(8,908,161)	(26,183,292)	(4,438,558)	(692,687)	(1,584,866)	(41,807,564)
Total non-current assets	14,131,423	23,806,528	6,636,061	261,537	1,007,337	45,842,886
Total Assets	18,443,799	29,080,060	6,843,191	703,497	2,566,180	57,636,727
Deferred Outflows of Resources						
Deferred charge on refunding	-	1,329,667	483,733	-	-	1,813,400
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	246,655	240,794	46,789	132,732	3,839	670,809
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	42,515	55,123	210,690	4,531	-	312,859
Unearned revenue	-	-	145,908	-	-	145,908
Security deposits	91,068	-	-	-	-	91,068
Long-term debt - current portion	6,000	1,209,000	265,000	-	319,710	1,799,710
Total current liabilities	413,212	1,853,204	775,356	141,515	336,634	3,519,921
Non-current liabilities:						
Compensated absences	26,256	25,521	13,233	4,582	-	69,592
Long-term debt - net of current maturities:						
General obligation bonds	1,425,000	20,065,000	6,745,000	-	1,816,260	30,051,260
Unamortized bond premium	101,581	1,648,740	536,660	-	98,299	2,385,280
Total non-current liabilities	1,552,837	21,739,261	7,294,893	4,582	1,914,559	32,506,132
Total Liabilities	1,966,049	23,592,465	8,070,249	146,097	2,251,193	36,026,053
Net Position						
Net investment in capital assets	12,598,842	1,659,731	(910,599)	261,537	173,068	13,782,579
Unrestricted	3,878,908	5,157,531	167,274	295,863	141,919	9,641,495
Total Net Position	\$ 16,477,750	\$ 6,817,262	\$ (743,325)	\$ 557,400	\$ 314,987	\$ 23,424,074

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, 2013

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
Operating Revenues:						
Charges for services	\$ 5,673,074	\$ 7,015,192	\$ 2,047,129	\$ 1,701,241	\$ 531,518	\$ 16,968,154
Penalties and interest	36,987	40,880	-	15,895	-	93,762
Miscellaneous revenues	75,798	48,166	-	29,879	537	154,380
Total operating revenues	5,785,859	7,104,238	2,047,129	1,747,015	532,055	17,216,296
Operating Expenses:						
Wages, benefits, and related taxes	1,101,462	1,491,114	662,359	144,894	275,638	3,675,467
Employee insurance	247,666	346,970	95,635	23,239	10,561	724,071
Pension	98,743	129,269	29,111	8,600	-	265,723
Administrative expenses	68,977	97,839	52,225	25,881	8,451	253,373
Materials and supplies	79,229	135,262	85,255	49,731	20,294	369,771
Collection and disposal cost	-	-	-	1,511,058	-	1,511,058
Water purchase	2,495,971	-	-	-	-	2,495,971
Chemicals	-	563,266	115,244	-	13,860	692,370
Laboratory	-	42,083	-	-	-	42,083
Telephone and utilities	62,945	624,246	43,175	-	45,169	775,535
Repairs and maintenance	238,167	162,616	30,572	19,517	5,196	456,068
Minor equipment rental and purchase	7,061	13,958	62,717	-	4,998	88,734
Vehicle expense	37,522	29,385	29,176	-	-	96,083
Professional and other services	251,609	597,217	279,762	70,674	48,945	1,248,207
Concession and other products and services	-	-	197,671	-	42,631	240,302
Depreciation	604,168	1,657,907	482,205	86,085	100,057	2,930,422
Miscellaneous expenses	-	387,936	-	-	-	387,936
Total operating expenses	5,293,520	6,279,068	2,165,107	1,939,679	575,800	16,253,174
Operating Income (Loss)	492,339	825,170	(117,978)	(192,664)	(43,745)	963,122
Non-Operating Revenues (Expenses):						
Interest income	8,654	7,017	176	1,671	45	17,563
Rental income	174,854	-	-	-	1,870	176,724
Grant revenue	-	-	-	110,698	-	110,698
Other income	-	-	515	-	-	515
Gain on disposal of capital assets	-	-	140,402	-	-	140,402
Interest expense	(57,035)	(918,846)	(298,059)	-	(92,582)	(1,366,522)
Total non-operating revenues (expenses)	126,473	(911,829)	(156,966)	112,369	(90,667)	(920,620)
Income (loss) before transfers	618,812	(86,659)	(274,944)	(80,295)	(134,412)	42,502
Transfers in	-	28,193	444,278	-	468,567	941,038
Transfers out	(100,000)	(150,000)	-	(350,000)	-	(600,000)
Total transfers	(100,000)	(121,807)	444,278	(350,000)	468,567	341,038
Change in Net Position	518,812	(208,466)	169,334	(430,295)	334,155	383,540
Net Position:						
Beginning of year (as restated)	15,958,938	7,025,728	(912,659)	987,695	(19,168)	23,040,534
End of year	\$ 16,477,750	\$ 6,817,262	\$ (743,325)	\$ 557,400	\$ 314,987	\$ 23,424,074

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

TOWNSHIP OF CRANBERRY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2013

	Water	Sewer	Golf Course	Solid Waste	Other Enterprise Fund	Total
Cash Flows From Operating Activities:						
Receipts from customers	\$ 5,715,792	\$ 6,986,809	\$ 2,056,862	\$ 1,737,945	\$ 531,518	\$ 17,028,926
Payments to suppliers	(3,448,003)	(2,808,896)	(931,846)	(1,682,209)	(187,619)	(9,058,573)
Payments to employees	(1,348,705)	(1,836,505)	(754,698)	(167,685)	(286,199)	(4,393,792)
Other receipts (payments), net	84,279	48,166	-	29,879	537	162,861
Net cash provided by (used in) operating activities	1,003,363	2,389,574	370,318	(82,070)	58,237	3,739,422
Cash Flows From Non-Capital Financing Activities:						
Transfers from (to) other funds, net	326,895	417,416	422,993	(334,763)	514,642	1,347,183
Cash Flows From Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(1,399,419)	(2,848,988)	(289,620)	-	(61,409)	(4,599,436)
Principal paid on capital debt	(6,000)	(1,169,000)	(260,000)	-	(309,115)	(1,744,115)
Interest paid on capital debt	(63,807)	(918,657)	(301,000)	-	(98,043)	(1,381,507)
Grants	-	-	-	110,698	-	110,698
Other receipts (payments)	-	-	515	-	-	515
Net cash provided by (used in) capital and related financing activities	(1,469,226)	(4,936,645)	(850,105)	110,698	(468,567)	(7,613,845)
Cash Flows From Investing Activities:						
Interest income	8,654	7,017	176	1,671	45	17,563
Rental income	174,854	-	-	-	1,870	176,724
Net sales (purchases) of investments	139,015	1,911,509	57,675	304,464	(106,227)	2,306,436
Net cash provided by (used in) investing activities	322,523	1,918,526	57,851	306,135	(104,312)	2,500,723
Net Increase (Decrease) in Cash and Cash Equivalents	183,555	(211,129)	1,057	-	-	(26,517)
Cash and Cash Equivalents:						
Beginning of year	457,658	1,101,705	5,339	-	-	1,564,702
End of year	<u>\$ 641,213</u>	<u>\$ 890,576</u>	<u>\$ 6,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,538,185</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Operating income (loss)	\$ 492,339	\$ 825,170	\$ (117,978)	\$ (192,664)	\$ (43,745)	\$ 963,122
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	604,168	1,657,907	482,205	86,085	100,057	2,930,422
Change in:						
Receivables, net	5,731	(69,263)	-	20,809	-	(42,723)
Inventory	-	-	(130)	-	-	(130)
Accounts payable and accrued expenses	(107,779)	(25,819)	(6,808)	3,252	1,925	(135,229)
Security deposits	8,481	-	-	-	-	8,481
Compensated absences	423	1,579	3,296	448	-	5,746
Unearned revenue	-	-	9,733	-	-	9,733
Total adjustments	511,024	1,564,404	488,296	110,594	101,982	2,776,300
Net cash provided by (used in) operating activities	<u>\$ 1,003,363</u>	<u>\$ 2,389,574</u>	<u>\$ 370,318</u>	<u>\$ (82,070)</u>	<u>\$ 58,237</u>	<u>\$ 3,739,422</u>
Supplementary Information:						
Non-cash capital and related financing activities:						
Amortization of premiums and deferred refunding loss charged to interest	<u>\$ 6,772</u>	<u>\$ 220,721</u>	<u>\$ 56,689</u>	<u>\$ -</u>	<u>\$ 5,461</u>	<u>\$ 289,643</u>

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

TOWNSHIP OF CRANBERRY

STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2013

Assets	
Cash and cash equivalents	\$ 140,278
Investments:	
Corporate bonds	102,920
Mutual funds	<u>15,939,436</u>
Total Assets	<u>16,182,634</u>
 Net Position Held in Trust for Pension Benefits	 \$ <u><u>16,182,634</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, 2013

Additions:

Employer contributions	\$ 884,033
Employee contributions	109,666
Total contributions	993,699
Investment gain:	
Net appreciation in fair value of investments	2,207,522
Interest and dividends	296,888
Total investment gain	2,504,410
Total additions	3,498,109

Deductions:

Benefits	492,267
Administrative expense	35,914
Total deductions	528,181

Change in Plan Net Position 2,969,928

Net Position Held in Trust for Pension Benefits:

Beginning of year	13,212,706
End of year	\$ 16,182,634

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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013

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, deferred inflows and outflows of resources, 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 non-major 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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

those financed by proprietary funds). The Township uses the following four non-major Capital 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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

the various functions concerned. These items are presented as internal balances and eliminated in the total primary government column.

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:

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

and losses, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred refunding gains and losses result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. As of December 31, 2013 the Township's unamortized portion of deferred refunding losses were \$797,056 and \$1,813,400 for government and business-type activities, respectively.

In the fund financial statements, bond premium and discounts 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 reported as other financing sources while discounts on debt issuances are reported as other financing uses.

In both the fund and government-wide financial statements 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, 2013.
- 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.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

The Township's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

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

Amount	Restriction
\$ 943,326	Fire protection
67,143	Library
749,877	Recreation
6,625,448	Transportation improvement
435,304	Development review
1,975,625	Infrastructure improvement
295,053	Highways and streets
24,278	Storm water maintenance
38,794	Public building improvements
<u>\$ 11,154,848</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."

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 Golf Course Fund had a deficit net position balance at December 31, 2013 of \$743,325. 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.

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Township's 2013 financial statements:

GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus.*" This statement improved financial reporting for a governmental reporting entity by modifying existing requirements for the assessment of potential component units.

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This statement reclassifies certain items previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items previously reported as assets and liabilities to outflows of resources and inflows of resources. As a result of this statement, net position was restated as of January 1, 2013 to adjust the unamortized bond expense on the statement of net position by \$227,017. The total restatement is as follows:

Governmental Activities:

Net position at January 1, 2013, as previously presented	\$ 53,878,565
Beginning of the year restatement	<u>(32,482)</u>
Net position at January 1, 2013, as restated	<u><u>\$ 53,846,083</u></u>

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Business-Type Activities and Proprietary Funds:

	Sewer	Golf Course	Business - Type
Net position at January 1, 2013, as previously presented	\$ 7,170,770	\$ (863,166)	\$ 23,235,069
Beginning of the year restatement	(145,042)	(49,493)	(194,535)
Net position at January 1, 2013, as restated	<u>\$ 7,025,728</u>	<u>\$ (912,659)</u>	<u>\$ 23,040,534</u>

Pending Accounting Pronouncements

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,”* and Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date,”* 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.

GASB has issued Statement No. 69, *“Government Combinations and Disposals of Government Operations,”* effective for fiscal years beginning after December 15, 2013. GASB Statement No. 69 provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold.

GASB has issued Statement No. 70, *“Accounting and Financial Reporting for Non-exchange Financial Guarantees,”* effective for financial statements for periods beginning after June 15, 2013. This statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The effect of implementation of these statements has not yet been determined.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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.
- 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, 2013, the Board enacted one supplemental appropriation resolution. Also, during the year ended December 31, 2013, expenditures exceeded appropriations in the 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.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 2013 was 13 mills applied to an assessed valuation of \$367,969,462. 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.

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.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013, \$10,968,765 of the Township’s \$14,119,232 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). These deposits have carrying amounts of \$13,514,450 as of December 31, 2013. Included within these amounts are \$10,416,000 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, 2013, the entire fair value of the investments in PLGIT of \$20,801,589 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 \$20,801,589 as of December 31, 2013.

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, 2013, investments in PLGIT received an AAA rating.

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.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013, the Township had the following cash, cash equivalents, and investments in its Pension Trust Funds:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2013		
		Less than 1 year	1-5 Years	6-10 Years
Corporate bonds	\$ 102,920	\$ 102,920	\$ -	\$ -
Cash and cash equivalents	140,278			
Mutual funds	15,939,436			
Total cash, cash equivalents, and investments reported on statement of fiduciary net position	<u><u>\$ 16,182,634</u></u>			

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, 2013, 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	A	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 corporate bonds are exposed to

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 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 changing 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, 2013, the carrying amount of the Library's cash and deposits was \$233,014 and the related bank balance totaled \$237,132, all of which was covered by federal depository insurance.

Custodial Credit Risk – Investments. The Library's investments in mutual funds of \$106,886 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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

reinvest the funds or receive an income distribution. There were donations of \$10,000 and an investment gain of \$47,349, which was reinvested, for the year ended December 31, 2013. At December 31, 2013, the fair value of the underlying investments was \$454,321.

5. CAPITAL ASSETS

A summary of capital asset activity during 2013 was as follows:

	Balance at January 1, 2013	Transfers/ Additions	Transfers/ Deletions	Balance at December 31, 2013
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 13,103,783	\$ 1,331,175	\$ -	\$ 14,434,958
Construction in progress	2,398,152	500,000	(2,398,152)	500,000
Total non-depreciable capital assets	15,501,935	1,831,175	(2,398,152)	14,934,958
Depreciable capital assets:				
Buildings	18,433,185	1,812,198	-	20,245,383
Site improvements	3,553,849	1,154,702	-	4,708,551
Machinery, equipment, and vehicles	10,399,394	512,069	(113,923)	10,797,540
Infrastructure	36,245,144	4,618,118	-	40,863,262
Total depreciable capital assets	68,631,572	8,097,087	(113,923)	76,614,736
Less accumulated depreciation for:				
Buildings	(7,361,739)	(661,290)	-	(8,023,029)
Site improvements	(2,442,199)	(240,577)	-	(2,682,776)
Machinery, equipment, and vehicles	(6,966,594)	(628,861)	113,923	(7,481,532)
Infrastructure	(17,617,462)	(1,601,984)	-	(19,219,446)
Total accumulated depreciation	(34,387,994)	(3,132,712)	113,923	(37,406,783)
Total depreciable capital assets, net	34,243,578	4,964,375	-	39,207,953
Governmental activities, capital assets, net	\$ 49,745,513			\$ 54,142,911

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	Balance at January 1, 2013	Transfers/ Additions	Transfers/ Deletions	Balance at December 31, 2013
Business-type Activities:				
Non-depreciable capital assets:				
Land	\$ 3,366,304	\$ -	\$ -	\$ 3,366,304
Construction in progress	3,594,894	-	(3,594,894)	-
Total non-depreciable capital assets	6,961,198	-	(3,594,894)	3,366,304
Depreciable capital assets:				
Buildings	21,032,577	-	-	21,032,577
Site improvements	4,278,310	-	-	4,278,310
Machinery, equipment, and vehicles	18,774,740	952,597	(434,729)	19,292,608
Carts - in-service	809,684	-	-	809,684
Carts - not in-service	74,853	-	-	74,853
Infrastructure	31,367,185	7,428,929	-	38,796,114
Total depreciable capital assets	76,337,349	8,381,526	(434,729)	84,284,146
Less accumulated depreciation for:				
Buildings	(8,757,418)	(613,426)	-	(9,370,844)
Site improvements	(2,920,152)	(271,148)	-	(3,191,300)
Machinery, equipment, and vehicles	(14,705,819)	(1,313,246)	387,935	(15,631,130)
Carts - in-service	(582,530)	(80,969)	-	(663,499)
Infrastructure	(12,299,158)	(651,633)	-	(12,950,791)
Total accumulated depreciation	(39,265,077)	(2,930,422)	387,935	(41,807,564)
Total depreciable capital assets, net	37,072,272	5,451,104	(46,794)	42,476,582
Business-type activities, capital assets, net	\$ 44,033,470			\$ 45,842,886

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

Governmental activities:	
General government	\$ 1,282,161
Public safety	107,744
Culture and recreation	117,467
Highways, roads, and streets	<u>1,625,340</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,132,712</u></u>
Business-type activities:	
Water	\$ 604,168
Sewer	1,657,907
Golf course	482,205
Solid waste	86,085
Other enterprise fund	<u>100,057</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,930,422</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, 2013, infrastructure assets contributed by developers amounted to \$2,380,747, and are recorded as capital grants and contribution revenue within governmental activities.

Contributed Land

During the year ended December 31, 2013, land with an estimated value of \$809,600 was contributed to the Township. The contributed land is recorded within capital grants and contribution revenue within governmental activities.

Contributed Site Improvements

During the year ended December 31, 2013, a collaborative project between the Township and the Cranberry Township Community Chest to build a playground was completed. Site improvements valued at \$258,000 were contributed to the Township. The contributed improvements are recorded within capital grants and contribution revenue within governmental activities.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of and for the year ended December 31, 2013, are summarized below:

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds:		
General Fund	\$ 333,404	\$ 222,882
2011 Bond Fund	-	2,900,000
Major Enterprise Funds:		
Water Fund	653,505	42,515
Sewer Fund	1,078,245	55,123
Golf Course Fund	-	210,690
Solid Waste Fund	49,144	4,531
Other Enterprise Fund	1,353,877	-
Other Governmental Funds	15,612	48,046
Total	<u>\$ 3,483,787</u>	<u>\$ 3,483,787</u>
Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 600,000	\$ 1,726,436
Capital Improvement Fund	970,000	61,409
2011 Bond Fund	-	28,193
Major Enterprise Funds:		
Water Fund	-	100,000
Sewer Fund	28,193	150,000
Golf Course Fund	444,278	-
Solid Waste Fund	-	350,000
Other Enterprise Fund	468,567	-
Other Governmental Funds	-	95,000
Total	<u>\$ 2,511,038</u>	<u>\$ 2,511,038</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, 2013

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, 2013.

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:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at December 31, 2013</u>
2003A	\$ 7,885,000	2016	1.10-4.03%	\$ 2,870,000
2010	4,470,000	2021	.50-3.00%	3,290,000
2011	37,405,000	2031	.30-4.27%	34,135,000
2012	11,855,000	2025	.30-2.75%	11,405,000

Promissory Note

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

<u>Purpose</u>	<u>Year of Issue</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at December 31, 2013</u>
Fire truck	2008	\$ 447,796	2018	3.00%	\$ 225,314

A detail of long-term liability activity for governmental activities for the year ended December 31, 2013 is as follows:

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	Balance at January 1, 2013	Additions	Amortization, Retirements, and Refunding	Balance at December 31, 2013	Due Within One Year
General obligation bonds:					
Series A of 2003, net of unamortized discount	\$ 2,658,320 (9,108)	\$ - -	\$ (629,230) 2,277	\$ 2,029,090 (6,831)	\$ 650,440 -
Series of 2010	3,660,000	-	(370,000)	3,290,000	375,000
Series of 2011, net of unamortized premium	3,241,284 249,587	- -	(116,344) (13,136)	3,124,940 236,451	119,850 -
Series of 2012, net of unamortized premium	11,535,000 824,378	- -	(130,000) (68,698)	11,405,000 755,680	140,000 -
	<u>22,159,461</u>	<u>-</u>	<u>(1,325,131)</u>	<u>20,834,330</u>	<u>1,285,290</u>
Promissory note payable	269,595	-	(44,281)	225,314	44,281
Compensated absences	127,073	3,975	-	131,048	-
	<u>\$ 22,556,129</u>	<u>\$ 3,975</u>	<u>\$ (1,369,412)</u>	<u>\$ 21,190,692</u>	<u>\$ 1,329,571</u>

A detail of long-term liability activity for business-type activities for the year ended December 31, 2013 is as follows:

	Balance at January 1, 2013	Additions	Amortization, Retirements, and Refunding	Balance at December 31, 2013	Due Within One Year
General obligation bonds:					
Series A of 2003	\$ 1,101,680	\$ -	\$ (260,770)	\$ 840,910	\$ 269,560
Series of 2011, net of unamortized premium	32,493,405 2,537,944	- -	(1,483,345) (152,664)	31,010,060 2,385,280	1,530,150 -
	<u>36,133,029</u>	<u>-</u>	<u>(1,896,779)</u>	<u>34,236,250</u>	<u>1,799,710</u>
Compensated absences	63,846	5,746	-	69,592	-
	<u>\$ 36,196,875</u>	<u>\$ 5,746</u>	<u>\$ (1,896,779)</u>	<u>\$ 34,305,842</u>	<u>\$ 1,799,710</u>

Future Maturities

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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Governmental and Business-type Activities			
	Principal	Interest	Total
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	3,500,000	1,564,902	5,064,902
2019-2023	17,700,000	5,327,611	23,027,611
2024-2028	14,975,000	2,123,446	17,098,446
2029-2031	2,585,000	160,497	2,745,497
	<u>\$ 51,700,000</u>	<u>\$ 16,505,750</u>	<u>\$ 68,205,750</u>

The future scheduled payments required to amortize the promissory note outstanding as of December 31, 2013 are as follows:

Governmental Activities			
	Principal	Interest	Total
2014	\$ 44,281	\$ 6,259	\$ 50,540
2015	47,016	4,871	51,887
2016	48,446	3,441	51,887
2017	49,919	1,968	51,887
2018	35,652	482	36,134
	<u>\$ 225,314</u>	<u>\$ 17,021</u>	<u>\$ 242,335</u>

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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

Participants:	
Retirees and beneficiaries	12
Active employees:	
Vested	10
Nonvested	18

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 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

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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:

Annual pension cost	\$	454,568
Contributions made	\$	457,535
Actuarial valuation date		1/1/2013
Actuarial cost method		Entry Age Normal
Amortization method		Level Dollar Closed
Asset valuation method		4 year Smoothing
Amortization period		10 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

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, 2013 is calculated as follows:

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Annual required contribution	\$ 448,616
Interest on NPO	(16,998)
Adjustment to the ARC	<u>22,950</u>
Annual pension cost	454,568
Contribution made	<u>(457,535)</u>
Change in NPO	(2,967)
NPO, 12/31/2012	<u>(226,641)</u>
NPO, 12/31/2013	<u><u>\$ (229,608)</u></u>

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>
12/31/2011	\$ 382,912	152.5%	\$ (212,625)
12/31/2012	414,337	103.4%	(226,641)
12/31/2013	454,568	100.7%	(229,608)

Changes in Actuarial Assumptions

Based upon an actuarial valuation performed as of January 1, 2013, the mortality table was updated from the 1994 Uninsured Pensioner Mortality Table to the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and rates projected to improve with 75% of scale AA. This assumption change increased the unfunded actuarial accrued liability by approximately \$287,000.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Statement of Plan Net Position

Assets	
Cash and cash equivalents	\$ 112,628
Investments (at fair value):	
Corporate bonds	102,920
Mutual funds	10,685,832
Total Assets	10,901,380
Net Position Held in Trust for Pension Benefits	\$ 10,901,380

Statement of Changes in Plan Net Position

Additions:	
Employer contributions	\$ 457,535
Employee contributions	109,666
Investment gain:	
Net appreciation in fair value of investments	1,496,321
Interest and dividends	191,702
Total investment gain	1,688,023
Total additions	2,255,224
Deductions:	
Benefits	359,845
Administrative expense	35,914
Total deductions	395,759
Change in Plan Net Position	1,859,465
Net Position Held in Trust for Pension Benefits:	
Beginning of year	9,041,915
End of year	\$ 10,901,380

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Funded Status

The Township's funded status and related information for the Plan as of the latest actuarial valuation date, January 1, 2013, 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
\$ 8,977,577	\$ 10,660,726	\$(1,683,149)	84.21%	\$ 2,582,833	-65.17%

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.

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.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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:

<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 - Contributions in the amount of \$426,498 were made by the Township to the Plan during year ended December 31, 2013.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 2013, the Township contributed approximately \$300,700 to the plan, and employee contributions were approximately \$472,200.

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 deferred compensation contribution to the deferred compensation plan. During 2013, the Township contributed approximately \$218,500 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

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 are scheduled to begin in 2014. The total amount of commitments on these contracts is approximately \$3 million.

TOWNSHIP OF CRANBERRY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 2013, the total revenue under these lease agreements was approximately \$174,900. 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 2013, the total revenue under these lease agreements was approximately \$107,000. 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 2013, the Township provided approximately \$520,000 of support to the Library in the form of dedicated real estate tax revenues and contributions of facilities.

14. RELATED PARTY TRANSACTIONS

The Township provides support to the Cranberry Township Volunteer Fire Company (Company) and the Cranberry Township Volunteer Fire Company Relief Association (Association). During 2013 the Township provided approximately \$245,000 of foreign fire insurance tax distributions to the Association. The Township receives the foreign fire insurance tax distributions directly from the Commonwealth of Pennsylvania under Act 205. Additionally, the Township provided support of approximately \$400,000 to the Company for various operational needs.

Required Supplementary Information

TOWNSHIP OF CRANBERRY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND TRANSPORTATION IMPROVEMENT PROGRAM EAST FUND
YEAR ENDED DECEMBER 31, 2013

	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		
Revenues:								
Taxes:								
Property	\$ 2,900,593	\$ 2,900,593	\$ 2,957,040	\$ 56,447	\$ -	\$ -	\$ -	\$ -
Earned income	5,350,000	5,350,000	6,443,238	1,093,238	-	-	-	-
Business privilege	1,900,000	1,900,000	2,391,054	491,054	-	-	-	-
Local service	1,100,000	1,100,000	1,253,344	153,344	-	-	-	-
Real estate transfer	1,000,000	1,000,000	1,413,100	413,100	-	-	-	-
Licenses, permits, and fees	1,464,900	1,464,900	2,090,670	625,770	-	-	-	-
Fines and forfeitures	82,500	82,500	109,178	26,678	-	-	-	-
Interest, rents, and royalties	228,462	228,462	185,671	(42,791)	7,200	7,200	12,808	5,608
Intergovernmental	867,150	867,150	978,061	110,911	-	-	-	-
Contributions and donations	250,000	250,000	286,735	36,735	6,000	6,000	97,494	91,494
Charges for services	995,772	995,772	1,097,615	101,843	-	-	-	-
Miscellaneous	70,000	70,000	62,648	(7,352)	-	-	-	-
Total revenues	16,209,377	16,209,377	19,268,354	3,058,977	13,200	13,200	110,302	97,102
Expenditures:								
Current:								
General government	3,170,322	3,170,322	2,929,173	241,149	-	-	-	-
Public safety	5,102,500	5,102,500	4,994,010	108,490	-	-	-	-
Highways, roads, and streets	3,805,087	3,925,087	3,833,863	91,224	-	-	13,937	(13,937)
Culture and recreation	1,711,348	1,711,348	1,709,025	2,323	-	-	-	-
Community development	878,550	878,550	880,522	(1,972)	-	-	-	-
Miscellaneous	-	-	1,042	(1,042)	-	-	-	-
Debt service	1,584,416	1,584,416	1,328,356	256,060	-	-	-	-
Capital outlay	81,918	81,918	89,831	(7,913)	200,000	200,000	27,363	172,637
Total expenditures	16,334,141	16,454,141	15,765,822	688,319	200,000	200,000	41,300	158,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,764)	(244,764)	3,502,532	3,747,296	(186,800)	(186,800)	69,002	255,802
Other Financing Sources (Uses):								
Proceeds from sale of capital assets	10,000	10,000	19,595	9,595	-	-	-	-
Transfers in	600,000	600,000	600,000	-	-	-	-	-
Transfers out	(900,000)	(1,469,278)	(1,726,436)	(257,158)	-	-	-	-
Total other financing sources (uses)	(290,000)	(859,278)	(1,106,841)	(247,563)	-	-	-	-
Net Change in Fund Balance	\$ (414,764)	\$ (1,104,042)	2,395,691	\$ 3,499,733	\$ (186,800)	\$ (186,800)	69,002	\$ 255,802
Fund Balance:								
Beginning of year			8,001,534				6,053,687	
End of year			<u>\$ 10,397,225</u>				<u>\$ 6,122,689</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
Police:	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%
	1/1/2013	8,977,577	10,660,726	(1,683,149)	84.2%	2,582,833	-65.2%

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
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%
2013	448,616	102.0%

See accompanying note to required supplementary schedules.

TOWNSHIP OF CRANBERRY

NOTE TO REQUIRED SUPPLEMENTARY SCHEDULES PENSION TRUST FUND

YEAR ENDED DECEMBER 31, 2013

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	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Asset valuation method	4 Year Smoothing
Amortization period	10 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, 2013

	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
Assets								
Cash and cash equivalents	\$ 4,062	\$ 3,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	298,917	69,229	749,877	115,827	1,181,992	1,975,625	98,796	24,278
Due from other funds	3,990	3,141	-	-	-	-	-	-
Total Assets	\$ 306,969	\$ 75,568	\$ 749,877	\$ 115,827	\$ 1,181,992	\$ 1,975,625	\$ 98,796	\$ 24,278
Liabilities and Fund Balance								
Liabilities:								
Accounts payable and accrued expenses	\$ 16,590	\$ 8,425	\$ -	\$ 14,249	\$ 26,624	\$ -	\$ -	\$ -
Developer deposit liability	-	-	-	-	720,064	-	-	-
Due to other funds	20,791	-	-	-	-	-	-	-
Total Liabilities	37,381	8,425	-	14,249	746,688	-	-	-
Fund Balance:								
Restricted	269,588	67,143	749,877	101,578	435,304	1,975,625	98,796	24,278
Total Fund Balance	269,588	67,143	749,877	101,578	435,304	1,975,625	98,796	24,278
Total Liabilities and Fund Balance	\$ 306,969	\$ 75,568	\$ 749,877	\$ 115,827	\$ 1,181,992	\$ 1,975,625	\$ 98,796	\$ 24,278

(Continued)

TOWNSHIP OF CRANBERRY

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2013

(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
Assets								
Cash and cash equivalents	\$ -	\$ 7,260	\$ 2,718	\$ -	\$ 2,719	\$ 3,198	\$ 8,635	\$ 15,895
Investments	405,975	4,920,516	699,929	20,672	190,868	32,455	943,924	5,864,440
Due from other funds	-	7,131	2,670	-	2,670	3,141	8,481	15,612
Total Assets	<u>\$ 405,975</u>	<u>\$ 4,934,907</u>	<u>\$ 705,317</u>	<u>\$ 20,672</u>	<u>\$ 196,257</u>	<u>\$ 38,794</u>	<u>\$ 961,040</u>	<u>\$ 5,895,947</u>
Liabilities and Fund Balance								
Liabilities:								
Accounts payable and accrued expenses	\$ 25,466	\$ 91,354	\$ 4,324	\$ -	\$ -	\$ -	\$ 4,324	\$ 95,678
Developer deposit liability	-	720,064	-	-	-	-	-	720,064
Due to other funds	-	20,791	27,255	-	-	-	27,255	48,046
Total Liabilities	<u>25,466</u>	<u>832,209</u>	<u>31,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,579</u>	<u>863,788</u>
Fund Balance:								
Restricted	<u>380,509</u>	<u>4,102,698</u>	<u>673,738</u>	<u>20,672</u>	<u>196,257</u>	<u>38,794</u>	<u>929,461</u>	<u>5,032,159</u>
Total Fund Balance	<u>380,509</u>	<u>4,102,698</u>	<u>673,738</u>	<u>20,672</u>	<u>196,257</u>	<u>38,794</u>	<u>929,461</u>	<u>5,032,159</u>
Total Liabilities and Fund Balance	<u>\$ 405,975</u>	<u>\$ 4,934,907</u>	<u>\$ 705,317</u>	<u>\$ 20,672</u>	<u>\$ 196,257</u>	<u>\$ 38,794</u>	<u>\$ 961,040</u>	<u>\$ 5,895,947</u>

(Concluded)

TOWNSHIP OF CRANBERRY

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

YEAR ENDED DECEMBER 31, 2013

	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
Revenues:								
Taxes	\$ 463,811	\$ 365,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	468,012	-	-	-	-	-
Interest, rents, and royalties	101	63	126	6	269	2,555	76	6
Intergovernmental	-	-	-	-	-	-	614,492	-
Contributions and donations	-	-	-	196,828	-	34,363	-	-
Miscellaneous	251	-	-	-	-	-	-	-
Total revenues	464,163	365,272	468,138	196,834	269	36,918	614,568	6
Expenditures:								
Public safety	470,914	-	-	-	-	-	-	-
Highways, roads, and streets	-	-	-	66,638	305,237	-	606,430	-
Culture and recreation	-	293,957	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,422	-	-
Debt service:								
Principal retirement	-	-	225,000	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	14,837	-	509,169	-	-
Total expenditures	470,914	293,957	225,000	81,475	305,237	511,591	606,430	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,751)	71,315	243,138	115,359	(304,968)	(474,673)	8,138	6
Other Financing Sources (Uses):								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net Change in Fund Balance	(6,751)	71,315	243,138	115,359	(304,968)	(474,673)	8,138	6
Fund Balance:								
Beginning of year	276,339	(4,172)	506,739	(13,781)	740,272	2,450,298	90,658	24,272
End of year	\$ 269,588	\$ 67,143	\$ 749,877	\$ 101,578	\$ 435,304	\$ 1,975,625	\$ 98,796	\$ 24,278

(Continued)

TOWNSHIP OF CRANBERRY

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

YEAR ENDED DECEMBER 31, 2013
(Continued)

	Special Revenue Funds		Capital Projects Funds					Total Other Governmental 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	
Revenues:								
Taxes	\$ -	\$ 829,020	\$ 310,429	\$ -	\$ 310,429	\$ 365,209	\$ 986,067	\$ 1,815,087
Licenses, permits, and fees	-	468,012	-	-	-	-	-	468,012
Interest, rents, and royalties	62	3,264	1,444	5	55	47	1,551	4,815
Intergovernmental	-	614,492	-	-	-	-	-	614,492
Contributions and donations	347,304	578,495	-	-	-	-	-	578,495
Miscellaneous	-	251	-	-	-	-	-	251
Total revenues	347,366	2,493,534	311,873	5	310,484	365,256	987,618	3,481,152
Expenditures:								
Public safety	-	470,914	118,313	-	-	-	118,313	589,227
Highways, roads, and streets	204,543	1,182,848	-	-	-	-	-	1,182,848
Culture and recreation	-	293,957	-	-	-	-	-	293,957
Miscellaneous	-	2,422	-	-	-	-	-	2,422
Debt service:								
Principal retirement	-	225,000	194,281	-	-	245,000	439,281	664,281
Interest charges	-	-	7,606	-	-	-	7,606	7,606
Capital outlay	-	524,006	-	-	191,535	-	191,535	715,541
Total expenditures	204,543	2,699,147	320,200	-	191,535	245,000	756,735	3,455,882
Excess (Deficiency) of Revenues Over (Under) Expenditures	142,823	(205,613)	(8,327)	5	118,949	120,256	230,883	25,270
Other Financing Sources (Uses):								
Transfers out	-	-	-	-	-	(95,000)	(95,000)	(95,000)
Total other financing sources (uses)	-	-	-	-	-	(95,000)	(95,000)	(95,000)
Net Change in Fund Balance	142,823	(205,613)	(8,327)	5	118,949	25,256	135,883	(69,730)
Fund Balance:								
Beginning of year	237,686	4,308,311	682,065	20,667	77,308	13,538	793,578	5,101,889
End of year	\$ 380,509	\$ 4,102,698	\$ 673,738	\$ 20,672	\$ 196,257	\$ 38,794	\$ 929,461	\$ 5,032,159

(Concluded)

TOWNSHIP OF CRANBERRY

COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2013

Assets	Police Pension Fund	Non-Uniform Pension Fund	Total Pension Trust Funds
Cash and cash equivalents	\$ 112,628	\$ 27,650	\$ 140,278
Investments:			
Corporate bonds	102,920	-	102,920
Mutual funds	10,685,832	5,253,604	15,939,436
Total Assets	10,901,380	5,281,254	16,182,634
Net Position Held in Trust for Pension Benefits	\$ 10,901,380	\$ 5,281,254	\$ 16,182,634

TOWNSHIP OF CRANBERRY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2013

	Police Pension Fund	Non-Uniform Pension Fund	Total Pension Trust Funds
Additions:			
Employer contributions	\$ 457,535	\$ 426,498	\$ 884,033
Employee contributions	109,666	-	109,666
Total contributions	567,201	426,498	993,699
Investment gain:			
Net appreciation in fair value of investments	1,496,321	711,201	2,207,522
Interest and dividends	191,702	105,186	296,888
Total investment gain	1,688,023	816,387	2,504,410
Total additions	2,255,224	1,242,885	3,498,109
Deductions:			
Benefits	359,845	132,422	492,267
Administrative expense	35,914	-	35,914
Total deductions	395,759	132,422	528,181
Change in Plan Net Position	1,859,465	1,110,463	2,969,928
Net Position Held in Trust for Pension Benefits:			
Beginning of year	9,041,915	4,170,791	13,212,706
End of year	\$ 10,901,380	\$ 5,281,254	\$ 16,182,634