

FINANCIAL SECTION

Independent Auditor's Report

Board of Commissioners
Township of Upper St. Clair, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Upper St. Clair, Pennsylvania (Township) 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2015, and the

respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the Township to record its net pension asset and liability and related items on the government-wide financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information on pages 16 through 28, 89 through 93, and 94 through 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budget and actual schedules, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and capital asset schedules 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners
Township of Upper St. Clair, Pennsylvania
Independent Auditor's Report

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maheer Duessel

Pittsburgh, Pennsylvania
June 23, 2016

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Our Management's Discussion and Analysis (MD&A) of the Township of Upper St. Clair's (Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2015. This information should be reviewed in conjunction with the Township's financial statements that begin on page 29.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," issued June 1999. The intent of this discussion and analysis is to look at the Township's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- At December 31, 2015, the Township's net position was \$32,533,456, an increase of \$3,481,378 or 12.0% from 2014. The increase was due to numerous positive factors in 2015, including the receipt of several large one-time grants, and a 23.6% increase in Real Estate Transfer Tax revenues.
- The unrestricted net position was \$18,480,042 at December 31, 2015, a net increase of \$1,382,993 or 8.1% from the prior fiscal year. The governmental activities portion decreased by \$141,207 primarily due to the planned use of fund balance in the Field Improvement Fund to support a capital project during the year. The business-type activities portion increased by \$1,524,200 due mostly to operating income of \$1.1 million in the Sanitary Sewer Fund and \$250,000 in the Boyce Mayview Community & Recreation Center Fund.
- At December 31, 2015, the Township had \$51,199,204 of general obligation debt outstanding. This represents a net decrease of \$1,360,180 or 2.6% from the previous year. The Township made net principal payments on its outstanding bonds and notes in 2015 totaling \$1,365,001. The debt outstanding represents a manageable burden of \$2,647 per capita.
- The Township maintained a strong bond rating of AA+ from Standard & Poor's Rating Services.
- The real estate tax rate remained at 3.83 mills for 2015.
- The total fund balance of the Township's General Fund at December 31, 2015 was \$3,359,350, an increase of \$14,051 from the preceding year. The unassigned fund balance in the General Fund was \$3,131,837 at December 31, 2015, which represents 21.9% of the General Fund's current expenditures for fiscal year 2015.
- The Township adopted GASB Statement No. 68 during 2015. As a result of this implementation, the government-wide net position was restated, with an increase of \$255,757 to record the Township's net pension asset.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

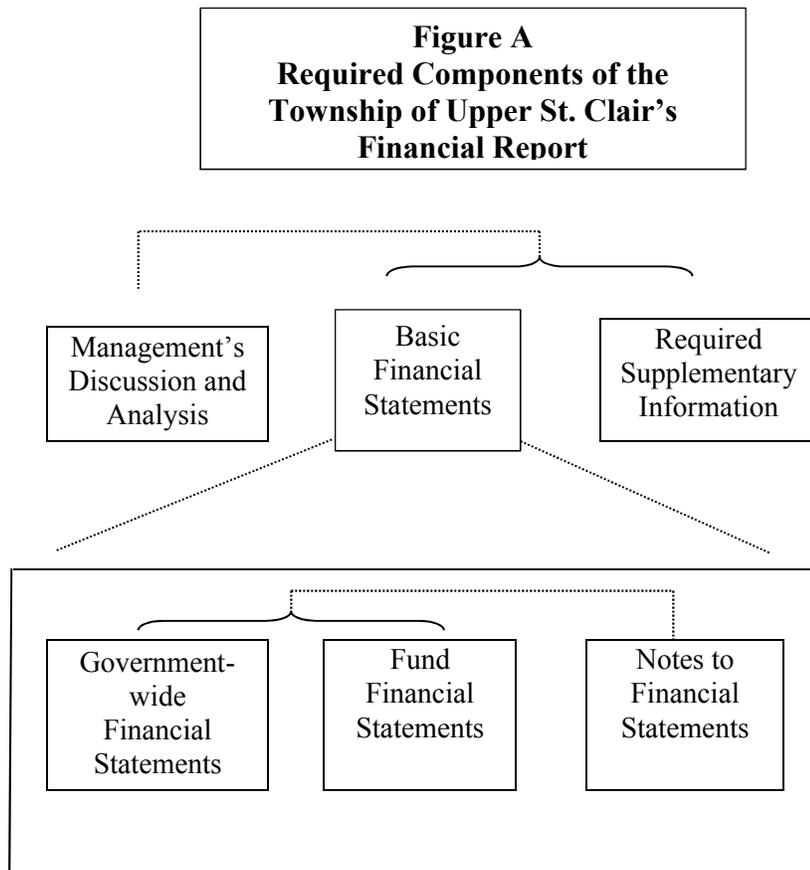
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

USING THE BASIC FINANCIAL STATEMENT REPORT

This Basic Financial Statement Report consists of a transmittal letter and a Financial Section. Within the Financial Section are the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. The statement of net position and statement of activities, on pages 29 and 30, respectively, 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, which start on page 31, provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at the Township's most significant funds with all other non-major funds presented in total in one column. For the Township, the General Fund is the most significant fund. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A shows how the required parts of the Financial Section are arranged and relate to one another:



TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Reporting the Township as a Whole

Government-wide Financial Statements

While the Fund Financial Statements beginning on page 31 contain the majority of funds used by the Township to provide programs and activities, the Statement of Net Position and the Statement of Activities answer the question, "How did we do financially during 2015?" These statements, beginning on page 29, include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Township's net position and the change in that position. This change in net position is important because it informs the reader, for the Township as a whole, whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility conditions, required governmental services, and other factors.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two distinct kinds of activities:

- Governmental activities – Most of the Township's basic services are included here, such as general government, public safety, public works, community development, recreation, and library services. Earned income taxes and property taxes finance most of these activities.
- Business-type activities –The Township operates a sanitary sewer system, a magazine publication, and a community & recreation center. The sanitary sewer system is funded through fees to users of the system. The magazine publication is financed through advertisements. The majority of the operating activities of the community & recreation center are financed through membership fees.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Fund financial statements, which begin on page 31, provide detailed information about the most significant funds – not the Township as a whole. Some funds are required by state law and by bond requirements.

Governmental funds: Most of the Township's operating activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reflected in a reconciliation after each fund statement on pages 32 and 34.

Proprietary funds: These funds are used to account for the Township's activities that are similar to business operations in the private sector. A significant portion of funding is from user charges. When the Township charges for services it provides – whether to outside customers or to other units in the Township – these services are generally reported in proprietary funds. The Sanitary Sewer Fund, the Township/School District Magazine Fund, and the Community & Recreation Center Fund are the Township's proprietary funds and use the same basis of accounting as business-type activities. Therefore, these statements are the same as the business-type activities discussed above. The basic proprietary fund financial statements can be found on pages 36 through 38 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 39 through 40 of this report.

Notes to financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 41 through 87 of this report.

Other supplementary information: In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 89 through 96 of this report.

The combining statements referred to in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 101 through 102.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position may serve over time as a useful indicator of the Township's financial position. The total net position was \$32,533,456 and \$29,052,078 at December 31, 2015 and 2014, respectively. The largest portion of the Township's net position (57%) reflects its unrestricted net position. The Township may use these funds to meet the Township's debt related to capital assets or other ongoing obligations to citizens and creditors.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Table 1
December 31
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| ASSETS | | | | | | |
| Current and other assets | \$ 15,612,028 | \$ 16,078,260 | \$ 8,321,230 | \$ 6,761,274 | \$ 23,933,258 | \$ 22,839,534 |
| Capital assets | 27,979,978 | 26,951,346 | 36,250,043 | 36,818,577 | 64,230,021 | 63,769,923 |
| TOTAL ASSETS | 43,592,006 | 43,029,606 | 44,571,273 | 43,579,851 | 88,163,279 | 86,609,457 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | 1,661,931 | 333,554 | 1,809,100 | 1,924,765 | 3,471,031 | 2,258,319 |
| LIABILITIES | | | | | | |
| Current and other liabilities | 1,355,855 | 2,627,041 | 1,121,974 | 1,086,218 | 2,477,829 | 3,713,259 |
| Long-term liabilities: | | | | | | |
| Due within one year | 639,005 | 1,629,834 | 820,995 | 786,211 | 1,460,000 | 2,416,045 |
| Due in more than one year | 19,774,825 | 18,482,211 | 34,473,049 | 33,457,378 | 54,247,874 | 51,939,589 |
| TOTAL LIABILITIES | 21,769,685 | 22,739,086 | 36,416,018 | 35,329,807 | 58,185,703 | 58,068,893 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | 915,151 | 333,554 | - | 1,924,765 | 915,151 | 2,258,319 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 10,553,342 | 9,062,721 | 2,765,099 | 2,574,988 | 13,318,441 | 11,637,709 |
| Restricted | 734,973 | 61,563 | - | - | 734,973 | 61,563 |
| Unrestricted | 11,280,786 | 11,677,750 | 7,199,256 | 5,675,056 | 18,480,042 | 17,352,806 |
| TOTAL NET POSITION | \$ 22,569,101 | \$ 20,802,034 | \$ 9,964,355 | \$ 8,250,044 | \$ 32,533,456 | \$ 29,052,078 |

Part of the Township's net position is invested in capital assets (infrastructure, land, buildings, and equipment) and these capital assets cannot be used to liquidate the debt related to acquire them. *The remaining unrestricted net position (\$18,480,042) may be used to meet the Township's debt related to capital assets or other ongoing obligations to citizens and creditors.*

After excluding transfers from governmental funds to business-type funds of \$1,618,536 and \$1,603,459 for 2015 and 2014, respectively, governmental revenues for 2015 totaled \$23,350,837, while governmental revenues for 2014 amounted to \$21,607,428. This 8.1% increase in governmental revenue from 2014 amounted to \$1,743,409, and provided the funds to cover the total governmental expenses of \$19,965,234. For 2015, governmental revenues exceeded governmental expenses by \$3,385,603 or 17.0% due to increases in real estate transfer tax and general government program revenues as well as cost savings from within general government, public works, and recreation. The business-type funds reported

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

that revenues exceeded expenses by \$95,775 for 2015 due to increased sanitary sewer usage collections. The results of this year's operations as a whole are reported in the statement of activities on page 30. All expenses are reported in the first column. Specific charges, grants, and revenues that directly relate to specific expense categories are presented to determine the final amount of the Township's activities that are supported by other general revenues. The four largest general tax revenues are listed below in Table 2.

Table 2
Year Ended December 31, 2015

| | 2015 | 2014 |
|--|--------------|--------------|
| Earned income taxes, levied for general purposes | \$ 8,210,827 | \$ 8,286,351 |
| Property taxes, levied for general purposes | 7,960,376 | 7,921,103 |
| Real estate transfer tax | 1,322,037 | 1,069,623 |
| Local services taxes | 267,060 | 274,454 |

The 2015 financial statements offer a view of the financial condition of the Township on a consolidated basis. For example, investment earnings (statement of activities, page 30) not only include interest earnings in the General Fund, but also interest earnings in the regular Capital Projects Fund and all other Governmental Funds. Table 3 summarizes total revenues for the current year, with comparative data from 2014.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Table 3
Years Ended December
Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,058,072 | \$ 1,001,469 | \$ 10,035,867 | \$ 9,768,735 | \$ 11,093,939 | \$ 10,770,204 |
| Operating grants and contributions | 2,850,551 | 2,227,614 | - | - | 2,850,551 | 2,227,614 |
| Capital grants and contributions | 787,878 | - | - | - | 787,878 | - |
| General revenues: | | | | | | |
| Property taxes | 7,960,376 | 7,921,103 | - | - | 7,960,376 | 7,921,103 |
| Earned income taxes | 8,210,827 | 8,286,351 | - | - | 8,210,827 | 8,286,351 |
| Local services taxes | 267,060 | 274,454 | - | - | 267,060 | 274,454 |
| Real estate transfer taxes | 1,322,037 | 1,069,623 | - | - | 1,322,037 | 1,069,623 |
| Franchise fees | 465,655 | 442,645 | - | - | 465,655 | 442,645 |
| Investment earnings | 13,476 | 13,013 | 1,515 | 2,730 | 14,991 | 15,743 |
| Miscellaneous | 414,905 | 371,156 | - | - | 414,905 | 371,156 |
| Total revenues | <u>23,350,837</u> | <u>21,607,428</u> | <u>10,037,382</u> | <u>9,771,465</u> | <u>33,388,219</u> | <u>31,378,893</u> |
| Expenses: | | | | | | |
| General government | 2,065,730 | 2,208,573 | - | - | 2,065,730 | 2,208,573 |
| Public safety | 5,496,330 | 5,224,826 | - | - | 5,496,330 | 5,224,826 |
| Public works | 8,825,279 | 7,522,629 | - | - | 8,825,279 | 7,522,629 |
| Community development | 600,344 | 662,534 | - | - | 600,344 | 662,534 |
| Recreation and leisure services | 1,282,956 | 1,956,555 | - | - | 1,282,956 | 1,956,555 |
| Library services | 1,084,582 | 1,028,723 | - | - | 1,084,582 | 1,028,723 |
| Interest on long-term debt | 610,013 | 599,991 | - | - | 610,013 | 599,991 |
| Sanitary sewer | - | - | 5,181,155 | 4,965,703 | 5,181,155 | 4,965,703 |
| Community and recreation center | - | - | 4,597,784 | 4,527,770 | 4,597,784 | 4,527,770 |
| Magazine | - | - | 162,668 | 171,276 | 162,668 | 171,276 |
| Total expenses | <u>19,965,234</u> | <u>19,203,831</u> | <u>9,941,607</u> | <u>9,664,749</u> | <u>29,906,841</u> | <u>28,868,580</u> |
| Change in Net Position Before Transfers | <u>3,385,603</u> | <u>2,403,597</u> | <u>95,775</u> | <u>106,716</u> | <u>3,481,378</u> | <u>2,510,313</u> |
| Transfers | <u>(1,618,536)</u> | <u>(1,603,459)</u> | <u>1,618,536</u> | <u>1,594,978</u> | <u>-</u> | <u>(8,481)</u> |
| Change in Net Position | <u>1,767,067</u> | <u>800,138</u> | <u>1,714,311</u> | <u>1,701,694</u> | <u>3,481,378</u> | <u>2,501,832</u> |
| Net position - beginning, as restated | <u>20,802,034</u> | <u>20,001,896</u> | <u>8,250,044</u> | <u>6,548,350</u> | <u>29,052,078</u> | <u>26,550,246</u> |
| Net position - ending | <u>\$ 22,569,101</u> | <u>\$ 20,802,034</u> | <u>\$ 9,964,355</u> | <u>\$ 8,250,044</u> | <u>\$ 32,533,456</u> | <u>\$ 29,052,078</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

By far, the largest change in tax revenue from 2014 to 2015 was real estate transfer tax, which increased by \$252,414, or 23.6%. This was due to a combination of increased volume and increased value in real estate transactions during the year. Property tax revenue rose slightly from 2014, increasing \$39,273, or 0.5%. Earned income tax and local services tax saw slight decreases of \$75,524 (0.9%) and \$7,394 (2.7%), respectively.

Within governmental activities, total program revenues increased by \$1,467,418 due to several operating and one-time project-specific grants received. General revenues rose \$275,990 due mostly to the aforementioned increase in real estate transfer tax. Within business-type activities, charges for services saw an increase of \$267,132 resulting from larger sewer user fee revenues. The \$1,302,650 increase in public works expenditures is due to related capital projects completed during the year. The sanitary sewer expenditure increase of \$215,452 in 2015 is due to increased treatment costs paid to ALCOSAN.

Table 4 categorizes the Township's expenses into seven functions – general government, public safety, public works, community development, recreation and leisure services, library services, and interest on long-term debt – and shows each program's net cost (total cost less revenues generated by the activities). The net cost reflects the remaining financial need supported by local taxes and miscellaneous revenues.

Table 4
Years Ended December 31, 2015
Governmental Activities

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|---|-------------------------------|-----------------------------|
| Functions/Programs: | | |
| General government | \$ 2,065,730 | \$ 760,678 |
| Public safety | 5,496,330 | 5,044,379 |
| Public works | 8,825,279 | 7,365,605 |
| Community development | 600,344 | 600,344 |
| Recreation and leisure services | 1,282,956 | 132,449 |
| Library services | 1,084,582 | 755,265 |
| Interest on long-term debt | 610,013 | 610,013 |
| Total expenses | <u>\$ 19,965,234</u> | <u>\$ 15,268,733</u> |
| Total required from local taxes and other insurance | | <u>\$ 15,268,733</u> |

The dependence upon local tax revenues for governmental activities is apparent. The Township had expenses for governmental activities of \$19.97 million, of which only \$4.70 million was supported by program-specific charges, grants, and contributions. As a result, an additional \$15.27 million of support had to be covered by local taxes and miscellaneous revenues. In other words, approximately 76 percent of all government activities were supported through taxes and miscellaneous revenues in 2015. The community, as a whole, is the primary support for the Township's services for its citizens.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Business-Type Activities

The business-type activities of the Township are the Sanitary Sewer, the Township/School District Magazine, and the Community & Recreation Center operations. The Sanitary Sewer and the Township/School District Magazine operations had revenues of \$5.80 million and \$.17 million, respectively, and expenses of \$5.18 million and \$.16 million, respectively, for 2015. The Community & Recreation Center had revenues of \$4.11 million and expenses of \$4.60 million. The Community & Recreation Center Fund realized operating income in 2015 of \$256,976. The membership fees pay for all of the operating costs of the Center, while general tax revenues fund the debt service costs associated with the debt incurred to build the facility. The deficit of revenues over expenses in the Community & Recreation Center Fund has been subtracted from the balance of unrestricted net position.

THE TOWNSHIP'S FUNDS

The General Fund, which accounts for the Township's operations, represents the Township's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page 33 is summarized in Table 5.

Table 5
Year Ended December 31, 2015
Summary of Governmental Changes in Fund Balance

| | <u>General Fund</u> | <u>Capital Projects Fund Regular</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|---------------------|--|-------------------------------------|-------------------------------------|
| Beginning Fund Balance | \$ 3,345,299 | \$ 7,343,619 | \$ 979,437 | \$ 11,668,355 |
| Net Change in Fund Balance | <u>14,051</u> | <u>941,197</u> | <u>(286,827)</u> | <u>668,421</u> |
| Ending Fund Balance | <u>\$ 3,359,350</u> | <u>\$ 8,284,816</u> | <u>\$ 692,610</u> | <u>\$ 12,336,776</u> |

General Fund Budgetary Highlights

The Township's budget is prepared according to the Home Rule Charter and Pennsylvania law and is based on accounting for certain transactions on a modified accrual basis of accounting.

During the year, the Board of Commissioners (Board) can authorize revisions to the original budget to accommodate differences between the original budget and the actual expenditures of the Township. No budget revisions were made to the 2015 original budget. The budgeting system is designed with internal controls that assign responsibility for each Township Department's budget to the managing Department Head with overall responsibility assigned to the Township Manager. The Department Heads are each responsible for their individual areas.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

For the General Fund, revenues were above budget expectations by \$1,066,649. This amount is the net result of increases in real estate taxes, other taxes, licenses and permits, fees and fines, service agreements, and other revenue and grants, while there were decreases experienced in earned income taxes, rents, interest, and recreation. Expenditures were under appropriations by \$552,264 due to decreases in costs of all Township departments. With this combination of positive results, the Township Manager authorized an additional transfer from the General Fund to the Capital Projects Fund to finance future capital needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets (See Note 5)

At December 31, 2015, the Township's Governmental Activities had \$27,979,978 invested in a broad range of capital assets, including land, infrastructure, site improvements, buildings, equipment, and vehicles. This amount represents a net increase (including additions, deletions and depreciation) of \$1,028,632 or 3.8% from last year. The primary reason for the increase in capital assets is the addition of the Boyce Mayview field lighting that was installed in 2015.

The Township's Business-type Activities had \$36,250,043 in capital assets, covering construction in progress, infrastructure, buildings, and equipment as of December 31, 2015. The amount includes depreciation totaling \$21,273,584, of which \$4,213,414 is for the Community & Recreation Center Building. Detail of capital asset activity for 2015 can be found in Note 5 on pages 68 through 70 and in the section entitled, "*Capital Assets Used in the Operation of Governmental Funds*," found on pages 119 through 123.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Table 6
Governmental and Business-Type Activities
Years Ended December 31
Capital Assets, Net of Depreciation (when applicable)

| | Governmental Activities | | Business-Type Activities | |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 2,325,917 | \$ 2,325,917 | \$ - | \$ - |
| Construction in progress | - | - | 642,647 | - |
| Infrastructure | 14,755,328 | 15,252,235 | 13,263,887 | 13,875,522 |
| Buildings | 6,326,696 | 6,028,115 | 21,715,290 | 22,363,506 |
| Improvements other than buildings | 1,851,592 | 605,796 | - | - |
| Equipment | 2,686,992 | 2,699,177 | 628,219 | 577,870 |
| Library assets | 33,453 | 40,106 | - | - |
| | <u>\$ 27,979,978</u> | <u>\$ 26,951,346</u> | <u>\$ 36,250,043</u> | <u>\$ 36,816,898</u> |

Debt Administration

The Township had total outstanding bond and note principal of \$51.20 million and \$52.12 million as of December 31, 2015 and 2014, respectively. The Township made principal payments on its outstanding bonds and notes in 2015, including refunding the Series of 2009 bonds, totaling \$2,966,062 for governmental activity debt and \$1,944,118 for business-type activity debt. The debt incurred to refund the Series of 2009 bonds in 2015 was \$2,390,000 for governmental activity and \$1,160,000 for business-type activity. More detailed information about our long-term liabilities is included in Notes 6 and 7 to the financial statements on pages 71 through 77.

Table 7
Years Ended December 31
General Obligation Bonds and Notes

| | Governmental Activities | | Business-Type Activities | |
|------------------------|-------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Series of 2008 - Bonds | \$ 4,169,569 | \$ 4,151,924 | \$ 24,060,428 | \$ 24,601,639 |
| Series of 2009 - Bonds | - | 2,720,321 | - | 1,360,164 |
| Series of 2011 - Bonds | 5,210,000 | 5,158,206 | 4,705,000 | 4,516,055 |
| Series of 2012 - Bonds | 5,910,000 | 5,858,174 | 4,005,000 | 3,755,729 |
| G.O. Note - 2015 | 2,390,000 | - | 1,160,000 | - |
| | <u>\$ 17,679,569</u> | <u>\$ 17,888,625</u> | <u>\$ 33,930,428</u> | <u>\$ 34,233,587</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for 2016 is \$4.63 million higher than the final budget for 2015. This represents a 13.2% increase in budgeted revenues. This increase in revenues is mainly due to continued increases tax revenues, sewer user fees, and the planned use of fund reserves for various capital projects. The budgeted expenditures increase is mainly attributable to increases in the capital costs associated with building improvements, parks enhancements, and equipment replacement. The Township Commissioners adopted a General Fund budget that had a minimal 0.7 % increase in operating expenditures from the prior year. Personal and contractual service expenditures in the 2016 General Fund are budgeted to increase 1.1%, while commodities and other items are budgeted to decrease by 2.5%. The comparison of budgeted revenue and expenditure categories is listed in Table 8.

Table 8
Years Ended December 31
Budgeted Revenues and Expenditures (Original and Final Budget)

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|----------------------|----------------------|
| Revenues: | | |
| Local | \$ 32,064,354 | \$ 30,519,688 |
| State | 1,149,066 | 1,120,241 |
| Fund reserve | <u>6,396,301</u> | <u>3,340,715</u> |
| Total | <u>\$ 39,609,721</u> | <u>\$ 34,980,644</u> |
| Expenses: | | |
| General government | \$ 3,363,028 | \$ 3,421,711 |
| Public safety | 6,050,770 | 5,150,915 |
| Public works | 16,204,148 | 14,796,873 |
| Community development | 643,217 | 675,162 |
| Recreation and leisure services | 9,315,510 | 6,914,525 |
| Library services | 1,198,043 | 1,151,297 |
| Debt service/fund transfers/reserve | <u>2,835,005</u> | <u>2,870,161</u> |
| Total | <u>\$ 39,609,721</u> | <u>\$ 34,980,644</u> |

The Township continues to commit itself to excellence in the delivery of essential governmental services and quality financial reporting for its taxpayers and residents.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board of Commissioners and Township Staff's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mark P. Romito, Director of Finance, 1820 McLaughlin Run Road, Upper St. Clair, PA 15241, 412-831-9000, ext. 218, or by email at romito@twpusc.org.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

| Assets | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Cash and cash equivalents | \$ 11,256,885 | \$ 7,585,095 | \$ 18,841,980 |
| Tax receivables, net | 2,985,695 | - | 2,985,695 |
| Other receivables, net | 329,788 | 680,754 | 1,010,542 |
| Internal balances | (55,381) | 55,381 | - |
| Due from other governmental agencies | 200,475 | - | 200,475 |
| Prepaid assets | 227,513 | - | 227,513 |
| Net pension asset | 667,053 | - | 667,053 |
| Capital assets, not being depreciated | 2,325,917 | 642,647 | 2,968,564 |
| Capital assets, net of accumulated depreciation | 10,898,733 | 22,343,509 | 33,242,242 |
| Infrastructure assets, net of accumulated depreciation | 14,755,328 | 13,263,887 | 28,019,215 |
| Total Assets | 43,592,006 | 44,571,273 | 88,163,279 |
| Deferred Outflows of Resources | | | |
| Accumulated decrease in fair value of hedging derivatives | 259,546 | 1,497,705 | 1,757,251 |
| Deferred charges on bond refundings | - | 311,395 | 311,395 |
| Pension related | 1,402,385 | - | 1,402,385 |
| Total Deferred Outflows of Resources | 1,661,931 | 1,809,100 | 3,471,031 |
| Liabilities | | | |
| Accounts payable | 517,055 | 852,040 | 1,369,095 |
| Accrued interest | 38,773 | 39,110 | 77,883 |
| Accrued wages payable | 127,158 | - | 127,158 |
| Unearned revenue | - | 230,824 | 230,824 |
| Refundable deposits | 672,869 | - | 672,869 |
| Noncurrent liabilities: | | | |
| Bonds payable due in one year | 639,005 | 820,995 | 1,460,000 |
| Net other postemployment benefits due in more than one year | 1,882,639 | - | 1,882,639 |
| Net pension liability | 868,780 | - | 868,780 |
| Fair value of hedging derivatives | 259,546 | 1,497,705 | 1,757,251 |
| Bonds payable due in more than one year | 16,763,860 | 32,975,344 | 49,739,204 |
| Total noncurrent liabilities | 20,413,830 | 35,294,044 | 55,707,874 |
| Total Liabilities | 21,769,685 | 36,416,018 | 58,185,703 |
| Deferred Inflows of Resources | | | |
| Deferred gain on bond refundings | 23,771 | - | 23,771 |
| Pension related | 891,380 | - | 891,380 |
| Total Deferred Inflows of Resources | 915,151 | - | 915,151 |
| Net Position | | | |
| Net investment in capital assets | 10,553,342 | 2,765,099 | 13,318,441 |
| Restricted | 734,973 | - | 734,973 |
| Unrestricted | 11,280,786 | 7,199,256 | 18,480,042 |
| Total Net Position | \$ 22,569,101 | \$ 9,964,355 | \$ 32,533,456 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|---|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,065,730 | \$ 320,275 | \$ 771,770 | \$ 213,007 | \$ (760,678) | \$ - | \$ (760,678) |
| Public safety | 5,496,330 | 55,795 | 396,156 | - | (5,044,379) | - | (5,044,379) |
| Public works | 8,825,279 | 244,567 | 640,236 | 574,871 | (7,365,605) | - | (7,365,605) |
| Community development | 600,344 | - | - | - | (600,344) | - | (600,344) |
| Recreation and leisure services | 1,282,956 | 397,507 | 753,000 | - | (132,449) | - | (132,449) |
| Library services | 1,084,582 | 39,928 | 289,389 | - | (755,265) | - | (755,265) |
| Interest on long-term debt | 610,013 | - | - | - | (610,013) | - | (610,013) |
| Total governmental activities | 19,965,234 | 1,058,072 | 2,850,551 | 787,878 | (15,268,733) | - | (15,268,733) |
| Business-type activities: | | | | | | | |
| Sanitary sewer | 5,181,155 | 5,758,183 | - | - | - | 577,028 | 577,028 |
| Community & recreation center | 4,597,784 | 4,108,877 | - | - | - | (488,907) | (488,907) |
| Magazine | 162,668 | 168,807 | - | - | - | 6,139 | 6,139 |
| Total business-type activities | 9,941,607 | 10,035,867 | - | - | - | 94,260 | 94,260 |
| Total primary government | \$ 29,906,841 | \$ 11,093,939 | \$ 2,850,551 | \$ 787,878 | (15,268,733) | 94,260 | (15,174,473) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 7,960,376 | - | 7,960,376 |
| Earned income taxes, levied for general purposes | | | | | 8,210,827 | - | 8,210,827 |
| Local services tax | | | | | 267,060 | - | 267,060 |
| Real estate transfer taxes | | | | | 1,322,037 | - | 1,322,037 |
| Franchise fees (5% of gross cable receipts) | | | | | 465,655 | - | 465,655 |
| Unrestricted investment earnings | | | | | 13,476 | 1,515 | 14,991 |
| Miscellaneous | | | | | 414,905 | - | 414,905 |
| Transfers | | | | | (1,618,536) | 1,618,536 | - |
| Total general revenues and transfers | | | | | 17,035,800 | 1,620,051 | 18,655,851 |
| Change in Net Position | | | | | 1,767,067 | 1,714,311 | 3,481,378 |
| Net position - beginning, as restated | | | | | 20,802,034 | 8,250,044 | 29,052,078 |
| Net position - ending | | | | | \$ 22,569,101 | \$ 9,964,355 | \$ 32,533,456 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2015

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 4,122,124 | \$ 6,301,382 | \$ 833,379 | \$ 11,256,885 |
| Real estate taxes receivable | 457,271 | - | - | 457,271 |
| Earned income taxes receivable | 2,528,424 | - | - | 2,528,424 |
| Due from other funds | 457,344 | 2,082,889 | 8,062 | 2,548,295 |
| Due from other governmental agencies | 200,475 | - | - | 200,475 |
| Other receivables | 298,483 | - | 31,305 | 329,788 |
| Prepaid assets | 227,513 | - | - | 227,513 |
| Total Assets | \$ 8,291,634 | \$ 8,384,271 | \$ 872,746 | \$ 17,548,651 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 346,836 | \$ 93,455 | \$ 76,764 | \$ 517,055 |
| Due to other funds | 2,500,304 | - | 103,372 | 2,603,676 |
| Accrued wages payable | 127,158 | - | - | 127,158 |
| Refundable deposits | 666,869 | 6,000 | - | 672,869 |
| Total Liabilities | 3,641,167 | 99,455 | 180,136 | 3,920,758 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue - taxes | 1,291,117 | - | - | 1,291,117 |
| Fund Balance: | | | | |
| Nonspendable | 227,513 | - | - | 227,513 |
| Restricted: | | | | |
| Restricted for state liquid fuels expenses | - | - | 1,332 | 1,332 |
| Restricted for Boyce Mayview Park grant expenses | - | - | 5,493 | 5,493 |
| Restricted for library expenses and services | - | - | 61,095 | 61,095 |
| Committed | - | - | 624,690 | 624,690 |
| Assigned | - | 8,284,816 | - | 8,284,816 |
| Unassigned | 3,131,837 | - | - | 3,131,837 |
| Total Fund Balance | 3,359,350 | 8,284,816 | 692,610 | 12,336,776 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 8,291,634 | \$ 8,384,271 | \$ 872,746 | \$ 17,548,651 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

DECEMBER 31, 2015

| | | |
|--|-----------------|-------------------|
| Total Fund Balance - Governmental Funds | \$ | 12,336,776 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.</p> | | 27,979,978 |
| <p>Property and earned income taxes receivable will be collected next year, but are not available to pay for the current period's expenditures and, therefore, are unavailable in the funds.</p> | | 1,291,117 |
| <p>The net pension asset is not a current financial resource and, therefore, is not reported in the fund financial statements.</p> | | 667,053 |
| <p>Deferred outflows/inflows of resources for pension are recorded and amortized in the statement of net position. Additionally, deferred outflows/inflows of resources for pension are not recorded on the fund financial statements.</p> | | 511,005 |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p> | | |
| Bonds and notes payable, net of discounts and premiums | \$ (17,402,865) | |
| Net other postemployment benefit obligation | (1,882,639) | |
| Net pension liability | (868,780) | |
| Deferred gain on bond refundings | (23,771) | |
| Accrued interest payable | (38,773) | |
| | (20,216,828) | |
| Total Net Position - Governmental Activities | \$ | 22,569,101 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|--------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Real estate taxes | \$ 7,993,594 | \$ - | \$ - | \$ 7,993,594 |
| Earned income taxes | 8,382,576 | - | - | 8,382,576 |
| Other taxes | 1,589,097 | - | - | 1,589,097 |
| Licenses and permits | 238,681 | - | 1,200 | 239,881 |
| Fees and fines | 536,177 | - | - | 536,177 |
| Rents | 63,024 | - | - | 63,024 |
| Interest | 894 | 12,357 | 225 | 13,476 |
| Service agreements | 256,624 | - | - | 256,624 |
| Other revenue and grants | 1,798,937 | 801,161 | 1,494,475 | 4,094,573 |
| Recreation fees | 355,477 | - | 31,305 | 386,782 |
| Total revenues | 21,215,081 | 813,518 | 1,527,205 | 23,555,804 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,777,316 | 185,905 | 1,100 | 1,964,321 |
| Community development | 570,272 | 25,340 | - | 595,612 |
| Public safety | 4,870,783 | 46,189 | - | 4,916,972 |
| Public works | 5,772,154 | 1,129,502 | 1,169,735 | 8,071,391 |
| Recreation and leisure services | 476,366 | 133,713 | 1,771,720 | 2,381,799 |
| Library services | 848,249 | 7,725 | 220,190 | 1,076,164 |
| Total current | 14,315,140 | 1,528,374 | 3,162,745 | 19,006,259 |
| Capital outlay: | | | | |
| General government | - | 591,604 | - | 591,604 |
| Public safety | - | 128,504 | - | 128,504 |
| Public works | - | 391,963 | - | 391,963 |
| Recreation and leisure services | - | 66,239 | - | 66,239 |
| Total capital outlay | - | 1,178,310 | - | 1,178,310 |
| Debt service: | | | | |
| Principal retirement | - | - | 578,790 | 578,790 |
| Interest | - | - | 505,488 | 505,488 |
| Total debt service | - | - | 1,084,278 | 1,084,278 |
| Total expenditures | 14,315,140 | 2,706,684 | 4,247,023 | 21,268,847 |
| Excess (Deficiency) of Revenues over Expenditures | 6,899,941 | (1,893,166) | (2,719,818) | 2,286,957 |
| Other Financing Sources (Uses): | | | | |
| Interfund transfers in | - | 3,164,363 | 2,432,991 | 5,597,354 |
| Interfund transfers out | (6,885,890) | (330,000) | - | (7,215,890) |
| Proceeds from issuance of refunding note | - | - | 2,390,000 | 2,390,000 |
| Payments to refunded bonds escrow agent | - | - | (2,390,000) | (2,390,000) |
| Total other financing sources (uses) | (6,885,890) | 2,834,363 | 2,432,991 | (1,618,536) |
| Net Change in Fund Balance | 14,051 | 941,197 | (286,827) | 668,421 |
| Fund balance - beginning | 3,345,299 | 7,343,619 | 979,437 | 11,668,355 |
| Fund balance - ending | \$ 3,359,350 | \$ 8,284,816 | \$ 692,610 | \$ 12,336,776 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balance - Governmental Funds \$ 668,421

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

Governmental funds report capital outlays for capital assets 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 for capital assets exceeded depreciation expense in the current period.

| | | |
|-----------------------------------|--------------------|-----------|
| Capital outlay for capital assets | \$ 2,353,629 | |
| Less: depreciation expense | <u>(1,324,997)</u> | 1,028,632 |

Because some taxes will not be collected for several months after the Township's year-end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount during the year. (204,967)

The increase in the net other post-employment benefit obligation does not require the use of current financial resources and, therefore, is not reflected on the fund statements. (252,805)

Changes in the net pension asset (liability) and related deferred inflows and outflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. 53,521

Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as a reduction in the debt in the government-wide financial statements. 578,790

The governmental fund financial statements report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. (116,801)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due. Accrued interest increased by this amount during the year. 12,276

Change in Net Position - Governmental Activities \$ 1,767,067

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance |
|--|------------------------------|---------------------------|--------------|-------------|
| Revenues: | | | | |
| Real estate taxes | \$ 7,805,500 | \$ 7,805,500 | \$ 7,993,594 | \$ 188,094 |
| Earned income taxes | 8,414,000 | 8,414,000 | 8,382,576 | (31,424) |
| Other taxes | 1,155,000 | 1,155,000 | 1,589,097 | 434,097 |
| Licenses and permits | 158,025 | 158,025 | 238,681 | 80,656 |
| Fees and fines | 525,450 | 525,450 | 536,177 | 10,727 |
| Rents | 82,400 | 82,400 | 63,024 | (19,376) |
| Interest | 3,500 | 3,500 | 894 | (2,606) |
| Service agreements | 216,100 | 216,100 | 256,624 | 40,524 |
| Other revenue and grants | 1,415,457 | 1,415,457 | 1,798,937 | 383,480 |
| Recreation fees | 373,000 | 373,000 | 355,477 | (17,523) |
| Total revenues | 20,148,432 | 20,148,432 | 21,215,081 | 1,066,649 |
| Expenditures: | | | | |
| General government | 1,927,967 | 1,927,967 | 1,777,316 | 150,651 |
| Community development | 606,662 | 606,662 | 570,272 | 36,390 |
| Public safety | 4,957,715 | 4,957,715 | 4,870,783 | 86,932 |
| Public works | 5,881,099 | 5,881,099 | 5,772,154 | 108,945 |
| Recreation and leisure services | 589,402 | 589,402 | 476,366 | 113,036 |
| Library services | 904,559 | 904,559 | 848,249 | 56,310 |
| Total expenditures | 14,867,404 | 14,867,404 | 14,315,140 | 552,264 |
| Excess (Deficiency) of Revenues over Expenditures | 5,281,028 | 5,281,028 | 6,899,941 | 1,618,913 |
| Other Financing Sources (Uses): | | | | |
| Interfund transfers out | (5,281,028) | (5,281,028) | (6,885,890) | (1,604,862) |
| Net Change in Fund Balance | \$ - | \$ - | \$ 14,051 | \$ 14,051 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2015

| Assets | Business-type Activities - Enterprise Funds | | | Total |
|---|---|---|---|--------------|
| | Sanitary Sewer Fund | Boyce/Mayview Community Recreation Center Fund | Other Business- type Activities: Township/School District Magazine Fund | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,800,269 | \$ 4,784,826 | \$ - | \$ 7,585,095 |
| Accounts receivable | 421,894 | 243,037 | 15,823 | 680,754 |
| Due from other funds | - | 250,167 | 159,186 | 409,353 |
| Total current assets | 3,222,163 | 5,278,030 | 175,009 | 8,675,202 |
| Capital assets: | | | | |
| Construction in progress | 642,647 | - | - | 642,647 |
| Sewer lines, net of accumulated depreciation | 13,263,887 | - | - | 13,263,887 |
| Buildings and improvements, net of accumulated depreciation | - | 21,715,290 | - | 21,715,290 |
| Machinery and equipment, net of accumulated depreciation | 73,353 | 551,388 | 3,478 | 628,219 |
| Total capital assets | 13,979,887 | 22,266,678 | 3,478 | 36,250,043 |
| Total Assets | 17,202,050 | 27,544,708 | 178,487 | 44,925,245 |
| Deferred Outflows of Resources | | | | |
| Accumulated decrease in fair value of hedging derivatives | 295,921 | 1,201,784 | - | 1,497,705 |
| Deferred charge on bond refundings | 311,395 | - | - | 311,395 |
| Total Deferred Outflows of Resources | 607,316 | 1,201,784 | - | 1,809,100 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 832,882 | 19,002 | 156 | 852,040 |
| Unearned revenues | - | 230,824 | - | 230,824 |
| Accrued interest | 39,110 | - | - | 39,110 |
| Due to other funds | 17,699 | 336,273 | - | 353,972 |
| Current portion - bonds payable | 376,460 | 444,535 | - | 820,995 |
| Total current liabilities | 1,266,151 | 1,030,634 | 156 | 2,296,941 |
| Noncurrent liabilities: | | | | |
| Fair value of hedging derivatives | 295,921 | 1,201,784 | - | 1,497,705 |
| Bonds payable | 14,113,382 | 18,861,962 | - | 32,975,344 |
| Total noncurrent liabilities | 14,113,382 | 18,861,962 | - | 32,975,344 |
| Total Liabilities | 15,675,454 | 21,094,380 | 156 | 36,769,990 |
| Net Position | | | | |
| Net investment in capital assets | (198,560) | 2,960,181 | 3,478 | 2,765,099 |
| Unrestricted | 2,332,472 | 4,691,931 | 174,853 | 7,199,256 |
| Total Net Position | \$ 2,133,912 | \$ 7,652,112 | \$ 178,331 | \$ 9,964,355 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---|---|------------------------------|
| | Sanitary Sewer Fund | Boyce/Mayview Community Recreation Center Fund | Other Business- type Activities: Township/School District Magazine Fund | Total Enterprise Funds |
| Operating Revenues: | | | | |
| Charges for services | \$ 5,758,183 | \$ 4,108,877 | \$ 168,807 | \$ 10,035,867 |
| Operating Expenses: | | | | |
| Sewage treatment charges | 2,942,687 | - | - | 2,942,687 |
| Personnel services | 264,707 | 1,931,429 | 53,138 | 2,249,274 |
| Contractual services | 801,969 | 963,777 | 106,826 | 1,872,572 |
| Materials and supplies | 32,072 | 213,805 | 1,789 | 247,666 |
| Depreciation | 623,939 | 742,890 | 915 | 1,367,744 |
| Total operating expenses | 4,665,374 | 3,851,901 | 162,668 | 8,679,943 |
| Operating Income (Loss) | 1,092,809 | 256,976 | 6,139 | 1,355,924 |
| Nonoperating Revenues (Expenses): | | | | |
| Interest income | 628 | 887 | - | 1,515 |
| Interest expense | (515,781) | (745,883) | - | (1,261,664) |
| Total nonoperating revenues (expenses) | (515,153) | (744,996) | - | (1,260,149) |
| Change in Net Position Before Interfund Transfers | 577,656 | (488,020) | 6,139 | 95,775 |
| Transfers: | | | | |
| Interfund transfers in | - | 1,618,536 | - | 1,618,536 |
| Change in Net Position | 577,656 | 1,130,516 | 6,139 | 1,714,311 |
| Net position - beginning | 1,556,256 | 6,521,596 | 172,192 | 8,250,044 |
| Net position - ending | <u>\$ 2,133,912</u> | <u>\$ 7,652,112</u> | <u>\$ 178,331</u> | <u>\$ 9,964,355</u> |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---|---|------------------------------|
| | Sanitary Sewer Fund | Boyce/Mayview Community Recreation Center Fund | Other Business- type Activities: Township/School District Magazine Fund | Total Enterprise Funds |
| Cash Flows From Operating Activities: | | | | |
| Receipts from customers and users | \$ 6,002,698 | \$ 4,088,953 | \$ 169,086 | \$ 10,260,737 |
| Payment for treatment charges | (2,862,206) | - | - | (2,862,206) |
| Payments to employees | (264,707) | (1,931,429) | (53,138) | (2,249,274) |
| Payments for services | (801,969) | (999,314) | (107,670) | (1,908,953) |
| Payments to suppliers | (32,072) | (213,805) | (1,789) | (247,666) |
| Net cash provided by (used in) operating activities | 2,041,744 | 944,405 | 6,489 | 2,992,638 |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Interfund receipts (payments) | (2,180,891) | 175,808 | (6,489) | (2,011,572) |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Purchases of capital assets | (642,647) | (156,563) | - | (799,210) |
| Principal paid on capital debt | (361,934) | (434,277) | - | (796,211) |
| Proceeds from issuance of debt | 1,160,000 | - | - | 1,160,000 |
| Payments to bond escrow | (1,160,000) | - | - | (1,160,000) |
| Interest paid on capital debt, including capitalized interest | (478,473) | (745,883) | - | (1,224,356) |
| Net cash provided by (used in) capital and related financing activities | (1,483,054) | (1,336,723) | - | (2,819,777) |
| Cash Flows From Investing Activities: | | | | |
| Investment income | 628 | 887 | - | 1,515 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,621,573) | (215,623) | - | (1,837,196) |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 4,421,842 | 5,000,449 | - | 9,422,291 |
| End of Year | \$ 2,800,269 | \$ 4,784,826 | \$ - | \$ 7,585,095 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating income (loss) | \$ 1,092,809 | \$ 256,976 | \$ 6,139 | \$ 1,355,924 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 623,939 | 742,890 | 915 | 1,367,744 |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 244,515 | (10,838) | 279 | 233,956 |
| Prepaid items | - | - | (1,000) | (1,000) |
| Accounts payable | 80,481 | (35,537) | 156 | 45,100 |
| Unearned revenues | - | (9,086) | - | (9,086) |
| Total adjustments | 948,935 | 687,429 | 350 | 1,636,714 |
| Net cash provided by (used in) operating activities | \$ 2,041,744 | \$ 944,405 | \$ 6,489 | \$ 2,992,638 |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINED STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2015

| Assets | |
|--|-----------------------------|
| Cash and cash equivalents | \$ 1,751,026 |
| Investments (at fair value): | |
| Exchange traded funds | 4,988,051 |
| Mutual funds | 14,283,169 |
| Stocks | 6,516,523 |
| Accrued income receivable | 18,779 |
| Total Assets | 27,557,548 |
| Liabilities | |
| Accounts payable | 675 |
| Net Position | |
| Net position restricted for pension benefits | <u><u>\$ 27,556,873</u></u> |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

Additions:

| | |
|---|------------------|
| Contributions: | |
| Member contributions/rollovers | \$ 131,864 |
| Township contributions | 259,553 |
| State aid | 587,591 |
| Total contributions | <u>979,008</u> |
| Investment income (loss): | |
| Net depreciation in fair value of investments | (9,173) |
| Less: investment expenses | (138,568) |
| Net investment income (loss) | <u>(147,741)</u> |
| Total additions | <u>831,267</u> |

Deductions:

| | |
|-------------------------|----------------|
| Benefits | 800,251 |
| Withdrawal credits | 63,800 |
| Administrative expenses | 19,215 |
| Total deductions | <u>883,266</u> |

Increase (Decrease) in Plan Net Position (51,999)

Net Position:

| | |
|-------------------|----------------------|
| Beginning of year | <u>27,608,872</u> |
| End of year | <u>\$ 27,556,873</u> |

The notes to financial statements are an integral part of this statement.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Upper St. Clair, Pennsylvania (Township) was founded in 1788 and operates as a Home Rule Township under a Charter adopted January 5, 1976. The Township, which operates under a Manager and a seven-member governing Board of Commissioners (Board), is a suburb of Pittsburgh with approximately 19,000 residents and an area of ten square miles.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these principles are as follows:

A. Reporting Entity

The accompanying financial statements present the Township (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

The Municipal Authority of the Township of Upper St. Clair (MATUSC) was incorporated in 1950 under the Municipal Authorities Act of 1945 to construct and lease certain capital assets for and to the Township. The MATUSC Board is appointed by the Township's Board. MATUSC leases facilities to the Township and the Township pays lease rentals to MATUSC for repayment of the Authority's debt, if any. As of December 31, 2015, there is no active lease arrangement between MATUSC and the Township.

MATUSC is blended with the primary government for financial reporting because its purpose is to finance certain capital assets of the Township and the Township has the financial burden of any MATUSC debt. MATUSC operations are included with non-major Special Revenue Fund types. MATUSC operates on an August 31 fiscal year. Complete financial statements for MATUSC can be obtained from the Administration Offices of MATUSC at 1820 McLaughlin Run Road, Upper St. Clair, PA 15241.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Joint Ventures

The Township is a member of a joint venture with two other local government units. The joint venture, Tri-Community South Emergency Medical Services (TCS), provides emergency and non-emergency transport and first-aid services to the residents of three Communities. TCS is administered by a three-member board, composed of the members of all three participating governments. Neither the Township nor the other two local governments exercise specific control over the fiscal policies or operations of TCS. TCS's operating budget is funded by annual subscriptions, nonsubscriber medical charges, third-party billings, and non-emergency transport fees. The Township had no equity interest in TCS as of December 31, 2015. Complete financial statements for TCS can be obtained from the Administrative Offices of TCS at 5490 Progress Boulevard, Bethel Park, PA 15102.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other post-employment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The fund financial statements provide information about the Township's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The *Capital Projects Fund* accounts for costs of capital assets acquired for use in the Township for general government, public safety, public works, or parks and recreation purposes.

The Township reports the following major enterprise funds:

The *Sanitary Sewer Fund* is used to account for costs associated with providing sewage treatment and disposal service to all parts of the Township. This fund was established in 1985 by ordinance so that user fees could primarily fund the costs associated with regular system maintenance and Corrective Action Plan projects.

The *Boyce Mayview Community & Recreation Center Fund (C&RC Fund)* is used to account for the operations of the Community & Recreation Center.

Additionally, the Township reports the following fiduciary fund types:

The *Pension Trust Funds* account for the accumulation of resources to be used for future payment of benefits to qualified employees. The Township provides pension coverage through three separate plans: Public Works Employees, Police, and Management & Administrative Employees.

Proprietary funds distinguish *operating revenues and expenses* from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer usage charges, membership fees, and advertisement fees. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets and Budgetary Accounting

An operating budget is legally adopted each year for the General Fund, Capital Projects Fund, State Liquid Fuels Fund, Storm Sewer Improvement Fund, Field Improvement Fund, Regional Asset District Library Fund, Regional Asset District Boyce Mayview Fund, Debt Service Funds for the General Obligation Bonds/Notes of 2008, 2009, 2011, 2012 and 2015, the Sanitary Sewer Fund, the Boyce Mayview Community & Recreation Center Fund, and the Township/School District Magazine Fund on a basis consistent with GAAP. No budgets were legally adopted for the Pension Trust Funds, the Library Endowment Fund, or MATUSC.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Adoption of the budget by the Board constitutes approximations of the expenditures for the fiscal year and the budget is employed as a management control device during the year. Within the General Fund accounts, the Township Manager is authorized to transfer budgeted amounts between operating departments provided that such transfers do not alter total expenditures approved by the Board. Therefore, in the General Fund, as in all other funds that have legally adopted budgets, the measurement level of control over expenditures is the surplus or deficit of the funds as a whole. Operating departments are charged with the maintenance of the budget for the department as a whole; however, operating departments may exceed the appropriation with the approval of the Township Manager. Any excess appropriations at the end of the fiscal year are not carried forward; but instead, lapse.

Expenditures for the Pension Trust Funds, the Library Endowment Fund, and MATUSC are limited to the level of available revenues.

Under the Home Rule Charter, the Board may amend the expenditure budget after public hearing.

E. Interfund Receivables, Payables and Transfers

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Interfund receivables, payables, and transfers for the year ended December 31, 2015 are summarized below:

| <u>Fund</u> | <u>Due From</u> | <u>Due To</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|---------------------|---------------------|----------------------|
| Major Funds: | | | | |
| General Fund | \$ 457,344 | \$ 2,500,304 | \$ - | \$ 6,885,890 |
| Capital Projects Fund | 2,082,889 | - | 3,164,363 | 330,000 |
| Sanitary Sewer Fund | - | 17,699 | - | - |
| Boyce Mayview C&RC Fund | 250,167 | 336,273 | 1,618,536 | - |
| Other Enterprise Funds | 159,186 | - | - | - |
| Other Governmental Funds | <u>8,062</u> | <u>103,372</u> | <u>2,432,991</u> | <u>-</u> |
| Total | <u>\$ 2,957,648</u> | <u>\$ 2,957,648</u> | <u>\$ 7,215,890</u> | <u>\$ 7,215,890</u> |

Outstanding interfund balances at year-end include a \$2,082,889 interfund balance between the General Fund and the Capital Projects Fund, primarily representing funds assigned to the Capital Projects Fund via a 2015 transfer from the General Fund.

Transfers are made from the General Fund 1) to the Capital Projects Fund to fund various capital projects, 2) to the Boyce Mayview C&RC Fund for debt service as well as common area operations, 3) to the Other Governmental Funds for current principal and interest payments and operating and maintenance expenses associated with Boyce Mayview Park.

F. Deposits and Investments

Governmental and Proprietary Funds

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit. The statutes 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 are either maintained in demand deposits, highly liquid money market funds or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT) or the Pennsylvania School

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

District Liquid Asset Fund (PSDLAF). The deposits and investments of the Fiduciary Funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either their state statutes or the policy of the Township.

Deposits

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk.

As of December 31, 2015, \$13,620,403 of the Township's bank balance of \$14,355,500 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits had carrying amounts of \$14,111,831 as of December 31, 2015.

Investments

As of December 31, 2015, the Township's investments consisted of the following:

| | <u>Bank Balance</u> | <u>Book Balance</u> |
|-------------------|---------------------|---------------------|
| Investments: | | |
| PLGIT | \$ 4,551,972 | \$ 4,549,822 |
| PSDLAF | 77,914 | 77,914 |
| Money market | <u>102,413</u> | <u>102,413</u> |
| Total investments | <u>\$ 4,732,299</u> | <u>\$ 4,730,149</u> |

At December 31, 2015, the total of PLGIT, PSDLAF, and money markets are considered to be a cash equivalent for presentation on the statement of net position and governmental funds balance sheet.

The Township's cash equivalent investments in PLGIT, PSDLAF, and money market funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. PLGIT and PSDLAF were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment. All investment in an external investment pool that is not SEC-registered is subject to oversight by the Commonwealth of Pennsylvania.

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's investments in PLGIT, PSDLAF, and money markets have maturities of less than one year.

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. At December 31, 2015, the Township's investments in PLGIT, PSDLAF, and money markets were rated AAA by Standard & Poor's.

Pension Trust Funds

The pension trust funds are used to account for assets held by the Township in a trustee capacity for future payment of retirement benefits to employees or former employees. In addition to the investments authorized for governmental funds, pension trust fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. Assets in the pension trust funds are stated at fair value.

As of December 31, 2015, the Township had the following cash and investments in its pension trust funds:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

| <u>Investment Type</u> | <u>Fair Value</u> |
|--------------------------------------|----------------------|
| Money market funds | \$ 1,751,026 |
| Exchange traded funds: | |
| Fixed income | 2,279,318 |
| Equities | 2,708,733 |
| Mutual funds: | |
| Fixed income | 5,663,937 |
| Balanced/asset allocation | 1,842,121 |
| Equities | 6,777,111 |
| Stocks | <u>6,516,523</u> |
| Total Pension Trust Fund investments | <u>\$ 27,538,769</u> |

The following is a description of the investment risks of the Pension Trust Funds:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Pension Trust Funds do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates, other than a 45 percent limit on fixed income securities.

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds do not have a formal investment policy that would limit investment choices based on credit ratings by nationally recognized statistical rating organizations. At December 31, 2015, none of the Pension Trust Fund investments were rated by Nationally Recognized Statistical Rating Organizations.

Concentration of Credit Risk. The risk of loss attributed to the magnitude of an investment in a single issuer. The Pension Trust Funds place a 10% limit on the amount that may be invested in any one issuer. At December 31, 2015, the Pension Trust Funds did not have any investments that represented 5% or more of total investments (excluding investments in the U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments).

The Pension Trust Funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near-term and that such changes could materially affect the amount reported on the statement of fiduciary net position.

G. Allowance for Uncollectible Accounts

Accounts receivable have been reported net of an allowance for uncollectible accounts.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

I. Statement of Cash Flows

For the purpose of the statement of cash flows, the Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, and all computers regardless of price. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The Township reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Township chose to include all such items regardless of their acquisition date or amount. For the initial reporting of these assets, the Township

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

was able to use actual historical cost or estimate historical through back trending. As the Township constructs or acquires additional capital assets each period, including infrastructure assets; they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction-in-progress, while in the construction phase. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| Buildings and improvements | 40 |
| Public domain infrastructure | 40-50 |
| Vehicles | 3-15 |
| Equipment | 5-10 |
| Sewer Lines | 40-50 |
| Library assets | 5 |

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has the following items that qualify for reporting in this category:

The accumulated decrease in fair value of hedging derivatives related to the derivative financial instrument of the interest swap agreement between the Township and PNC Bank used to synthetically fix an interest rate of 3.28% on the variable bonds issued in 2008. This agreement is further explained in Note 10 entitled "Derivative Financial Instruments - Interest Rate Swap."

In conjunction with pension accounting requirements, the net difference between projected and actual earnings on pension plan investments is recorded as a deferred outflow of resources related to pensions on the government-wide

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

financial statements. This amount is determined based on actuarial valuations performed for the plans. Note 3 presents additional information about the pension plans.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has the following items that qualify for reporting in this category:

Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and earned income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In conjunction with pension accounting requirements, the difference between expected and actual experience is recorded as a deferred inflow of resources related to pensions on the government-wide financial statements. This amount is determined based on the actuarial valuations performed for the pension plans.

Additionally, in accordance with applicable guidance, the excess or shortage of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow or inflow of resources, respectively, on the statement of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as another financing source. Premiums received on debt issuances are also reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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M. Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

N. Fund Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

O. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The Board is the highest level of decision-making authority for the Township that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Board has by ordinance authorized the Finance Director to assign fund balance. The

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Board has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund. The target level is set within a range of between 8%-20% of General Fund annual revenues. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

P. Fund Balance Classifications

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

Nonspendable – consists of amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The Township reports nonspendable fund balance for prepaid expenses as of December 31, 2015.

Restricted – consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation. The Township reports fund balance restricted for State Liquid Fuels expenses, Boyce Mayview Park grant expenses, and library expenses and services as of December 31, 2015.

Committed – consists of amounts that can only be used pursuant to specific purposes pursuant to constraints imposed by a resolution enacted by the Township's governing Board. The Township has committed fund balances in its Storm Sewer Improvement Fund (\$32,638), the Field Improvement Fund (\$152,742) and the MATUSC Special Revenue Fund (\$439,310) as of December 31, 2015.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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Assigned – consists of amounts that are constrained by the Township’s intent to be used for specific purposes. The Township has assigned the Capital Projects Fund Balance of \$8,284,816 as of December 31, 2015.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Q. Net Position

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

- *Net investments in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The unspent portion of the capital related debts are presented with unrestricted net position.
- *Restricted* - This component of net position consists of constraints placed on net position use through external restrictions, reduced by liabilities related to those assets. The Township's restricted net position at December 31, 2015 consists of \$1,332 restricted for State Liquid Fuels expenses, \$5,493 restricted for Boyce Mayview Park grant expenses, \$61,095 restricted for library expenses and services, and \$667,053 restricted for pension benefits.
- *Unrestricted* - This is the component of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Boyce Mayview Community & Recreation Center Fund (C&RC Fund) Net Position. As of December 31, 2015, the C&RC Fund had an unrestricted net position of \$4,691,931. The difference between this figure and the amount in the table below is caused by the depreciation on the building since the opening of the facility in 2009. Since the actual building is intended to be financed through taxpayer dollars, the Township removes the building depreciation from the net position for capital budgeting and planning purposes. Illustrated below is the budgeted net position for the C&RC Fund for the year ended December 31, 2015:

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NOTES TO FINANCIAL STATEMENTS

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| Year Ended December 31, | Operating Revenue and Transfers In | Operating Expenses | Add Back: Building Depreciation | Net Equipment Purchases | Net Position for Capital Budgeting |
|----------------------------|---------------------------------------|-----------------------|---------------------------------------|----------------------------|--|
| 2007 | \$ 400,000 | \$ - | \$ - | \$ - | \$ 400,000 |
| 2008 | 500,000 | (65,623) | - | - | 834,377 |
| 2009 | 134,752 | (2,184,346) | 324,109 | (16,807) | (7,195) |
| 2010 | 2,905,761 | (3,250,077) | 648,218 | (151,473) | 145,234 |
| 2011 | 3,313,648 | (3,502,126) | 648,218 | 103,519 | 708,493 |
| 2012 | 3,792,127 | (3,580,411) | 648,218 | 114,782 | 1,683,209 |
| 2013 | 4,008,014 | (3,598,474) | 648,218 | 105,636 | 2,846,603 |
| 2014 | 4,315,276 | (3,769,566) | 648,218 | 99,893 | 4,140,424 |
| 2015 | 5,727,413 | (3,851,901) | 648,218 | (61,891) | 6,602,263 |

Net equipment purchases: Equipment depreciation less current year equipment purchases

R. 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.

S. Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the Township's 2015 financial statements:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." These Statements establish new financial reporting requirements for most governments that provide their employees with pension benefits (see Note 3). As a result of this implementation, the government-wide net position as of January 1, 2015 was restated with an increase of \$255,757 to record the Township's net pension asset.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The Township has no mergers, acquisitions or operations that have been transferred or sold to report.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

T. Pending Pronouncements

GASB has issued the following Statements, which will become effective in future years as shown below. Management has not yet determined the impact of these Statements on the Township's financial statements.

GASB Statement No. 72, "*Fair Value Measurement and Application*," effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*," effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). This Statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43.

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," effective for fiscal years beginning after June 15, 2017 (the Township's financial statements for the year ending December 31, 2018). This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and

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addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

GASB Statement No. 77, "*Tax Abatement Disclosures*," effective for fiscal years beginning after December 15, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," effective for fiscal years beginning after December 31, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, "*Accounting and Financial Reporting for Pensions*." The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*," effective for fiscal years beginning after June 15, 2015 (the Township's financial statements for the year ending December 31, 2016). This Statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*," effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, "*Irrevocable Split-Interest Agreement*," effective for fiscal years beginning after December 31, 2016 (the Township's financial statements for the year ending December 31, 2017). The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,*" effective for fiscal years beginning after June 15, 2016 (the Township's financial statements for the year ending December 31, 2017). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans,*" No. 68, "*Accounting and Financial Reporting for Pensions,*" and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*"

2. PROPERTY TAXES

The Township bills and collects its own property taxes based on assessed valuations provided by the County of Allegheny. Property tax revenues are recognized when levied to the extent that they result in current receivables. The schedule for property taxes levied for 2015 at 3.83 mills (\$.383 per \$100 assessed valuation) is as follows:

| | |
|---------------------------|--------------------|
| May 1 | Tax date |
| May 1 - June 30 | 2% discount period |
| July 1 - August 31 | Face amount period |
| September 1 – December 31 | 10% penalty period |
| January 1, 2016 | Lien date |

3. DEFINED BENEFIT PENSION PLANS

A. Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. For additional information related to basis of accounting and reported investment values, see Notes 1C and 1F.

B. Plan Descriptions

The Township's Police Pension Plan is a single-employer defined benefit pension plan. The plan was established effective December 2, 1957 under the provisions of Act 600 of

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1956 of the Commonwealth of Pennsylvania. The pension plan was last amended and restated effective January 1, 2014. The plan covers all full-time police officers. The plan is governed by the Township's Board, which has delegated the authority to manage certain plan assets to PNC Institutional Asset Management. Plan provisions and contributions are established by Ordinance, and may be amended by the Township. The pension plan is required to file Form PC-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2015.

The Township's Public Works Employee Pension Plan is a single-employer defined benefit pension plan. The plan was established effective October 5, 1959 under the provisions of Act 600 of 1956 of the Commonwealth of Pennsylvania. The pension plan was last amended and restated effective January 1, 2014. The plan covers all full-time public works employees. The plan is governed by the Township's Board, which has delegated the authority to manage certain plan assets to Voya Financial Advisors, Inc. Plan provisions and contributions are established by Ordinance, and may be amended by the Township. The pension plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2015.

The activity of the Plans is reported as the Pension Trust Funds in the accompanying financial statements. The Plans do not issue stand-alone financial reports. Individual plan financial statements are included in Note 13 of this report.

At December 31, 2015, participants in the Plans were as follows:

| | <u>Police Pension Plan</u> | <u>Public Works Employees' Pension Plan</u> |
|---|--------------------------------|---|
| Inactive plan members or beneficiaries currently receiving benefits | 13 | 19 |
| Inactive plan members entitled to but not yet receiving benefits | 5 | 4 |
| Active plan members | <u>22</u> | <u>27</u> |
| | <u>40</u> | <u>50</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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C. Benefits Provided – Police Pension Plan

Retirement Benefit – Participants are eligible for a normal retirement benefit after completing 25 years of service and attaining age 54. The scheduled normal monthly retirement benefit is 50% of the participant's gross pay averaged over the last 36 months of employment, plus a service increment of \$100 per month for completion of 26 years of service. Participants may elect an early retirement benefit with only 20 years of service. The early retirement benefit is determined by actuarially reducing the normal retirement benefit amount to reflect the early commencement of retirement payments.

Disability Benefit – If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled monthly benefit is 50% of the participant's gross pay averaged over the last 36 months of employment at the time the disability was incurred, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

Death Benefit – If a participant's death occurs before retirement eligibility, the participant's beneficiary is entitled to receive a refund of contributions made by the participant, plus interest. If a participant shall die after commencement of benefit payments in the normal form, or after becoming eligible to receive benefit payments, a survivor benefit shall be paid to the surviving spouse or dependent children of the participant in an amount equal to 50% of the benefit the participant was receiving or was eligible to receive as of the date of death. The monthly survivor benefit is payable to the participant's spouse for life. If there is no spouse or the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until age 18 (age 23 if attending college).

Deferred Retirement Option Plan (DROP) – The DROP provides an alternative method of payment for retirement benefits for a specified and limited period of time for eligible participants. Under the DROP, employees stop earning service credit toward a future benefit at the time their DROP period begins. The participant's normal retirement benefit is calculated at that point, and the participant is considered retired for pension plan purposes. At the same time, the Township retains the participant as an employee for a period not to exceed 30 months. During the DROP period, the participant's monthly retirement benefit is deposited into a separate account and credited with interest earnings between 0% and 4.5% for the duration of the DROP period. At DROP termination, the participant receives the lump sum value of the DROP account. At December 31, 2015, there were four employees participating in the DROP.

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Cost-of-Living Adjustments – Effective on each anniversary of retirement, a retiree will receive an increase in the monthly benefit equal to the percentage increase in the Consumer Price Index. The total of all increases may not exceed 20% of the original benefit, nor may the total benefit exceed 75% of the average monthly salary used to calculate the original benefit.

D. Benefits Provided – Public Works Employees Pension Plan

Retirement Benefit – Participants are eligible for a normal retirement benefit after completing 10 years of service and attaining age 60. The scheduled normal retirement benefit is equal to the sum of \$60.00 multiplied by years of service before January 1, 2009, plus \$65.00 multiplied by years of service from January 1, 2009 through December 31, 2010, plus \$67.50 multiplied by years of service from January 1, 2011 through December 31, 2011, plus \$70.00 multiplied by years of service from January 1, 2012 through December 31, 2014, plus \$72.50 multiplied by years of service from January 1, 2015 to December 31, 2015, plus \$74.00 multiplied by years of service from January 1, 2016 and later. The total years of service shall not exceed forty years, which shall be the participant's final forty years of service. Participants may elect an early retirement benefit at age 57 with 10 years of service. The early retirement benefit is determined by reducing the normal retirement benefit amount by 0.5% for each month that early retirement precedes the normal retirement date.

Disability Benefit – A participant who has completed at least ten years of service, is an employee and incurs a total and permanent disability in the course of and as a direct result of employment shall be entitled to a disability retirement benefit as of the date which is twenty-seven (27) weeks after the disability date. The scheduled monthly benefit is equal to the normal retirement benefit reduced by the amount of workers' compensation (or other statutorily prescribed benefit) received on account of the same injury or disease which resulted in the disability. Disability benefits shall continue until the earliest of the death of the participant or cessation of total and permanent disability before attainment of age 60.

Death Benefit – If a participant's death occurs before retirement eligibility, the participant's beneficiary is entitled to receive a refund of contributions made by the participant. If a participant shall die after commencement of benefit payments in the normal form, or after becoming eligible to receive benefit payments, the beneficiary shall be entitled to a benefit payable as if the participant had retired on the day prior to the date of death and had commenced receipt of a fifty percent (50%) joint and survivor annuity benefit.

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Cost-of-Living Adjustments – The plan does not provide for any post-retirement adjustments.

E. Contributions

The Plans are funded by the Township on an annual basis pursuant to the provisions of Act 205 of 1984 (Act). The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. For the year ended December 31, 2015, participating employees in the Police Plan and Public Works Plan were required to contribute 5.0% and 1.0%, respectively, of their compensation. During the year, employee contributions to the Police Plan and Public Works Plan totaled \$116,999 and \$14,865, respectively.

The Commonwealth of Pennsylvania provides annual State Pension Aid funding to the Township that must be contributed in the pension plans. For the year ended December 31, 2015, the State Pension Aid contributed to the Police Plan totaled \$240,290, and the State Pension Aid contributed to the Public Works Plan totaled \$116,462. If the amount of State Pension Aid received is not sufficient to meet the funding required by the MMO, the Township must make a contribution to fund the difference. For the year ended December 31, 2015, the Township contributed \$0 to the Police Plan and \$245,543 to the Public Works Plan.

F. Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plans at December 31, 2015 were as follows:

| | Police Pension Plan | Public Works Employees' Pension Plan | Total |
|---|------------------------|--|---------------------|
| Total pension liability | \$ 19,065,683 | \$ 5,356,894 | \$ 24,422,577 |
| Plan fiduciary net position | <u>(19,732,736)</u> | <u>(4,488,114)</u> | <u>(24,220,850)</u> |
| Net pension liability (asset) | <u>\$ (667,053)</u> | <u>\$ 868,780</u> | <u>\$ 201,727</u> |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | <u>103.50%</u> | <u>83.78%</u> | |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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G. Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the Township for the year ended December 31, 2015 were as follows:

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability (Asset)</u> |
|---|------------------------------------|--|--|
| Balances at December 31, 2014 | \$ 24,140,843 | \$ 24,396,600 | \$ (255,757) |
| Changes for the year: | | | |
| Service cost | 287,510 | - | 287,510 |
| Interest | 1,732,416 | - | 1,732,416 |
| Change of benefit terms | 157,142 | - | 157,142 |
| Differences between expected and actual experience | (1,095,083) | - | (1,095,083) |
| Contributions - employer | - | 602,295 | (602,295) |
| Contributions - employee | - | 131,864 | (131,864) |
| Net investment income | - | (91,882) | 91,882 |
| Benefit payments, including refunds | (800,251) | (800,251) | - |
| Administrative expense | - | (17,776) | 17,776 |
| Net changes | <u>281,734</u> | <u>(175,750)</u> | <u>457,484</u> |
| Balances at December 31, 2015 | <u>\$ 24,422,577</u> | <u>\$ 24,220,850</u> | <u>\$ 201,727</u> |
| Reconciliation to the Statement of Net Position: | | | |
| Net pension asset | | | \$ (667,053) |
| Net pension liability | | | <u>868,780</u> |
| | | | <u>\$ 201,727</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | <u>99.17%</u> |

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2015, and rolled forward to December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

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| | Police Pension Plan | Public Works Employees' Pension Plan |
|----------------------------|---------------------------|---|
| Actuarial assumptions: | | |
| Investment rate of return | 7.5% | 7.5% |
| Projected salary increases | 4.5%, including inflation | n/a |
| Underlying inflation rate | 3.0% | 3.0% |
| Cost-of-living adjustments | 100% change in CPI-W | n/a |

Actuarial assumptions based on actuarial experience study for the period January 1, 2013 to December 31, 2014.

RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives (Police only). Rates are projected to improve with 75% of scale AA.

Changes in Actuarial Assumptions – There were no changes in actuarial assumptions for the actuarial valuations performed as of January 1, 2015.

Investment Policy – The Plans’ policies in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Township that all investments for the Plans be made with the care, skill, and diligence that a prudent person would exercise. The Plans’ objectives are long-term in nature, and there are no foreseeable circumstances that would necessitate the immediate liquidation of over 20% of the portfolio.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans’ target asset allocation as of December 31, 2015:

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| Asset Class | Target Allocation | | Long-Term Expected Real Estate of Return | |
|------------------|-------------------|-------------------------|--|-------------------------|
| | Police | Public Works Employees' | Police | Public Works Employees' |
| Equities | 40-75% | 40-75% | 6.3% | 6.3% |
| Fixed income | 25-45% | 25-45% | 2.0% | 2.0% |
| Cash equivalents | 0-20% | 0-20% | 0.0% | 0.0% |

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rate of return on the Police Plan and Public Works Plan investments, net of investment expense, was 1.15% and (3.00%), respectively.

Discount Rate – The discount rate used to measure the total pension liability for both the Police Plan and Public Works Plan was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the contractual contribution rates and that the Township's contributions will continue to be made based on the yearly MMO calculation. Based on those assumptions, the fiduciary net position of each Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on each pension Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of each Plan calculated using the discount rates described above, as well as what each Plan's net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| Police | \$ 1,216,011 | \$ (667,053) | \$ (2,268,419) |
| Public Works Employees' | \$ 1,375,798 | \$ 868,780 | \$ 434,481 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Township recognized pension expense of approximately \$548,774. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Police</u> | <u>Public Works Employees'</u> |
|---|---------------------|------------------------------------|
| <u>Deferred Outflows of Resources:</u> | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 1,024,099</u> | <u>\$ 378,286</u> |
| <u>Deferred Inflows of Resources:</u> | | |
| Differences between expected and actual experience | <u>\$ 640,576</u> | <u>\$ 250,804</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|-------------------|
| 2016 | \$ 146,894 |
| 2017 | 146,894 |
| 2018 | 146,894 |
| 2019 | 146,891 |
| 2020 | <u>(76,568)</u> |
| | <u>\$ 511,005</u> |

4. DEFINED CONTRIBUTION PLAN

A. Plan Description

The Township provides pension benefits for its management and other employees that are not eligible for the aforementioned defined benefit pension plans, through a single-employer defined contribution plan (plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment. Participants become 100% vested upon

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

their admittance to the plan. Contributions to the plan are made by the Township for participating employees based upon a percentage of the participant's base salary. The percentage contributed is in accordance with the pension plan document as approved by the Board. Employees are not obligated to contribute to the plan.

This is a money purchase plan maintained in accordance with Internal Revenue Code Section 401(a). Although the Township has fiduciary responsibility for plan assets, the Township contracts the International City Management Association Retirement Corporation (ICMA-RC) for management and investment of plan assets.

The amount contributed by the Township to the plan for the year ended December 31, 2015 was \$244,849 or 7.7% of the approximately \$3.2 million in wages paid to participants. The Township Manager and the Township Board are responsible for establishing and/or amending the plan provisions and contribution requirements. Separate audited financial statements are not issued for the plan.

B. Summary of Significant Accounting Policies

The financial statements of the plan are included in Note 13 of this report. For additional information related to the basis of accounting used and the categorization of reported investment values, see Notes 1C and 1F, respectively.

C. Concentrations

The Management Employees' Pension Plan investments in mutual funds held by ICMA-RC account for 100% of the total investments at December 31, 2015.

5. CAPITAL ASSETS

A summary of changes in capital assets during 2015 is as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

| | January 1, 2015 | Increases | Decreases | December 31, 2015 |
|---|----------------------|---------------------|-------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,325,917 | \$ - | \$ - | \$ 2,325,917 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 34,321,950 | - | - | 34,321,950 |
| Buildings | 13,220,588 | 513,162 | - | 13,733,750 |
| Improvements | 1,680,487 | 1,295,523 | - | 2,976,010 |
| Equipment | 7,187,965 | 543,072 | (84,490) | 7,646,547 |
| Library assets | 729,141 | 1,872 | - | 731,013 |
| | 59,466,048 | 2,353,629 | (84,490) | 61,735,187 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | (19,069,715) | (496,907) | - | (19,566,622) |
| Buildings | (7,192,473) | (214,581) | - | (7,407,054) |
| Improvements | (1,074,691) | (49,727) | - | (1,124,418) |
| Equipment | (4,488,788) | (555,257) | 84,490 | (4,959,555) |
| Library assets | (689,035) | (8,525) | - | (697,560) |
| | (32,514,702) | (1,324,997) | 84,490 | (33,755,209) |
| Governmental activities capital assets, net | \$ 26,951,346 | \$ 1,028,632 | \$ - | \$ 27,979,978 |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 642,647 | \$ - | \$ 642,647 |
| Capital assets being depreciated: | | | | |
| C&RC building | 25,928,704 | - | - | 25,928,704 |
| Sewer lines and improvements | 29,100,791 | - | - | 29,100,791 |
| Equipment | 1,694,922 | 156,563 | - | 1,851,485 |
| | 56,724,417 | 799,210 | - | 57,523,627 |
| Less: accumulated depreciation for: | | | | |
| C&RC building | (3,565,197) | (648,217) | - | (4,213,414) |
| Sewer lines and improvements | (15,225,270) | (611,634) | - | (15,836,904) |
| Equipment | (1,115,373) | (107,893) | - | (1,223,266) |
| | (19,905,840) | (1,367,744) | - | (21,273,584) |
| Business-type activities capital assets, net | \$ 36,818,577 | \$ (568,534) | \$ - | \$ 36,250,043 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

| | |
|---|--------------|
| Governmental activities: | |
| General government | \$ 101,408 |
| Public safety | 231,120 |
| Public works | 894,424 |
| Community development | 4,732 |
| Recreation and leisure | 83,023 |
| Library | 10,290 |
| | <hr/> |
| Total depreciation expense - governmental activities | \$ 1,324,997 |
| | <hr/> |
| Business-type activities: | |
| Sanitary Sewer | \$ 623,939 |
| Community & Recreation Center | 742,890 |
| Magazine | 915 |
| | <hr/> |
| Total depreciation expense - business-type activities | \$ 1,367,744 |
| | <hr/> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

6. CHANGES IN LONG-TERM DEBT

| | Amounts Payable as of January 1, 2015 | New Debt | Amortization/ Repayment | Amounts Payable as of December 31, 2015 | Due Within One Year |
|---|---|---------------------|----------------------------|---|------------------------|
| Governmental Activities: | | | | | |
| Bonds/notes payable | \$ 18,258,359 | \$ 2,390,000 | \$ (2,968,790) | \$ 17,679,569 | \$ 639,005 |
| Less deferred amounts: | | | | | |
| Bond premium | 10,308 | - | (10,308) | - | - |
| Issuance discounts | (289,740) | - | 13,036 | (276,704) | - |
| | <u>17,978,927</u> | <u>2,390,000</u> | <u>(2,966,062)</u> | <u>17,402,865</u> | <u>639,005</u> |
| Governmental activities long-term liabilities | <u>\$ 17,978,927</u> | <u>\$ 2,390,000</u> | <u>\$ (2,966,062)</u> | <u>\$ 17,402,865</u> | <u>\$ 639,005</u> |
| Business-type Activities: | | | | | |
| Bonds/notes payable | \$ 34,716,639 | \$ 1,160,000 | \$ (1,946,211) | \$ 33,930,428 | \$ 820,995 |
| Less deferred amounts: | | | | | |
| Bond premium | 4,951 | - | (4,951) | - | - |
| Issuance discounts | (141,133) | - | 7,044 | (134,089) | - |
| | <u>34,580,457</u> | <u>1,160,000</u> | <u>(1,944,118)</u> | <u>33,796,339</u> | <u>820,995</u> |
| Business-type activities long-term liabilities | <u>\$ 34,580,457</u> | <u>\$ 1,160,000</u> | <u>\$ (1,944,118)</u> | <u>\$ 33,796,339</u> | <u>\$ 820,995</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

7. DESCRIPTION OF LONG-TERM DEBT

Issue: General Obligation Bonds of 2008

Date: March 3, 2008

Original Proceeds: \$32,300,000

Principal amount at December 31, 2015: \$28,229,997

Interest Rate: Variable rate, payable monthly. An interest rate swap was also entered into in connection with the bonds (Note 10). The Swap agreement is with PNC Bank and is in effect until June 1, 2018. Interest payments below were calculated using the synthetic fixed rate as described in Note 10.

Debt Service Source: General Fund transfers to Debt Service Fund, Sanitary Sewer Fund, and C&RC Fund.

Purpose: The proceeds of the bonds were used to provide funds for various capital improvements within the Township, including, but not limited to, repair and refurbishing portions of the Township's sanitary sewer system and to finance a new Community & Recreation Center.

Liquidity Facility: In connection with the bonds, the Township has entered into a Standby Bond Purchase Agreement with BNY Mellon Capital Markets, LLC (Bank). The agreement, dated June 3, 2013, is scheduled to expire on June 3, 2016. At December 31, 2015, none of the 2008 bonds outstanding were held by the Bank. During 2015, the Township incurred \$142,935 in facility fees.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The annual debt service requirements to maturity for the General Obligation Bonds of 2008 are as follows:

| | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|---------------------|--------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 96,005 | \$ 135,187 | \$ 553,995 | \$ 780,097 |
| 2017 | 99,698 | 131,978 | 575,303 | 761,576 |
| 2018 | 104,129 | 128,635 | 600,872 | 742,287 |
| 2019 | 107,083 | 125,171 | 617,918 | 722,299 |
| 2020 | 110,775 | 121,598 | 639,225 | 701,681 |
| 2021-2025 | 618,125 | 549,652 | 3,566,876 | 3,171,753 |
| 2026-2030 | 731,854 | 439,196 | 4,223,147 | 2,534,371 |
| 2031-2035 | 1,502,109 | 269,236 | 8,667,891 | 1,553,624 |
| 2036-2038 | 799,791 | 43,201 | 4,615,201 | 249,293 |
| Total | <u>\$ 4,169,569</u> | <u>\$ 1,943,854</u> | <u>\$ 24,060,428</u> | <u>\$ 11,216,981</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Issue: General Obligation Bonds of 2009

Date: November 23, 2009

Original Proceeds: \$7,010,000

Principal amount at December 31, 2015: \$0

Interest Rate: 2.00 - 3.35% semi-annual interest due May 15 and November 15

Debt Service Source: General Fund transfers to Debt Service Fund, and Sanitary Sewer Fund

Purpose: The proceeds were used to advance refund \$6,692,141 of the Township's General Obligation Bonds of 2003. In connection with this advance refunding, \$6,987,949 of the proceeds were deposited into an irrevocable trust with an escrow agent to provide for certain debt service payments on the refunded debt.

The General Obligation Bonds of 2009 were advance refunded during 2015.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Issue: General Obligation Bonds of 2011

Date: November 15, 2011

Original Proceeds: \$10,205,000

Principal Amount at December 31, 2015: \$9,915,000

Interest Rate: 2.79%

Debt Service Source: General Fund transfers to Debt Service Fund, and Sanitary Sewer Fund

Purpose: The proceeds were used to refund \$9,935,000 of the Township's General Obligation Bonds of 2006. In connection with this refunding, the net proceeds of \$9,982,214 (including the original issue discount of \$136,043 and after payment of \$86,743 in underwriting fees) were deposited into an irrevocable trust with an escrow agent to redeem the 2006 General Obligation Bonds and pay \$47,214 of other issuance costs. As a result, the 2006 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The annual debt service requirements to maturity for the General Obligation Bonds of 2011 are as follows:

| | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 55,000 | \$ 152,069 | \$ 25,000 | \$ 152,714 |
| 2017 | 55,000 | 151,312 | 25,000 | 152,370 |
| 2018 | 55,000 | 150,405 | 25,000 | 151,958 |
| 2019 | 60,000 | 149,310 | 25,000 | 151,482 |
| 2020 | 65,000 | 147,979 | 25,000 | 150,951 |
| 2021-2025 | 2,955,000 | 543,846 | 1,620,000 | 649,110 |
| 2026-2030 | 1,965,000 | 99,958 | 1,830,000 | 372,465 |
| 2031-2033 | - | - | 1,130,000 | 65,360 |
| Total | <u>\$ 5,210,000</u> | <u>\$ 1,394,879</u> | <u>\$ 4,705,000</u> | <u>\$ 1,846,410</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Issue: General Obligation Bonds of 2012

Date: February 6, 2012

Original Proceeds: \$9,925,000

Principal Amount at December 31, 2015: \$9,915,000

Interest Rate: 1.00 - 3.60% semi-annual interest due May 15 and November 15

Debt Service Source: General Fund transfers to Debt Service Fund, and Sanitary Sewer Fund

Purpose: The proceeds were used to refund \$9,732,386 of the Township's General Obligation Bonds of 2007. In connection with this refunding, the net proceeds of \$9,782,240 (including the original issue discount of \$58,397 and after payment of \$84,363 in underwriting fees) were deposited into an irrevocable trust with an escrow agent to redeem the 2007 General Obligation Bonds and pay \$49,854 of other issuance costs. As a result, the 2007 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The annual debt service requirements to maturity for the General Obligation Bonds of 2012 are as follows:

| | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 10,000 | \$ 159,241 | \$ 10,000 | \$ 120,991 |
| 2017 | 185,000 | 156,417 | 85,000 | 119,666 |
| 2018 | 185,000 | 152,531 | 90,000 | 117,851 |
| 2019 | 185,000 | 150,080 | 95,000 | 116,623 |
| 2020 | 180,000 | 147,276 | 100,000 | 115,121 |
| 2021-2025 | 1,115,000 | 673,699 | 575,000 | 543,398 |
| 2026-2030 | 2,775,000 | 480,159 | 700,000 | 461,488 |
| 2031-2035 | 1,275,000 | 26,832 | 1,695,000 | 314,249 |
| 2036 | - | - | 655,000 | 11,790 |
| Total | <u>\$ 5,910,000</u> | <u>\$ 1,946,235</u> | <u>\$ 4,005,000</u> | <u>\$ 1,921,177</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Issue: General Obligation Note of 2015

Date: May 15, 2015

Original Proceeds: \$3,550,000

Principal Amount at December 31, 2015: \$3,550,000

Interest Rate: 1.40%

Debt Service Source: General Fund transfers to Debt Service Fund and Sanitary Sewer Fund

Purpose: The proceeds were used to current refund \$3,550,000 of the Township's General Obligation Bonds of 2009. In connection with this refunding, the net proceeds of \$3,550,000 were used to redeem the 2009 General Obligation Bonds. As a result, the liability for those bonds has been removed from the statement of net position.

The aggregate difference in the debt service payments between the 2009 general obligation bonds and the refunding debt, 2015 general obligation note, is a decrease of \$188,931. The refunding of the 2009 general obligation bonds by the General Obligation Note of 2015 resulted in an economic gain of \$115,823.

The annual debt service requirements to maturity for the General Obligation Note of 2015 are as follows:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------|--------------------------------|-------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 478,000 | \$ 33,686 | \$ 232,000 | \$ 16,843 |
| 2017 | 478,000 | 26,875 | 232,000 | 13,437 |
| 2018 | 478,000 | 20,156 | 232,000 | 10,078 |
| 2019 | 478,000 | 13,437 | 232,000 | 6,719 |
| 2020 | 478,000 | 6,737 | 232,000 | 3,369 |
| Total | <u>\$ 2,390,000</u> | <u>\$ 100,891</u> | <u>\$ 1,160,000</u> | <u>\$ 50,446</u> |

8. UNPAID VACATION AND SICK DAYS

The Township's vacation policy for union and non-union employees provides that such employees are to take vacation within the year it is earned, with no carry forward provisions. Thus, there is no current liability for unused vacation at December 31, 2015. Vacation days may be carried forward only upon approval of the Township Manager. At December 31, 2015, there was no General Fund liability for unused vacation days. Sick days are earned continuously at the rate of seven to ten days per year to a maximum of 125 days depending

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

upon applicable contracts. Employees may use this time during their term of employment. No accrual is necessary as employees are not entitled to receive compensation for unused days.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

A. Plan Description

In addition to the pension benefits previously described, the Township provides post-retirement health and life insurance benefits to certain administrative and police retirees through a single employer defined benefit plan. The benefit limits, funding policy, and employee and employer contributions are established and amended through union contracts or the Township's Board. The plan is not accounted for as a trust fund, an irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the Township's General Fund.

Details of the benefits provided are as follows:

Police

The Township provides post-retirement medical coverage to all eligible police officers who retire with normal retirement (age 54 and 25 years of service), early retirement, or total and permanent service-related disability retirement benefits if no alternative no-cost health insurance coverage is available. If hired prior to January 1, 2014, the Township will pay 100% of the amount of medical insurance premium in effect at the time of retirement, until the retiree's Medicare eligibility. The retiree is responsible for any increase over the premium in effect at the time of retirement. Upon the retiree's attainment of Medicare eligibility, the Township will provide a fully employer-paid Medicare Supplement Plan. If the spouse is not yet eligible for Medicare at that time, the Township will provide benefits or reimbursement up to the same cost as the employee's supplement plan. If hired on or after January 1, 2014, this coverage is not provided.

Employees retiring on or after January 1, 2014 with at least 15 years of service are also provided a term life insurance policy for life with a death benefit of \$15,000.

As of January 1, 2014, the date of the most recent actuarial valuation report, there were 26 active plan participants and nine retired participants receiving benefits.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Non-Uniformed

For administrative employees, upon retirement at age 59 1/2, a \$15,000 life insurance policy is provided by the Township. For Teamsters employees, upon retirement at age 60 with 10 years of service, a \$10,000 life insurance policy is provided by the Township.

As of January 1, 2014, the date of the most recent actuarial valuation report, there were 82 active plan participants and 20 retired participants receiving benefits.

B. Funding Policy

Life insurance benefits are expensed when incurred and are financed on a pay-as-you-go basis. If hired before January 1, 2014, the Township contributes \$1,000 per year per police officer to a Voluntary Employee's Beneficiary Association (VEBA) account to be applied toward the cost of post-retirement health benefits. Upon retirement, each retiree shall have the option to accept the full amount deposited in his/her account with accrued interest in lieu of receipt of post-retirement health benefits from the Township. For fiscal year 2015, the Township incurred \$137,802 for post-employment health benefits (\$101,536 related to net premiums paid for current retirees and \$36,266 in contributions to VEBA accounts) and \$557 for post-employment life insurance benefits. No amounts were required to be reimbursed by retirees receiving benefits. At December 31, 2015, the total of the VEBA account balances was \$655,471.

The Township's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following table shows the component of the Township's annual OPEB cost for the year, the amount actually contributed, and changes in the Township's net OPEB obligation:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

| | Police | Non-Uniformed | Total |
|---|--------------|---------------|--------------|
| Annual required contribution | \$ 292,469 | \$ 25,352 | \$ 317,821 |
| Interest on net OPEB obligation | 68,585 | 4,758 | 73,343 |
| Annual OPEB cost | 361,054 | 30,110 | 391,164 |
| Contributions made | (138,104) | (255) | (138,359) |
| Increase in net OPEB obligation | 222,950 | 29,855 | 252,805 |
| Net OPEB obligation - beginning of year | 1,524,111 | 105,723 | 1,629,834 |
| Net OPEB obligation - end of year | \$ 1,747,061 | \$ 135,578 | \$ 1,882,639 |

The Township's annual OPEB cost (AOC), the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

Police

| Fiscal Year Ending | Annual OPEB Cost | % of AOC Contributed | Net OPEB Obligation (Asset) |
|--------------------|------------------|----------------------|-----------------------------|
| December 31, 2013 | \$ 343,379 | 31% | \$ 1,274,324 |
| December 31, 2014 | 349,814 | 29% | 1,524,111 |
| December 31, 2015 | 361,054 | 38% | 1,747,061 |

Non-Uniformed

| Fiscal Year Ending | Annual OPEB Cost | % of AOC Contributed | Net OPEB Obligation (Asset) |
|--------------------|------------------|----------------------|-----------------------------|
| December 31, 2013 | \$ 15,833 | 3% | \$ 77,535 |
| December 31, 2014 | 28,841 | 2% | 105,723 |
| December 31, 2015 | 30,110 | 1% | 135,578 |

The ARC for the current year for the Police and Non-Uniformed Plans was computed as of January 1, 2014 using the following actuarial assumptions:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

| | |
|-----------------------------------|--|
| Valuation date | January 1, 2014 |
| Actuarial cost method | Entry Age Normal Cost |
| Amortization method | Level Dollar |
| Amortization period | 30 year open period |
| Inflation rate | 3.0% |
| Investment rate | 4.5% compounded annually |
| Mortality | RP-2000 combined health mortality table with blue collar adjustment, with rates set forward 5 years for disabled lives |
| Projected salary increases | Not applicable to plan |
| Post-retirement benefit increases | Not applicable to plan |
| Health care cost trend rates | 5.0% |

The schedule of funding progress for the Township's OPEBs is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)-PUC (b) | Unfunded Actuarial Accrued Liability (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|---------------------------------|-------------------------------|---|---|----------------------|---------------------|---|
| <u>Police Employees:</u> | | | | | | |
| January 1, 2008 | \$ 329,593 | \$ 3,007,568 | \$ 2,677,975 | 11.0% | \$ 2,565,652 | 104.4% |
| January 1, 2011 | 374,001 | 4,198,942 | 3,824,941 | 8.9% | 2,480,361 | 154.2% |
| January 1, 2014 | 591,280 | 4,230,085 | 3,638,805 | 14.0% | 2,510,689 | 144.9% |
| <u>Non-Uniformed Employees:</u> | | | | | | |
| January 1, 2008 | \$ - | \$ 106,226 | \$ 106,226 | 0.0% | \$ 3,484,257 | 3.0% |
| January 1, 2011 | - | 134,730 | 134,730 | 0.0% | 3,991,979 | 3.4% |
| January 1, 2014 | - | 271,304 | 271,304 | 0.0% | 4,452,889 | 6.1% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the Township's medical plans. Amounts

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

10. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAP

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate 2008 General Obligation Bonds (Bonds), the Township entered into a pay-fixed, receive-variable interest rate swap agreement with PNC Bank, National Association (Counterparty). The intention of the swap was to effectively change the Township's variable interest rate on the Bonds to a synthetic fixed rate of 3.28%. The net interest resulting from the difference between the fixed payment and variable receipt is the only amount related to the swap agreement recorded in the financial statements.

Terms

The swap agreement was entered into at the same time the Bonds were issued (March 2008). The swap agreement expires on June 1, 2018. The swap's original notional amount was \$32,300,000. Starting in 2009, the notional value of the swap began reducing so that the notional amount approximates the principal amount on the bonds outstanding. The notional value as of December 31, 2015 was \$28,230,000.

Initially, the Bonds will accrue interest at a weekly rate determined by the remarketing agent on the effective rate date. The interest rate on the Bonds while in the weekly rate may not exceed 12%. Per the interest rate swap agreement, the Township will pay the Counterparty interest at a fixed rate of 3.28% and will receive from the Counterparty interest equal to the

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

tax-exempt floating rate index (SIFMA Municipal Swap Index). The interest payments on the interest rate swap is calculated based on the notional amounts, which reduce over time.

Pursuant to the swap contract, both the Township and the Counterparty make payments monthly on the first of each month. For the year ended December 31, 2015, the Township paid \$934,622 fixed and received \$9,539 variable with respect to the swap.

Fair Values

As of December 31, 2015, the interest rate swap had negative fair value of \$1,757,251. The fair value was provided by the Counterparty at mid-market, based on financial principles and assumptions of the Counterparty. The interest rate swap had a change in fair value of \$501,068 during the year ended December 31, 2015.

| <u>Valuation Date</u> | <u>Trade Type</u> | <u>Initial Notional Amount</u> | <u>Current Notional Amount</u> | <u>Start Date</u> | <u>Maturity Date</u> | <u>Net Present Value</u> |
|-----------------------|-------------------|--------------------------------|--------------------------------|-------------------|----------------------|--------------------------|
| 12/31/2015 | Swap | <u>\$ 32,300,000</u> | <u>\$ 28,230,000</u> | 3/6/2008 | 6/1/2018 | <u>\$ (1,757,251)</u> |

Effectiveness of the Interest Rate Swap

The interest rate swap was entered into as part of the 2008 bond issue, which is financed by both governmental activities and business-type activities. As shown below, the annualized average interest rate for 2015 was 3.30%. The swap was designed to achieve a synthetic interest rate of 3.28%. Since the average interest rate for 2015 was between 100 and 101 percent of the desired synthetic interest rate, the Township deemed the swap to be effective. Therefore, the Township recognized a derivative instrument liability and deferred outflow of resources within the governmental activities for \$259,546 and business-type activities for \$1,497,705.

| <u>Interest Period</u> | <u>PNC Bank Receives</u> | <u>PNC Bank Pays</u> | <u>PNC Bank Net Interest</u> | <u>Wells Fargo Interest Payments</u> | <u>Total Interest Payment</u> | <u>Notional Amount</u> | <u>Annualized Average Interest Rate</u> |
|------------------------|--------------------------|----------------------|------------------------------|--------------------------------------|-------------------------------|------------------------|---|
| Jan - May 2015 | \$ 394,488 | \$ (5,053) | \$ 389,435 | \$ 5,378 | \$ 394,813 | \$ 28,865,000 | 3.28% |
| June - Dec 2015 | 540,134 | (4,486) | 535,648 | 11,204 | 546,852 | 28,230,000 | 3.32% |
| Total | <u>\$ 934,622</u> | <u>\$ (9,539)</u> | <u>\$ 925,083</u> | <u>\$ 16,582</u> | <u>\$ 941,665</u> | | <u>3.30%</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Risk Exposure

Through the use of derivative instruments such as interest rate swaps, the Township is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

Credit risk is the risk that the Counterparty will not fulfill its obligations. On December 31, 2015, the Counterparty was rated A by Standard & Poor's and A1 by Moody's Investors Services, Inc., nationally recognized rating agencies. If the Counterparty fails to perform according to the terms of the interest rate swap agreement, there is some risk of loss to the Township; if the Township would need to replace the swap; it would likely cost the Township the then fair market value. Because the swap now has a negative fair market value, there is no current credit risk to the Township. This risk includes the potential for the Counterparty to fail to make periodic variable rate payments to the Township and the Counterparty to fail to make termination payments to the Township, if the swap is terminated and a termination payment is due from the Counterparty. Under the terms of the agreement, if the Counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., the Township may 1) require the Counterparty to fully collateralize the fair value of the swap in the Township's favor (subject to a \$500,000 minimum transfer amount) with eligible collateral, including cash or government securities, or 2) terminate the swap. Collateral would be posted with a third-party custodian, a commercial bank or trust company selected by the Township, meeting certain requirements of the Counterparty.

Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Township is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index, as previously discussed, and the variable interest rate on the Bonds is based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax exempt rate may vary. The variance could adversely affect the Township's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the Bonds and the variance over the long-term should be minimal.

Termination risk is the risk that the swap will end before the final maturity of the Bonds. Currently, the swap transaction is scheduled to expire on June 1, 2018 which is prior to the final maturity on the bonds of June 1, 2038. There are also other instances when the swap could be terminated earlier than its expiration date. The swap uses the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

either the Township or the Counterparty. The Township or the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. The credit rating threshold for the Township under which the Counterparty may terminate the swap is BBB by Standard & Poor's.

Rollover risk is the risk that a derivative associated with the Township's debt does not extend to maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Township is exposed to rollover risk as the swap agreement terminates prior to the last payment on the respective bonds.

11. COMMITMENTS AND CONTINGENCIES

The Township previously entered into an Administrative Consent Order (ACO) with the Allegheny County Health Department, the Pennsylvania Department of Environmental Protection, and the United States Environmental Protection Agency related to storm water inflow in the Township's sanitary sewer system. The ACO expired in March 2015, and the parties have since entered into an Interim Consent Order and Agreement (COA) that extends until December 2017. Under the COA, the Township is required to complete a source reduction study and a demonstration project. After completion of the COA requirements, a second COA is expected to be negotiated that could come with significant capital costs for compliance. In previous years, the Township estimated such costs to be in excess of \$30 million.

12. RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The Township also purchases commercial insurance for its employee health and accident insurance coverage. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

13. PENSION PLAN FINANCIAL STATEMENTS

Financial statements for the Township's individual pension plans are shown below. State Aid represents amounts recognized during the year related to the Commonwealth of Pennsylvania's allocation to assist in pension funding. The contributions and investment

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

income shown below for each individual pension plan were recognized as revenue in the Township's financial statements when earned and the benefits paid and expenses incurred were recognized when the liability was incurred.

Pension Trust Fund Financial Information as of December 31, 2015

Plan Net Position

| | <u>Police</u> | <u>Public Works Employees'</u> | <u>Administrative & Management</u> | <u>Total</u> |
|---|----------------------|------------------------------------|--|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,182,423 | \$ 93,348 | \$ 475,255 | \$ 1,751,026 |
| Investments (at fair value): | | | | |
| Exchange traded funds | 4,166,245 | 821,806 | - | 4,988,051 |
| Mutual funds | 7,852,698 | 3,569,703 | 2,860,768 | 14,283,169 |
| Stocks | 6,516,523 | - | - | 6,516,523 |
| Accrued income receivable | 15,522 | 3,257 | - | 18,779 |
| Total Assets | <u>19,733,411</u> | <u>4,488,114</u> | <u>3,336,023</u> | <u>27,557,548</u> |
| Liabilities | | | | |
| Accounts payable | <u>675</u> | <u>-</u> | <u>-</u> | <u>675</u> |
| Net Position Restricted for Pensions | <u>\$ 19,732,736</u> | <u>\$ 4,488,114</u> | <u>\$ 3,336,023</u> | <u>\$ 27,556,873</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Changes in Plan Net Position

| | <u>Police</u> | <u>Public Works Employees'</u> | <u>Administrative & Management</u> | <u>Total</u> |
|---|----------------------|------------------------------------|--|----------------------|
| Additions: | | | | |
| Contributions: | | | | |
| Member contributions | \$ 116,999 | \$ 14,865 | \$ - | \$ 131,864 |
| Township contributions | - | 245,543 | 14,010 | 259,553 |
| State aid | 240,290 | 116,462 | 230,839 | 587,591 |
| Total contributions | <u>357,289</u> | <u>376,870</u> | <u>244,849</u> | <u>979,008</u> |
| Investment income (loss): | | | | |
| Net appreciation (depreciation) in fair value of investments | 176,355 | (129,669) | (55,859) | (9,173) |
| Less investment expense | (114,593) | (23,975) | - | (138,568) |
| Net investment income (loss) | <u>61,762</u> | <u>(153,644)</u> | <u>(55,859)</u> | <u>(147,741)</u> |
| Total additions | <u>419,051</u> | <u>223,226</u> | <u>188,990</u> | <u>831,267</u> |
| Deductions: | | | | |
| Benefits | 566,815 | 233,436 | - | 800,251 |
| Withdrawal credits | - | - | 63,800 | 63,800 |
| Administrative expenses | 6,081 | 11,695 | 1,439 | 19,215 |
| Total deductions | <u>572,896</u> | <u>245,131</u> | <u>65,239</u> | <u>883,266</u> |
| Increase (Decrease) in Plan Net Position | (153,845) | (21,905) | 123,751 | (51,999) |
| Net Position Restricted for Pensions: | | | | |
| Beginning of year | <u>19,886,581</u> | <u>4,510,019</u> | <u>3,212,272</u> | <u>27,608,872</u> |
| End of year | <u>\$ 19,732,736</u> | <u>\$ 4,488,114</u> | <u>\$ 3,336,023</u> | <u>\$ 27,556,873</u> |

Required Supplementary Information

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2015 | 2014 |
|---|------------------|------------------|
| Total Pension Liability: | | |
| Service cost | \$ 229,488 | \$ 207,137 |
| Interest | 1,350,359 | 1,321,807 |
| Changes of benefit terms | 131,540 | - |
| Differences between expected and actual experience | (793,094) | - |
| Benefit payments, including refunds of member contributions | (566,815) | (455,173) |
| Net Changes in Total Pension Liability | 351,478 | 1,073,771 |
| Total Pension Liability - Beginning | 18,714,205 | 17,640,434 |
| Total Pension Liability - Ending (a) | \$ 19,065,683 | \$ 18,714,205 |
| Plan Fiduciary Net Position: | | |
| Contributions - employer | \$ 240,290 | \$ 232,406 |
| Contributions - member | 116,999 | 126,505 |
| Net investment income | 61,762 | 1,105,772 |
| Benefit payments, including refunds of member contributions | (566,815) | (455,173) |
| Administrative expense | (6,081) | (31,233) |
| Net Change in Plan Fiduciary Net Position | (153,845) | 978,277 |
| Plan Fiduciary Net Position - Beginning | 19,886,581 | 18,908,304 |
| Plan Fiduciary Net Position - Ending (b) | \$ 19,732,736 | \$ 19,886,581 |
| Net Pension Liability (Asset) - Ending (a-b) | \$ (667,053) | \$ (1,172,376) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 103.50% | 106.26% |
| Covered Employee Payroll | \$ 2,188,396 | \$ 2,251,012 |
| Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll | -30.48% | -52.08% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules - pension trust funds.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

PUBLIC WORKS EMPLOYEES' PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2015 | 2014 |
|---|------------------|------------------|
| Total Pension Liability: | | |
| Service cost | \$ 58,022 | \$ 55,462 |
| Interest | 382,057 | 386,581 |
| Changes of benefit terms | 25,602 | - |
| Differences between expected and actual experience | (301,989) | - |
| Benefit payments, including refunds of member contributions | (233,436) | (224,651) |
| Net Changes in Total Pension Liability | (69,744) | 217,392 |
| Total Pension Liability - Beginning | 5,426,638 | 5,209,246 |
| Total Pension Liability - Ending (a) | \$ 5,356,894 | \$ 5,426,638 |
| Plan Fiduciary Net Position: | | |
| Contributions - employer | \$ 362,005 | \$ 357,195 |
| Contributions - member | 14,865 | - |
| Net investment income | (153,644) | 179,396 |
| Benefit payments, including refunds of member contributions | (233,436) | (224,651) |
| Administrative expense | (11,695) | (8,095) |
| Net Change in Plan Fiduciary Net Position | (21,905) | 303,845 |
| Plan Fiduciary Net Position - Beginning | 4,510,019 | 4,206,174 |
| Plan Fiduciary Net Position - Ending (b) | \$ 4,488,114 | \$ 4,510,019 |
| Net Pension Liability (Asset) - Ending (a-b) | \$ 868,780 | \$ 916,619 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.78% | 83.11% |
| Covered Employee Payroll | \$ 1,657,089 | \$ 1,615,471 |
| Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll | 52.43% | 56.74% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules - pension trust funds.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULES OF TOWNSHIP'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2015 | 2014 |
|--|--------------|--------------|
| POLICE PENSION PLAN: | | |
| Schedule of Township's Contributions | | |
| Actuarially determined contribution | \$ 240,290 | \$ 232,406 |
| Contributions in relation to the actuarially determined contribution | 240,290 | 232,406 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered employee payroll | \$ 2,188,396 | \$ 2,251,012 |
| Contributions as a percentage of covered employee payroll | 10.98% | 10.32% |
| Investment Returns | | |
| Annual money-weighted rate of return, net of investment expense | 1.15% | 6.26% |
| PUBLIC WORKS EMPLOYEES' PENSION PLAN: | | |
| Schedule of Township's Contributions | | |
| Actuarially determined contribution | \$ 362,005 | \$ 357,195 |
| Contributions in relation to the actuarially determined contribution | 362,005 | 357,195 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered employee payroll | \$ 1,657,089 | \$ 1,615,471 |
| Contributions as a percentage of covered employee payroll | 21.85% | 22.11% |
| Investment Returns | | |
| Annual money-weighted rate of return, net of investment expense | -3.00% | 4.73% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules - pension trust funds.

**TOWNSHIP OF UPPER ST. CLAIR,
PENNSYLVANIA**

**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PENSION TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2015

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used in the calculation of actuarially determined contributions reported in the supplementary schedules:

| | <u>Police</u> | <u>Public Works Employees'</u> |
|-------------------------------|--|---|
| Actuarial valuation date | 1/1/2013 | 1/1/2013 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Dollar Closed | Level Dollar Closed |
| Asset valuation method | 4-Year Smoothing | 4-Year Smoothing |
| Remaining amortization period | 5 years (aggregate) | 9 years (aggregate) |
| Actuarial assumptions: | | |
| Investment rate of return | 7.50% | 7.50% |
| Projected salary increases | 4.25%, including inflation | N/A |
| Inflation rate | 3.0% | 3.0% |
| Cost-of-living adjustments | CPW-W* | N/A |
| Mortality table | RP-2000 Combined Healthy with Blue Collar Adjustment. | RP-2000 Combined Healthy with Blue Collar Adjustment |

N/A - Not Applicable

* Effective each anniversary of retirement, a retiree will receive an increase in the monthly benefit equal to the percentage change in the CPI-W, but cannot exceed 20% of the total original benefit or 75% of the final monthly average salary used to calculate the original benefit.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

Benefit Changes

Police Pension Plan

Effective January 1, 2015, a Deferred Retirement Option Plan (DROP) provision was added with eligibility of age 55 and 25 years of service, and a 30-month maximum DROP period. Assumed rates of retirement were adjusted as a result.

Public Works Employees' Pension Plan

Effective January 1, 2015, there was an increase in the benefit multiplier for 2015 and future years.

Changes in Actuarial Assumptions

Police Plan

Effective January 1, 2013, the interest rate was reduced from 8.0% to 7.5% and the salary scale was reduced from 5.5% to 4.5%. Mortality assumption was updated to RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment; rates projected to improve with 75% of scale AA. Assumed rates of retirement were introduced of 40% at ages 54 to 56, 50% at age 57, and 100% at age 58 and over.

Public Works Employees' Pension Plan

Effective January 1, 2013, the rate of return was reduced from 8.0% to 7.5%. Mortality assumption was updated to RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment; rates projected to improve with 75% of scale AA.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFITS TRUST FUND

Police Employees:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|-----------------------------|----------------------------------|--|------------------------------|-----------------------|------------------------|--|
| 01/01/08 | \$ 329,593 | \$ 3,007,568 | \$ 2,677,975 | 11.0% | \$ 2,565,652 | 104.4% |
| 01/01/11 | 374,001 | 4,198,942 | 3,824,941 | 8.9% | 2,480,361 | 154.2% |
| 01/01/14 | 591,280 | 3,958,781 | 3,367,501 | 14.9% | 2,510,689 | 134.1% |

Non-Uniformed Employees:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|-----------------------------|----------------------------------|--|------------------------------|-----------------------|------------------------|--|
| 01/01/08 | \$ - | \$ 106,226 | \$ 106,226 | 0.0% | \$ 3,484,257 | 3.0% |
| 01/01/11 | - | 134,730 | 134,730 | 0.0% | 3,991,979 | 3.4% |
| 01/01/14 | - | 271,304 | 271,304 | 0.0% | 4,452,889 | 6.1% |

2008 was the first year of implementation for GASB Statement No. 45.

See accompanying notes to required supplementary information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFITS TRUST FUND

| Year Ended December 31, | Police OPEB Plan | | Non-Uniformed OPEB Plan | |
|----------------------------|---------------------------------|---------------------------|---------------------------------|---------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2010 | \$ 225,156 | 30% | \$ 10,950 | 3% |
| 2011 | 296,637 | 24% | 13,035 | 4% |
| 2012 | 296,637 | 25% | 13,035 | 4% |
| 2013 | 296,637 | 36% | 13,035 | 4% |
| 2014 | 292,469 | 34% | 25,352 | 3% |
| 2015 | 292,469 | 47% | 25,352 | 1% |

See accompanying notes to required supplementary information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED DECEMBER 31, 2015

Other Postemployment Benefits

Actuarial Data:

| | |
|-----------------------|------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar |

Demographic Assumptions:

| | |
|---|---|
| Mortality | RP-2000 Combined Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives |
| Mortality Improvement | 75% of scale AA |
| Withdraw | Table T-1, <i>Actuary's Pension Handbook</i> |
| Disablement | Police: 60 % of the rates of disablement from <i>Advance Pension Tables</i> Non-Uniformed: None Assumed |
| Valuation Retirement Age | Police: Age 55 with 25 years of service Non-Uniformed: Admin., Age 60; Teamsters, Age 60 with 10 years of service |
| DROP Participation (Police Only) | 75% of eligible participants are assumed to participate, with 100% remaining in the DROP for 2 years |
| Percent Electing Husband/ Wife Health Coverage | 80% of future retirees |
| Spouse Age | Female spouses assumed to be 3 years younger than male spouse |
| Participant Percentage | Police: 90% of future retirees for health insurance Police and Non-uniformed: 100% of future retirees for life insurance |

Economic Assumptions:

| | |
|------------------------------------|-------|
| Interest Rate | 4.50% |
| Annual Trend Rates for OPEB Costs: | 5.00% |

Supplementary Information

**Combining and Individual Fund
Financial Statements and Schedules**

MAJOR GOVERNMENTAL FUNDS

General Fund is the operating fund of the Township. It accounts for all financial resources except those required to be in another fund.

Capital Projects Fund accounts for the costs of capital assets acquired for use in the Township for general government, public safety, public works, or parks and recreation purposes.

NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds did not meet the established criteria for major fund status. All non-major governmental funds have been presented; however, only certain funds have legally adopted budgets.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from grants or other earmarked sources of revenue. They are required by statute, charter provision or local ordinance to finance particular functions or activities of government. The seven non-major Special Revenue Funds are:

State Liquid Fuels Fund is used to account for state liquid fuels tax monies rebated to the Township. This fund is required by state law.

Storm Sewer Improvement Fund is used to account for storm sewer improvement fees paid by developers and monies expended for storm water management projects. This fund is required by local ordinance.

Field Improvement Fund is used to account for funds donated by the Upper St. Clair Athletic Association for improvements to ball fields. This fund is required by local ordinance.

Library Endowment Fund is used to account for fund drive donations and capital expenditures. This fund is required by local ordinance.

Regional Asset District Library Fund is used to account for monies allocated to the Upper St. Clair Library by the Allegheny County Library Association, which is an organization that has received funding from the Allegheny County Regional Asset District. These funds are required to be spent for upgrading the existing capabilities of the Library and to create new and innovative ways of administering programs of the Library. This fund is required by local ordinance.

Regional Asset District Boyce Mayview Fund is used to account for monies allocated to the Township by the Allegheny County Regional Asset District. These funds are to be used for continual maintenance and expansion of facilities and services of the Boyce Mayview Park.

Municipal Authority of the Township of Upper St. Clair (MATUSC) Special Revenue Fund is used to account for revenues derived from investments made by MATUSC's governing board and general expenditures needed for its operation.

DEBT SERVICE FUNDS

Debt Service Funds are used to accumulate monies for payment of principal and interest on general obligation bonds and notes issued by the Township and Revenue bonds issued by the Municipal Authority of the Township of Upper St. Clair (MATUSC). There were no outstanding bonds issued by MATUSC as of December 31, 2015.

Debt Service Fund is used to channel funds from the General Fund, the Sanitary Sewer Fund, and the C&RC Fund to satisfy principal and interest requirements on general obligation bonds and notes issued by the Township. The debt service on these bonds and notes is derived from general operating revenues from the General Fund, the Sanitary Sewer Fund, and the C&RC Fund. Listed below are the long-term obligations of the Township that are serviced by the Debt Service Fund.

- General Obligation Bonds of 2008 – Maturity Year: 2038
- General Obligation Bonds of 2009 – Maturity Year: 2020
- General Obligation Bonds of 2011 – Maturity Year: 2023
- General Obligation Bonds of 2012 – Maturity Year: 2036
- General Obligation Notes of 2015 – Maturity Year: 2020

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2015

| | Special Revenue Funds | | | | | | | | | |
|--|-------------------------------|------------------------------------|------------------------------|------------------------------|--|--|--------------------------------------|--------------------------------------|-------------------------|---|
| | State Liquid Fuels Fund | Storm Sewer Improvement Fund | Field Improvement Fund | Library Endowment Fund | Regional Asset District Library Fund | Regional Asset District Boyce/Mayview Fund | MATUSC Special Revenue Fund | Total Special Revenue Funds | Debt Service Fund | Total Other Governmental Funds |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,332 | \$ 84,464 | \$ 122,455 | \$ 58,661 | \$ - | \$ 125,007 | \$ 441,460 | \$ 833,379 | \$ - | \$ 833,379 |
| Due from other funds | - | - | - | 3,000 | 5,062 | - | - | 8,062 | - | 8,062 |
| Other receivables | - | - | 31,305 | - | - | - | - | 31,305 | - | 31,305 |
| Total Assets | <u>\$ 1,332</u> | <u>\$ 84,464</u> | <u>\$ 153,760</u> | <u>\$ 61,661</u> | <u>\$ 5,062</u> | <u>\$ 125,007</u> | <u>\$ 441,460</u> | <u>\$ 872,746</u> | <u>\$ -</u> | <u>\$ 872,746</u> |
| Liabilities and Fund Balance | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ - | \$ 51,826 | \$ 1,018 | \$ 566 | \$ 5,062 | \$ 16,142 | \$ 2,150 | \$ 76,764 | \$ - | \$ 76,764 |
| Due to other funds | - | - | - | - | - | 103,372 | - | 103,372 | - | 103,372 |
| Total Liabilities | <u>-</u> | <u>51,826</u> | <u>1,018</u> | <u>566</u> | <u>5,062</u> | <u>119,514</u> | <u>2,150</u> | <u>180,136</u> | <u>-</u> | <u>180,136</u> |
| Fund Balance: | | | | | | | | | | |
| Restricted: | | | | | | | | | | |
| Restricted for State Liquid Fuels expenses | 1,332 | - | - | - | - | - | - | 1,332 | - | 1,332 |
| Restricted for Boyce Mayview Park grant expenses | - | - | - | - | - | 5,493 | - | 5,493 | - | 5,493 |
| Restricted for Library expenses and services | - | - | - | 61,095 | - | - | - | 61,095 | - | 61,095 |
| Committed | - | 32,638 | 152,742 | - | - | - | 439,310 | 624,690 | - | 624,690 |
| Total Fund Balance | <u>1,332</u> | <u>32,638</u> | <u>152,742</u> | <u>61,095</u> | <u>-</u> | <u>5,493</u> | <u>439,310</u> | <u>692,610</u> | <u>-</u> | <u>692,610</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,332</u> | <u>\$ 84,464</u> | <u>\$ 153,760</u> | <u>\$ 61,661</u> | <u>\$ 5,062</u> | <u>\$ 125,007</u> | <u>\$ 441,460</u> | <u>\$ 872,746</u> | <u>\$ -</u> | <u>\$ 872,746</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

| | Special Revenue Funds | | | | | | | | | |
|--|-------------------------------|------------------------------------|------------------------------|------------------------------|--|--|--------------------------------------|--------------------------------------|-------------------------|---|
| | State Liquid Fuels Fund | Storm Sewer Improvement Fund | Field Improvement Fund | Library Endowment Fund | Regional Asset District Library Fund | Regional Asset District Boyce/Mayview Fund | MATUSC Special Revenue Fund | Total Special Revenue Funds | Debt Service Fund | Total Other Governmental Funds |
| Revenues: | | | | | | | | | | |
| Licenses and permits | \$ - | \$ 1,200 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,200 | \$ - | \$ 1,200 |
| Interest | 49 | - | 93 | 14 | - | 7 | 62 | 225 | - | 225 |
| State grants | 514,991 | - | - | - | 215,059 | 753,000 | - | 1,483,050 | - | 1,483,050 |
| Other revenue | - | - | - | 11,425 | - | - | - | 11,425 | - | 11,425 |
| Recreation fees | - | - | 31,305 | - | - | - | - | 31,305 | - | 31,305 |
| Total revenues | 515,040 | 1,200 | 31,398 | 11,439 | 215,059 | 753,007 | 62 | 1,527,205 | - | 1,527,205 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | - | - | - | - | - | - | 1,100 | 1,100 | - | 1,100 |
| Public works | 514,991 | 322,448 | 332,296 | - | - | - | - | 1,169,735 | - | 1,169,735 |
| Recreation and leisure services | - | - | - | - | - | 1,771,720 | - | 1,771,720 | - | 1,771,720 |
| Library services | - | - | - | 5,131 | 215,059 | - | - | 220,190 | - | 220,190 |
| Total current | 514,991 | 322,448 | 332,296 | 5,131 | 215,059 | 1,771,720 | 1,100 | 3,162,745 | - | 3,162,745 |
| Debt service: | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | 578,790 | 578,790 |
| Interest | - | - | - | - | - | - | - | - | 505,488 | 505,488 |
| Total debt service | - | - | - | - | - | - | - | - | 1,084,278 | 1,084,278 |
| Total expenditures | 514,991 | 322,448 | 332,296 | 5,131 | 215,059 | 1,771,720 | 1,100 | 3,162,745 | 1,084,278 | 4,247,023 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | | | | | | |
| | 49 | (321,248) | (300,898) | 6,308 | - | (1,018,713) | (1,038) | (1,635,540) | (1,084,278) | (2,719,818) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Interfund transfers in | - | 300,000 | 30,000 | - | - | 1,018,713 | - | 1,348,713 | 1,084,278 | 2,432,991 |
| Proceeds from issuance of refunding note | - | - | - | - | - | - | - | - | 2,390,000 | 2,390,000 |
| Payments to refunded bonds escrow agent | - | - | - | - | - | - | - | - | (2,390,000) | (2,390,000) |
| Total financing sources (uses) | - | 300,000 | 30,000 | - | - | 1,018,713 | - | 1,348,713 | 1,084,278 | 2,432,991 |
| Net Change in Fund Balance | 49 | (21,248) | (270,898) | 6,308 | - | - | (1,038) | (286,827) | - | (286,827) |
| Fund Balance: | | | | | | | | | | |
| Beginning of year | 1,283 | 53,886 | 423,640 | 54,787 | - | 5,493 | 440,348 | 979,437 | - | 979,437 |
| End of year | \$ 1,332 | \$ 32,638 | \$ 152,742 | \$ 61,095 | \$ - | \$ 5,493 | \$ 439,310 | \$ 692,610 | \$ - | \$ 692,610 |

**Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|--------------------|---------------------|
| Revenues: | | | |
| Interest | \$ 10,000 | \$ 12,357 | \$ 2,357 |
| Other revenue and grants | 9,000 | 801,161 | 792,161 |
| Total revenues | <u>19,000</u> | <u>813,518</u> | <u>794,518</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 310,000 | 185,905 | 124,095 |
| Community development | 68,500 | 25,340 | 43,160 |
| Public safety | 47,500 | 46,189 | 1,311 |
| Public works | 1,115,500 | 1,129,502 | (14,002) |
| Recreation and leisure services | 189,000 | 133,713 | 55,287 |
| Library services | 25,000 | 7,725 | 17,275 |
| Total current | <u>1,755,500</u> | <u>1,528,374</u> | <u>227,126</u> |
| Capital outlay: | | | |
| General government | 1,000,000 | 591,604 | 408,396 |
| Public safety | 145,700 | 128,504 | 17,196 |
| Public works | 657,000 | 391,963 | 265,037 |
| Recreation and leisure services | 30,000 | 66,239 | (36,239) |
| Total capital outlay | <u>1,832,700</u> | <u>1,178,310</u> | <u>654,390</u> |
| Total expenditures | <u>3,588,200</u> | <u>2,706,684</u> | <u>881,516</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(3,569,200)</u> | <u>(1,893,166)</u> | <u>1,676,034</u> |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 1,114,363 | 3,164,363 | 2,050,000 |
| Interfund transfers out | (330,000) | (330,000) | - |
| Total other financing sources (uses) | <u>784,363</u> | <u>2,834,363</u> | <u>2,050,000</u> |
| Net Change in Fund Balance | <u>\$ (2,784,837)</u> | <u>\$ 941,197</u> | <u>\$ 3,726,034</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - STATE LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|---------|----------|
| Revenues: | | | |
| Interest | \$ 100 | \$ 49 | \$ (51) |
| State grants | 449,684 | 514,991 | 65,307 |
| Total revenues | 449,784 | 515,040 | 65,256 |
| Expenditures: | | | |
| Current: | | | |
| Public works | 450,000 | 514,991 | (64,991) |
| Excess (Deficiency) of Revenues Over Expenditures | (216) | 49 | 265 |
| Net Change in Fund Balance | \$ (216) | \$ 49 | \$ 265 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - STORM SEWER IMPROVEMENT FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|-------------|-------------|
| Revenues: | | | |
| Licenses and permits | \$ 2,400 | \$ 1,200 | \$ (1,200) |
| Expenditures: | | | |
| Current: | | | |
| Public works | 300,000 | 322,448 | (22,448) |
| Excess (Deficiency) of Revenues Over Expenditures | (297,600) | (321,248) | (23,648) |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 300,000 | 300,000 | - |
| Net Change in Fund Balance | \$ 2,400 | \$ (21,248) | \$ (23,648) |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - FIELD IMPROVEMENT FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|--------------|-----------|
| Revenues: | | | |
| Interest | \$ 150 | \$ 93 | \$ (57) |
| Recreation fees | 20,000 | 31,305 | 11,305 |
| Total revenues | 20,150 | 31,398 | 11,248 |
| Expenditures: | | | |
| Current: | | | |
| Public works | 385,000 | 332,296 | 52,704 |
| Excess (Deficiency) of Revenues Over Expenditures | (364,850) | (300,898) | 63,952 |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 30,000 | 30,000 | - |
| Net Change in Fund Balance | \$ (334,850) | \$ (270,898) | \$ 63,952 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - REGIONAL ASSET DISTRICT LIBRARY FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|------------|------------|
| Revenues: | | | |
| State grants | \$ 221,738 | \$ 215,059 | \$ (6,679) |
| Expenditures: | | | |
| Current: | | | |
| Library services | 221,738 | 215,059 | 6,679 |
| Excess (Deficiency) of Revenues Over Expenditures | - | - | - |
| Net Change in Fund Balance | \$ - | \$ - | \$ - |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - REGIONAL ASSET DISTRICT BOYCE MAYVIEW FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|--------------------|----------------|
| Revenues: | | | |
| Interest | \$ - | \$ 7 | \$ 7 |
| State grants | 530,000 | 753,000 | 223,000 |
| Total revenues | 530,000 | 753,007 | 223,007 |
| Expenditures: | | | |
| Current: | | | |
| Recreation and leisure services | 1,835,997 | 1,771,720 | 64,277 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,305,997) | (1,018,713) | 287,284 |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 1,305,997 | 1,018,713 | (287,284) |
| Net Change in Fund Balance | \$ - | \$ - | \$ - |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND - GENERAL OBLIGATION BONDS OF 2008

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|-----------|----------|
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | \$ 93,790 | \$ 93,790 | \$ - |
| Interest | 163,779 | 151,224 | 12,555 |
| Total debt service | 257,569 | 245,014 | 12,555 |
| Excess (Deficiency) of Revenues Over Expenditures | (257,569) | (245,014) | 12,555 |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 257,569 | 245,014 | (12,555) |
| Net Change in Fund Balance | \$ - | \$ - | \$ - |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND - GENERAL OBLIGATION BONDS OF 2009

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|------------------|---------------|
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | \$ 435,000 | \$ 435,000 | \$ - |
| Interest | 78,492 | 42,310 | 36,182 |
| Total debt service | 513,492 | 477,310 | 36,182 |
| Excess (Deficiency) of Revenues Over Expenditures | (513,492) | (477,310) | 36,182 |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 513,492 | 477,310 | (36,182) |
| Net Change in Fund Balance | \$ - | \$ - | \$ - |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND - GENERAL OBLIGATION BONDS OF 2011

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|-----------|----------|
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | \$ 50,000 | \$ 50,000 | \$ - |
| Interest | 152,662 | 152,662 | - |
| Total debt service | 202,662 | 202,662 | - |
| Excess (Deficiency) of Revenues Over Expenditures | (202,662) | (202,662) | - |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 202,662 | 202,662 | - |
| Net Change in Fund Balance | \$ - | \$ - | \$ - |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND - GENERAL OBLIGATION BONDS OF 2012

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|------------------|-------------|
| Expenditures: | | | |
| Debt service: | | | |
| Interest | \$ 159,292 | \$ 159,292 | \$ - |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(159,292)</u> | <u>(159,292)</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | |
| Interfund transfers in | 159,292 | 159,292 | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND - GENERAL OBLIGATION NOTES OF 2015

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|--------------|--------------|
| Other Financing Sources (Uses): | | | |
| Proceeds from issuance of refunding note | \$ - | \$ 2,390,000 | \$ 2,390,000 |
| Payments to refunded bonds escrow agent | - | (2,390,000) | (2,390,000) |
| Total other financing sources (uses) | - | - | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**Schedule of Revenues, Expenses, and Changes in Net
Position – Budget and Actual**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET AND ACTUAL - SANITARY SEWER FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|--|--|--------------|--------------|
| <u>Operating Revenues:</u> | | | |
| Charges for services | \$ 5,984,000 | \$ 5,758,183 | \$ (225,817) |
| <u>Operating Expenses:</u> | | | |
| Sewage treatment charges | 3,513,000 | 2,942,687 | 570,313 |
| Personnel services | 280,010 | 264,707 | 15,303 |
| Contractual services | 1,844,264 | 801,969 | 1,042,295 |
| Materials and supplies | 41,000 | 32,072 | 8,928 |
| Deprecation and amortization | 30,000 | 623,939 | (593,939) |
| Total operating expenses | 5,708,274 | 4,665,374 | 1,042,900 |
| <u>Non-operating Revenues (Expenses):</u> | | | |
| Interest income | 1,000 | 628 | (372) |
| Interest expense | (497,538) | (515,781) | (18,243) |
| Total non-operating revenues (expenses) | (496,538) | (515,153) | (18,615) |
| Change in Net Position | \$ (220,812) | \$ 577,656 | \$ 798,468 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL - BOYCE MAYVIEW COMMUNITY & RECREATION CENTER FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|---|--|---------------------|---------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 3,871,750 | \$ 4,108,877 | \$ 237,127 |
| Operating Expenses: | | | |
| Personnel services | 1,990,761 | 1,931,429 | 59,332 |
| Contractual services | 1,141,765 | 963,777 | 177,988 |
| Materials and supplies | 248,700 | 213,805 | 34,895 |
| Deprecation and amortization | 205,000 | 742,890 | (537,890) |
| Total operating expenses | 3,586,226 | 3,851,901 | (265,675) |
| Non-operating Revenues (Expenses): | | | |
| Interest income | 1,500 | 887 | (613) |
| Interest expense | (755,442) | (745,883) | 9,559 |
| Total non-operating revenues (expenses) | (753,942) | (744,996) | 8,946 |
| Transfers: | | | |
| Interfund transfers in | 1,727,653 | 1,618,536 | (109,117) |
| Change in Net Position | \$ 1,259,235 | \$ 1,130,516 | \$ (128,719) |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET AND ACTUAL - TOWNSHIP/SCHOOL DISTRICT MAGAZINE FUND

YEAR ENDED DECEMBER 31, 2015

| | Original and Final Budgeted Amounts | Actual | Variance |
|-----------------------------------|--|------------|-------------|
| <u>Operating Revenues:</u> | | | |
| Charges for services | \$ 185,175 | \$ 168,807 | \$ (16,368) |
| <u>Operating Expenses:</u> | | | |
| Personnel services | 50,000 | 53,138 | (3,138) |
| Contractual services | 127,500 | 106,826 | 20,674 |
| Materials and supplies | 6,000 | 1,789 | 4,211 |
| Deprecation and amortization | 244 | 915 | (671) |
| Total operating expenses | 183,744 | 162,668 | 21,076 |
| Change in Net Position | \$ 1,431 | \$ 6,139 | \$ 4,708 |

**Capital Assets Used in the Operation
of Governmental Funds**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

DECEMBER 31, 2015

Governmental Funds Capital Assets:

| | | |
|-----------------------------------|----|-------------------|
| Land | \$ | 2,325,917 |
| Infrastructure | | 34,321,950 |
| Buildings | | 13,733,750 |
| Improvements other than buildings | | 2,976,010 |
| Equipment | | 7,646,547 |
| Library assets | | 731,013 |
| | | <hr/> |
| Total capital assets | \$ | <u>61,735,187</u> |

Investment in Capital Assets From:

| | | |
|--|----|-------------------|
| Acquisitions prior to January 1, 1982 (1) | \$ | 21,502,258 |
| General Fund | | 4,775,548 |
| Storm Sewer Fund | | 61,381 |
| Field Improvement Fund | | 51,714 |
| Regional Asset District Library Fund | | 40,681 |
| Library Endowment Fund | | 512,357 |
| Regional Asset District Boyce Mayview Fund | | 3,466,495 |
| Capital Projects Funds | | 31,324,753 |
| | | <hr/> |
| Total investment in capital assets | \$ | <u>61,735,187</u> |

(1) Detail of assets by source prior to January 1, 1982 is not available.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY SOURCE

DECEMBER 31, 2015

| | <u>Total</u> | <u>Land</u> | <u>Infrastructure</u> | <u>Buildings</u> | <u>Improvements Other than Buildings</u> | <u>Equipment</u> | <u>Library Assets</u> |
|--|----------------------|---------------------|-----------------------|----------------------|--|---------------------|-----------------------|
| Capital Assets, January 1, 2015 | \$ 59,466,048 | \$ 2,325,917 | \$ 34,321,950 | \$ 13,220,588 | \$ 1,680,487 | \$ 7,187,965 | \$ 729,141 |
| Expenditures from: | | | | | | | |
| General Fund | 8,418 | - | - | - | - | 8,418 | - |
| RAD Funds | 920,400 | - | - | - | 920,400 | - | - |
| Capital Projects Funds | 1,424,811 | - | - | 513,162 | 375,123 | 534,654 | 1,872 |
| Capital assets disposals and transfers | (84,490) | - | - | - | - | (84,490) | - |
| Capital Assets, December 31, 2015 | <u>\$ 61,735,187</u> | <u>\$ 2,325,917</u> | <u>\$ 34,321,950</u> | <u>\$ 13,733,750</u> | <u>\$ 2,976,010</u> | <u>\$ 7,646,547</u> | <u>\$ 731,013</u> |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

DECEMBER 31, 2015

| Function and Activity | Total | Land | Infrastructure | Buildings | Improvements Other than Buildings | Equipment | Library Assets |
|---------------------------------|---------------|--------------|----------------|---------------|--------------------------------------|--------------|----------------|
| General Government: | | | | | | | |
| Administration | \$ 6,132,552 | \$ 433,630 | \$ - | \$ 5,374,572 | \$ 6,389 | \$ 317,961 | \$ - |
| Finance and tax | 52,429 | - | - | - | - | 52,429 | - |
| Information technology | 481,102 | - | - | - | - | 481,102 | - |
| Cable television | 227,578 | - | - | - | - | 227,578 | - |
| Total general government | 6,893,661 | 433,630 | - | 5,374,572 | 6,389 | 1,079,070 | - |
| Community Development | 518,274 | - | - | - | - | 518,274 | - |
| Public Safety: | | | | | | | |
| Police | 1,202,631 | - | - | 118,925 | - | 1,083,706 | - |
| VFD | 4,602,510 | 579,106 | - | 4,005,294 | - | 18,110 | - |
| Total public safety | 5,805,141 | 579,106 | - | 4,124,219 | - | 1,101,816 | - |
| Public Works: | | | | | | | |
| Office | 328,571 | - | - | 68,849 | 82,558 | 177,164 | - |
| Highway and streets | 34,321,950 | - | 34,321,950 | - | - | - | - |
| Garage | 7,594,970 | 19,920 | - | 2,955,521 | 97,088 | 4,522,441 | - |
| Total public works | 42,245,491 | 19,920 | 34,321,950 | 3,024,370 | 179,646 | 4,699,605 | - |
| Recreation and Leisure Services | 5,541,607 | 1,293,261 | - | 1,210,589 | 2,789,975 | 247,782 | - |
| Library | 731,013 | - | - | - | - | - | 731,013 |
| Total Capital Assets | \$ 61,735,187 | \$ 2,325,917 | \$ 34,321,950 | \$ 13,733,750 | \$ 2,976,010 | \$ 7,646,547 | \$ 731,013 |

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

DECEMBER 31, 2015

| <u>Function and Activity</u> | <u>Capital Assets January 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Capital Assets December 31, 2015</u> |
|---------------------------------|---|---------------------|--------------------|---|
| General Government: | | | | |
| Administration | \$ 5,609,861 | \$ 522,691 | \$ - | \$ 6,132,552 |
| Finance and tax | 52,429 | - | - | 52,429 |
| Information technology | 412,189 | 68,913 | - | 481,102 |
| Cable television | 227,578 | - | - | 227,578 |
| Total general government | <u>6,302,057</u> | <u>591,604</u> | <u>-</u> | <u>6,893,661</u> |
| Community Development | <u>518,274</u> | <u>-</u> | <u>-</u> | <u>518,274</u> |
| Public Safety: | | | | |
| Police | 1,085,868 | 121,528 | (4,765) | 1,202,631 |
| VFD | 4,599,022 | 3,488 | - | 4,602,510 |
| Total public safety | <u>5,684,890</u> | <u>125,016</u> | <u>(4,765)</u> | <u>5,805,141</u> |
| Public Works: | | | | |
| Office | 323,641 | 4,930 | - | 328,571 |
| Highway and streets | 34,321,950 | - | - | 34,321,950 |
| Garage | 7,292,592 | 382,103 | (79,725) | 7,594,970 |
| Total public works | <u>41,938,183</u> | <u>387,033</u> | <u>(79,725)</u> | <u>42,245,491</u> |
| Recreation and Leisure Services | <u>4,293,503</u> | <u>1,248,104</u> | <u>-</u> | <u>5,541,607</u> |
| Library | <u>729,141</u> | <u>1,872</u> | <u>-</u> | <u>731,013</u> |
| Total Capital Assets | <u>\$ 59,466,048</u> | <u>\$ 2,353,629</u> | <u>\$ (84,490)</u> | <u>\$ 61,735,187</u> |