

TOWNSHIP OF PINE
WEXFORD, PENNSYLVANIA
DECEMBER 31, 2015

AUDIT REPORT

TOWNSHIP OF PINE
WEXFORD, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Township of Pine
230 Pearce Mill Road
Wexford, Pennsylvania 15090

We have audited the accompanying financial statements of the governmental activities of the Township of Pine as of and for the year ended December 31, 2015 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 of the Township of Pine as of December 31, 2015 and the respective changes in financial position 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 and budgetary comparison information on pages i-xiii and 9 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 of Pine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
June 9, 2016

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Required Supplementary Information (RSI)

The management of the Township of Pine, Allegheny County, Pennsylvania, hereafter referred to as "the Township" is pleased to present its financial statements for the year ended December 31, 2015. The financial statements are prepared in accordance with the Home Rule Charter and with Governmental Accounting Standards Board Statement Number 34 (hereafter "GASB 34") entitled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This section provides a narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2015 and should be read in conjunction with the Township's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Township's assets exceeded its liabilities by \$46,075,666 (net position) at December 31, 2015.
- Unrestricted net position totaled \$15,675,390 as of December 31, 2015, which can be used to meet the government's ongoing obligations to its citizens.
- The fund balance (in the Fund Financial Statements) of all governmental funds was \$16,886,432 as of December 31, 2015. Of this total, \$20,795 was considered "unspendable" because it was comprised of prepaid expenses ("unspendable" because it will not turn into cash), \$1,344,491 was restricted for the Transportation Impact Fund, \$21,269 was restricted for special revenue funds (Highway Aid Fund), \$8,741,587 was committed for various capital projects, \$1,349,300 was assigned for various projects, and the remaining \$5,408,990 was unassigned.
- The fund balance in the General Fund was \$6,629,085 at December 31, 2015. This represents an increase of \$1,291,145 in the fund balance of the General Fund compared to the prior year's increase of \$1,258,139.
- The Township's real estate tax rate remained constant at a rate of 0.998 mills (\$0.998 per \$1,000 of assessed value) in 2015. This rate is the lowest in Allegheny County. The maximum allowed per the Second Class Township Code is 14 mills for general purposes.
- As of December 31, 2015, the Township had no outstanding debt.

USING THE ANNUAL FINANCIAL AUDIT REPORT

This annual report consists of a series of financial statements, divided into three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The report also includes required supplementary information. The Statement of Net Position and the Statement of Activities (on pages 3 and 4) provide information about the activities of the Township as a whole and presents a longer-term view of the Township's finances. Fund financial statements start on page 5. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

than the government-wide statements by providing information about the Township's most significant funds.

Government-wide Financial Statements

Government-wide financial statements report information about the Township as a whole. Our analysis of the Government-wide financial statements begins on page iv and the financial statements themselves are presented on pages 3 and 4.

- The Statement of Net Position includes all the Township's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private sector business.
- The Statement of Activities focuses on how the Township's net position has changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it highlights the extent to which each program relies on local taxes for funding.
- These statements use the *accrual basis of accounting*, which is similar to the accounting used by a private-sector business. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's *net position* and changes in them. You can think of the Township's net position—the difference between assets and liabilities—as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the *overall health* of the Township.

Fund Financial Statements

Our analysis of the Township's major funds begins on page viii. The fund financial statements begin on page 5 and provide detailed information about the most significant funds—not the Township as a whole. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are accounting devices, i.e., a group of related accounts that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, such the Highway Aid Fund. Other funds are established to control and manage resources designated for specific purposes, such as Capital Projects. All of the Township's funds are considered *governmental funds*. The Township currently has no *proprietary funds* (i.e. funds established to account for situations where the Township charges customers for the services it provides and the fees charged for these services are designed to cover all costs of providing the services.)

The Township currently accounts for all Pine Community Center revenue and direct expenditures as a department within the General Fund. Community Center direct expenditures are reported under "Culture-Recreation" on the Statement of Revenues, Expenditures, and Changes in Fund Balance. Indirect costs such as human resource and accounting support services and workers' compensation insurance are currently not allocated to the Community Center, but are recorded under general government and insurance expenditures.

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Governmental funds — All of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are unassigned, assigned, restricted, or committed. These classifications of fund balance show the nature and extent of constraints placed on the Township's fund balances by law, creditors, the Board of Supervisors, and the Township's annually adopted budget. Note 2, Item 7 provides a further explanation of these classifications of fund balance. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* via reconciliations on pages 6 and 8.

Fiduciary funds – These are used to account for resources held for the benefit of parties outside the Township. The Township is the trustee, or *fiduciary*, for its Municipal Employee's Pension and Deferred Compensation Plans. It is responsible for the assets of these pension plans that—because of a trust arrangement—can be used only for the plans' beneficiaries. The Township provides a Defined Contribution Pension Plan to its employees. Fiduciary funds are not reflected in the financial statements because the resources of those funds are not available to support the activities of the Township. See Note 11 to the Financial Statements for additional information about the Township's Municipal Employees' Pension and Deferred Compensation Plans.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: The following table reflects the condensed Statement of Net Position compared to the prior year.

Years ended December 31, 2015 and 2014
Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 18,004,501	\$ 13,991,738
Capital assets	29,034,516	29,519,601
Total assets	<u>\$ 47,039,017</u>	<u>\$ 43,511,339</u>
Current and other liabilities	<u>\$ 963,351</u>	<u>\$ 924,708</u>
Net Position:		
Net Investment in Capital Assets	\$ 29,034,516	\$ 29,519,601
Restricted	1,365,760	1,216,920
Unrestricted	<u>15,675,390</u>	<u>11,850,110</u>
Total net position	<u>\$ 46,075,666</u>	<u>\$ 42,586,631</u>
Total Liabilities and Net Position	<u>\$ 47,039,017</u>	<u>\$ 43,511,339</u>

At December 31, 2015, the Township's total assets were \$47,039,017. Of this amount, \$29,034,516 (or 62%) is accounted for by capital assets, which includes land, buildings, equipment, infrastructure, and construction in progress. The Township uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Total assets as of December 31, 2014 were \$43,511,339. The increase in assets in 2015 primarily represents an increase in cash balances accumulated for future capital projects.

Total liabilities increased in 2015 by \$38,643 compared to the prior year. The increase is primarily due to the Township having more accounts payable at year-end compared with 2014, specifically relating to a pedestrian improvements project and the purchase of capital equipment.

As noted above, most of the Township's net position is invested in capital assets (buildings, land, infrastructure, and equipment). The remaining net assets are comprised of restricted and unrestricted amounts. The restricted balance represents amounts generated for specific purpose funds, consisting of Transportation Impact Funds and State Liquid Fuels monies (Highway Aid Fund). Fund balances reported in the Capital Projects Fund, Recreation Fund and the Water District Fund represent amounts that have been earmarked by Township management for future projects within these funds. Unassigned balances reported in the General Fund are available to meet the ordinary operating needs of the Township.

Changes in Net Position: The results of this year's operations as a whole are reported in the *Statement of Activities* on Page 4. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented in the next three columns to determine the final amount of the Township's activities that are supported by other general revenues. The largest general revenues are the local taxes assessed to Township taxpayers.

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

The Township's total net position increased by \$3,489,035 in 2015 compared with a decrease of \$398,870 in 2014. The information below from the *Statement of Activities* is rearranged slightly so that you can see our total revenues and expenses for the year compared to the prior year.

Years ended December 31, 2015 and 2014
Statement of Activities

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
REVENUES		
Program revenues:		
Charges for services	\$ 994,336	\$ 983,452
Operating grants and contributions	1,097,080	664,143
Capital grants and contributions	0	897,005
General revenues:		
Property taxes	1,757,610	1,664,205
Other taxes	8,508,808	7,425,085
Special assessments for impact fees	394,726	611,149
Licenses and Permits	365,407	342,861
Fines and Forfeits	11,695	20,761
Interest and Rents	73,707	69,770
Gain (Loss) on disposal of fixed assets	(136,526)	28,728
Refund of prior year's Expenses/(Revenues)	(109,283)	(195,801)
Other revenue	266,899	16,187
TOTAL REVENUES	<u>\$ 13,224,459</u>	<u>\$ 12,527,545</u>
EXPENSES		
General Government	\$ 1,143,282	\$ 1,175,197
Public Safety	2,427,868	5,508,596
Public Works - Sanitation	414,045	102,503
Public Works - Highways	4,009,947	4,703,226
Culture - Recreation	1,494,379	1,398,948
Interest, Insurance, Employer Taxes	245,903	37,945
TOTAL EXPENSES	<u>\$ 9,735,424</u>	<u>\$ 12,926,415</u>
Change in Net Position	\$ 3,489,035	\$ (398,870)
Net Position - Beginning	<u>42,586,631</u>	<u>42,985,501</u>
Net Position - Ending	<u>\$ 46,075,666</u>	<u>\$ 42,586,631</u>

TOWNSHIP OF PINE

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Revenue Sources:

Total government-wide revenues of \$13,224,459 were approximately 5.56% higher than 2014 revenues of \$12,527,545.

The Township’s revenues continue to be derived primarily from taxes. In 2015, the Township of Pine collected \$10,266,418 in taxes compared to \$9,089,290 in 2014. Tax revenues account for 78% of total revenues in 2015. Of the taxes levied, the earned income taxes and real estate taxes are the most significant. In 2015, earned income taxes accounted for \$4,716,213 or 46% of the taxes collected for general government purposes compared to \$4,247,173 in 2014.

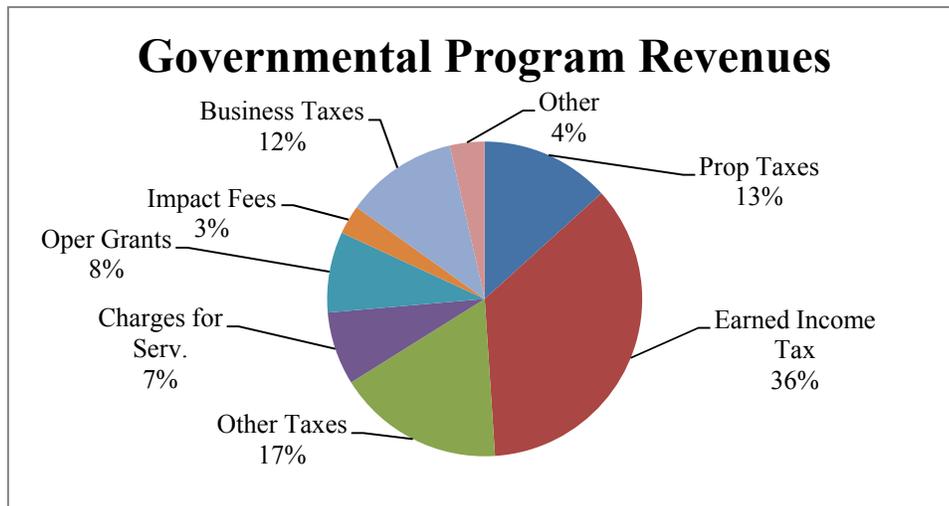
Real estate tax accounted for \$1,757,610 or 17% of the taxes levied for general government purposes compared to \$1,668,335 in 2014. The real estate tax is levied on the assessed value of real estate located in the Township. In both 2015 and 2014, a 0.998 mils tax (0.0998%) was levied for total governmental purposes.

The Township levies a Real Estate Transfer Tax of 1% of the value of the real estate sold and these taxes accounted for \$1,669,050 or 16% of the Township’s total tax revenue, compared to \$1,299,374 in 2014. This is attributable to the number of occupancy permits issued for new residential and commercial properties and transfers of existing properties.

A Business Gross Receipts Tax is levied on business conducted within the Township, unless exempted by state law. The rate varies from .75 mils to 2 mils depending on the nature of the business being conducted. For 2015, the Business Gross Receipts Tax accounted for \$1,525,378 or 15% of the Township’s total tax revenue, compared to \$1,349,485 in 2014.

Because the Township did not accept any new roads as capital contributions in accordance with open developer agreements in 2015, Capital Grants and Contributions decreased from \$897,005 in 2014 to \$0 in 2015.

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2015:



TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

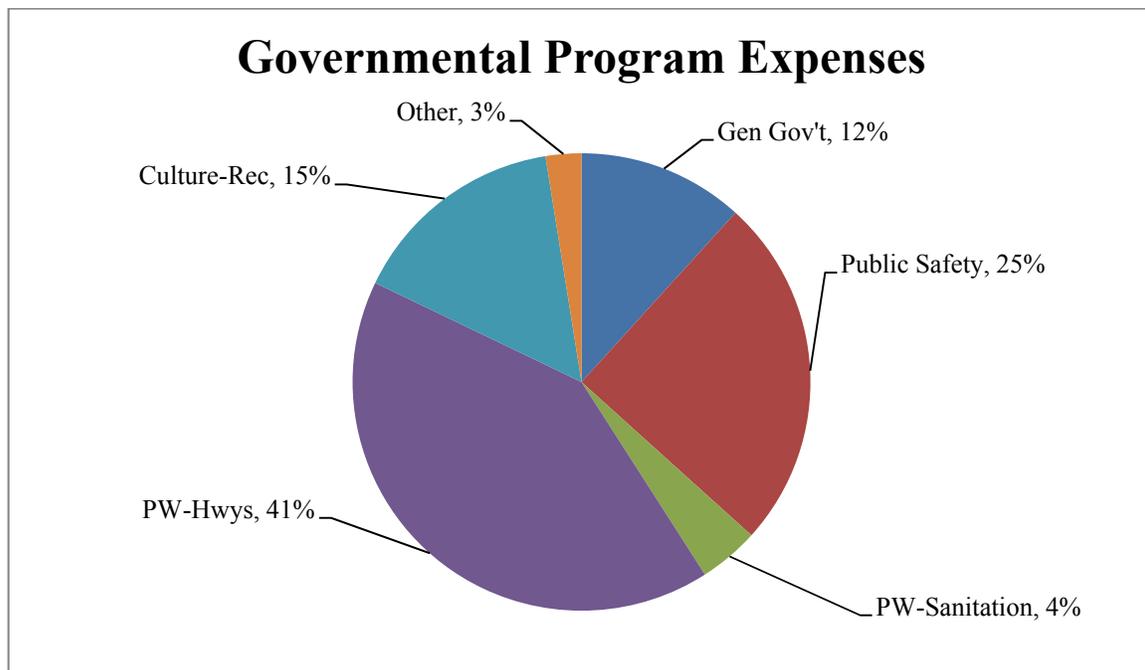
DECEMBER 31, 2015

Program Expenses:

Program expenses reflect the delivery of a wide range of services by the Township to its residents with the largest portion of the expenditures being for public works-highways (41%), which represents the costs of road installation, repair, and maintenance. Other significant areas of program expenses include public safety (25%) and recreation (15%) representing the cost of providing public protection and the Community Center and public park upkeep, respectively.

Total Expenses for all governmental activity programs in 2015 was \$9,735,424, which represented a decrease of \$3,190,991 or 25% from the \$12,926,415 recognized in 2014. The 2015 decrease can mostly be attributed to a special contribution to the Wexford Volunteer Fire Company of \$3,198,418 in 2014 to enable the Fire Company to pay off its mortgage loan obligation related to its main fire station located on North Chapel Drive. The contribution to the Wexford VFC was included in Public Safety Expenses in 2014.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2015:



TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

The table below presents the Township's major functions as well as each function's net cost (total cost less revenues generated by the activities of the function). This table also shows the net costs offset by the other grants, subsidies, and contributions to show the remaining financial needs of each function that are supported by local taxes and other miscellaneous revenues.

Years ended December 31, 2015 and 2014
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Income) of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Government	\$ 1,143,282	\$ 1,175,197	\$ 442,585	\$ 843,382
Public Safety	2,427,868	5,508,596	2,143,806	5,231,114
Public Works - Sanitation	414,045	102,503	386,609	44,163
Public Works - Highways	4,009,947	4,703,226	3,666,860	3,506,947
Culture - Recreation	1,494,379	1,398,948	758,245	718,264
Interest, Insurance and Employer Taxes	<u>245,903</u>	<u>37,945</u>	<u>245,903</u>	<u>37,945</u>
Total governmental activities	<u>\$ 9,735,424</u>	<u>\$ 12,926,415</u>	<u>\$ 7,644,008</u>	<u>\$ 10,381,815</u>
Total needs from local taxes and other revenues			<u>\$ 7,644,008</u>	<u>\$ 10,381,815</u>

As might be expected, the basic services of the Township of Pine are primarily financed through general revenues. In 2015, the function of Public Works-Highways required the most overall support or \$3,666,860 compared to \$3,506,947 in 2014. Public Safety required \$2,143,806 compared to \$5,231,114 in 2014, and Culture-Recreation required \$758,245 compared to \$718,264 in 2014. Both the Public Works-Highways and Culture-Recreation were comparable to 2014. The decrease in Public Safety expenditures in 2015 was mostly due to the special contribution made to Wexford Volunteer Fire Company in 2014 as discussed above.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Township uses fund accounting to control and manage money for particular purposes and to ensure and demonstrate compliance with finance-related legal requirements. The Township utilizes six separate governmental funds to achieve this objective. 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.

At December 31, 2015, the Township governmental funds reported a combined fund balance of \$16,886,432. The specific makeup of this fund balance, by governmental fund type, is as follows:

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

FUND BALANCE BY FUND TYPE AS OF DECEMBER 31, 2015 AND 2014

Individual Fund Balances as a Percentage
of the Combined Fund Balances

<u>Fund Type</u>	<u>2015</u>		<u>2014</u>	
Capital Projects	\$ 8,223,919	48.7%	\$ 5,692,990	44.0%
General	6,629,085	39.3%	5,337,940	41.3%
Transportation Impact	1,344,491	8.0%	1,216,891	9.4%
Recreation	416,822	2.4%	326,257	2.5%
Water/Sewer District	250,846	1.5%	362,923	2.8%
Highway Aid	21,269	0.1%	29	0.0%
Combined Fund Balances	<u>\$ 16,886,432</u>	100.0%	<u>\$ 12,937,030</u>	100.0%

The Capital Projects Fund balance serves to aid Township management in the planning and financing of current, future, and unexpected capital projects. Management has earmarked funds to be used for specific projects including reserves for Public Works and Parks equipment; the purchase of additional municipal land; repairs and/or replacement to municipal structures and facility equipment; repairs and/or acquisition of waste and recycling receptacles, fitness equipment, vehicles, and machinery. Funds held in the Capital Projects Fund may be distributed to other funds when needed for capital expenditures included in these funds. As required by GASB Statement No. 54, funds committed for a specific purpose require formal action by the Board of Supervisors to approve or change a commitment.

In 2015, the Township began development of a ten year capital improvement plan, which will be reviewed and revised annually in conjunction with changing needs and in keeping with the Township's recently adopted Implementable Comprehensive Plan.

The General Fund is the chief operating fund of the Township. It includes all of the operational departments of the Township including police, fire, and library contributions; public works, parks and recreation; community center operations; and general government activity. At December 31, 2015, the unassigned fund balance of the General Fund was \$5,408,990, representing an increase of \$3,793,930 during 2015. The increase in 2015 (compared to the prior year's decrease of \$190,158) was mostly due to an overall increase in Act 511 and real estate tax collections and an overall reduction in general fund spending, largely due to the elimination of the Township's general obligation bonds in 2014. These overall favorable items in the General Fund were partially offset by increased transfers to other funds.

As a measure of the General Fund's liquidity and to protect the Township from unexpected swings in revenue, the Board of Supervisors established a fund balance policy that incorporates two important components of Fund Balance. The first is a Minimum Unassigned Fund Balance as recommended by the Government Finance Officers Association. The minimum fund balance represents a *savings target* and is set at 15% of subsequent year's budgeted expenditures (representing roughly two months expenditures). The second component is an Economic Stabilization Arrangement, the purpose of which is to set aside General Fund resources to mitigate impacts of future unanticipated declines in revenue and to provide resources in case of emergencies. The stabilization arrangement establishes *spending constraints* so that fund balance may be expended only when certain conditions exist, which are not expected to occur

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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routinely. Funding for the stabilization arrangement is set at a minimum 5% and maximum 10% of subsequent year's budgeted General Fund Revenues.

The Transportation Impact Fund maintains funds collected from new development projects. The fees are assessed in accordance to the Pennsylvania Municipalities Planning Code (MPC), authorizing local government to assess impact fees on new development. Revenues collected from these fees are restricted for use in financing future Township infrastructure capital improvements. Fees are based upon the number of new vehicle trips generated in the PM Peak hour determined by Institute of Transportation Engineers (ITE) Trip Generation Manual or through an independent traffic generation study that forecasts future projected vehicle trips attributed to the new development. Developers and builders pay a transportation impact fee to the Township for this purpose with the issuance of every building permit.

Continuing development within the Township has resulted in additional amounts being collected for the Transportation Impact Fund and additional amounts being utilized for roadway capital improvement projects. The remaining funds are anticipated to be spent in future years as the Township addresses its infrastructure needs related to new development.

The Recreation Fund is designated in its use to promote and support recreational activities, facilities or purposes, which serve the recreational needs of the residents of the Township. Builders pay a fee for this purpose with every building permit issued.

The Highway Aid Fund (also known as Liquid Fuels Fund), is restricted in its use to reimburse Township expenditures for road-related expenses, such as the purchase of winter maintenance materials; the purchase of road machinery and equipment; and the purchase, maintenance, and repair of traffic signs and signal devices. The Township receives its share of the state's liquid fuels tax, which is allocated to municipalities based on local roadway mileage, population from the most recent US Census Report (2010), and ACT 44 funds received by PENNDOT from the PA Turnpike Commission.

The Water/Sewer District Fund is designated for the extension of new sewer or water lines. The Board of Supervisors may create a sewer or water district after receiving a valid petition from residents in need of public sewer or water. The cost of the extension of the sewer or water line project is paid initially out of this fund. During 2015, the Township facilitated construction of a sanitary sewer system on Baur Drive. The project was partially offset by a grant from the Allegheny County Gaming Economic Development Fund.

GENERAL FUND BUDGET

A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided on Page 9.

It is the Township's policy to seek and apply for any available federal, state, and local grants. The grant money applied for is budgeted as revenue and the corresponding spending related to the project is budgeted as expense. If the grant is not received, the project is not completed.

Total General Fund revenues were overall favorable to the budget by \$1,459,869 or 13.59%. This variance resulted from higher than estimated real estate and Act 511 taxes and building permits. General Fund expenditures were unfavorable to budget by \$618,021 or 8.88%. During 2015, the

TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Board of Supervisors decided to transfer an additional \$1,250,000 to the Capital Projects Fund over the amount originally budgeted to fund the 2016 budgeted expansion of the public works garage and salt storage facilities. After adjusting for this interfund transfer, General Fund expenditures were actually *favorable* to the budget by \$631,979.

CAPITAL ASSETS

At December 31, 2015, the Township had \$29,034,516 invested in a broad range of capital assets, including land, buildings, equipment and vehicles, and infrastructure.

Governmental Activities
Capital assets - net of depreciation

	2015	2014
Land	\$ 7,256,854	\$ 7,221,054
Building & Improvements	9,304,081	9,522,854
Equipment & Vehicles	1,468,537	1,607,049
Infrastructure	10,664,920	11,161,238
Construction in Progress	340,124	7,406
Total	<u>\$ 29,034,516</u>	<u>\$ 29,519,601</u>

As mentioned earlier, the Township is in the process of developing a capital improvement plan that will project capital investment needs ten years into the future for infrastructure, parks and recreation and municipal facilities and equipment. These projections will be reviewed and revised annually and used in developing each year's annual operating budget. The newly adopted Implementable Comprehensive Plan will be a tool used in assessing future needs.

TOWNSHIP OF PINE

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

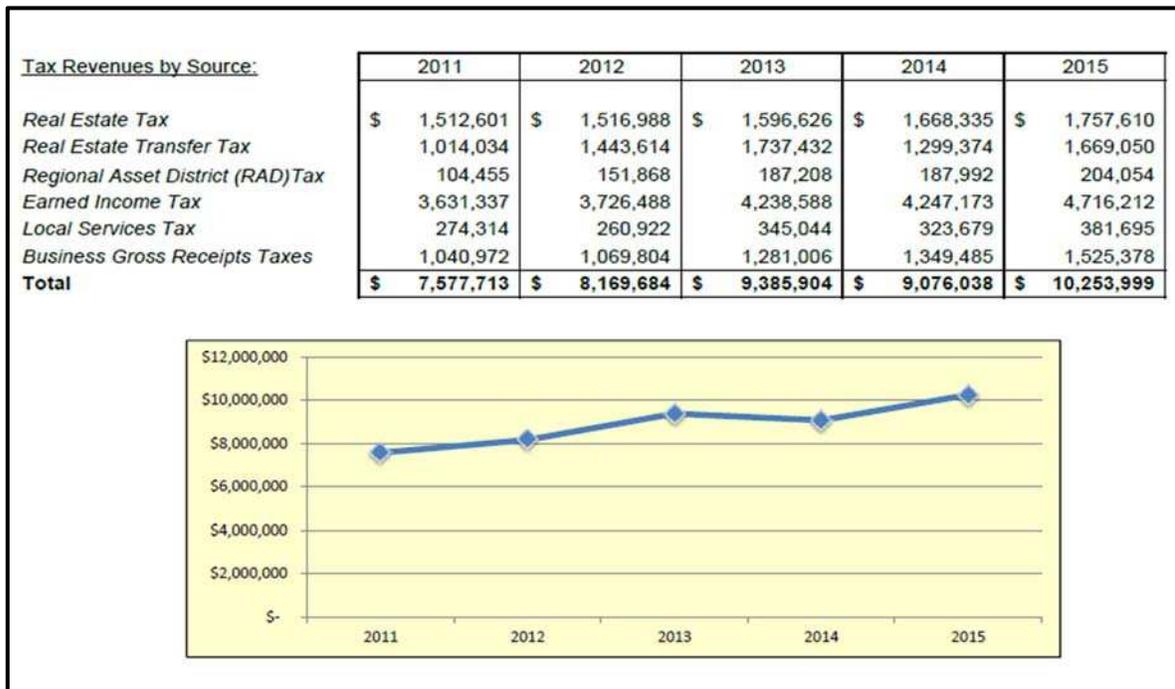
DECEMBER 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the end of 2015, the Bureau of Labor Statistics reported the unemployment rate for Allegheny and Butler Counties to be 3.8%, compared with the national average of 4.8%. On the local level, commercial activity appears to be strong. The Township issued 56 commercial occupancy permits in 2015. Commercial Occupancy Rates (Class A, B & C office space) for the Pittsburgh metropolitan area are 92%, indicating a solid business foundation. New businesses opening in Pine in 2015 included the UPMC Spine Center, Connected Health, and an Infiniti auto dealership. New businesses expected in 2016 include a Kia auto dealership, three office buildings, and several fast food establishments.

On the residential front, the Township issued 119 residential occupancy permits in 2015, with major developments being Alderwood, Emerald Fields, Village at Pine and Pleasant Ridge. Expectations for residential construction in 2016 remain strong with the continuation of 2015 developments and the addition of several new neighborhoods including Sunset Ridge and Orchard Heights.

Tax revenue trends in Pine appear to support the regional statistics. The following table and graph depict the five-year trend in Township tax revenues from 2011 to 2015:



TOWNSHIP OF PINE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Highlights of the Township's 2016 Budget include:

- The Township's millage rate remains unchanged at 0.998, which continues to be the lowest in Allegheny County.
- Total 2016 budgeted revenues across all funds are \$12,402,437, while budgeted expenditures are \$12,388,841. Major budgeted expenditures include the following:
 - \$1,765,000 for the annual road paving and landscaping program.
 - \$1,584,413 contribution to the Northern Regional Police Department for police services.
 - \$398,705 for the Wexford Volunteer Fire Company comprised of direct and indirect support, additions to vehicle replacement reserves, and in-kind services.
 - \$244,260 contribution for support of the Northern Tier Regional Library.
- Major Capital Improvement Projects budgeted for 2016 include:
 - A Public Works expansion project consisting of a larger salt storage facility and additional garage space, budgeted at \$1,550,000.
 - Improvements to Pine Community Park, including an ADA compliant restroom facility, irrigation upgrades to fields, and a small pavilion at the lake, budgeted at \$330,000.
 - Replacement of fitness equipment and carpeting at Pine Community Center, budgeted at \$57,700.
 - Replacement of a 2005 Public Works 10 ton dump truck, budgeted at \$191,000.
- Investment opportunities will be governed by the Township's Investment Policy, which was adopted February 2, 2015. Options for short and long term investments are limited to those designated under Section 3204 of the PA Second Class Township Code. Township management, at the direction of the Financial Committee, makes every attempt to maximize earnings on idle funds while balancing cash flow needs.

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our residents, taxpayers, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Manager, Township of Pine, 230 Pearce Mill Road, Wexford, PA 15090, 724-625-1591 or by email at sanderso@twp.pine.pa.us.

TOWNSHIP OF PINE
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 16,807,834
Accounts Receivable	284,659
Taxes Receivable	643,983
Inventory	247,230
Other Current Assets	<u>20,795</u>
Total Current Assets	\$ 18,004,501
Noncurrent Assets	
Land	\$ 7,256,854
Building & Improvements (net of depreciation)	9,304,081
Equipment and Vehicles (net of depreciation)	1,468,537
Infrastructure (net of depreciation)	10,664,920
Construction in Progress	<u>340,124</u>
Total Noncurrent Assets	\$ 29,034,516
TOTAL ASSETS	\$ 47,039,017
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 125,897
Escrow Payable	518,935
Payroll Deductions & Withholdings	221
Unearned Revenue	189,039
Accumulated Compensated Absences	<u>129,259</u>
Total Current Liabilities	\$ 963,351
TOTAL LIABILITIES	\$ 963,351
NET POSITION	
Net Investment in Capital Assets	\$ 29,034,516
Restricted for:	
Highway Aid	21,269
Transportation Impact	1,344,491
Unrestricted	<u>15,675,390</u>
TOTAL NET POSITION	\$ 46,075,666
TOTAL LIABILITIES AND NET POSITION	\$ 47,039,017

See Accompanying Notes to Financial Statements

TOWNSHIP OF PINE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,143,282	\$ 175,824	\$ 524,873	\$ 0	\$ (442,585)
Public Safety	2,427,868	91,192	192,870	0	(2,143,806)
Public Works - Sanitation	414,045	27,436	0	0	(386,609)
Public Works - Highways	4,009,947	0	343,087	0	(3,666,860)
Culture - Recreation	1,494,379	699,884	36,250	0	(758,245)
Interest, Insurance and Employer Taxes	<u>245,903</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(245,903)</u>
Total Governmental Activities	\$ 9,735,424	\$ 994,336	\$ 1,097,080	\$ 0	\$ (7,644,008)
Business-type Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 9,735,424</u>	<u>\$ 994,336</u>	<u>\$ 1,097,080</u>	<u>\$ 0</u>	<u>\$ (7,644,008)</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes, net	\$ 1,757,610
Other taxes levied for general purposes, net	8,508,808
Special assessments for impact fees	394,726
Licenses and Permits	365,407
Fines and Forfeits	11,695
Interest and Rents	73,707
Refunds of Prior Year Expenses / (Revenues)	(109,283)
Private Contributions	255,229
Gain (Loss) on Disposal of Fixed Assets	(136,526)
Miscellaneous Income	<u>11,670</u>

Total general revenues, special items, extraordinary items and transfers \$ 11,133,043

Change in Net Position \$ 3,489,035

Net Position—Beginning 42,586,631

Net Position—Ending \$ 46,075,666

See Accompanying Notes to Financial Statements

TOWNSHIP OF PINE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Impact Fund</u>	<u>Other Non-Major Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 6,473,513	\$ 8,311,575	\$ 1,344,491	\$ 678,254	\$ 16,807,833
Accounts Receivable	234,459	0	0	50,200	284,659
Taxes Receivable	643,983	0	0	0	643,983
Other Current Assets	20,795	0	0	0	20,795
Total Assets	<u>\$ 7,372,750</u>	<u>\$ 8,311,575</u>	<u>\$ 1,344,491</u>	<u>\$ 728,454</u>	<u>\$ 17,757,270</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 38,241	\$ 87,656	\$ 0	\$ 0	\$ 125,897
Escrow Payable	518,935	0	0	0	518,935
Unearned Revenue	149,522	0	0	39,517	189,039
Payroll Deductions & Withholdings	220	0	0	0	220
Total Liabilities	<u>\$ 706,918</u>	<u>\$ 87,656</u>	<u>\$ 0</u>	<u>\$ 39,517</u>	<u>\$ 834,091</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Taxes	<u>\$ 36,747</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,747</u>
<u>Fund Balances</u>					
Non-Spendable for:					
Prepaid Expenditures	\$ 20,795	\$ 0	\$ 0	\$ 0	\$ 20,795
Restricted for:					
Transportation Impact	0	0	1,344,491	0	1,344,491
Highway Aid	0	0	0	21,269	21,269
Committed for:					
Water/Sewer District Petitions	0	0	0	250,846	250,846
Community and Park Development	0	0	0	416,822	416,822
Quality Enhancement Projects	0	1,039,014	0	0	1,039,014
Park Land Acquisition Reserve	0	1,643,207	0	0	1,643,207
Municipal Facilities Capital Replacement	0	4,147,869	0	0	4,147,869
Municipal Capital Replacement	0	1,243,829	0	0	1,243,829
Assigned for:					
Healthcare Reform Reserve	150,000	0	0	0	150,000
Reimburse Capital Projects for Public Works Garage	500,000	0	0	0	500,000
Reimburse Capital Projects for Salt Building	500,000	0	0	0	500,000
Financial Software for Wexford VFC Database	12,300	0	0	0	12,300
Park Upgrades Remaining from 2015 Project	37,000	0	0	0	37,000
Wexford VFC Capital Replacements	0	150,000	0	0	150,000
Unassigned:					
Minimum Fund Balance - 15% of 2016 Budget	1,373,407	0	0	0	1,373,407
Economic Stabilization Arrangement	1,134,702	0	0	0	1,134,702
Balance Unassigned	2,900,881	0	0	0	2,900,881
Total Fund Balances	<u>\$ 6,629,085</u>	<u>\$ 8,223,919</u>	<u>\$ 1,344,491</u>	<u>\$ 688,937</u>	<u>\$ 16,886,432</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,372,750</u>	<u>\$ 8,311,575</u>	<u>\$ 1,344,491</u>	<u>\$ 728,454</u>	<u>\$ 17,757,270</u>

TOWNSHIP OF PINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,886,432

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.

Governmental Capital Assets	\$ 50,420,458	
Less: Accumulated Depreciation	<u>(21,385,942)</u>	29,034,516

Because some taxes that have been levied are not collected until several months after the Township's year-end, they are not considered "available" revenues in the governmental funds. Therefore, in the governmental funds, these amounts are classified as unavailable revenue.

Unavailable Revenue-Taxes	36,747
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Materials and supplies are recognized as expense when purchased and are, therefore, not recognized as inventory in the governmental funds.

Inventory	247,230
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Accrued vacation and sick liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.

Compensated Absence Obligation	<u>(129,259)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 46,075,666**

TOWNSHIP OF PINE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Impact Fund</u>	<u>Other Non-Major Funds</u>	<u>Totals Governmental Funds</u>
<u>REVENUES</u>					
Taxes / Special Assessments	\$ 10,253,302	\$ 0	\$ 394,726	\$ 0	\$ 10,648,028
Licenses and Permits	9,504	0	0	0	9,504
Fines and Forfeits	11,320	0	0	0	11,320
Interest and Rents	59,829	11,149	1,529	1,200	73,707
Intergovernmental	517,471	0	0	593,087	1,110,558
Charges for Services	1,280,562	0	0	66,852	1,347,414
Contributions	13,868	155,297	0	0	169,165
Miscellaneous	<u>11,670</u>	<u>0</u>	<u>0</u>	<u>50,264</u>	<u>61,934</u>
Total Revenues	<u>\$ 12,157,526</u>	<u>\$ 166,446</u>	<u>\$ 396,255</u>	<u>\$ 711,403</u>	<u>\$ 13,431,630</u>
<u>EXPENDITURES</u>					
General Government	\$ 1,069,720	\$ 58,464	\$ 0	\$ 0	\$ 1,128,184
Public Safety	2,366,539	0	0	0	2,366,539
Public Works - Sanitation	15,257	0	0	389,768	405,025
Public Works - Highways	2,923,511	357,716	137,893	321,907	3,741,027
Culture - Recreation	1,403,039	125,637	0	0	1,528,676
Insurances and Employer Paid Benefits	<u>245,903</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>245,903</u>
Total Expenditures	<u>\$ 8,023,969</u>	<u>\$ 541,817</u>	<u>\$ 137,893</u>	<u>\$ 711,675</u>	<u>\$ 9,415,354</u>
Excess of Revenues Over / (Under) Expenditures	<u>\$ 4,133,557</u>	<u>\$ (375,371)</u>	<u>\$ 258,362</u>	<u>\$ (272)</u>	<u>\$ 4,016,276</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds of General Fixed Asset Disposal	\$ 42,409	\$ 0	\$ 0	\$ 0	\$ 42,409
Operating Transfers In	0	2,906,300	0	0	2,906,300
Operating Transfers (Out)	(2,906,300)	0	0	0	(2,906,300)
Refunds of Prior Year Expenditures / (Receipts)	<u>21,479</u>	<u>0</u>	<u>(130,762)</u>	<u>0</u>	<u>(109,283)</u>
Total Other Financing Sources (Uses)	<u>\$ (2,842,412)</u>	<u>\$ 2,906,300</u>	<u>\$ (130,762)</u>	<u>\$ 0</u>	<u>\$ (66,874)</u>
Excess of Revenues and Other Sources Over / (Under) Expenditures and Other Uses	<u>\$ 1,291,145</u>	<u>\$ 2,530,929</u>	<u>\$ 127,600</u>	<u>\$ (272)</u>	<u>\$ 3,949,402</u>
Fund Balances, January 1	<u>5,337,940</u>	<u>5,692,990</u>	<u>1,216,891</u>	<u>689,209</u>	<u>12,937,030</u>
Fund Balances, December 31	<u>\$ 6,629,085</u>	<u>\$ 8,223,919</u>	<u>\$ 1,344,491</u>	<u>\$ 688,937</u>	<u>\$ 16,886,432</u>

TOWNSHIP OF PINE
RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 3,949,402**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period.

Capital Outlays	\$ 2,494,142	
Less: Depreciation Expense	<u>(2,800,292)</u>	(306,150)

The statement of activities reports gains or losses arising from the disposal of fixed assets. Conversely, the governmental funds report the entire proceeds from fixed asset disposals.

Add: Loss on Disposals	\$ (136,526)	
Less: Proceeds from Disposals	<u>(42,409)</u>	(178,935)

The purchase of materials and supplies are reported in the governmental funds as expenditures. However, the statement of activities includes only the cost of materials and supplies that were actually consumed during the year.

Change in Inventory Balance		36,487
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In the statement of activities, certain operating expenses (compensated absences) 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 (essentially, the amounts actually paid). During this year, the total amount of the liability increased by this amount in the government-wide statements.

Change in Accumulated Compensated Absences		(14,607)
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Because some taxes will not be collected until several months after the Township's year-end, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount during this year.

Change in Unavailable Revenue		<u>2,838</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,489,035**

TOWNSHIP OF PINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes/Special Assessments	\$ 8,979,395	\$ 8,979,395	\$ 10,253,302	\$ 1,273,907
Licenses and Permits	345	345	9,504	9,159
Fines and Forfeits	14,500	14,500	11,320	(3,180)
Interest and Rents	59,951	59,951	59,829	(122)
Intergovernmental	458,167	458,167	517,471	59,304
Charges for Services	1,176,345	1,176,345	1,280,562	104,217
Contributions	13,048	13,048	13,868	820
Miscellaneous	<u>13,815</u>	<u>13,815</u>	<u>11,670</u>	<u>(2,145)</u>
Total Revenues	<u>\$ 10,715,566</u>	<u>\$ 10,715,566</u>	<u>\$ 12,157,526</u>	<u>\$ 1,441,960</u>
<u>EXPENDITURES</u>				
General Government	\$ 1,168,842	\$ 1,168,842	\$ 1,069,720	\$ 99,122
Public Safety	2,227,786	2,227,786	2,366,539	(138,753)
Public Works - Sanitation	63,800	63,800	15,257	48,543
Public Works - Highways	3,305,843	3,305,843	2,923,511	382,332
Culture - Recreation	1,542,028	1,542,028	1,403,039	138,989
Insurances and Employer Paid Benefits	<u>316,870</u>	<u>316,870</u>	<u>245,903</u>	<u>70,967</u>
Total Expenditures	<u>\$ 8,625,169</u>	<u>\$ 8,625,169</u>	<u>\$ 8,023,969</u>	<u>\$ 601,200</u>
Excess of Revenues Over / (Under) Expenditures	<u>\$ 2,090,397</u>	<u>\$ 2,090,397</u>	<u>\$ 4,133,557</u>	<u>\$ 2,043,160</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of General Fixed Asset Disposal	\$ 24,500	\$ 24,500	\$ 42,409	\$ 17,909
Operating Transfers (Out)	(1,656,300)	(1,656,300)	(2,906,300)	(1,250,000)
Refunds of Prior Year Expenditures (Receipts)	<u>(9,300)</u>	<u>(9,300)</u>	<u>21,479</u>	<u>30,779</u>
Total Other Financing Sources (Uses)	<u>\$ (1,641,100)</u>	<u>\$ (1,641,100)</u>	<u>\$ (2,842,412)</u>	<u>\$ (1,201,312)</u>
Excess of Revenues and Other Sources Over / (Under) Expenditures and Other Uses	<u>\$ 449,297</u>	<u>\$ 449,297</u>	<u>\$ 1,291,145</u>	<u>\$ 841,848</u>
Fund Balances - January 1			<u>5,337,940</u>	
Fund Balances - December 31			<u>\$ 6,629,085</u>	

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Pine (“Township”) was established under the laws of the Commonwealth of Pennsylvania. The Township operates with a Board and provides the following services as authorized by the Township code: public safety, streets, sanitation, and recreation.

The financial statements of the Township of Pine have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the Township are described below.

In evaluating the Township as a reporting entity, management has addressed all potential component units (i.e. separate entities for which the Township may be “financially accountable”) and, as such, should be included in the Township’s financial statements. The primary government is considered to be “financially accountable” for another organization if it appoints a voting majority of the other organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of these criteria, management has determined that the Township (the primary government) has no potential components that should be included in its financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Township’s basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township’s police, fire, parks, public works, recreation and general administrative services are classified as governmental activities. The Township does not have business-type activities.

In the government-wide Statement of Net Position, the governmental activities (a) are presented on a consolidated basis, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township’s net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants to arrive at the net revenue or expense related to each function of the Township.

Program revenues must be directly associated with the function (general government, public safety, public works-sanitation and highway, recreation, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital – specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise assets, liabilities, fund balance, revenues, and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in the governmental activities. Each major fund is presented in a separate column. Nonmajor funds are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of each fund in relation to the total) for the determination of major funds.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon 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 and fund types:

- a. The General Fund is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Capital Project Fund accounts for the accumulation and disbursement of resources to be used specifically for capital acquisitions and improvements and construction projects within the Township.
- c. The Impact Fund is a Special Revenue Fund which accounts for the accumulation and disbursement of resources collected from developers based on transportation impact studies related to new development within the Township.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The activities in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those applicable to a business in the private sector. There are two types of proprietary funds, enterprise and internal service. The Township did not have any proprietary funds.

3. 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 the Township's programs. The reporting focus is on net assets and changes in net assets which are reported using accounting principles similar to proprietary funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee sick leave, which are recognized when due and payable.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgetary Process

The Township passed an appropriated general fund budget for the fiscal year ending December 31, 2015 with revenues and other financing sources totaling \$10,767,066 and expenditures and other financing uses totaling \$10,317,769.

The Township is required by state law to adopt an annual budget. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (“GAAP”).

Although the codes contain somewhat different requirements for boroughs, townships, and cities, the following are common elements:

1. Projections of revenue estimates and proposed expenditures must be made either by the secretary, department heads, or committees of the governing body.
2. The minimum financial obligation of the municipality for the following year must be determined by the chief administrative officer of each municipal pension plan and submitted to the governing body by September 30.
3. A public meeting of the governing body is held at which the budget for all funds of the municipality is discussed and the proposed budget is prepared.
4. After the proposed budget is prepared, it must be advertised. The advertisement should include a statement of where the budget is available for public inspection for a period of at least 20 days, except for townships, which is at least 10 days.
5. The governing body must officially adopt a balanced budget before December 31 of the year proceeding the budget year.

All budget appropriations lapse at year-end, unless the Township chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

NOTE 2 – FINANCIAL STATEMENT AMOUNTS

1. Cash and Investments

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

In accordance with GASB Statement No. 31, the Township’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term “short-term” refers to investments that have a remaining term of one year or less

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

at the time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

2. Inventories

On the government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that items are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an asset by offsetting the appropriate expense account. The inventories of the Township, as presented in the statement of net position, are comprised primarily of road maintenance materials, garbage carts, fuel, and signage. Other items, such as office supplies, are not considered to be material to the overall financial statements and are not capitalized as inventory. The inventory for governmental activities is \$247,230 at December 31, 2015.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

4. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets purchased or acquired with an original cost of \$4,000 or more (machinery, equipment and vehicles), \$25,000 or more (buildings and building improvements), and \$100,000 or more (infrastructure items) are reported at historical cost or estimated historical cost. Contributed assets (primarily roads contributed by developers) are reported at estimated fair market 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 reports all major general infrastructure assets constructed or acquired in fiscal years ending after January 1, 2004 or that received major renovations, restoration, or improvements during that period.

All reported capital assets except land and construction in progress are depreciated. The value of land includes all land under Township roads. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Infrastructure	8-30 years
Buildings and Improvements	10-40 years
Furniture and Equipment	3-15 years

5. Compensated Absences

The Township accrues accumulated unpaid vacation time when earned (or estimated to be earned) by the employee. The liability for governmental funds is reported as a current liability in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

6. Government-wide Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consists of net assets that are restricted by the Township’s creditors (for example, through debt covenants), by the state enabling legislation (through restriction on shared revenues), by grantors (both federal and state), and by other contributors (including those that might donate to the Township).
- Unrestricted – all other net assets are reported in this category.

7. Fund Balance Items

The Township reports two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, the Township uses a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the Township’s Board of Supervisors, via board action.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board of Supervisors has given authority to assign portions of the fund balance to the Township Manager. Assigned fund balances in the General Fund primarily represent expenditures that were budgeted to occur in 2015, but will actually be incurred in 2016. Other amounts are assigned for future capital enhancements.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

According to Township policy and consistent with Government Finance Officers Association (GFOA) best practices, the unassigned fund balance as of December 31 shall be a minimum of 15% of the subsequent year's budgeted expenditures plus transfers to other funds. 2016 budgeted expenditures plus transfers to other funds are \$9,156,045.

An Economic Stabilization Arrangement has been established by resolution within the General Fund, the purpose of which is to set aside General Fund resources to mitigate impacts of future unanticipated declines in revenue and to provide resources in case of emergencies. The funds set aside are part of the existing unassigned General Fund balance. The minimum funding for the Stabilization Arrangement will be 5% of the subsequent year's budgeted General Fund Revenues (excluding transfers in). The maximum funding will be 10% of subsequent year's budgeted General Fund Revenues (excluding transfers in). The existence of circumstances qualifying as criteria for acceptable use must be acknowledged by a majority of the Township's Board of Supervisors and then ratified by a majority vote at the next available public meeting.

8. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

9. Inter-fund Activity

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from/to other funds." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net assets, except for amounts due to/from other funds, which are not presented in the statement of net assets.

10. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Changes in estimated amounts receivable and deferred revenues for uncollected taxes are accounted for as changes in estimates in the current period.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

11. Subsequent Events

The Township evaluated its December 31, 2015 financial statements for subsequent events through the audit report date which is the date the financial statements were available to be issued. The Township is not aware of subsequent events that would require recognition or disclosure in the financial statements.

NOTE 3 – CASH /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, and insured or collateralized time deposits and certificates of deposit.

The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. Deposits of the governmental funds, which are maintained in demand deposits or highly liquid money market funds, are captioned as “Cash and Cash Equivalents” in the balance sheet. There were no deposit or investment transactions noted during the year that were in violation of either the state statutes or the policy of the Township.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. Bank balances up to \$250,000 per bank are insured by the FDIC. Pennsylvania statutes require banks to pledge collateral for Township deposits in excess of \$250,000. As of December 31, 2015, \$7,777,288 of the Township’s bank balance of \$13,679,287 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	0
Uninsured and collateralized with securities held by financial institution in the Township's name	\$	0
Uninsured and collateralized with securities held by financial institution but not in the Township's name	\$	7,777,288

Other Deposits

As of December 31, 2015, the Township had other deposits in the Pennsylvania Local Government Investment Trust (PLGIT), which was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments. The fund has the characteristics of an open-end mutual fund and is not subject to credit risk classification. PLGIT is governed by an elected board of trustees who are responsible

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 3 – CASH /INVESTMENTS – CONTINUED

for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund.

The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net assets to compute share prices. The fund maintains a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

As of December 31, 2015, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 1,210,432
Total	<u>\$ 1,210,432</u>

As of December 31, 2015, the Township's deposits in PA Local Government Investment Trust were rated as "AAAm" by Standard & Poor's.

Reconciliation to Financial Statements

Collateralized by securities not in the Township's name	\$ 7,777,288
FDIC Insured Amount	8,131,000
Other Deposits Above	<u>1,210,432</u>
Carrying Amount - Bank Balances	\$ 17,118,720
Add: Petty Cash	575
Less: Outstanding Items	<u>(311,461)</u>
Total	<u>\$ 16,807,834</u>

Custodial Credit Risk - Investments

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 security that are in the possession of an outside party. The Township has no investment subject to custodial credit risk.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 4 – TAXES

Property Taxes

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the Township. The schedule for property taxes levied for 2015 is as follows:

April 1 - tax notices mailed
April-May - 2% discount period
June-July - face payment period
August until lien date - 10% penalty period

The Township tax rate for all purposes in 2015 was 0.998 mills (\$0.998 per \$1,000 assessed valuation). Collections on the 2015 duplicate were \$1,708,528.

As of December 31, 2015, property taxes receivable by the Township includes uncollected taxes assessed as of April 1, 2015 or earlier. It is estimated that a certain collectable percentage (as determined by the delinquent tax collector) of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected. Therefore, property taxes receivable reflects this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Earned Income Tax

The Township levies a voted continuing tax of 0.50 percent for general purposes on the income of residents. Taxpayers are required to file an annual return. The collector makes periodic remittances to the Township after withholding amounts for administrative fees. Earned income tax receipts are credited to the general fund.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,221,054	\$ 35,800	\$ 0	\$ 7,256,854
Construction in Progress	7,406	332,718	0	340,124
Total Capital assets, not being depreciated	<u>\$ 7,228,460</u>	<u>\$ 368,518</u>	<u>\$ 0</u>	<u>\$ 7,596,978</u>
Capital assets, being depreciated:				
Building and Improvements	\$ 12,571,263	\$ 107,037	\$ 0	\$ 12,678,300
Equipment and Vehicles	3,817,319	286,651	322,547	3,781,423
Infrastructure	24,631,821	1,731,936	0	26,363,757
Total capital assets, being depreciated	<u>\$ 41,020,403</u>	<u>\$ 2,125,624</u>	<u>\$ 322,547</u>	<u>\$ 42,823,480</u>
Accumulated Depreciation for:				
Building and Improvements	\$ 3,048,409	\$ 325,810	\$ 0	\$ 3,374,219
Equipment and Vehicles	2,210,270	246,228	143,612	2,312,886
Infrastructure	13,470,583	2,228,254	0	15,698,837
Total Accumulated Depreciation	<u>\$ 18,729,262</u>	<u>\$ 2,800,292</u>	<u>\$ 143,612</u>	<u>\$ 21,385,942</u>
Capital assets, being depreciated, net	<u>\$ 22,291,141</u>	<u>\$ (674,668)</u>	<u>\$ 178,935</u>	<u>\$ 21,437,538</u>
Governmental activities capital assets, net	<u>\$ 29,519,601</u>	<u>\$ (306,150)</u>	<u>\$ 178,935</u>	<u>\$ 29,034,516</u>

Significant additions during 2015 included \$1,731,936 for road paving projects, \$286,651 for vehicle and equipment additions and \$137,893 for traffic control construction.

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

Governmental Activities:	
General Government	\$ 58,423
Public Safety	89,156
Highways and Streets	2,359,742
Parks and Recreation	292,971
Total Depreciation Expense Governmental Activities	<u>\$ 2,800,292</u>

NOTE 6 – UNEARNED REVENUE

The Township reports unearned revenue as a liability representing situations where payments have been received or receivables have been recognized prior to the related services being rendered by the Township.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 7 – COMPENSATED ABSENCES/RETIREMENT INCENTIVES

Township employees accumulate unused vacation days for a maximum period of one year. If the vacation days are not used by the end of the year following the year in which they were earned, the days are forfeited. The liability for compensated absences is calculated based on the number of days accrued and the employee’s age and current daily pay rate. As of December 31, 2015, the liability for accrued vacation and compensated absences is \$129,259.

NOTE 8 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 114,652	\$ 14,607	\$ 0	\$ 129,259	\$ 0
Total governmental activity long-term liabilities	<u>\$ 114,652</u>	<u>\$ 14,607</u>	<u>\$ 0</u>	<u>\$ 129,259</u>	<u>\$ 0</u>

NOTE 9 – INTERFUND TRANSACTIONS

Transfers are indicative of funding for capital projects and re-allocations of special and other revenues. The following schedule briefly summarizes the Township’s transfer activity:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 2,906,300	To provide funding for future capital projects.

NOTE 10 – RISK MANAGEMENT

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

For its dental insurance, the Township participates as a member of the Municipal Employers Insurance Trust (MEIT). MEIT was formed in 1968 for the purpose of providing certain benefits for eligible employers (any municipality, municipal authority, association of municipal employees of any city, town, township, or borough of the Commonwealth of Pennsylvania), and those employers who may later become eligible. MEIT acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The Township pays a monthly premium to MEIT for its dental insurance.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 10 – RISK MANAGEMENT- CONTINUED

The trust agreement provides that MEIT will be self-sustaining through employer contributions sufficient to pay all insurance premiums from commercial insurance carriers and all administrative costs of MEIT.

The Township may withdraw from MEIT by giving 30 days' notice. The trust was established solely for the purpose of administering, holding, and maintaining insurance policies and other agreements related to the provision of benefits. Therefore, the Township has no right, title, or interest in the Trust Fund, and it has no right to the return of any monies paid into the Trust Fund.

For its workers compensation insurance coverage, the Township participates in the Municipal Risk Management Workers' Compensation Pooled Trust, a public entity risk pool operated for the benefit of 202 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1933 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharges the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant in the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Trust purchases excess insurance coverage with statutory limits. The retention for this coverage is \$500,000 per occurrence. There were no significant changes in the levels of insurance coverage compared to the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years. A member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. Estimates of any additional assessments are unknown.

NOTE 11 – PENSION PLANS

Full-time, non-uniformed employees of the Township are covered by the Non-Uniformed Employees Defined Contribution Plan, a single-employer defined contribution plan administered by ICMA Retirement Corporation. The plan is established and administered in accordance with the Township of Pine Resolution No. 646, which may be amended by the Township Board of Supervisors. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. All Township full-time employees are required to participate. The Township of Pine Resolution No. 646 specifies plan provisions, including the employee and employer contribution rates. All full-time employees must contribute 3.50% of their respective compensation. The Township contributes 12.00% of the employee's compensation.

TOWNSHIP OF PINE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING DECEMBER 31, 2015

NOTE 11 – PENSION PLANS - CONTINUED

Total contributions by dollar amount and percentage of covered payroll made by the Township during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 49,931	\$ 171,243
Percentage of covered payroll	3.50%	12.00%

Additionally, a deferred compensation plan was created in accordance with Internal Revenue Code Section 457. The trust holds the assets for the exclusive benefit of plan participants and their beneficiaries. Plan assets are not the property of the Township or subject to the claims of the Township's general creditors.

OTHER FINANCIAL INFORMATION

TOWNSHIP OF PINE
COMBINING BALANCE SHEET - NON-MAJOR FUNDS
DECEMBER 31, 2015

	<u>Recreation Fund</u>	<u>Highway Aid Fund</u>	<u>Water District Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash	\$ 416,822	\$ 21,269	\$ 240,163	\$ 678,254
Accounts Receivable	<u>0</u>	<u>0</u>	<u>50,200</u>	<u>50,200</u>
Total Assets	<u>\$ 416,822</u>	<u>\$ 21,269</u>	<u>\$ 290,363</u>	<u>\$ 728,454</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Unearned Revenue	<u>0</u>	<u>0</u>	<u>39,517</u>	<u>39,517</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,517</u>	<u>\$ 39,517</u>
<u>Fund Equity:</u>				
Restricted for Highway Aid	\$ 0	\$ 21,269	\$ 0	\$ 21,269
Committed for:				
Community and Park Development	416,822	0	0	416,822
Water/Sewer District Petitions	0	0	250,846	250,846
Assigned for:				
Recreation Fund-Park Development	0	0	0	0
Water District for Water/Sewer Districts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity	<u>\$ 416,822</u>	<u>\$ 21,269</u>	<u>\$ 250,846</u>	<u>\$ 688,937</u>
Total Liabilities and Fund Equity	<u>\$ 416,822</u>	<u>\$ 21,269</u>	<u>\$ 290,363</u>	<u>\$ 728,454</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF PINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR FUNDS
YEAR ENDED DECEMBER 31, 2015

	Recreation <u>Fund</u>	Highway Aid <u>Fund</u>	Water District <u>Fund</u>	<u>Totals</u>
<u>REVENUES</u>				
Interest and Rents	\$ 885	\$ 60	\$ 255	\$ 1,200
Intergovernmental	0	343,087	250,000	593,087
Charges for Services	39,416	0	27,436	66,852
Private Contributions	<u>50,264</u>	<u>0</u>	<u>0</u>	<u>50,264</u>
Total Revenues	<u>\$ 90,565</u>	<u>\$ 343,147</u>	<u>\$ 277,691</u>	<u>\$ 711,403</u>
<u>EXPENDITURES</u>				
Public Works - Sanitation	\$ 0	\$ 0	\$ 389,768	\$ 389,768
Public Works - Highways	<u>0</u>	<u>321,907</u>	<u>0</u>	<u>321,907</u>
Total Expenditures	<u>\$ 0</u>	<u>\$ 321,907</u>	<u>\$ 389,768</u>	<u>\$ 711,675</u>
Excess of Revenues Over / (Under) Expenditures	<u>\$ 90,565</u>	<u>\$ 21,240</u>	<u>\$ (112,077)</u>	<u>\$ (272)</u>
Excess of Revenues and Other Sources Over / (Under) Expenditures and Other Uses	\$ 90,565	\$ 21,240	\$ (112,077)	\$ (272)
Fund Balances, January 1	<u>326,257</u>	<u>29</u>	<u>362,923</u>	<u>689,209</u>
Fund Balances, December 31	<u>\$ 416,822</u>	<u>\$ 21,269</u>	<u>\$ 250,846</u>	<u>\$ 688,937</u>

See Accompanying Notes to Financial Statements