

# **Township of Pine**

## Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended December 31, 2017  
with Independent Auditor's Report

**MaherDuessel**

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# TOWNSHIP OF PINE

YEAR ENDED DECEMBER 31, 2017

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# TOWNSHIP OF PINE

YEAR ENDED DECEMBER 31, 2017

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## Independent Auditor's Report

### **Board of Supervisors Township of Pine**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Pine, Pennsylvania (Township), as of and for the year ended December 31, 2017, 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, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2017, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund and the Impact Fund, 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 as listed in the table of contents 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.

### *Supplementary 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 nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental 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 nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
March 22, 2018

**TOWNSHIP OF PINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

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, 2017. 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, 2017 and should be read in conjunction with the Township's financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- The Township's assets exceeded its liabilities by \$52,026,419 (net position) at December 31, 2017.
- Unrestricted net position totaled \$20,485,626 as of December 31, 2017, 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 \$22,316,742 as of December 31, 2017. Of this amount, \$21,995 was considered "unspendable" because it was comprised of prepaid expenses ("unspendable" because it will not turn into cash), \$1,689,539 was restricted for the Transportation Impact Fund, \$227 was restricted for special revenue funds (Highway Aid Fund), \$10,674,821 was committed for various capital projects, \$4,950,000 was assigned for various projects, and the remaining \$4,980,160 was unassigned.
- The fund balance in the General Fund was \$9,502,155 at December 31, 2017. This represents an increase of \$504,984 in the fund balance of the General Fund compared to the prior year's increase of \$2,368,086.
- The Township's real estate tax rate remained constant at 0.998 mills (\$0.998 per \$1,000 of assessed value) in 2017. 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, 2017, 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 1 and 2) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund

financial statements start on page 3. 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 than the government-wide financial 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 1 and 2.

- 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 like 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 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 ix. The fund financial statements begin on page 3 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 as 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 included under “Culture and 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 Pine Community Center but are recorded under general government and insurance expenditures. Capital construction and capital purchases can also be budgeted and paid for out of the Capital Projects or Recreation Funds.

*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 1 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 to 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 4 and 6.

*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 Defined Contribution 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 7 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 9-21 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Condensed Statements of Net Position December 31, 2017 and 2016

	2017 Governmental Activities	2016 Governmental Activities
	<u>                    </u>	<u>                    </u>
Current and other assets	\$ 23,089,213	\$ 19,904,974
Capital assets	<u>29,851,027</u>	<u>29,179,645</u>
<b>Total Assets</b>	<u><u>\$ 52,940,240</u></u>	<u><u>\$ 49,084,619</u></u>
Current and other liabilities	<u>\$ 913,821</u>	<u>\$ 1,138,040</u>
Net Position:		
Net investment in capital assets	\$ 29,851,027	\$ 29,179,645
Restricted	1,689,766	1,534,275
Unrestricted	<u>20,485,626</u>	<u>17,232,659</u>
<b>Total Net Position</b>	<u><u>\$ 52,026,419</u></u>	<u><u>\$ 47,946,579</u></u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 52,940,240</u></u>	<u><u>\$ 49,084,619</u></u>

At December 31, 2017, the Township's total assets were \$52,940,240. Of this amount, \$29,851,027 (or 56%) 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, 2016 were \$49,084,619. The increase in current assets in 2017 represents an increase in cash balances accumulated for future capital projects. The increase in capital assets is primarily attributable to the takeover of approximately 2.9 miles of developer roads (recorded at fair market value as a private contribution), which the Township will be responsible to maintain.

Total liabilities decreased in 2017 by \$224,219 compared to the prior year. The decrease is due primarily to a reduction in developer security bonds held by the Township at the end of 2017.

As noted above, most of the Township's net position is invested in capital assets (buildings, land, infrastructure, and equipment). The remaining net position is 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, the Recreation Fund, and the Water/Sewer/Stormwater Fund represent amounts that have been earmarked by Township

management for future projects. 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 2017 operations as a whole are reported in the *Statement of Activities* on Page 2. 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.

The Township's total net position increased by \$4,079,840 in 2017 compared with an increase of \$1,870,913 in 2016. 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.

**Condensed Statements of Activities**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u> Governmental Activities	<u>2016</u> Governmental Activities
Revenues:		
Program revenues:		
Charges for services	\$ 1,359,191	\$ 1,398,217
Operating grants and contributions	1,003,429	808,711
Capital grants and contributions	2,215,298	1,413,388
General revenues:		
Property taxes	1,889,284	1,838,839
Earned income tax	4,932,935	4,201,054
Business and mercantile tax	1,623,727	1,516,479
Other taxes	2,448,921	2,194,882
Contributions	152,182	108,129
Interest and rents	269,291	137,321
Gain (loss) on disposal of capital assets	25,265	(58,481)
Miscellaneous	64,629	59,875
<b>Total revenues</b>	<u>15,984,152</u>	<u>13,618,414</u>
Expenses:		
Program expenses:		
General government	1,118,277	1,094,008
Public safety	2,600,986	2,493,037
Public works - sanitation	55,714	55,513
Public works - highways	6,241,757	6,131,411
Culture - recreation	1,577,954	1,581,484
Interest, insurance, employer taxes	309,624	392,048
<b>Total expenses</b>	<u>11,904,312</u>	<u>11,747,501</u>
Change in net position	4,079,840	1,870,913
Net position - beginning	47,946,579	46,075,666
Net position - ending	<u>\$ 52,026,419</u>	<u>\$ 47,946,579</u>

**Governmental Revenue Sources:**

Total 2017 government-wide revenues of \$15,984,152 were approximately 17.0% higher than 2016 revenues of \$13,618,414.

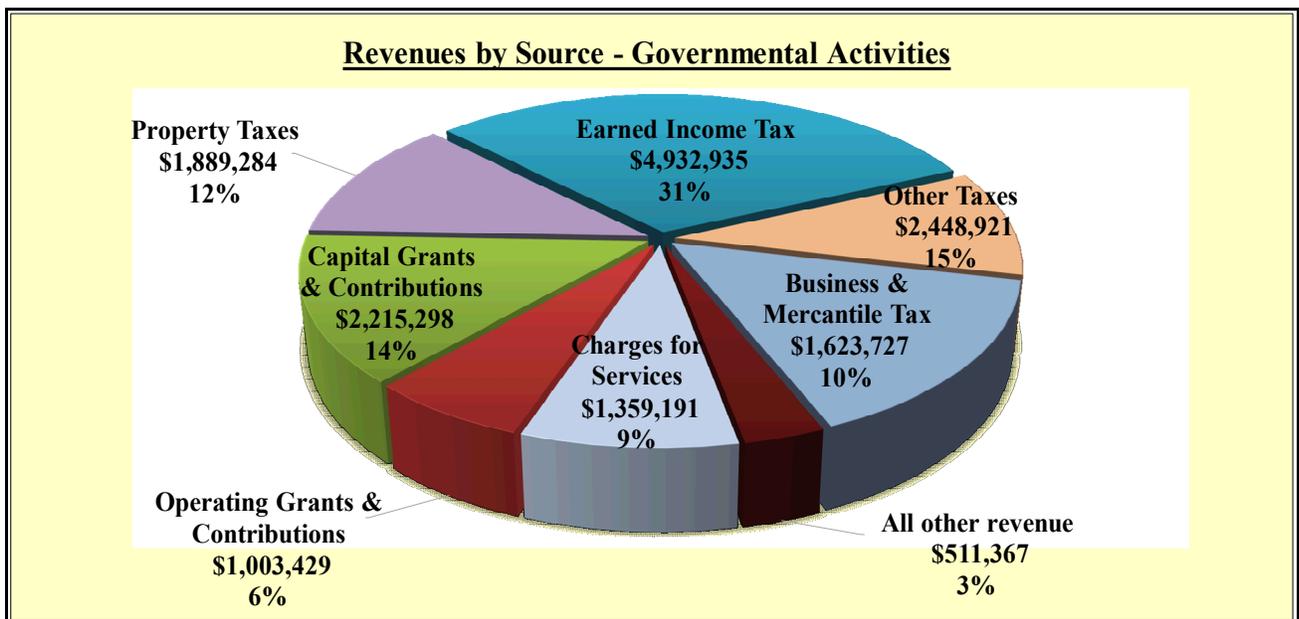
The Township’s revenues continue to be derived primarily from taxes. In 2017, the Township collected \$10,894,867 in taxes compared to \$9,751,254 in 2016. Tax revenues account for 68% of total revenues in 2017. Of the taxes levied, the earned income taxes and real estate taxes are the most significant. In 2017, earned income taxes accounted for \$4,932,935 or 45% of the taxes collected for general government purposes compared to \$4,201,054 in 2016.

Real estate tax accounted for \$1,889,284 or 17% of the taxes levied for general government purposes compared to \$1,838,839 in 2016. The real estate tax is levied on the assessed value of real estate located in the Township. In both 2017 and 2016, 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 \$1,838,625 or 17% of the Township’s total tax revenue, compared to \$1,646,599 in 2016. 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 in 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 2017, the Business Gross Receipts Tax accounted for \$1,623,727 or 15% of the Township’s total tax revenue, compared to \$1,516,479 in 2016.

In 2017, the Township took over 2.9 miles of developer roads valued at \$1,872,766. These are categorized under Capital Grants and Contributions.

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2017:

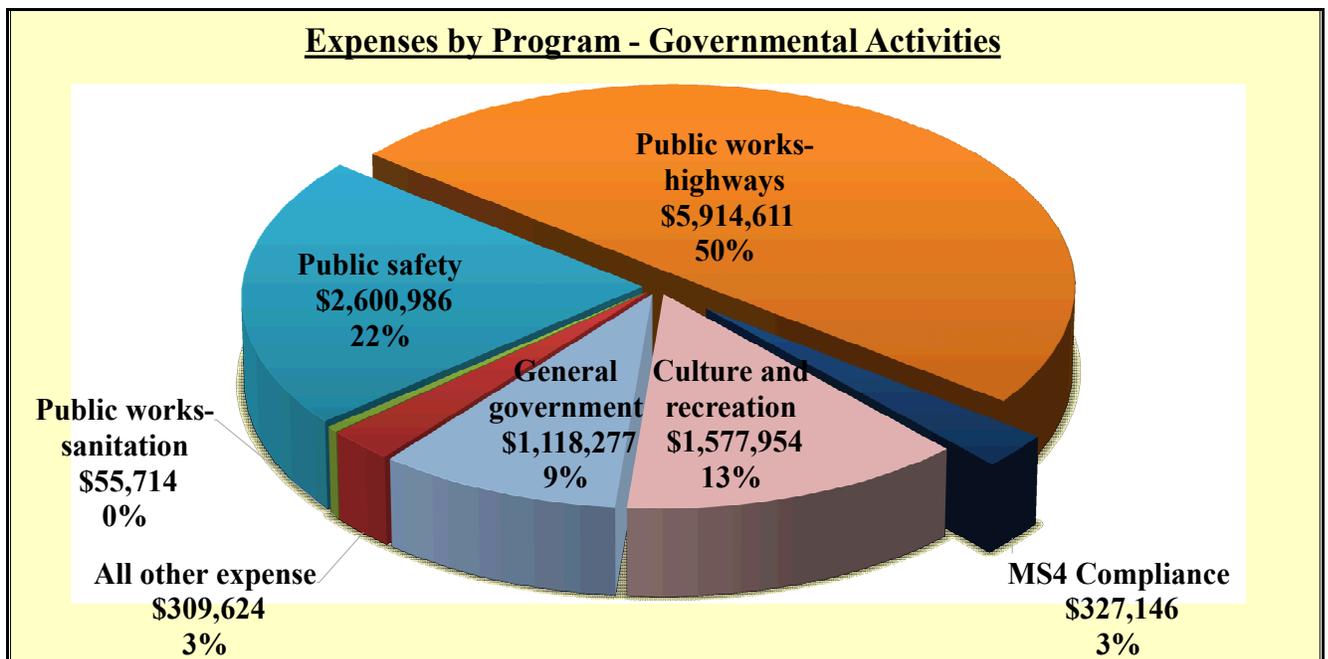


## Governmental Expenses:

Governmental program expenses reflect the delivery of a wide range of services by the Township to its residents and businesses. The largest portion of spending is for public works-highways (50%), which includes the costs of road repairs, maintenance, snow removal, public works salaries, and construction of public works buildings. A large component of that category was \$793,000 spent on completion of the salt storage/public works garage expansion project. Other program expenses include public safety (22%) (*code enforcement, police and fire protection*), recreation (13%) (*park maintenance and the Pine Community Center*), and general government (9%) (*tax collection costs, administrative salaries, information technology, building upkeep*).

A small but increasingly significant category of expense is MS4 Compliance. The stormwater requirements of the Federal Clean Water Act are administered by the PA Department of Environmental Protection under the Municipal Separate Storm Sewer Systems (MS4) Program. This program mandates that stormwater management programs be implemented at the municipal level. The cost of compliance in 2017 was 3% of total expenses (compared with 1% in 2016), and the cost is expected to increase in coming years. For this reason, management decided to show this expense in the chart below as a separate category. In the financial statements, this category is included as part of public works-highways. Public works and administrative time devoted to MS4 activity is tracked internally but is not reported separately on the financial statements. The total number of hours spent by Township staff in 2017 was 2,899. Including taxes and benefits, this equates to a cost of \$131,000, so the true cost of MS4 compliance in 2017 was \$458,146.

Total spending for all governmental activity programs in 2017 was \$11,904,312, representing a slight increase of \$156,811 (1%) over 2016 spending. The following chart graphically depicts the government-wide expenses for various programs of governmental activities for the fiscal year ended December 31, 2017:



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.

**Net Cost of Governmental Activities**

	2017 Total Cost of Services	2016 Total Cost of Services	2017 Net Cost of Services	2016 Net Cost of Services
Program:				
General government	\$ 1,118,277	\$ 1,094,008	\$ 477,045	\$ 539,206
Public safety	2,600,986	2,493,037	2,398,732	2,199,512
Public works - sanitation	55,714	55,513	49,438	47,135
Public works - highways	6,241,757	6,131,411	3,326,242	4,124,516
Culture and recreation	1,577,954	1,581,484	765,313	824,768
Insurances/benefits/miscellaneous	309,624	392,048	309,624	392,048
Total governmental activities	<u>\$ 11,904,312</u>	<u>\$ 11,747,501</u>	<u>\$ 7,326,394</u>	<u>\$ 8,127,185</u>
Total needs from local taxes and other revenues			<u>\$ 7,326,394</u>	<u>\$ 8,127,185</u>

As might be expected, the basic services of the Township are primarily financed through general revenues. In 2017, the function of public works - highways required the most overall support or \$3,326,424 compared to \$4,124,516 in 2016. Public safety required \$2,398,732 compared to \$2,199,512 in 2016, and culture and recreation required \$765,313 compared to \$824,768 in 2016.

**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, 2017, the Township governmental funds reported a combined fund balance of \$22,316,742. The specific makeup of this fund balance, by governmental fund type, is as follows:

**Individual Fund Balances as a Percentage  
of the Combined Fund Balances**

<u>Fund Type</u>	<u>2017</u>		<u>2016</u>	
Capital projects	\$ 10,456,716	46.86%	\$ 7,702,716	40.78%
General	9,502,155	42.58%	8,997,171	47.64%
Transportation impact	1,689,539	7.57%	1,534,032	8.12%
Recreation	379,167	1.70%	393,317	2.08%
Water/Sewer/Stormwater	288,938	1.29%	260,102	1.38%
Highway Aid	227	0.00%	243	0.00%
Combined Fund Balances	<u>\$ 22,316,742</u>	100.00%	<u>\$ 18,887,581</u>	100.00%

The Capital Projects Fund is used for the planning and financing of current and future capital projects. Management has earmarked funds to be used for specific projects including reserves for public works and parks equipment; future infrastructure projects; the purchase of additional municipal land; repairs and/or replacement of municipal facilities and equipment; repairs and/or replacement of waste and recycling receptacles, fitness equipment, vehicles, and machinery. 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.

The Township maintains a capital improvement plan which estimates the amount of funds to be set aside for future capital expenditures. The plan is reviewed and revised annually by the Township Finance Committee in conjunction with changing needs and in keeping with the Township's Implementable Comprehensive Plan.

The General Fund is the chief operating fund of the Township. It encompasses all the operational departments of the Township including police, fire, code enforcement, public works, parks and recreation, community center operations, and general government activity. At December 31, 2017, the fund balance of the General Fund was \$9,502,155, representing an increase of \$504,984 during 2017.

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 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 with the issuance of every building permit.

Continuing development in 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 for use in promoting and supporting recreational activities or facilities that serve the recreational needs of Township residents. Builders pay a recreation fee with each 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 a 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, and Act 44 funds received by PENNDOT from the PA Turnpike Commission.

The Water/Sewer/Stormwater Fund (previously 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 requesting public sewer or water. The cost of the extension of the sewer or water line project is paid initially out of this fund and repaid by the residents in the district. In 2017, the Fund was expanded to include stormwater management expenses in conjunction with MS4 compliance (see discussion on pages vii and xiii).

## **GENERAL FUND BUDGET**

A schedule showing the Township's original and final budget amounts compared with actual amounts paid and received is provided on Page 7.

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 \$1,335,247 or 11.4%. This variance resulted from higher than estimated tax revenue and interest earned on investments. General Fund expenditures were favorable to the budget by \$860,119 or 9%, primarily due to

lower than expected culture/recreation and public works expenditures. The combined effect of additional revenues and lower than expected expenditures allowed the Board of Supervisors to authorize an additional \$2,000,000 transfer to the Capital Projects Fund.

## **CAPITAL ASSETS**

At December 31, 2017, the Township had \$29,851,027 invested in a broad range of capital assets, including land, buildings, equipment and vehicles, and infrastructure.

	<b>Governmental Activities</b>	
	<b>Capital Assets - net of depreciation</b>	
	2017	2016
	Governmental	Governmental
	Activities	Activities
	<u>                    </u>	<u>                    </u>
Land	\$ 7,612,674	\$ 7,447,279
Buildings and improvements	11,231,109	9,009,953
Equipment and vehicles	2,047,462	1,789,870
Infrastructure	8,694,819	9,081,307
Construction in progress	<u>264,963</u>	<u>1,851,236</u>
Total capital assets	<u><u>\$ 29,851,027</u></u>	<u><u>\$ 29,179,645</u></u>

As mentioned earlier, the Township maintains a capital improvement plan that projects capital investment needs into the future for infrastructure, parks and recreation, and municipal facilities and equipment. These projections are reviewed and revised annually and used in developing each year’s annual operating budget. The capital improvement plan also incorporates the recommendations of the Township’s Implementable Comprehensive Plan.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Looking ahead to 2018, regional economists are forecasting strong hiring trends, coupled with rising wages and reduced income tax withholding created by the Tax Cuts and Jobs Act (TCJA). Pittsburgh Quarterly Magazine predicts that this combination of factors could result in the Pittsburgh Metropolitan Statistical Area experiencing the best overall economic growth since 2012. Wages are projected to rise by as much as three percent, supported mainly by the “Eds and Meds” sector. The construction industry in the Pittsburgh area is expected to stay strong in 2018 with the development of the Shell Appalachia ethane cracker plant in Beaver County, as well as large hospital expansion projects announced by both UPMC and Highmark Health.

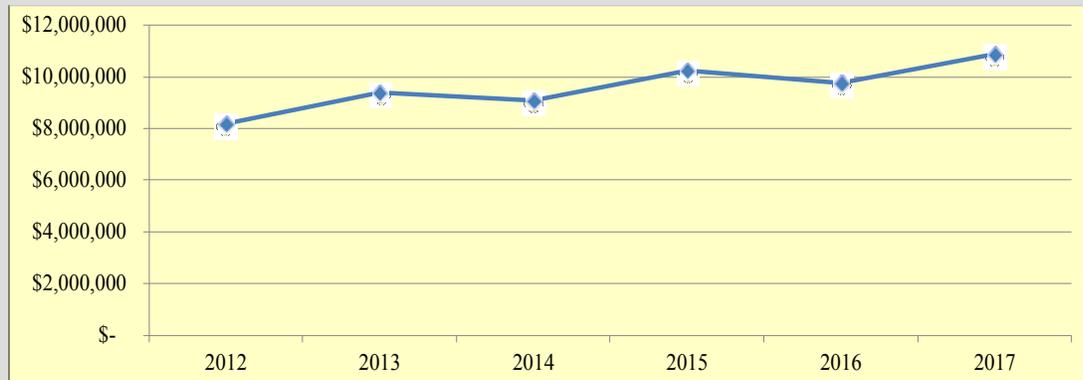
At the local level, the Township issued 83 commercial occupancy permits in 2017, 80 for new businesses and three for new commercial buildings. New businesses opening in 2017 included consultants, medical offices, retail stores, financial services, education & training centers and restaurants (including Chick-fil-A). In addition, Allegheny Health Network has taken its first steps

for the construction of a new 160 bed hospital to be located next its Wexford Health + Wellness Pavilion building along Perry Highway.

On the residential front, the Township issued 94 residential occupancy permits in 2017, with major developments being Alderwood, Brookfield Estates, Emerald Fields, Pinewood Estates, Spirit of Pine, Sunset Ridge and Village at Pine. Expectations for residential construction in 2018 remain strong with the continuation of existing developments and Laurel Grove, a 244 unit mixed residential subdivision approved in 2017.

Tax revenue trends in Pine appear to support the regional statistics. The following table and graph depict the six-year trend in Township tax revenues from 2012 to 2017. Although there were some ups and downs from year to year and within tax types, over the six-year period the Township experienced an overall increase in tax revenues of 33%.

Tax Revenues by Source:	2012	2013	2014	2015	2016	2017
<i>Real Estate Tax</i>	\$ 1,516,988	\$ 1,596,626	\$ 1,668,335	\$ 1,757,610	\$ 1,838,839	\$ 1,889,284
<i>Real Estate Transfer Tax</i>	1,443,614	1,737,432	1,299,374	1,669,050	1,646,559	1,838,625
<i>Regional Asset District (RAD)Tax</i>	151,868	187,208	187,992	204,054	209,492	205,163
<i>Earned Income Tax</i>	3,726,488	4,238,588	4,247,173	4,716,212	4,201,054	4,932,935
<i>Local Services Tax</i>	260,922	345,044	323,679	381,695	336,791	403,693
<i>Business Gross Receipts Taxes</i>	1,069,804	1,281,006	1,349,485	1,525,378	1,516,479	1,623,727
<b>Total</b>	<b>\$ 8,169,684</b>	<b>\$ 9,385,904</b>	<b>\$ 9,076,038</b>	<b>\$ 10,253,999</b>	<b>\$ 9,749,214</b>	<b>\$ 10,893,427</b>



Highlights of the Township's 2018 Budget are as follows:

- The Township's millage rate remains unchanged at 0.998, which continues to be the lowest in Allegheny County.
- Total 2018 budgeted revenues across all funds (excluding interfund transfers) are \$13.5 million, while budgeted expenditures are \$12.2 million. Major budgeted expenditures include the following:
  - \$2,057,000 for the annual road paving and landscaping program.
  - \$1,710,127 contribution to the Northern Regional Police Department for police services.
  - \$359,371 for the Wexford Volunteer Fire Company, comprised of direct and indirect support, additions to vehicle replacement reserves, and in-kind services.
  - \$265,183 contribution for support of the Northern Tier Regional Library.
- Large Projects budgeted for 2018 include:
  - In the Park, completion of the multi-purpose field restroom project and replacement of a park tractor, \$379,368.
  - At Pine Community Center, fitness equipment replacements, repaving of the parking lot, and repurposing of the Youth Room to increase space for exercise classes, \$241,150.
  - In Public Works, replacement of a 10-ton dump truck and a ¾ ton pickup, addition of a heavy-duty truck with dump body and plow, addition of a bucket truck, and a backup natural gas generator for the public works garages, \$449,664.
- The Township was awarded a Multimodal Transportation Fund Grant from the Commonwealth of Pennsylvania for a trail project along Pearce Mill Road to connect Treesdale Meadows with Pine Community Park. This was identified as a Tier 1 Connectivity and Trails project in the Implementable Comprehensive Plan.
- On December 4, 2017 the Board of Supervisors enacted Ordinance 382, creating a Stormwater Management District within the Township. The Ordinance is part of Pine's fulfillment of the US Environmental Protection Agency and Pa Department of Environmental Protection mandate to establish a comprehensive approach to stormwater management. Starting in 2018, each residential parcel in a neighborhood that is not maintaining its stormwater management facilities according to Best Management Practices will be assessed an annual fee of \$100. The fees will be accounted for in the Water/Sewer/Stormwater Fund and will be used only for the maintenance, repair and improvement of the Stormwater Management System.

Initially, 11 plans of lots are included in the District, for a total of 718 parcels. The ordinance allows for voluntarily participation by other plans that wish to be included. To date, two plans have expressed interest.

- Investment decisions are 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](mailto:sanderso@twp.pine.pa.us).

# TOWNSHIP OF PINE

## STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities
<hr/>	
<b>Assets</b>	
<hr/>	
Cash and cash equivalents	\$ 22,495,897
Accounts receivable	252,932
Taxes receivable	318,389
Prepays	21,995
Capital assets, not being depreciated	7,877,637
Capital assets, net of accumulated depreciation	21,973,390
	<hr/>
<b>Total Assets</b>	<b>52,940,240</b>
	<hr/>
<b>Liabilities</b>	
<hr/>	
Accounts payable	254,757
Escrow payable	473,770
Payroll deductions and withholdings	132
Unearned revenues	14,547
Compensated absences	170,615
	<hr/>
<b>Total Liabilities</b>	<b>913,821</b>
	<hr/>
<b>Net Position</b>	
<hr/>	
Net investment in capital assets	29,851,027
Restricted for:	
Transportation impact	1,689,539
Highway aid	227
Unrestricted	20,485,626
	<hr/>
<b>Total Net Position</b>	<b>\$ 52,026,419</b>
	<hr/> <hr/>

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total
<b>Governmental activities:</b>					
General government	\$ 1,118,277	\$ 220,433	\$ 398,925	\$ 21,874	\$ (477,045)
Public safety	2,600,986	96,053	106,201	-	(2,398,732)
Public works - sanitation	55,714	6,276	-	-	(49,438)
Public works - highways	6,241,757	338,482	423,003	2,154,030	(3,326,242)
Culture and recreation	1,577,954	697,947	75,300	39,394	(765,313)
Insurances and employer paid benefits	151,335	-	-	-	(151,335)
Miscellaneous	158,289	-	-	-	(158,289)
Total governmental activities	\$ 11,904,312	\$ 1,359,191	\$ 1,003,429	\$ 2,215,298	(7,326,394)
<b>General revenues:</b>					
Taxes:					
Property taxes					1,889,284
Earned income					4,932,935
Business and mercantile					1,623,727
Other					2,448,921
Contributions					152,182
Interest income					269,291
Gain (loss) on sale of capital assets					25,265
Miscellaneous					64,629
Total general revenues					11,406,234
<b>Change in Net Position</b>					4,079,840
Net position - beginning					47,946,579
Net position - ending					\$ 52,026,419

See accompanying notes to financial statements.

**TOWNSHIP OF PINE**

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Impact Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 9,676,585	\$ 10,464,630	\$ 1,689,539	\$ 665,143	\$ 22,495,897
Accounts receivable	242,249	-	-	10,683	252,932
Taxes receivable	318,389	-	-	-	318,389
Prepays	21,995	-	-	-	21,995
<b>Total Assets</b>	<u>\$ 10,259,218</u>	<u>\$ 10,464,630</u>	<u>\$ 1,689,539</u>	<u>\$ 675,826</u>	<u>\$ 23,089,213</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 239,349	\$ 7,914	\$ -	\$ 7,494	\$ 254,757
Escrow payable	473,770	-	-	-	473,770
Payroll deductions and withholdings	132	-	-	-	132
Unearned revenues	14,547	-	-	-	14,547
<b>Total Liabilities</b>	<u>727,798</u>	<u>7,914</u>	<u>-</u>	<u>7,494</u>	<u>743,206</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - property taxes	29,265	-	-	-	29,265
<b>Total Deferred Inflows of Resources</b>	<u>29,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,265</u>
<b>Fund Balances:</b>					
Nonspendable	21,995	-	-	-	21,995
Restricted	-	-	1,689,539	227	1,689,766
Committed	-	10,006,716	-	668,105	10,674,821
Assigned	4,500,000	450,000	-	-	4,950,000
<b>Unassigned:</b>					
Minimum fund balance - 15% of 2018 budget	1,844,763	-	-	-	1,844,763
Economic Stabilization Arrangement	1,225,551	-	-	-	1,225,551
Balance Unassigned	1,909,846	-	-	-	1,909,846
<b>Total Fund Balance</b>	<u>9,502,155</u>	<u>10,456,716</u>	<u>1,689,539</u>	<u>668,332</u>	<u>22,316,742</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 10,259,218</u>	<u>\$ 10,464,630</u>	<u>\$ 1,689,539</u>	<u>\$ 675,826</u>	<u>\$ 23,089,213</u>

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

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

DECEMBER 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 22,316,742
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 the funds.	29,851,027
Certain taxes and are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	29,265
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(170,615)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 52,026,419</u></u>

See accompanying notes to financial statements.

## TOWNSHIP OF PINE

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

#### GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Impact Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 10,898,411	\$ -	\$ -	\$ -	\$ 10,898,411
Licenses and permits	10,293	-	-	-	10,293
Fines and forfeits	10,427	-	-	-	10,427
Interest and rents	154,810	96,778	10,252	7,451	269,291
Intergovernmental	580,126	-	-	423,003	1,003,129
Charges for services	1,332,495	-	-	6,276	1,338,771
Special assessments	-	-	281,264	35,100	316,364
Contributions	463	93,178	-	58,541	152,182
Miscellaneous	64,629	-	-	-	64,629
<b>Total revenues</b>	<b>13,051,654</b>	<b>189,956</b>	<b>291,516</b>	<b>530,371</b>	<b>14,063,497</b>
<b>Expenditures:</b>					
Current:					
General government	1,081,817	8,978	-	-	1,090,795
Public safety	2,519,560	-	-	-	2,519,560
Public works - sanitation	55,714	-	-	-	55,714
Public works - highways	3,538,680	1,197,469	24,209	424,167	5,184,525
Culture and recreation	1,296,662	129,509	-	91,534	1,517,705
Insurances and employer paid benefits	151,335	-	-	-	151,335
Miscellaneous	46,489	-	111,800	-	158,289
<b>Total expenditures</b>	<b>8,690,257</b>	<b>1,335,956</b>	<b>136,009</b>	<b>515,701</b>	<b>10,677,923</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,361,397</b>	<b>(1,146,000)</b>	<b>155,507</b>	<b>14,670</b>	<b>3,385,574</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	3,900,000	-	-	3,900,000
Transfers out	(3,900,000)	-	-	-	(3,900,000)
Sale of capital assets	43,587	-	-	-	43,587
<b>Total other financing sources (uses)</b>	<b>(3,856,413)</b>	<b>3,900,000</b>	<b>-</b>	<b>-</b>	<b>43,587</b>
<b>Net Change in Fund Balances</b>	<b>504,984</b>	<b>2,754,000</b>	<b>155,507</b>	<b>14,670</b>	<b>3,429,161</b>
<b>Fund Balances:</b>					
Beginning of year	8,997,171	7,702,716	1,534,032	653,662	18,887,581
End of year	<u>\$ 9,502,155</u>	<u>\$ 10,456,716</u>	<u>\$ 1,689,539</u>	<u>\$ 668,332</u>	<u>\$ 22,316,742</u>

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

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

YEAR ENDED DECEMBER 31, 2017

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 3,429,161
Amounts reported for governmental activities in the statement of activities are difference because:	
Governmental funds report capital outlays as expenditures. 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 exceeded depreciation in the current period.	671,382
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,544)
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. This amount represents the difference between the amount earned versus the amount used.	<u>(17,159)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 4,079,840</u></u>

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### GENERAL FUND

YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 9,633,540	\$ 9,633,540	\$ 10,898,411	\$ 1,264,871
Licenses and permits	9,500	9,500	10,293	793
Fines and forfeits	9,500	9,500	10,427	927
Interest and rents	89,292	89,292	154,810	65,518
Intergovernmental	624,116	624,116	580,126	(43,990)
Charges for services	1,298,827	1,298,827	1,332,495	33,668
Contributions	4,000	4,000	463	(3,537)
Miscellaneous	47,632	47,632	64,629	16,997
Total revenues	<u>11,716,407</u>	<u>11,716,407</u>	<u>13,051,654</u>	<u>1,335,247</u>
<b>Expenditures:</b>				
Current:				
General government	1,149,909	1,149,909	1,081,817	68,092
Public safety	2,498,153	2,498,153	2,519,560	(21,407)
Public works - sanitation	55,135	55,135	55,714	(579)
Public works - highways	3,931,973	3,931,973	3,538,680	393,293
Culture and recreation	1,425,445	1,425,445	1,296,662	128,783
Insurances and employer paid benefits	337,761	337,761	151,335	186,426
Miscellaneous	152,000	152,000	46,489	105,511
Total expenditures	<u>9,550,376</u>	<u>9,550,376</u>	<u>8,690,257</u>	<u>860,119</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>2,166,031</u>	<u>2,166,031</u>	<u>4,361,397</u>	<u>2,195,366</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,900,000)	(1,900,000)	(3,900,000)	(2,000,000)
Sale of capital assets	26,500	26,500	43,587	17,087
Total other financing sources (uses)	<u>(1,873,500)</u>	<u>(1,873,500)</u>	<u>(3,856,413)</u>	<u>(1,982,913)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 292,531</u>	<u>\$ 292,531</u>	504,984	<u>\$ 212,453</u>
<b>Fund Balance:</b>				
Beginning of year			<u>8,997,171</u>	
End of year			<u>\$ 9,502,155</u>	

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### IMPACT FUND

YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Interest and rents	\$ 6,000	\$ 6,000	\$ 10,252	\$ 4,252
Special assessments	256,700	256,700	281,264	24,564
Total revenues	262,700	262,700	291,516	28,816
<b>Expenditures:</b>				
Current:				
Public works - highways	330,000	330,000	24,209	305,791
Miscellaneous	94,380	94,380	111,800	(17,420)
Total expenditures	424,380	424,380	136,009	288,371
<b>Net Change in Fund Balance</b>	<b>\$ (161,680)</b>	<b>\$ (161,680)</b>	155,507	<b>\$ 317,187</b>
<b>Fund Balance:</b>				
Beginning of year			1,534,032	
End of year			\$ 1,689,539	

See accompanying notes to financial statements.

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### 1. Summary of Significant Accounting Policies

#### Reporting Entity

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

No potential component units meet the criteria for inclusion in the Township reporting entity.

#### Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the Township. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from any business-type activities or component units 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 clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

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# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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levied. Grants and similar items are recognized as revenues 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenue to be available if they are collected within 30 days. Accrued revenues include taxes collected on behalf of the Township but not yet remitted and charges for certain current services. Grant revenues are recorded to the extent they are direct reimbursement of eligible expenditures already incurred. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences, as well as claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources to be used specifically for capital acquisitions and improvements and construction projects within the Township.

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.

### Cash and Cash Equivalents

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

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### Interfund Activity

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referenced to as “due to/from other funds.” The Township did not have any amounts outstanding as of December 31, 2017.

### Capital Assets

Capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure are recorded at cost or estimated historical cost and reported in the governmental activities columns in the government-wide financial statements. To the extent the Township’s capitalization threshold is met (\$4,000 or more for machinery, equipment, and vehicles; \$25,000 or more for buildings and building improvements; and \$100,000 for infrastructure items), capital outlays are recorded and depreciated using the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Infrastructure	8 to 30 years
Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 15 years

Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### Compensated Absences

The Township accrues accumulated unpaid vacation time when earned (or estimated to be earned) by the employee. Full-time employees who are a minimum of 59½ years old are eligible to receive 50% of their accrued sick leave balance upon normal retirement or resignation. A liability for these amounts is recorded on the statement of net position on the government-wide financial statements.

### Fund Balance

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

- Nonspendable – This category represents funds that are not in spendable form and includes prepaid expenditures.
- 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. This category includes funds that are legally restricted for transportation impact projects of \$1,689,539, and allowable liquid fuels expenditures of \$227.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Township’s highest level of decision-making authority. The Board is the Township’s highest level of decision-making authority for the Township and can make such commitment via a Board resolution prior to the end of the year. A commitment can only be modified or removed by an equal action of the Board. This category includes funds that are committed for community and park development of \$379,167, Water/Sewer District petitions of \$288,938, quality enhancement projects of \$2,000,000, land acquisition of \$2,000,000, road improvement projects of \$1,500,000, municipal facilities replacement of \$2,725,000, and municipal equipment capital replacement of \$1,781,716.
- Assigned – This category represents intentions of the Township to use the funds for specific purposes but do not meet the criteria to be classified as committed. The Board has delegated the authority to assign amounts to be used for specific purposes to the Manager of the Township. This category includes amounts set aside for capital replacements of \$4,950,000.

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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- Unassigned – This category includes the residual classification for the Township’s General Fund and includes all spendable amounts not contained in other classifications.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then use unrestricted resources as they are needed. According to Township policy, 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. This amount includes \$1,844,763 as of December 31, 2017.

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 10% of the subsequent year’s budgeted General Fund Revenues (excluding transfer 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. This amount includes \$1,225,551 as of December 31, 2017.

### Net Position

The government-wide financial statements are required to report three components of net position – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of 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.
- Restricted – The restricted component of net position consists of assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The Township has restricted net position of \$227 and \$1,689,539 related to Highway Aid and Transportation Impact, respectively.

- Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Budgets and Budgetary Accounting

An appropriated budget is adopted annually, on a basis consistent with accounting principles generally accepted in the United States of America, for all governmental fund types. The Township follows these procedures in establishing the budgetary data reflected in the basic financial statements:

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 where the budget is available for public inspection for a period of at least 20 days, as required by the Home Rule Charter.
5. The governing body must officially adopt a balanced budget before December 31 of the year preceding the budget year.

During 2017, no amendments were made to the budget. 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.

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# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### Use of 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.

### Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years including Statement Nos. 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus 2017), 86 (Certain Debt Extinguishment Issues), and 87 (Leases). Management has not yet determined the impact of these statements on the financial statements.

## **2. Deposits and Investments**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or invested with 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 Township's policy.

### Deposits

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

*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 has a formal deposit policy for custodial credit risk.

As of December 31, 2017, \$4,531,000 of the Township's \$14,060,246 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$13,530,635 as of December 31, 2017.

### Cash Equivalent Investments

The fair value of the Township's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

The Township can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/I-Class accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. For PLGIT PLUS accounts, there is a 30-day holding period and a penalty for early withdrawal. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. For PLGIT Term accounts, there is a 60-day minimum term and a one-year maximum term. The minimum investment and account balance for PLGIT Term accounts is \$100,000. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net assets to compute share prices. It is PLGIT's policy to maintain 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, 2017, the entire PLGIT book and bank balance of \$8,965,262 is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

The following is a description of the Township's investment risks:

*Credit Risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2017, investments in PLGIT have received an AAAM rating from Standard & Poor's.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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value of its investments or collateral securities that are in the possession of an outside entity. The Township has a formal investment policy for custodial credit risk. The Township's investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

*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* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Township's investments. The Township's investment policy limits maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity one year or less.

### 3. Real Estate Taxes

Based upon assessed valuations provided by Allegheny County, the municipal tax collector bills and collects property taxes on behalf of the Township. The schedule for property taxes levied for 2017 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

For 2017, Township real estate taxes were levied at the rate of 0.998 mills (\$0.998 per \$1,000 assessed valuation). The millage is applied to assessed market valuation as determined periodically by Allegheny County.

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

### 4. Capital Assets

A summary of changes in capital assets during 2017 is as follows:

	January 1, 2017	Additions	Disposals/ Transfers	December 31, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,447,279	\$ 165,396	\$ -	\$ 7,612,675
Construction in process	1,851,236	60,975	(1,647,249)	264,962
Total capital assets, not being depreciated	9,298,515	226,371	(1,647,249)	7,877,637
Capital assets, being depreciated:				
Buildings and improvements	12,568,018	2,557,994	-	15,126,012
Equipment and vehicles	4,183,835	602,653	(175,699)	4,610,789
Infrastructure	27,103,444	1,731,579	-	28,835,023
Total capital assets, being depreciated	43,855,297	4,892,226	(175,699)	48,571,824
Less accumulated depreciation for:				
Buildings and improvements	(3,558,065)	(336,838)	-	(3,894,903)
Equipment and vehicles	(2,393,965)	(326,740)	157,378	(2,563,327)
Infrastructure	(18,022,137)	(2,118,067)	-	(20,140,204)
Total accumulated depreciation	(23,974,167)	(2,781,645)	157,378	(26,598,434)
Capital assets, being depreciated, net	19,881,130	2,110,581	(18,321)	21,973,390
Governmental activities capital assets, net	\$ 29,179,645	\$ 2,336,952	\$ (1,665,570)	\$ 29,851,027

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

Governmental activities:	
General government	\$ 59,329
Public safety	118,356
Public works	2,286,497
Culture and recreation	317,463
Total depreciation expense	\$ 2,781,645

#### Infrastructure Assets Contributed by Developers

A significant portion of infrastructure assets related to governmental 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. During the year ended December 31, 2017, infrastructure assets

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

contributed by developers amount to \$1,731,579, and are recorded as capital grants and contribution revenue within governmental activities.

### 5. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers at December 31, 2017 were as follows:

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 3,900,000
Capital Projects	3,900,000	-
Total	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. The transfer from the General Fund to the Capital Projects fund was to transfer surplus money to help cover the costs of future capital construction.

### 6. Long-Term Debt

Long-term liability for the year ended December 31, 2017 is as follows:

	January 1, 2017	Additions	Reductions	December 31, 2017	Due Within One Year
Governmental activities:					
Compensated absences	\$ 153,456	\$ 17,159	\$ -	\$ 170,615	\$ -
Total governmental activity long-term liability	<u>\$ 153,456</u>	<u>\$ 17,159</u>	<u>\$ -</u>	<u>\$ 170,615</u>	<u>\$ -</u>

### 7. Pension Plans

All full-time, non-uniformed employees must participate in the Township's Defined Contribution Retirement Plan (Plan), a single-employer defined contribution plan administered by ICMA Retirement Corporation. The Plan is established and administered in

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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accordance with the Township Resolution No. 646, which may be amended by the Township's Board. 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. The Township 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. Employee vesting of the employer contribution is five years. Employer and employee contributions during the year ended December 31, 2017 were \$184,046 and \$53,680, respectively.

Additionally, a deferred compensation plan (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. Participation in this plan is voluntary. Under the plan, employees 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. Employees are vested immediately in their own contributions. The Township does not contribute to this plan, nor do they have any expenses in conjunction with this plan.

### **8. Risk Financing**

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

For its dental insurance, the Township participates as a member of the Municipal Employers Insurance Trust (MEIT) (d/b/a Municipal Benefits Services). 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. The trust agreement provides that MEIT will be

# TOWNSHIP OF PINE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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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 Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 216 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 1993 (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. Dividends received in 2017 were \$36,507. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant of 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 excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in 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 other assets of the Trust. Estimates of any additional assessments are unknown.

## **SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF PINE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Recreation Fund	Highway Aid Fund	Water District Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 386,661	\$ 227	\$ 278,255	\$ 665,143
Accounts receivable	-	-	10,683	10,683
<b>Total Assets</b>	<b>\$ 386,661</b>	<b>\$ 227</b>	<b>\$ 288,938</b>	<b>\$ 675,826</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,494	\$ -	\$ -	\$ 7,494
Total Liabilities	7,494	-	-	7,494
Deferred Inflows of Resources	-	-	-	-
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	227	-	227
Committed	379,167	-	288,938	668,105
Total Fund Balance	379,167	227	288,938	668,332
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 386,661</b>	<b>\$ 227</b>	<b>\$ 288,938</b>	<b>\$ 675,826</b>

# TOWNSHIP OF PINE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Recreation Fund	Highway Aid Fund	Water District Fund	
<b>Revenues:</b>				
Interest and rents	\$ 4,019	\$ 1,148	\$ 2,284	\$ 7,451
Intergovernmental	-	423,003	-	423,003
Charges for services	-	-	6,276	6,276
Special assessments	35,100	-	-	35,100
Contributions	38,265	-	20,276	58,541
Total revenues	77,384	424,151	28,836	530,371
<b>Expenditures:</b>				
Current:				
Public works - highways	-	424,167	-	424,167
Culture and recreation	91,534	-	-	91,534
Total expenditures	91,534	424,167	-	515,701
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(14,150)	(16)	28,836	14,670
<b>Net Change in Fund Balances</b>	(14,150)	(16)	28,836	14,670
<b>Fund Balances:</b>				
Beginning of year	393,317	243	260,102	653,662
End of year	\$ 379,167	\$ 227	\$ 288,938	\$ 668,332