Township of
USC
FOUNDED 1788
Upper St. Clair

Office of the Manager
Matthew R. Serakowski

June 23, 2016

Board of Commissioners
Township of Upper St. Clair, Pennsylvania

The Comprehensive Annual Financial Report of the Township of Upper St. Clair, Pennsylvania (Township) for the year ended December 31, 2015, is submitted herewith. Management's representations concerning the finances of the Township are contained in this report. We believe that the data, as presented, is accurate in all material aspects and that the complete set of financial statements is presented in conformity with generally accepted accounting principles (GAAP) and have been audited in accordance with U. S. generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the Township's management has established a comprehensive internal control framework that is designed both to protect the Township's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Township's financial statements in conformity with GAAP. Since the costs of internal controls should not outweigh their benefits, the Township's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. The Township management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Maher Duessel, CPAs, a firm of licensed certified public accountants, has audited the Township's financial statements. Their independent audit provides reasonable assurance that the Township's financial statements for the year ended December 31, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Township's financial statements for the year ended December 31, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Township's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The Township of Upper St. Clair was incorporated in 1788 as one of the original seven townships of Allegheny County located in southwestern Pennsylvania. In January 1954, Upper St. Clair was designated a First Class Township of the Commonwealth of Pennsylvania. On January 1, 1976, Upper St. Clair officially became a Home Rule Community when its Home Rule Charter went into effect. The Township currently occupies a land area of 10 square miles and serves a population estimated at 19,644 by the U. S. Census Bureau. The Township is empowered to levy a property tax on real estate and an earned income tax on salaries, wages, and net profits.

The Home Rule Charter provides for a Board of seven Township Commissioners, two of whom are elected at large by all the voters of the Township, and one who is elected from each of the five wards in the Township. Each Commissioner serves a term of four years. This Board of Commissioners is the final policy authority of the Township. The Township Manager is appointed by the Board of Commissioners and is the Chief Administrative Officer of the Township, directly responsible and accountable to the Board of Commissioners. The Manager also serves as Secretary of the Township.

The Township provides a full range of services and programs for residents and businesses within its boundaries. Included in this report are public safety, public works (which includes the construction and maintenance of highways, streets, and other infrastructure), community development and planning, recreation programs for all age groups, library services, and general administration services. The Township also operates a Community & Recreation Center that features an outdoor and an indoor aquatic center, a gymnasium with two full-sized basketball courts, a fully-equipped fitness area, an indoor running track, and meeting spaces for community events. Fire protection services are provided by the Upper St. Clair Volunteer Fire Department, a self-governing organization independent of the Township, and are not included in this report. Emergency and non-emergency medical transport services are provided by Tri-Community South Emergency Medical Services (TCS), which is a joint venture the Township has with two other local government units. This report does not include the Upper St. Clair School District, which is also an independent organization.

The Annual Budget serves as a foundation for the Township's financial planning and control. All departments of the Township are required to submit requests for appropriation to the Township Manager by the end of August of each year. The Township Manager uses these requests as a starting point for developing a proposed budget. The Manager's proposed budget is presented to the Board of Commissioners and to the public prior to October 31. The Board of Commissioners is required to hold a public hearing on the proposed budget at its November meeting and to adopt a final budget by no later than December 31, the close of the Township's fiscal year. Budget–to-actual comparisons are provided in this report for each governmental and proprietary fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 35 as part of the basic financial statements for governmental funds. For governmental funds, other than the General Fund, and proprietary funds with appropriated annual budgets, budget-to-actual comparisons can be found on pages 103-118.

LOCAL ECONOMY

To understand the local economy in which the Township operates, it is important to note that the Township is primarily a residential community situated 12 miles south of the City of Pittsburgh in Allegheny County. During the past 40 years, the local economy has gradually shifted from a concentration in heavy industry, manufacturing, and farming to service-oriented businesses. While the Township has retail and professional office developments, most of the residents are professional employees who commute to work outside of the Township.

In 2009, the Township was recognized by *U.S. News and World Report* as one of the "Top Ten Best Places to Live in the United States." The Township is generally regarded as a desirable community in which to live, and attracts many transferring corporate executives, medical, legal, and other professionals. These individuals' incomes have grown during the past 40 years, and have been relatively unaffected by major plant closings. During the past ten years, the unemployment rate of Allegheny County has fluctuated from a low of 3.8% in 2006 to a high of 6.8% in each of 2009, 2010, and 2012. As of December 2015, Allegheny County's unemployment rate once again dropped back down to 3.8%. The fluctuating unemployment rate in Allegheny County has not had a significant impact on the Township's ability to collect the tax it levies on its residents. The data presented in the Statistical Section illustrates steady to rising collections from both Real Estate and Earned Income Taxes.

The Township believes that the future economic outlook as it affects Township residents remains positive. The Real Estate and Earned Income Tax bases are stable, and the Township expects to continue to provide quality municipal services as expected by its residents.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (14.8 percent of total general fund revenues) is well above the minimum acceptable amount established by policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e. 8 percent of total general fund revenues). The Community & Recreation Center and its operation are a major component of the Township's long-term planning process, and maintenance of the facility and equipment replacement are major priorities of the Township's Capital Improvement Plan. The Board of Commissioners continually monitors the fee structure of the Community & Recreation Center to ensure its self-sustaining operation; thus, allowing the fund balance level of the governmental funds to be maintained for future capital needs. The other major area of long-term focus for the Township remains the costs of complying with the Consent Order & Agreement that is currently in place with the Allegheny County Health Department, the Pennsylvania Department of Environmental Protection, and the United States Environmental Protection Agency related to the Township's sanitary sewer system. This issue is impacting the entire region, and is not unique to the Township.

RELEVANT FINANCIAL POLICIES

The Township's Finance Department regularly reviews established policies and procedures, and considers implementation of new policies and procedures or modification of existing policies and procedures when necessary. No new policies were implemented in 2015. The Township believes its internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The Township continues to enhance its parks and recreation facilities. The installation of field lighting at Boyce Mayview Park was among the project highlights of 2015. The lighting is the result of many years of planning between the Township and community groups, and allows for greater access to the park's playing fields.

Also in 2015, the Township held the grand opening of "The Clubhouse" playground at the Miracle League Field in Boyce Mayview Park. The playground, which is designed to address accessibility, age, and developmental appropriateness, was wildly popular in its first year and received national attention, including being featured on a Major League Baseball telecast where it was called "America's best playground."

Township residents also saw a change in their refuse collection in 2015 with the introduction of automated recycling. The automated recycling program began with the distribution of large containers to further enable sustainable habits from the Township's residents.

The Township continued funding a dedicated Storm Sewer Fund in 2015 to provide for projects dedicated to improve storm water management systems throughout the Township. The Township began an informational campaign to educate residents on stormwater management issues in 2015, and will continue to consider potential funding mechanisms for stormwater management projects in the future.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. This was the twenty-seventh (27th) consecutive year that the Township has received this prestigious award. In order to be awarded a Certificate of Achievement, the Township published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements. We are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would like to thank the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Township's finances.

Respectfully submitted,

Matthew R. Serakowski
Township Manager

Mark P. Romito
Director of Finance

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CERTIFICATE OF ACHIEVEMENT

YEAR ENDED DECEMBER 31, 2015

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Township of Upper St. Clair

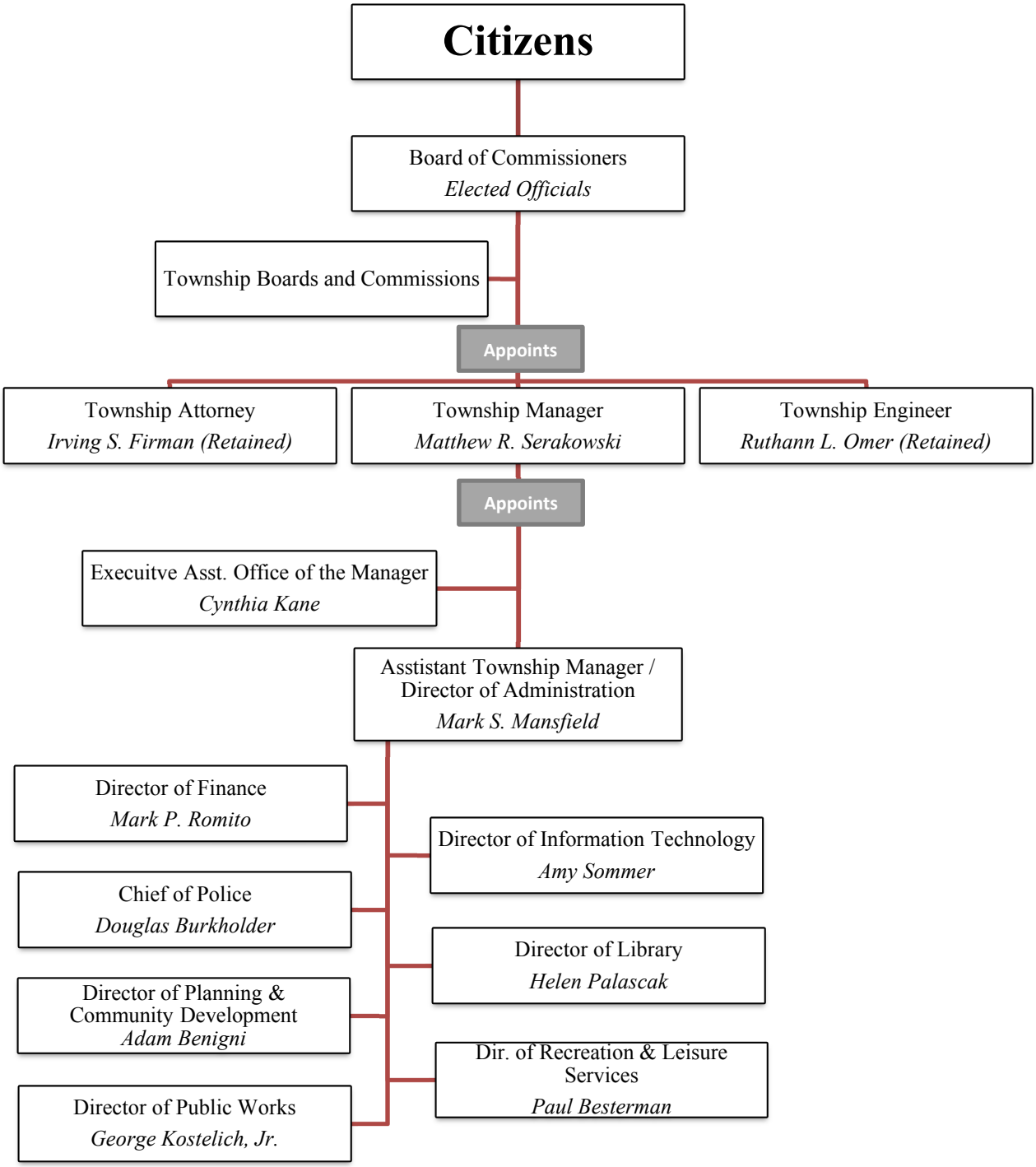
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

ORGANIZATIONAL CHART

YEAR ENDED DECEMBER 31, 2015