

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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August 22, 2006

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, 2005, 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 are 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, a firm of licensed certified public accountants, has audited the Township's financial statements. The independent audit provides reasonable assurance that the Township's financial statements for the year ended December 31, 2005 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 unqualified opinion that the Township's financial statements for the year ended December 31, 2005, 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 a 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 of 20,053. 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 (4) years. It is this Board of Commissioners, which 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, library services, and general administration services. Fire protection services are provided by the Upper St. Clair Volunteer Fire Department, a self-governing organization independent of the Township, is not included in this report. Emergency and non-emergency medical transport services are provided by the Tri-Community South Emergency Medical Service (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 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 fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is

presented on page 8 as part of the basic financial statements for governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 51.

FACTORS AFFECTING FINANCIAL CONDITION

LOCAL ECONOMY: To understand the local economy in which the Township operates, it is important to note that the Township is a primarily residential community situated 12 miles south of the City of Pittsburgh in Allegheny County. During the past 30 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.

The Township is generally regarded as a desirable community to live in and attracts many transferring corporate executives, medical, legal, and other professionals. These individuals' incomes have grown during the past 30 years, and have been relatively unaffected by major plant closings. Tax collection data presented in the Statistical Section illustrates rising collections from Real Estate and Earned Income Taxes without significant tax rate increases.

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 the residents.

LONG-TERM FINANCIAL PLANNING: The Township's Board of Commissioners has adopted the Boyce/Mayview Park Master Plan. A feasibility study has been completed to build a community recreation center with an indoor aquatic park on the property at a cost of approximately \$20,000,000. A referendum vote is being held in November 2006 to ask the voters for approval of incurring the additional debt for the project.

CASH MANAGEMENT POLICIES AND PRACTICES

It is the Township's management practice to invest idle funds only in money market accounts and certificates of deposit of local financial institutions, with the Pennsylvania Local Government Investment Trust (PLGIT), with the Federated Investors Government Obligations Fund, and with Commonwealth of Pennsylvania's PA Invest Program. The institutions must be insured by the Federal Deposit Insurance Corporation (FDIC). The Commonwealth of Pennsylvania, through its law P.L. 281, No. 72, mandates that all public deposits in excess of the portions insured by the FDIC be collateralized by acceptable

securities, mainly being, U.S. Government securities, state and local government obligations, and commercial paper. The average yield on investments was 2.83 percent for the government. Investment income includes appreciation in the fair value of investments.

RISK MANAGEMENT

The Township annually reviews all insurance requirements and coverages as part of its risk management program. The Township maintains comprehensive, property, liability, workers' compensation, and professional liability coverages. The Township's umbrella policy provides \$4,000,000 in coverage.

Because of an ongoing policy of educating employees and monitoring claims, the Township's workers' compensation experience modification factor remains at .796 for 2005. Premiums have been stable over the past three years because of the favorable experience factor.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The Township maintains three Pension Trust Funds to account for assets held in its Pension Plans for police, public works employees, and the Township's management and administrative employees. The Township, employees, and Commonwealth of Pennsylvania foreign casualty insurance payments fund the Plans.

Annual Plan contributions for the Police and Public Works Employees' Plans are sent to The Principal Life Insurance Company, the Plans' Investment Manager. The Township's Management and Administrative Employees' Plan was established in 1986 to provide retirement benefits for management and all other full-time Township employees. The International City Management Association Retirement Corporation manages Plan assets. Although all pension funds are professionally managed, the Township continually monitors investment activity. During 2005, the Plans generated net investment earnings of \$975,628 on an average combined fund balance of \$13,371,289. This represents a 7.3% gain on investment.

The Township also provides postretirement life insurance and medical insurance for certain retirees. As of the end of the current fiscal year, there were 16 retired employees receiving Life Insurance benefits and one employee receiving the medical insurance benefit, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

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, 2004. This was the seventeenth consecutive year that the Township has received this prestigious award. In order to be awarded a Certificate of Achievement, the government 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,

Douglas A. Watkins
Township Manager

August G. Stache, Jr., CPA
Director of Finance

FINANCIAL SECTION

MAHER DUESSEL
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Commissioners
Township of Upper St. Clair
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 (Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and pension information on pages ix through xix, and 47 through 50, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 non-major governmental fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major governmental fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



August 22, 2006

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

<u>Assets</u>	Primary Government		<u>Total</u>
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 8,394,149	\$ 1,679,777	\$ 10,073,926
Receivables, net	2,795,681	482,240	3,277,921
Internal balances	(1,474,063)	1,474,063	-
Due from other governmental agencies	108,121	-	108,121
Prepaid assets	246,350	1,000	247,350
Deferred bond issue costs	27,568	-	27,568
Investment in Tri-Community EMS	393,900	-	393,900
Capital assets, non-depreciable	2,105,630	4,415,890	6,521,520
Capital assets, net of accumulated depreciation	8,599,175	190,095	8,789,270
Infrastructure assets, net of accumulated depreciation	1,139,232	-	1,139,232
Total Assets	22,335,743	8,243,065	30,578,808
<u>Liabilities</u>			
Accounts payable and accrued expenses	366,786	387,504	754,290
Accrued interest payable	101,130	-	101,130
Unearned revenue	6,000	-	6,000
Refundable deposits	649,362	-	649,362
Bonds and notes payable:			
Due within one year	1,172,239	150,000	1,322,239
Due in more than one year	11,004,661	7,175,000	18,179,661
Discount on bonds	(243,775)	-	(243,775)
Total Liabilities	13,056,403	7,712,504	20,768,907
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,904,677	(611,219)	2,293,458
Unrestricted	6,374,663	1,141,780	7,516,443
Total Net Assets	\$ 9,279,340	\$ 530,561	\$ 9,809,901

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	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	\$ 1,640,270	\$ 271,128	\$ 121,524	\$ -	\$ (1,247,618)	\$ -	\$ (1,247,618)
Public safety	3,922,335	121,436	202,244	150,000	(3,448,655)	-	(3,448,655)
Public works	6,151,707	149,747	428,932	412,053	(5,160,975)	-	(5,160,975)
Community development	545,702	-	-	-	(545,702)	-	(545,702)
Recreation and leisure services	733,599	410,671	-	-	(322,928)	-	(322,928)
Library services	948,335	28,266	292,025	-	(628,044)	-	(628,044)
Interest on long-term debt	517,891	-	-	-	(517,891)	-	(517,891)
Total governmental activities	14,459,839	981,248	1,044,725	562,053	(11,871,813)	-	(11,871,813)
Business-type activities:							
Sanitary sewer	3,312,632	4,089,105	-	-	-	776,473	776,473
Magazine	186,645	214,725	-	-	-	28,080	28,080
Total business-type activities	3,499,277	4,303,830	-	-	-	804,553	804,553
Total primary government	\$ 17,959,116	\$ 5,285,078	\$ 1,044,725	\$ 562,053	(11,871,813)	804,553	(11,067,260)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					4,158,122	-	4,158,122
Earned income taxes, levied for general purposes					6,115,625	-	6,115,625
Emergency & Municipal Services					328,868	-	328,868
Other taxes					1,323,898	-	1,323,898
Franchise fees					238,873	-	238,873
Unrestricted investment earnings					382,375	29,271	411,646
Miscellaneous					89,842	-	89,842
Transfers					1,701,357	(1,701,357)	-
Total general revenues					14,338,960	(1,672,086)	12,666,874
Change in net assets					2,467,147	(867,533)	1,599,614
Net assets - beginning					6,812,193	1,398,094	8,210,287
Net assets - ending					\$ 9,279,340	\$ 530,561	\$ 9,809,901

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General Fund	Capital Projects Fund 2003	Capital Projects Fund Regular	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,271,774	\$ 3,849,661	\$ 1,579,237	\$ 693,477	\$ 8,394,149
Taxes receivable:					
Real estate taxes	99,016	-	-	-	99,016
Earned income taxes	2,283,243	-	-	-	2,283,243
Accounts receivable (Net of allowance for uncollectible accounts)	394,752	-	-	18,670	413,422
Due from other funds	1,475,966	338,140	1,637,723	60,389	3,512,218
Due from emergency medical service	53,620	-	-	-	53,620
Prepays	175,433	-	70,917	-	246,350
TOTAL ASSETS	\$ 6,753,804	\$ 4,187,801	\$ 3,287,877	\$ 772,536	\$ 15,002,018
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 148,368	\$ 25,462	\$ 46,044	\$ -	\$ 219,874
Due to other funds	1,891,842	2,566,827	338,140	134,971	4,931,780
Refundable deposits	649,362	-	-	-	649,362
Accrued payroll and related taxes	146,912	-	-	-	146,912
Deferred revenues	856,040	-	6,000	-	862,040
TOTAL LIABILITIES	3,692,524	2,592,289	390,184	134,971	6,809,968
Fund Balance:					
Reserved for debt service	-	-	-	1,060	1,060
Reserved for prepaid items	175,433	-	70,917	-	246,350
Reserved for capital projects	-	1,595,512	-	-	1,595,512
Unreserved, reported in:					
General Fund	2,885,847	-	-	-	2,885,847
Special Revenue Funds	-	-	-	636,505	636,505
Capital Projects Funds	-	-	2,826,776	-	2,826,776
TOTAL FUND BALANCE	3,061,280	1,595,512	2,897,693	637,565	8,192,050
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,753,804	\$ 4,187,801	\$ 3,287,877	\$ 772,536	\$ 15,002,018

The notes to the 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 ASSETS

YEAR ENDED DECEMBER 31, 2005

Total Fund Balance - Governmental Funds		\$ 8,192,050
Amounts reported for governmental activities in the statement of net assets are different because:		
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 assets.		11,844,037
Property and earned income taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.		856,040
The Township's investment in Tri-Community EMS' is recorded as an asset on the statement of net assets.		393,900
Government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized on the statement of activities.		271,343
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:		
	Bonds and notes payable (12,176,900)	
	Accrued interest payable <u>(101,130)</u>	<u>(12,278,030)</u>
Total Net Assets - Governmental Activities		<u>\$ 9,279,340</u>

The notes to the 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, 2005

	General Fund	Capital Projects Fund 2003	Capital Projects Fund Regular	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate Taxes	\$ 4,175,518	\$ -	\$ -	\$ -	\$ 4,175,518
Earned Income Taxes	6,112,019	-	-	-	6,112,019
Other Taxes	1,652,766	-	-	-	1,652,766
Licenses and Permits	118,386	-	-	27,870	146,256
Fees and Fines	341,706	-	-	-	341,706
Rents	63,669	-	-	-	63,669
Interest	87,190	251,666	22,814	20,705	382,375
Service Agreements	240,779	-	-	-	240,779
Other Revenue and Grants	558,680	269,479	301,052	584,449	1,713,660
Recreation Fees	410,671	-	-	-	410,671
TOTAL REVENUES	13,761,384	521,145	323,866	633,024	15,239,419
EXPENDITURES:					
Current:					
General Government	1,321,172	-	-	7,535	1,328,707
Community Development	519,909	-	-	-	519,909
Public Safety	4,324,536	-	-	-	4,324,536
Public Works	3,705,044	-	-	380,614	4,085,658
Recreation and Leisure Services	624,700	-	-	-	624,700
Library Services	718,482	-	-	201,618	920,100
Capital Outlay:					
General Government	-	35,304	117,006	-	152,310
Community Development	-	-	7,128	-	7,128
Public Safety	-	3,433,324	113,442	-	3,546,766
Public Works	-	1,419,979	630,800	-	2,050,779
Debt Service:					
Principal Retirement	-	-	-	1,106,000	1,106,000
Interest	-	-	-	515,591	515,591
TOTAL EXPENDITURES	11,213,843	4,888,607	868,376	2,211,358	19,182,184
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,547,541	(4,367,462)	(544,510)	(1,578,334)	(3,942,765)

(Continued)

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

TOWNSHIP OF UPPER ST. CLAIR

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

YEAR ENDED DECEMBER 31, 2005

(Continued)

	General Fund	Capital Projects Fund 2003	Capital Projects Fund Regular	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of note payable	393,900	-	-	-	393,900
Transfers in	-	1,701,357	1,300,000	1,650,971	4,652,328
Transfers (out)	(2,920,971)	-	(30,000)	-	(2,950,971)
TOTAL OTHER FINANCING SOURCES (USES)	(2,527,071)	1,701,357	1,270,000	1,650,971	2,095,257
NET CHANGE IN FUND BALANCE	20,470	(2,666,105)	725,490	72,637	(1,847,508)
TOTAL FUND BALANCE, JANUARY 1	3,040,810	4,261,617	2,172,203	564,928	10,039,558
TOTAL FUND BALANCE, DECEMBER 31	\$ 3,061,280	\$ 1,595,512	\$ 2,897,693	\$ 637,565	\$ 8,192,050

(Concluded)

The notes to the 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, 2005

Net Change in Fund Balance - Governmental Funds \$ (1,847,508)

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.

	\$ 3,958,730	
Capital outlay for capital assets		
Less: depreciation expense	<u>(733,985)</u>	3,224,745

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. Deferred revenues decreased by this amount during the year. (13,790)

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. 1,106,000

The governmental fund financial statements report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the current year amortization of these long-term debt related costs. (10,050)

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 decreased by this amount during the year. 7,750

Change in Net Assets - Governmental Activities \$ 2,467,147

The notes to the 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, 2005

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Real Estate Taxes	\$ 4,279,600	\$ 4,175,518	\$ (104,082)
Earned Income Taxes	5,756,240	6,112,019	355,779
Other Taxes	1,151,000	1,652,766	501,766
Licenses and Permits	112,750	118,386	5,636
Fees and Fines	328,650	341,706	13,056
Rents	63,150	63,669	519
Interest	37,000	87,190	50,190
Service Agreements	240,750	240,779	29
Other Revenues and Grants	526,500	558,680	32,180
Recreation Fees	363,327	410,671	47,344
	12,858,967	13,761,384	902,417
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General Government	1,350,291	1,321,172	29,119
Community Development	534,158	519,909	14,249
Public Safety	3,940,644	4,324,536	(383,892)
Public Works	3,821,286	3,705,044	116,242
Recreation and Leisure Services	617,351	624,700	(7,349)
Library Services	685,643	718,482	(32,839)
	10,949,373	11,213,843	(264,470)
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,909,594	2,547,541	637,947
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of note payable	-	393,900	393,900
Transfer (out)	(2,029,781)	(2,920,971)	(891,190)
	(2,029,781)	(2,527,071)	(497,290)
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	\$ (120,187)	\$ 20,470	\$ 140,657

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2005

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer Fund	Other Enterprise Fund: Township/ School District Magazine Fund	Total Enterprise Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,679,777	\$ -	\$ 1,679,777
Accounts Receivable	467,157	15,083	482,240
Due From Other Funds	2,107,796	43,380	2,151,176
Prepays	-	1,000	1,000
Total current assets	4,254,730	59,463	4,314,193
Noncurrent assets:			
Construction in progress	4,415,890	-	4,415,890
Capital assets, net of accumulated depreciation	190,095	-	190,095
Total noncurrent assets	4,605,985	-	4,605,985
TOTAL ASSETS	8,860,715	59,463	8,920,178
LIABILITIES:			
Current Liabilities:			
Accounts Payable	384,483	3,021	387,504
Due To Other Funds	677,113	-	677,113
Current portion of bonds payable	150,000	-	150,000
Total current liabilities	1,211,596	3,021	1,214,617
Noncurrent liabilities:			
Bonds payable	7,175,000	-	7,175,000
TOTAL LIABILITIES	8,386,596	3,021	8,389,617
NET ASSETS:			
Invested in capital assets, net of related debt	(611,219)	-	(611,219)
Unrestricted	1,085,338	56,442	1,141,780
TOTAL NET ASSETS	\$ 474,119	\$ 56,442	\$ 530,561

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer Fund	Other Enterprise Fund: Township/ School District Magazine Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges For Services	\$ 4,089,105	\$ 214,725	\$ 4,303,830
OPERATING EXPENSES:			
Sewage Treatment Charges	2,010,893	-	2,010,893
Personal Services	265,396	42,348	307,744
Contractual Services	880,425	139,696	1,020,121
Materials and Supplies	22,399	4,601	27,000
Depreciation	40,403	-	40,403
TOTAL OPERATING EXPENSES	3,219,516	186,645	3,406,161
OPERATING INCOME	869,589	28,080	897,669
NONOPERATING REVENUES (EXPENSES):			
Interest Income on Investments	29,271	-	29,271
Bond Interest Expense	(93,116)	-	(93,116)
TOTAL NONOPERATING REVENUES (EXPENSES)	(63,845)	-	(63,845)
NET INCOME BEFORE TRANSFERS	805,744	28,080	833,824
Transfer out	(1,701,357)	-	(1,701,357)
CHANGE IN NET ASSETS	(895,613)	28,080	(867,533)
NET ASSETS, JANUARY 1	1,369,732	28,362	1,398,094
NET ASSETS, DECEMBER 31	\$ 474,119	\$ 56,442	\$ 530,561

The notes to the 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, 2005

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer Fund	Other Enterprise Fund: Township/ School District Magazine Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 4,111,232	\$ 216,840	\$ 4,328,072
Payment for treatment charges	(1,658,686)	-	(1,658,686)
Payments for services	(1,145,821)	(186,972)	(1,332,793)
Payments to suppliers	(22,399)	(4,601)	(27,000)
Net cash provided by (used in) operating activities	1,284,326	25,267	1,309,593
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	(315,967)	(25,267)	(341,234)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(2,453,004)	-	(2,453,004)
Principal paid on capital debt	(150,000)	-	(150,000)
Interest paid on capital debt	(313,777)	-	(313,777)
Transfers from (to) other funds	2,870,172	-	2,870,172
Net cash provided by (used in) capital and related financing activities	(46,609)	-	(46,609)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	29,271	-	29,271
NET INCREASE IN CASH	951,021	-	951,021
CASH AND CASH EQUIVALENTS - Beginning Of Year	728,756	-	728,756
CASH AND CASH EQUIVALENTS - End Of Year	\$ 1,679,777	\$ -	\$ 1,679,777
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income	\$ 869,589	\$ 28,080	\$ 897,669
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:			
Depreciation	40,403	-	40,403
Changes In Assets And Liabilities			
(Increase) Decrease In Accounts Receivable	22,127	2,115	24,242
(Increase) Decrease in Prepaid Items	-	(200)	(200)
Increase (Decrease) In Accounts Payable	352,207	(4,728)	347,479
Total Adjustments	414,737	(2,813)	411,924
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,284,326	\$ 25,267	\$ 1,309,593

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINED STATEMENT OF PLAN NET ASSETS PENSION TRUST FUNDS

DECEMBER 31, 2005

ASSETS	
Cash	\$ 88,629
Accounts Receivable	178
Due From Other Funds	36,861
Mutual Funds	<u>13,922,989</u>
TOTAL ASSETS	<u>14,048,657</u>
LIABILITIES	
Benefits Payable	-
Due To Other Funds	<u>91,362</u>
TOTAL LIABILITIES	<u>91,362</u>
NET ASSETS	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 13,957,295</u></u>

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2005

ADDITIONS:

Contributions:

Member Contributions/Rollovers	\$ 112,507
Township Contributions	16,882
State Aid	358,643
	<hr/>
Total Contributions	488,032

INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments	985,261
Less: Investment Expenses	(9,633)
	<hr/>
Net Investment Income	975,628
	<hr/>
Total Additions	1,463,660

DEDUCTIONS:

Benefits	165,838
Withdrawal Credits	102,472
Administrative Expenses	23,338
	<hr/>
Total Deductions	291,648

Increase in Plan Net Assets

1,172,012

Net Assets:

Beginning Of Year	12,785,283
	<hr/>
End Of Year	\$ 13,957,295

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. Summary of Significant Accounting Policies:

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

A. Reporting Entity

In evaluating how to define a government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in U. S. generally accepted accounting principles (GAAP), and more specifically, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity.*" The following summarizes the guidance provided by GASB in determining the governmental activities, organizations, functions, and component units that should be included in the governing entity's financial statements. The criterion for inclusion of a component unit is if the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Municipal Authority of the Township of Upper St. Clair (MATUSC)

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 of Upper St. Clair. The MATUSC Board is appointed by the Township's Board. MATUSC leases the facilities to the Township and the Township pays lease rentals to MATUSC for repayment of the Authority's debt.

Although it is legally separate from the Township, MATUSC is reported as if it were part of the primary government because its purpose is to finance certain capital assets of the Township and the Township has the

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

financial burden of the MATUSC debt. Its operations are included with non-major special revenue fund types and debt service fund types. It 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.

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 Service (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, non-subscriber medical charges, third-party billings, and non-emergency transport fees. The Township had no equity interest in TCS as of December 31, 2005; however, as a condition of borrowing, during 2005, the Township guaranteed a portion of TCS' debt as explained in Note 8. Complete financial statements for TCS can be obtained from the Administrative offices of TCS at 2470 Slater Road, Bethel Park, PA 15102.

B. Government-Wide Financial Statements

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

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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.

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 resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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 and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

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

The *Capital Projects Fund 2003* was established to account for the bond proceeds of the general obligation bonds issued by the Township in 2003. These funds were acquired for the purchase of capital equipment, certain sanitary sewer projects mandated by the EPA, and capital improvements that were needed for certain buildings, roads, and parks owned by the Township.

The *Capital Projects Fund – Regular* 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 proprietary fund:

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 which were being instituted.

Additionally, the Township reports the following fiduciary fund type:

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Employees, Police, and Management and Administrative Employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers of applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, *general revenues* include all taxes.

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 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.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

An operating budget is legally adopted each year for the General Fund, State Liquid Fuels Fund, Storm Sewer Improvement Fund, Field Improvement Fund, and Regional Asset District Library Fund (Special Revenue Funds), Debt Service Funds for the General Obligation Bonds of 1998 and 2003, the Capital Projects Fund - Regular

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Capital Projects Funds), the Sanitary Sewer Fund, and the Township/School District Magazine Fund (Enterprise Funds) on a basis consistent with U. S. generally accepted accounting principles (GAAP). No budgets were legally adopted for the Pension Trust Funds, the Library Endowment Fund, MATUSC (Special Revenue Funds), or the Capital Projects Fund 2003 (Capital Projects Funds).

Adoption of the budget by the Board of Commissioners 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 of Commissioners. 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 and MATUSC are limited to the level of available revenues.

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

For the General Fund, expenditures exceeded appropriations by \$264,470. The excess was a result of an expenditure of \$393,900 related to the Township's guarantee of a portion of TCS debt issued in 2005, as described in Note 8. The expenditure was not budgeted and is offset by corresponding debt proceeds. The Board of Commissioners approved the debt issuance. There were no encumbrances outstanding at December 31, 2005.

E. Interfund Receivables, Payables, and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

activities and business-type activities are reported in the government-wide financial statement as "internal balances." Interfund receivables, payables, and transfers for the year ending December 31, 2005, are summarized below:

Fund	Interfund Receivable	Interfund Payable	Transfers In	Transfer Out
Major Funds:				
General	\$ 1,475,966	\$ 1,891,842	\$ -	\$ 2,920,971
2003 Capital Projects Fund	338,140	2,566,827	1,701,357	-
Capital Projects Fund Regular	1,637,723	338,140	1,300,000	30,000
Sanitary Sewer Fund	2,107,796	677,113	-	1,701,357
Other Enterprise Funds	43,380	-	-	-
Other Governmental Funds	60,389	134,971	1,650,971	-
Fiduciary Funds	36,861	91,362	-	-
Total	<u>\$ 5,700,255</u>	<u>\$ 5,700,255</u>	<u>\$ 4,652,328</u>	<u>\$ 4,652,328</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

Outstanding interfund balances at year end include \$2,107,796 due to the Sanitary Sewer Fund from the Capital Projects Fund 2003. This amount represents the portion of the remaining proceeds from the 2003 General Obligation Bonds expected to be used for sewer activities.

Transfers are made from the general fund 1) to the Capital Projects Fund Regular to fund various capital projects, and 2) to the Debt Service Funds for current principal and interest payments.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

F. Cash and Investments

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania Government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

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), the Federated Investors Government Obligations Fund, and PA Invest Program. 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.

Investments for the Township are reported at fair value based on quoted market prices.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk) and interest rate risk. The following is a description of the Township's deposit and investment risks:

Governmental and Proprietary Funds

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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

As of December 31, 2005, \$5,033,988 of the Township's bank balance of \$5,333,988 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 \$3,855,686 as of December 31, 2005.

As of December 31, 2005, the Township had the following short-term investments in cash equivalents:

<u>Investments</u>	<u>Fair Value</u>
PLGIT	\$ 1,223,626
INVEST	374,097
Federated Money Markets	822,298
FNMA	<u>3,798,219</u>
	6,218,240
Carrying amount - deposits	<u>3,855,686</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 10,073,926</u></u>

The fair value of these investments is the same as their carrying amount. The Township's cash equivalent investments in PA Local Government Trust (PLGIT), PA Invest Program (INVEST), and money market funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

form. The fair value of the Township's position in the PLGIT and INVEST external investment pools is the same as the fair value of the pool shares. PA Local Government Trust and PA Invest Program are subject to oversight by the Commonwealth of Pennsylvania.

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Township's investments. The Township 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. All of the Township's investments have maturities of less than one year.

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, 2005, the Township's investments in PLGIT, INVEST, Federated Money Markets, and FNMA were rated AAA by Standard and 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.

As of December 31, 2005, the Township had the following cash and investments in its pension trust funds:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Investment Type	Fair Value	Maturity (in years)		
		less than 1	1-5	6-10
Prudential Fixed Income	\$ 3,848,123	\$ -	\$ 232,998	\$ 3,615,125
ICMA Fixed Income	1,272,055	381,853	877,901	12,301
Total investments with securities	5,120,178	<u>\$ 381,853</u>	<u>\$ 1,110,899</u>	<u>\$ 3,627,426</u>
Cash	88,629			
Prudential Equity	8,296,706			
ICMA Equity	506,105			
Total cash and investments per financial statements	<u>\$ 14,011,618</u>			

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 Pension Trust Funds do not have a formal deposit policy for custodial credit risk. As of December 31, 2005, none of the Pension Trust Funds' deposits were exposed to custodial credit risk.

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 market 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 its exposure to fair value losses arising from increasing interest rates.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Credit Risk. The Pension Trust Funds do not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. At December 31, 2005, none of the Pension Trust Fund investments were rated by Nationally Recognized Statistical Rating Organizations.

G. Inventory and Prepaid items:

Inventory is recorded as an expenditure when purchased. Year-end inventories are not material for financial statement purposes.

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.

H. 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.

I. 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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected to report infrastructure assets prospectively as of January 1, 2003. A retroactive

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

reporting of all infrastructure assets is required by the Township for the year ended December 31, 2007.

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 projects are constructed. 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. The total interest expense incurred by the Township during the current fiscal year was \$829,369. Of this amount, \$220,662 was included as part of the cost of capital assets under construction in connection with business-type activities.

Property, plant, and equipment of the Township is 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

J. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums, discounts, and issue costs related to

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

outstanding debt issued prior to January 1, 2003 were expensed at the time of issuance.

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.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved

Reserved is used to denote that portion of the fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose.

Unreserved

Unreserved is used to denote that portion of the fund balance that is available for appropriation.

L. Net Assets

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The negative amount reflected on the statement of net assets is a result of certain expenditures from debt proceeds that fell under the capitalization threshold or were used for normal repair and maintenance and were therefore expensed.
- Restricted - This component of nets assets consists of constraints placed on net asset use through external restrictions. The Township had no restricted net assets.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

M. 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.

N. Pending Standard:

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" and in June 2004 issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*." These statements provide the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the Township recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the purpose of the government-wide financial statements, GASB will require that governments account for and report the annual cost

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. These standards may require an actuarial valuation to be performed.

These changes in accounting will be applicable in calendar years 2007 and 2008. The effect of implementation of these statements has not yet been determined.

2. Property Taxes:

The Township bills and collects its own property taxes based on assessed valuations provided by Allegheny County. Property tax revenues are recognized when levied to the extent that they result in current receivables. The schedule for property taxes levied for 2005 at 2.60 mills (\$.260 per \$100 assessed valuation) is as follows:

May 3	Tax date
May 3 - June 30	2% discount period
July 1 - August 31	Face amount period
September 1 - October 1	10% penalty period
October 2	Lien date

3. Defined Benefit Pension Plans:

A. Plan Descriptions, Contribution Information, and Funding Policies:

The Township of Upper St. Clair contributes to two Defined Benefit Pension Plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective Plans.

Township of Upper St. Clair Police Pension Plan (PPP) - The Police Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time basis by the Township as a member of the police force is eligible to participate in the Plan.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Township of Upper St. Clair Public Works Employees' Pension Plan (PWEP) - The Public Works Employees' Pension Plan is a single-employer defined benefit pension trust fund. All full-time Public Works employees hired before January 1, 1999 are eligible to participate in the Plan.

Actuarial valuations are performed annually. For additional information related to basis of accounting and reported investment values, see Notes 1.C and 1.F. The Plans do not issue stand-alone financial reports. Individual plan financial statements are included in Note 13 of this report.

The following is a summary of funding policies, contribution methods, and benefit provisions:

	<u>PPP</u>	<u>PWEP</u>
Date Established	December 2, 1957	October 5, 1959
Effective Date of Plan Restatement	January 1, 2004	June 2, 2003
Governing Authority and Administrator	Township Commissioners and Ordinances	Township Commissioners and Ordinances
Determination of Contribution		
Requirements	Actuarially Determined	Actuarially Determined
Employer	\$196,977	\$42,930
Plan Members	5.0% of Salary	None
Funding of Administrative Costs	Investment Earnings	Investment Earnings

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>PPP</u>	<u>PWEP</u>
Eligibility Requirements		
Normal Retirement	Age 54 and 25 years of aggregate service	Age 60 and 10 years of service
Early Retirement	20 years aggregate service accrued benefit at date	Attainment of age 57 and 10 years of service
Vesting	100% after 12 years of aggregate service	100% after 10 years of service
Retirement Benefit	Monthly benefit equal to 50% of final thirty-six month average salary prior to retirement or other severance	Unit benefit, as defined in plan, times number of whole years of service, up to a maximum of 40 for members of Local 205
Service Increment	Additional monthly benefit equal to \$100 for 26 years of aggregate service	N/A
Post Retirement Benefit Increases	On each anniversary of retire- ment, retiree to receive an in- crease in monthly benefit equal to the percentage change in the CPI-W times the pension benefit before	None

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>PPP</u>	<u>PWEP</u>
	service increment. Total of increase cannot exceed 20% of original benefit nor can total benefit exceed 75% of final monthly average salary	
Provisions for Disability Benefits	Yes	Yes
Provisions for Death Benefits	Yes	Yes

Memberships of the Plans are as follows as of 01/01/05:

	<u>PPP</u>	<u>PWEP</u>
Nonvested Active Members	3	6
Fully Vested Active Members	25	18
Retirees and Beneficiaries		
Currently Receiving Benefits	5	16
Deferred Vested	<u>—</u>	<u>4</u>
Total	<u>33</u>	<u>44</u>

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Required Supplementary Information Section of this report.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

B. Annual Pension Cost, Net Pension Obligation, and Reserves:

Current year annual pension costs for the Police and Public Works Employees' Plans are shown in the trend information provided in Section C. Annual required contributions were made by both Plans. There were no net pension obligations for either Plan.

There are no assets legally reserved for purposes other than the payment of Plan member benefits for either Plan.

The Police Pension Plan and Public Works Employees' Pension Plan are in mutual funds administered by Principal Life Insurance Company and account for 100% of the total investment at December 31, 2005.

There are no long-term contracts for contributions.

C. Trend Information

Year Ended December 31,	Police Pension			Public Works Employees' Pension		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
2003	\$251,118	100%	-0-	\$68,409	100%	-0-
2004	191,135	100%	-0-	42,123	100%	-0-
2005	196,977	100%	-0-	42,930	100%	-0-

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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. 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 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 of Commissioners. 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, 2005 was \$135,618 or 6.93% of the \$1,956,194 in wages paid to participants. The Township Manager and the Township Board of Commissioners 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 1.C and 1.F, respectively.

C. Concentrations:

The Management Employees' Pension Plan investments in mutual funds held by ICMA-RC account for 100% of the

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

total investments at December 31, 2005.

5. Capital Assets:

A summary of changes in capital assets during 2005 are as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	January 1, 2005	Increases	Decreases	December 31, 2005
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,105,630	\$ -	\$ -	\$ 2,105,630
Construction in progress	353,177	-	(353,177)	-
Capital assets being depreciated:				
Infrastructure	1,162,482	-	-	1,162,482
Buildings	6,244,820	4,005,294	-	10,250,114
Improvements	1,463,134	-	-	1,463,134
Equipment	5,053,963	304,823	(42,166)	5,316,620
Library assets	893,520	1,790	-	895,310
	<u>17,276,726</u>	<u>4,311,907</u>	<u>(395,343)</u>	<u>21,193,290</u>
Less: Accumulated depreciation for:				
Infrastructure	-	(23,250)	-	(23,250)
Buildings	(4,341,672)	(256,253)	-	(4,597,925)
Improvements	(684,429)	(36,578)	-	(721,007)
Equipment	(2,753,045)	(413,200)	42,166	(3,124,079)
Library assets	(878,288)	(4,704)	-	(882,992)
	<u>(8,657,434)</u>	<u>(733,985)</u>	<u>42,166</u>	<u>(9,349,253)</u>
Governmental activities capital assets, net	<u>\$ 8,619,292</u>	<u>\$ 3,577,922</u>	<u>\$ (353,177)</u>	<u>\$ 11,844,037</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 1,755,582	\$ 2,660,308	\$ -	\$ 4,415,890
Capital assets being depreciated:				
Equipment	413,749	13,359	-	427,108
Less: Accumulated depreciation for equipment	(196,609)	(40,404)	-	(237,013)
Business-type activities capital assets, net	<u>\$ 1,972,722</u>	<u>\$ 2,633,263</u>	<u>\$ -</u>	<u>\$ 4,605,985</u>

Library assets consist primarily of shelving, books, and periodicals

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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

Governmental activities:

General government	\$ 176,464
Public safety	187,244
Public works	197,435
Community development	19,734
Recreation and leisure	123,083
Library	<u>30,025</u>

Total depreciation expense - governmental activities \$ 733,985

Business-type activities:

Sewer operations	<u>\$ 40,404</u>
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6. Allowance for Uncollectible Accounts:

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

7. Changes in Long-Term Debt :

During 2005, long-term debt for governmental activities changed as follows:

	<u>General Obligation Bonds</u>	<u>USC Municipal Authority Bonds</u>	<u>Total</u>
Long-term debt at January 1	\$ 12,805,000	\$ 84,000	\$ 12,889,000
Issuance of note payable	393,900	-	393,900
Principal retirements	<u>(1,075,000)</u>	<u>(31,000)</u>	<u>(1,106,000)</u>
 Governmental Activities long-term debt at December 31*	 <u>\$ 12,123,900</u>	 <u>\$ 53,000</u>	 <u>12,176,900</u>
 Less current amounts:			
General Obligation Bonds			1,120,000
General Obligation Note			19,239
USC Municipal Authority Bonds			<u>33,000</u>
Total current bonds payable			<u>1,172,239</u>
Total long-term bonds payable, governmental activities			<u>\$11,004,661</u>

- USC Municipal Authority (MATUSC) long-term debt is at August 31.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

During 2005, long-term debt for business-type activities changed as follows:

	General Obligation <u>Bonds</u>
Long-term debt at January 1	\$ 7,475,000
Principal retirements	<u>150,000</u>
Business-type activities long-term debt at December 31	7,325,000
Less current amounts:	<u>150,000</u>
Total long term bonds payable, business-type activities	<u>\$7,175,000</u>

8. Description of Long-Term Debt :

Issue: General Obligation Bonds of 1998

Date: September 15, 1998

Original Proceeds: \$5,615,000

Principal amount at December 31, 2005: \$805,000

Interest Rate: 3.60 – 4.10% semi-annual interest due April 15 and October 15

Debt Service Source: General Fund transfers to Debt Service Fund

Purpose: Current Refunding of Township's 1993 General Obligation Bond Issue

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

The annual requirement to amortize the General Obligation Bonds of 1998 outstanding as of December 31, 2005, including total interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 805,000</u>	<u>\$ 33,005</u>	<u>\$ 838,005</u>

Issue: General Obligation Bonds of 2003

Date: May 28, 2003

Original Proceeds: \$18,705,000

Principal amount at December 31, 2005: \$18,250,000

Interest Rate: 2.00 – 5.00% semi-annual interest due May 15 and November 15

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

Purpose: Acquisition of Capital Equipment and Improvements to Township buildings, roads, sewers, and parks

The annual requirement to amortize the General Obligation Bonds of 2003 outstanding as of December 31, 2005, including total interest payments of \$12,028,125 are as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 315,000	\$ 441,843	\$ 150,000	\$ 310,778
2007	320,000	435,292	155,000	307,631
2008	325,000	427,829	160,000	303,984
2009	335,000	419,076	160,000	299,744
2010	345,000	408,996	165,000	294,926
2011-2015	1,915,000	1,854,821	925,000	1,383,063
2016-2020	2,330,000	1,443,547	1,125,000	1,184,588
2021-2025	2,925,000	846,395	1,410,000	896,400
2026-2030	2,115,000	150,776	1,785,000	524,621
2031-2033	-	-	1,290,000	93,815
Total	<u>\$ 10,925,000</u>	<u>\$ 6,428,575</u>	<u>\$ 7,325,000</u>	<u>\$ 5,599,550</u>

Issue: General Obligation Note of 2005

Date: April 1, 2005

Original Proceeds: \$1,500,000 total note issued by TCS, \$393,900 guaranteed by the Township. Remaining balance is guaranteed by the other two governmental unit members.

Balance of Township's guarantee at December 31, 2005: \$393,900

Interest Rate: 4.24%

Debt Service Source: General Fund

Purpose: Acquisition of a new administrative and operational facility for TCS.

The annual requirement to amortize the General Obligation Note of 2005 outstanding as of December 31, 2005, including total interest payments of \$146,682 are as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Principal</u>	<u>Interest</u>
2006	\$ 19,239	\$ 16,933
2007	20,066	16,106
2008	20,929	15,244
2009	21,828	14,344
2010	22,767	13,405
2011-2015	129,372	51,478
2016-2020	<u>159,699</u>	<u>21,172</u>
Total	<u>\$ 393,900</u>	<u>\$ 148,682</u>

Municipal Authority of the Township of Upper St. Clair Bonds

Issue: Revenue Bond of 1967

Original Proceeds: \$700,000

Principal amount at December 31, 2005: \$53,000

Interest Rate: 3.85 – 4.00% semi-annual interest due January 15 and July 15

Debt Service Source: General Fund transfers to Debt Service Fund

Purpose: Municipal Building Addition

The annual requirement to amortize the Revenue Bonds of 1967 outstanding as of December 31, 2005, including total interest payments of \$2,920 are as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$33,000	\$2,120	\$35,120
2007	<u>20,000</u>	<u>800</u>	<u>20,800</u>
	<u>\$ 53,000</u>	<u>\$ 2,920</u>	<u>\$ 55,920</u>

9. 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, 2005. Vacation days may be carried forward only upon approval of the Township Manager. At December 31, 2005, there was no unrecorded General Fund liability for unused vacation days.

Sick days are earned continuously at the rate of 7 to 10 days per year to a maximum of 125 days depending 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.

10. Post-Employment Benefits:

The Township provides life insurance benefits for all retired employees, and health insurance benefits for retired police officers until they reach the Medicare eligibility age. All full-time employees may be eligible for benefits if actively employed by the Township immediately prior to retirement. During the year, there were sixteen retirees covered by the Township's group term life policy, and one police officer was covered by the Township's health insurance policy. The benefits, which differ for police, and general employees, are provided in accordance with labor agreements. The cost of retiree life insurance benefits and health insurance benefits is recognized as an expenditure at the time the premium is paid. Life insurance benefits provided for retirees amounted to \$339 and \$299 in 2005 and 2004, respectively. Health insurance benefits provided for retirees amounted to \$2,280 and 2,806 in 2005 and 2004, respectively.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Since 2000, the Township began to fund its post-employment health benefit liability in the amount of \$1,000 per year per police officer in a Voluntary Employer's Beneficiary Association (VEBA) Plan administered by Nationwide Retirement Solutions. As of December 31, 2005, the plan assets totaled \$230,938.

11. Commitments and Contingencies

The Township has entered into an administrative consent order with the Allegheny County Health Department, the Pennsylvania Department of Environmental Protection and the United States Environmental Protection Agency related to storm water inflow into the Township's sanitary sewer system. Management estimates that the Township's remaining cost to comply with Phase I of the consent order will be approximately \$2 million over the next two years. The costs to comply with Phase II, which is expected to begin in 2007, have not yet been determined.

12. Risk Management:

The Township of Upper St. Clair 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:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

COMBINING STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2005

	Public Works Employees	Police	Mgt & Admin Employees	Total
ASSETS:				
Cash	\$ -	\$ 88,629	\$ -	\$ 88,629
Accounts Receivable	-	-	178	178
Due From Other Funds	-	-	36,861	36,861
Mutual Funds, at fair value	2,511,977	9,632,852	1,778,160	13,922,989
	2,511,977	9,721,481	1,815,199	14,048,657
TOTAL ASSETS				
LIABILITIES:				
Benefits Payable	-	-	-	-
Due To Other Funds	31,940	59,422	-	91,362
	31,940	59,422	-	91,362
TOTAL LIABILITIES				
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 2,480,037	\$ 9,662,059	\$ 1,815,199	\$ 13,957,295

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

COMBINING STATEMENT OF CHANGES IN PLAN ASSETS YEAR ENDED DECEMBER 31, 2005

	PUBLIC WORKS EMPLOYEES	POLICE	MGT & ADMIN EMPLOYEES	TOTAL
ADDITIONS:				
Contributions:				
Member Contributions/Rollovers	\$ -	\$ 112,507	\$ -	\$ 112,507
Township Contributions	-	2,788	14,094	16,882
State Aid	42,930	194,189	121,524	358,643
Total Contributions	42,930	309,484	135,618	488,032
INVESTMENT INCOME:				
Net Appreciation in Fair Value of Investments	192,938	704,625	87,698	985,261
Less: Investment Expenses	(3,504)	(6,129)	-	(9,633)
Net Investment Income	189,434	698,496	87,698	975,628
Total Additions	232,364	1,007,980	223,316	1,463,660
DEDUCTIONS:				
Benefits	87,685	78,153	-	165,838
Withdrawal Credits	-	-	102,472	102,472
Administrative Expenses	6,861	16,477	-	23,338
Total Deductions	94,546	94,630	102,472	291,648
Increase in Plan Assets	137,818	913,350	120,844	1,172,012
Net Assets Held In Trust For Pension Benefits				
Beginning Of Year	2,342,219	8,748,709	1,694,355	12,785,283
End Of Year	\$ 2,480,037	\$ 9,662,059	\$ 1,815,199	\$ 13,957,295

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2005

Schedules of Funding Progress:

Police Pension Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
01/01/01	\$6,908,613	\$6,956,395	\$47,782	99.3%	\$1,813,143	2.6%
01/01/03	7,497,620*	8,572,135	1,074,515	87.5%	2,067,294	52.0%
01/01/05	8,498,427*	11,159,623	2,661,196	76.2%	2,319,565	114.7%

*Actuarial value of assets is different from the market value of assets due to the adoption by the Police Pension Plan of the 4-Year Smoothing Asset Valuation method

Note: State law requires biennial valuations on the odd numbered years.

See accompanying notes to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2005

Schedules of Funding Progress (Continued):

Public Works Employees' Pension Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
01/01/01	\$2,290,864	\$2,434,520	\$143,656	94.1%	\$ 916,630	15.7%
01/01/03	2,194,393*	2,428,429	234,036	90.4%	876,201	26.7%
01/01/05	2,279,723*	2,736,665	456,942	83.3%	1,091,644	41.9%

*Actuarial value of assets is different from the market value of assets due to the adoption by the Public Works Pension Plan of the 4-Year Smoothing Asset Valuation method

Note: State law requires biennial valuations on the odd numbered years.

See accompanying notes to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2004

Schedules of Employer's Contributions:

<u>Year Ended December 31,</u>	<u>Public Works Employees' Pension Plan</u>		<u>Police Pension Plan</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$26,231	100%	\$151,828	100%
2001	27,467	100%	154,477	100%
2002	67,934	100%	234,073	100%
2003	68,409	100%	251,118	100%
2004	42,123	100%	191,135	100%
2005	42,930	100%	196,977	100%

See accompanying notes to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2005

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial report follows:

	<u>Police Pension Plan</u>	<u>Public Works Employees' Pension Plan</u>
Valuation Date	January 1, 2005	January 1, 2005
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Closed	Level Dollar, Closed
Remaining Amortization Period	17 Years (aggregate)	40 Years (aggregate)
Asset Valuation Method	4-Year Smoothing	4-Year Smoothing
Actuarial Assumptions		
Investment Rate of Return	8.0%	8.0%
Projected Salary Increases	5.5%	N/A
Cost of Living Adjustments	3.0%	3.0%

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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 2003 accounts for the bond proceeds from the issuance of general obligation bonds by the Township in 2003. The funds are for the purchase of capital equipment, completion of certain sanitary sewer projects mandated by the EPA, and for the construction and improvement of certain buildings, roads, and parks owned by the Township.

Capital Projects Fund-Regular 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 funds did not meet the established criteria for major fund status. All non-major 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 six 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 special 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.

Municipal Authority of the Township of Upper St. Clair (MATUSC) Special Revenue Fund is used to account for revenues derived from investments made by the Authority'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 issued by the Township and Revenue bonds issued by the Municipal Authority of the Township of Upper St. Clair (MATUSC). The three non-major Debt Service Funds are:

Municipal Authority of the Township of Upper St. Clair (MATUSC) Debt Service Fund is used to channel funds from the Township's General Fund to satisfy principal and interest requirements on revenue bonds, which are serial bonds, with the final installment maturing in 2007. Debt service on these bonds is derived from general operating revenues from the General Fund.

General Obligation Bonds of 1998 Fund is used to channel funds from the General Fund to satisfy principal and interest requirements on general obligation bonds, which are serial bonds, with the final installment maturing in 2006. Debt service on these bonds is derived from general operating revenues from the General Fund and Sanitary Sewer Fund.

General Obligation Bonds of 2003 Fund is used to channel funds from the General Fund to satisfy principal and interest requirements on general obligation bonds, with the final installment maturing in 2033. Debt service on these bonds is derived from general operating revenues from the General Fund.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue Funds						Debt Service Funds				Total Other Governmental Funds	
	State Liquid Fuels Fund	Storm Sewer Improvement Fund	Field Improvement Fund	Library Endowment Fund	Regional Asset District Library Fund	MATUSC Special Revenue Fund	Total	MATUSC Debt Service Fund	General Obligation Bonds of 1998	General Obligation Bonds of 2003		Total
ASSETS												
Cash	\$ 15,344	\$ 169,570	\$ 64,516	\$ 42,403	\$ -	\$ 400,584	\$ 692,417	\$ 1,060	\$ -	\$ -	\$ 1,060	\$ 693,477
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	18,670	-	-	-	18,670	-	-	-	-	18,670
Due From Other Funds	-	400	54,388	-	5,601	-	60,389	-	-	-	-	60,389
TOTAL ASSETS	\$ 15,344	\$ 169,970	\$ 137,574	\$ 42,403	\$ 5,601	\$ 400,584	\$ 771,476	\$ 1,060	\$ -	\$ -	\$ 1,060	\$ 772,536
LIABILITIES AND FUND EQUITY												
Liabilities:												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	23	134,948	-	-	-	-	134,971	-	-	-	-	134,971
TOTAL LIABILITIES	23	134,948	-	-	-	-	134,971	-	-	-	-	134,971
Fund Equity:												
Fund Balance	15,321	35,022	137,574	42,403	5,601	400,584	636,505	1,060	-	-	1,060	637,565
TOTAL FUND EQUITY	15,321	35,022	137,574	42,403	5,601	400,584	636,505	1,060	-	-	1,060	637,565
TOTAL LIABILITIES AND FUND EQUITY	\$ 15,344	\$ 169,970	\$ 137,574	\$ 42,403	\$ 5,601	\$ 400,584	\$ 771,476	\$ 1,060	\$ -	\$ -	\$ 1,060	\$ 772,536

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds						Debt Service Funds				Total Other Governmental Funds	
	State Liquid Fuels Fund	Storm Sewer Improvement Fund	Field Improvement Fund	Library Endowment Fund	Regional Asset District Library Fund	MATUSC Special Revenue Fund	Total	MATUSC Debt Service Fund	General Obligation Bonds of 1998	General Obligation Bonds of 2003		Total
REVENUES:												
Licenses and Permits	\$ -	\$ 9,200	\$ 18,670	\$ -	\$ -	\$ -	\$ 27,870	\$ -	\$ -	\$ -	\$ -	\$ 27,870
Interest	8,880	2,666	405	180	-	8,574	20,705	-	-	-	-	20,705
State Grants	385,212	-	-	100	199,137	-	584,449	-	-	-	-	584,449
Donations	-	-	-	-	-	-	-	-	-	-	-	-
User Fees	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>394,092</u>	<u>11,866</u>	<u>19,075</u>	<u>280</u>	<u>199,137</u>	<u>8,574</u>	<u>633,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,024</u>
EXPENDITURES:												
Current:												
General Government	-	-	-	-	-	7,535	7,535	-	-	-	-	7,535
Public Works	379,612	1,002	-	-	-	-	380,614	-	-	-	-	380,614
Library Services	-	-	-	-	201,618	-	201,618	-	-	-	-	201,618
Capital Outlay:												
Public Works	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Retirement	-	-	-	-	-	-	-	31,000	770,000	305,000	1,106,000	1,106,000
Interest	-	-	-	-	-	-	-	3,360	64,190	448,041	515,591	515,591
TOTAL EXPENDITURES	<u>379,612</u>	<u>1,002</u>	<u>-</u>	<u>-</u>	<u>201,618</u>	<u>7,535</u>	<u>589,767</u>	<u>34,360</u>	<u>834,190</u>	<u>753,041</u>	<u>1,621,591</u>	<u>2,211,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>14,480</u>	<u>10,864</u>	<u>19,075</u>	<u>280</u>	<u>(2,481)</u>	<u>1,039</u>	<u>43,257</u>	<u>(34,360)</u>	<u>(834,190)</u>	<u>(753,041)</u>	<u>(1,621,591)</u>	<u>(1,578,334)</u>
OTHER FINANCING SOURCES (USES):												
Transfer In	-	-	30,000	-	-	-	30,000	33,740	834,190	753,041	1,620,971	1,650,971
NET CHANGE IN FUND BALANCE	<u>14,480</u>	<u>10,864</u>	<u>49,075</u>	<u>280</u>	<u>(2,481)</u>	<u>1,039</u>	<u>73,257</u>	<u>(620)</u>	<u>-</u>	<u>-</u>	<u>(620)</u>	<u>72,637</u>
FUND BALANCE, JANUARY 1	841	24,158	88,499	42,123	8,082	399,545	563,248	1,680	-	-	1,680	564,928
FUND BALANCE, DECEMBER 31	<u>\$ 15,321</u>	<u>\$ 35,022</u>	<u>\$ 137,574</u>	<u>\$ 42,403</u>	<u>\$ 5,601</u>	<u>\$ 400,584</u>	<u>\$ 636,505</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,060</u>	<u>\$ 637,565</u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Interest	\$ 3,500	\$ 8,880	\$ 5,380
State Grant	384,313	385,212	899
TOTAL REVENUES	387,813	394,092	6,279
EXPENDITURES:			
Current:			
Public Works - Street Maintenance	388,000	379,612	8,388
TOTAL EXPENDITURES	388,000	379,612	8,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(187)	14,480	14,667
FUND BALANCE, JANUARY 1	-	841	841
FUND BALANCE, DECEMBER 31	\$ (187)	\$ 15,321	\$ 15,508

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Licenses and Permits	\$ 2,500	\$ 9,200	\$ 6,700
Interest	800	2,666	1,866
TOTAL REVENUES	3,300	11,866	8,566
EXPENDITURES:			
Current:			
Public Works - Sewer Projects	3,000	1,002	1,998
TOTAL EXPENDITURES	3,000	1,002	1,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	300	10,864	10,564
FUND BALANCE, JANUARY 1	-	24,158	24,158
FUND BALANCE, DECEMBER 31	\$ 300	\$ 35,022	\$ 34,722

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Interest	\$ 250	\$ 405	\$ 155
User Fees	17,500	18,670	1,170
TOTAL REVENUES	17,750	19,075	1,325
EXPENDITURES:			
Current:			
Public Works - Field Projects	60,000	-	60,000
TOTAL EXPENDITURES	60,000	-	60,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,250)	19,075	61,325
OTHER FINANCING SOURCES (USES):			
Transfer In	30,000	30,000	-
TOTAL OTHER FINANCING SOURCES (USES)	30,000	30,000	-
NET CHANGE IN FUND BALANCE	(12,250)	49,075	61,325
FUND BALANCE, JANUARY 1	-	88,499	88,499
FUND BALANCE, DECEMBER 31	\$ (12,250)	\$ 137,574	\$ 149,824

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2005

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
State Grants	\$ 205,978	\$ 199,137	\$ (6,841)
TOTAL REVENUES	205,978	199,137	(6,841)
EXPENDITURES:			
Current:			
Library	207,110	201,618	5,492
TOTAL EXPENDITURES	207,110	201,618	5,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,132)	(2,481)	(1,349)
FUND BALANCE, JANUARY 1	-	8,082	8,082
FUND BALANCE, DECEMBER 31	\$ (1,132)	\$ 5,601	\$ 6,733

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

DECEMBER 31, 2005

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 2,105,630
Infrastructure	1,162,482
Buildings	10,250,114
Improvements other than buildings	1,463,134
Equipment	5,316,620
Library assets	<u>895,310</u>

TOTAL CAPITAL ASSETS

\$ 21,193,290

INVESTMENT IN CAPITAL ASSETS FROM:

Acquisitions prior to January 1, 1982 (1)	\$ 6,576,448
Environmental Education Center Fund	1,722
Storm Sewer Fund	29,518
Regional Asset District Library Fund	70,630
Library Endowment Fund	545,980
Capital Projects Funds	14,810,999
General Fund	<u>(842,007)</u>

TOTAL INVESTMENT IN CAPITAL ASSETS

\$ 21,193,290

(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

YEAR ENDED DECEMBER 31, 2005

	<u>Total</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Equipment</u>	<u>Library Assets</u>
CAPITAL ASSETS AT JANUARY 1, 2005	\$ 17,276,726	\$ 2,105,630	\$ 353,177	\$ 1,162,482	\$ 6,244,820	\$ 1,463,134	\$ 5,053,963	\$ 893,520
EXPENDITURES FROM:								
General Fund	26,426	-	-	-	-	-	25,418	1,008
RAD Funds	782	-	-	-	-	-	-	782
Capital Projects Funds	3,931,522	-	(353,177)	-	4,005,294	-	279,405	-
Fixed Asset Disposals	<u>(42,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,166)</u>	<u>-</u>
CAPITAL ASSETS AT DECEMBER 31, 2005	<u>\$ 21,193,290</u>	<u>\$ 2,105,630</u>	<u>\$ -</u>	<u>\$ 1,162,482</u>	<u>\$ 10,250,114</u>	<u>\$ 1,463,134</u>	<u>\$ 5,316,620</u>	<u>\$ 895,310</u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

DECEMBER 31, 2005

Function and Activity	Total	Land	Construction in Progress	Infrastructure	Buildings	Improvements Other than Buildings	Equipment (Including Library Assets)
General government:							
Administration	\$ 5,086,080	\$ 433,630	\$ -	\$ -	\$ 4,480,889	\$ -	\$ 171,561
Finance/tax	175,888	-	-	-	-	-	175,888
TOTAL GENERAL GOVERNMENT	5,261,968	433,630	-	-	4,480,889	-	347,449
Community Development	588,436	-	-	-	-	-	588,436
Public Safety:							
Police	1,280,098	-	-	-	118,925	-	1,161,173
VFD	4,303,294	298,000	-	-	4,005,294	-	-
TOTAL PUBLIC SAFETY	5,583,392	298,000	-	-	4,124,219	-	1,161,173
Public works:							
Office	208,002	-	-	-	68,849	68,983	70,170
Highways and streets	1,162,482	-	-	1,162,482	-	-	-
Garage	3,823,504	19,920	-	-	875,330	97,088	2,831,166
TOTAL PUBLIC WORKS	5,193,988	19,920	-	1,162,482	944,179	166,071	2,901,336
Recreation and leisure services	3,670,196	1,354,080	-	-	700,827	1,297,063	318,226
Library	895,310	-	-	-	-	-	895,310
TOTAL CAPITAL ASSETS	\$ 21,193,290	\$ 2,105,630	\$ -	\$ 1,162,482	\$ 10,250,114	\$ 1,463,134	\$ 6,211,930

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

YEAR ENDED DECEMBER 31, 2005

<u>Function and Activity</u>	<u>Capital Assets January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets December 31, 2005</u>
General government:				
Administration	\$ 5,068,869	\$ 17,211	\$ -	\$ 5,086,080
Finance/tax	175,888	-	-	175,888
TOTAL GENERAL GOVERNMENT	<u>5,244,757</u>	<u>17,211</u>	<u>-</u>	<u>5,261,968</u>
Community Development	<u>587,367</u>	<u>1,069</u>	<u>-</u>	<u>588,436</u>
Public Safety:				
Police	1,189,904	90,194	-	1,280,098
VFD	651,177	3,652,117	-	4,303,294
TOTAL PUBLIC SAFETY	<u>1,841,081</u>	<u>3,742,311</u>	<u>-</u>	<u>5,583,392</u>
Public works:				
Office	206,904	1,098	-	208,002
Highways and streets	1,162,482	-	-	1,162,482
Garage	3,684,603	181,067	(42,166)	3,823,504
TOTAL PUBLIC WORKS	<u>5,053,989</u>	<u>182,165</u>	<u>(42,166)</u>	<u>5,193,988</u>
Recreation and leisure services	<u>3,656,012</u>	<u>14,184</u>	<u>-</u>	<u>3,670,196</u>
Library	<u>893,520</u>	<u>1,790</u>	<u>-</u>	<u>895,310</u>
TOTAL CAPITAL ASSETS	<u>\$ 17,276,726</u>	<u>\$ 3,958,730</u>	<u>\$ (42,166)</u>	<u>\$ 21,193,290</u>

STATISTICAL SECTION

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUND TYPES

1996-2005

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Community Development</u>	<u>Public Works and Services</u>	<u>Recreation and Leisure Services</u>	<u>Library</u>	<u>General Capital Improvements</u>	<u>Debt Service and Lease Rental Payments</u>	<u>Total</u>
1996	\$ 1,085,948	\$ 3,030,089	\$ 344,566	\$ 3,344,700	\$ 341,962	\$ 647,263	\$ 1,187,874	\$ 989,147	\$ 10,971,549
1997	1,121,878	3,049,811	367,548	3,400,231	366,576	743,111	1,250,070	867,228	11,166,453
1998	996,122	3,277,555	391,723	3,451,637	377,082	729,015	478,318	932,061	10,633,513
1999	1,094,462	3,342,190	376,341	3,545,906	373,782	767,257	830,159	874,364	11,204,461
2000	1,220,090	3,067,378	418,717	3,809,476	380,652	756,304	2,127,284	845,281	12,625,182
2001	1,251,300	3,276,101	444,257	3,800,558	485,202	800,326	1,977,444	865,971	12,901,159
2002	1,362,321	3,512,079	458,742	3,952,896	514,372	775,828	1,894,199	869,855	13,340,292
2003	1,290,149	3,626,602	508,759	3,865,282	531,843	838,788	5,418,002	864,210	16,943,635
2004	1,286,119	3,738,816	489,295	4,126,208	559,886	853,078	4,862,288	1,527,602	17,443,292
2005	1,328,707	4,324,536	519,909	4,085,658	624,700	920,100	5,756,983	1,621,591	19,182,184

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

GENERAL REVENUE BY SOURCE - ALL GOVERNMENTAL FUND TYPES

1996 - 2005

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fees and Fines</u>	<u>Interest and Rents</u>	<u>Recreation Fees</u>	<u>Service Agreements</u>	<u>Other Revenues and Grants</u>	<u>Total</u>
1996	\$ 8,492,580	\$ 143,841	\$ 229,066	\$ 201,477	\$ 259,974	\$ 189,049	\$ 1,324,291	\$ 10,840,278
1997	8,694,473	105,111	213,409	195,772	281,720	180,019	1,295,825	10,966,329
1998	8,985,581	116,297	236,966	205,954	281,059	157,929	1,368,116	11,351,902
1999	8,841,618	179,969	249,549	223,689	280,165	173,624	1,386,903	11,335,517
2000	10,050,248	116,070	392,843	276,466	315,042	171,621	1,716,056	13,038,346
2001	10,330,616	138,822	321,661	220,915	341,600	231,113	1,102,025	12,686,752
2002	10,134,474	120,332	311,211	135,603	386,607	209,250	2,888,172	14,185,649
2003	10,739,361	110,377	254,596	208,205	381,839	232,096	1,259,792	13,186,266
2004	11,428,226	129,943	376,333	282,404	408,371	207,704	1,914,721	14,747,702
2005	11,940,303	146,256	341,706	446,044	410,671	240,779	1,713,660	15,239,419

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REAL ESTATE TAX LEVIES AND COLLECTIONS

1996-2005

<u>Fiscal Year</u>	<u>Adjusted Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Total Levy Collected</u>	<u>Collected at Discount</u>	<u>Percent of Total Levy at Discount</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Total Levy</u>
1996	\$3,434,942	\$3,297,943	96.0	\$3,038,500	88.5	\$ 32,578	\$3,330,521	\$ 73,144	2.1
1997	3,484,604	3,347,925	96.1	2,955,649	84.8	64,315	3,412,240	76,616	2.2
1998	3,497,482	3,373,824	96.5	2,911,107	83.2	77,522	3,451,346	68,854	2.0
1999	3,577,215	3,477,060	97.2	3,081,423	86.1	62,516	3,539,576	61,558	1.7
2000	3,656,745	3,544,061	96.9	3,258,017	89.1	72,559	3,616,620	57,171	1.6
2001	3,817,151	3,558,529	93.2	3,257,256	85.3	71,544	3,630,073	205,857	5.4
2002	3,911,973	3,670,866	93.8	3,381,385	86.4	219,276	3,890,142	181,228	4.6
2003	4,191,449	3,968,324	94.7	3,433,484	81.9	235,109	4,203,433	187,295	4.5
2004	4,226,861	4,108,258	97.2	3,701,012	87.6	205,667	4,313,925	118,603	2.8
2005	4,267,221	4,091,073	95.9	3,747,718	87.8	84,445	4,175,518	101,194	2.4

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

<u>Fiscal Year</u>	1996-2005		Ratio of Total Assessed to Estimated <u>Actual Value</u>
	(1) Assessed Value at <u>December 31</u>	(2) Estimated Actual <u>Value</u>	
1996	\$ 264,462,265	\$1,057,849,060	25
1997	265,687,490	1,062,749,960	25
1998	269,733,620	1,078,934,480	25
1999	276,116,645	1,104,466,580	25
2000	282,615,435	1,130,461,740	25
2001	1,411,612,925	1,411,612,925	100
2002	1,634,203,390	1,634,203,390	100
2003	1,603,927,301	1,603,927,301	100
2004	1,614,770,740	1,614,770,740	100
2005	1,634,938,240	1,634,938,240	100

(1) Assessed property value is determined by the Allegheny County Assessment Office.

(2) Estimated actual value is computed based on the assessed value and the assessment ratio as determined by the Allegheny County Assessment Office.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REAL ESTATE TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$1,000 OF ASSESSED VALUE)

1996-2005

<u>Fiscal Year</u>	<u>Tax Rates</u>				<u>Assessed Valuation as of December 31</u>
	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>	
1996	13.000	92.000	26.500	131.500	\$ 264,462,265
1997	13.000	92.000	26.500	131.500	265,687,490
1998	13.000	94.000	25.200	132.200	269,733,620
1999	13.000	97.500	25.200	135.700	276,116,645
2000	13.000	100.500	25.200	138.700	282,615,435
2001	2.690	21.110	4.720	28.520	1,411,612,925
2002	2.440	18.690	4.690	25.820	1,634,203,390
2003	2.600	20.260	4.690	27.550	1,603,927,301
2004	2.600	21.780	4.690	29.070	1,614,770,740
2005	2.600	22.450	4.690	29.740	1,634,938,240

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PERCENT OF NET BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

1996-2005

<u>Year</u>	<u>Population</u>	<u>Assessed Value as of December 31</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt To Assessed Value</u>	<u>Debt Per Capita</u>
1996	19,692 (1)	\$ 264,462,265	\$ 6,815,000	\$ 26,511	\$ 6,788,489	2.57	\$ 344.73
1997		265,687,490	6,252,000	27,248	6,224,752	2.34	316.11
1998		269,733,620	5,863,000	27,593	5,835,407	2.16	296.33
1999		276,116,645	5,233,000	27,898	5,205,102	1.89	264.33
2000	20,053 (2)	282,615,435	4,572,000	27,815	4,544,185	1.61	226.61
2001		1,411,612,925	3,885,000	28,160	3,856,840	.27	192.33
2002		1,634,203,390	3,168,000	29,585	3,138,415	.19	156.51
2003		1,603,927,301	21,134,000	2,280	21,131,720	1.32	1,053.79
2004		1,614,770,740	20,364,000	1,680	20,362,320	1.26	1,015.42
2005		1,634,938,240	19,501,900	1,060	19,500,840	1.19	972.46

(1) Official U.S. Census, 1990

(2) Official U.S. Census, 2000

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA
 COMPUTATION OF NON-ELECTORIAL DEBT MARGIN
 DECEMBER 31, 2005

FORMULA FOR DEBT LIMIT:

Total net revenues (2003-2005)		\$ 43,173,387
Three-year average (borrowing base)		14,391,129
Multiplier		<u>250%</u>
 TOTAL NON-ELECTORIAL DEBT LIMIT		 <u>35,977,822</u>

AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT:

Non-electorial general obligation bonds and note		19,448,900
Less: 2003 general obligation bonds to be repaid from Sanitary Sewer Fund		(7,325,000)
Non-electorial Revenue bonds		<u>53,000</u>
 TOTAL INDEBTEDNESS		 <u>12,176,900</u>
 TOTAL DEBT MARGIN		 <u>\$ 23,800,922</u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2005

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Township of Upper St. Clair</u>	<u>Amount Applicable to Township of Upper St. Clair</u>
Direct:			
Township of Upper St. Clair	\$ 19,448,900	100%	\$ 19,448,900
Upper St. Clair Municipal Authority	<u>53,000</u>	<u>100%</u>	<u>53,000</u>
Total Direct Debt	<u>19,501,900</u>	<u>100%</u>	<u>19,501,900</u>
Overlapping:			
Upper St. Clair School District	66,809,000	100%	66,809,000
Allegheny County and Institutional District	<u>603,336,304¹</u>	2.94% ²	<u>17,738,087</u>
Total Overlapping Debt	<u>670,145,304</u>		<u>84,547,087</u>
Total Debt	<u>\$689,647,204</u>		<u>\$ 104,048,987</u>

¹ Total Allegheny County Debt per Allegheny County Controller's Office.

² Percentage is based on the ratio of the Township's 2005 assessed valuation to Allegheny County's 2005 assessed valuation

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES
 1996-2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service on Direct Bonded Debt</u>	<u>Total General Government Expenditures</u>	<u>Percent of Debt Service on Direct Bonded Debt to General Government Expenditures</u>
1996	\$ 665,000	\$ 324,147	\$ 989,147	\$ 10,971,549	9.02
1997	563,000	304,228	867,228	11,166,453	7.77
1998	584,000	284,408	868,408	10,633,513	8.17
1999	630,000	244,364	874,364	11,204,461	7.80
2000	661,000	184,281	845,281	12,620,018	6.70
2001	660,000	171,091	831,091	12,901,159	6.44
2002	690,000	146,055	836,055	13,340,292	6.26
2003	710,000	119,490	829,490	16,943,635	4.89
2004	740,000	753,042	1,493,042	17,443,292	8.56
2005	1,075,000	512,231	1,587,231	19,182,184	8.27

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA
 CONSTRUCTION COSTS AND PROPERTY VALUES
 1996-2005

Fiscal Year	<u>Single Family Residential Construction</u>		<u>Multi-Family Residential Construction</u>		<u>Commercial Construction</u>		<u>Assessed Property Values (1)</u>			
	<u>Number of Units</u>	<u>Estimated Cost</u>	<u>Number of Units</u>	<u>Estimated Cost</u>	<u>Number of Units</u>	<u>Estimated Cost</u>	<u>Total Non-commercial and Commercial</u>	<u>Non-Commercial</u>	<u>Commercial</u>	<u>Exempt</u>
1996	32	\$ 7,681,961	-	-	2	\$ 543,429	\$ 264,462,265	\$ 227,535,340	\$ 36,926,925	\$ 9,665,455
1997	30	6,507,500	-	-	-	-	265,687,490	228,712,720	36,974,770	9,467,555
1998	21	5,541,850	10	4,000,000	2	514,238	269,733,620	232,270,605	37,463,015	10,917,087
1999	39	9,106,562	2	3,073,000	-	-	276,116,645	238,445,390	37,671,255	10,997,300
2000	32	8,572,056	-	-	1	47,125	282,615,435	243,546,675	39,068,760	11,348,520
2001	36	9,876,441	-	-	1	863,000	1,411,612,925	1,212,419,200	199,193,725	80,970,984
2002	26	8,990,500	-	-	1	2,900,000	1,634,203,390	1,412,287,690	221,915,700	82,815,700
2003	25	7,792,500	-	-	1	1,000,000	1,603,927,301	1,400,190,480	203,736,821	81,839,750
2004	28	10,007,453	1	5,200,000	3	4,459,300	1,614,770,740	1,404,621,440	210,149,300	76,733,856
2005	18	6,159,500	-	-	4	2,234,000	1,634,938,240	1,406,225,140	228,713,100	90,602,086

(1) Assessed Valuation per Allegheny County Property Assessment Appeals and Review.

Note: Bank deposit information applicable to the Township is not available as there are no banks located within the Township.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PRINCIPAL REAL ESTATE TAXPAYERS

DECEMBER 31, 2005

<u>Taxpayer</u>	<u>Type of Real Estate</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1. South Hills Village Associates	South Hills Village Regional Shopping Mall	\$77,257,050	4.73
2. Friendship Village of South Hills	Retirement Village	29,705,500	1.82
3. May Centers Associates Corp.	Kaufmann's Department Store	13,900,000	.85
4. Corvus Pittsburgh Interests I	Corporate Headquarters	13,700,000	.84
5. Summerfield Village Associates	Summerfield Commons Office Complex	6,886,700	.42
6. McMurray Road Family Limited PTR	Retired Living Complex	6,065,900	.37
7. St. Clair Country Club	Country Club	5,850,600	.36
8. Upper St. Clair Senior Living	Assisted Living Complex	3,677,600	.22
9. Southwood Psychiatric Hospital	Medical Facility	2,900,000	.18
10. Painters Plaza Associates	Commercial Office Complex	<u>2,841,000</u>	<u>.17</u>
	Totals	<u>\$162,784,350</u>	<u>9.96</u>

Source: Allegheny County Assessment Duplicate Books

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

DEMOGRAPHIC INFORMATION

1970 AND 2005

Upper St. Clair's proximity to Pittsburgh and wide range of services offered attracts many corporate executives and young professionals. Since the 1960's the Township has grown rapidly into a highly desirable suburban residential area.

	<u>1970</u>	<u>2005</u>
(1) Population	15,471	20,053
(1) Estimated elderly population (percent of total)	5.2%	16.4%
(3) School enrollment	5,100	4,148
(1) Years of schooling	14+	14+

Unemployment rates and like figures for the Pittsburgh area are not applicable to Upper St. Clair, due to its primarily residential nature.

Additional information related to community composition is presented below:

	<u>1970</u>	<u>2005</u>
(1) Housing units	4,290	7,224
(2) Area (approximately)	10 sq. miles	10 sq. miles
(2) Percentage developed	62%	70%

Data Sources:

- (1) U.S. Census of 1970, U.S. Census of 2000.
- (2) Upper St. Clair Department of Community Development.
- (3) Upper St. Clair School District.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MISCELLANEOUS STATISTICAL INFORMATION

History

The area known as "Upper St. Clair" can trace its origins in recorded history back to the mid-eighteenth century when the first known settler, a Scotsman named John Fife, arrived from Virginia in 1762. At that time, the land was a part of Yohogania County, District of West Augusta, Virginia, which was finally settled in 1784, with the area now known as "Upper St. Clair" being placed in Peters Township, Washington County, Pennsylvania. In 1788, Allegheny County was formed from parts of Washington and Westmoreland Counties and was divided into seven townships, one of which was called St. Clair. The Township was divided into two parts, Upper and Lower St. Clair in 1839; the latter is now fully within the Pittsburgh City limits. Two more townships were formed from the original township - Snowden Township in 1845 and Scott Township in 1861. The Borough of Bridgeville was separated in 1902.

The Township was named for Arthur St. Clair, a Scotsman, who settled in the Ligonier Valley in 1760. St. Clair had served in the British Army prior to settling in Pennsylvania. In the course of his public life, he served as land agent of the Penns, as a county official in Bedford and Washington Counties and as a representative for Pennsylvania in the United States Continental Congress, including a year as its President in 1787. He was commander of the army that was defeated by Indians of the Northwest in 1791 and was Governor of the Northwest Territory from 1788 until 1802.

Upper St. Clair's most rapid growth occurred during the 1950s and 1960s with its recognition as a most desirable residential community within practical commuting distance to the City of Pittsburgh.

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.

Municipal Government

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 (4) years. It is this Board of Commissioners which 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MISCELLANEOUS STATISTICAL INFORMATION

(Continued)

The principal duties and responsibilities of the Township Manager, as prescribed in the Home Rule Charter, include the following: to appoint, suspend or remove all Township employees, except as otherwise provided by law or the Home Rule Charter; direction and supervision of the Finance and tax collection office; direction and supervision of all operating departments; preparation of the annual budget and an annual financial report to the Commissioners; the signing of papers, contracts, obligations and documents on behalf of the Township as required by law; preservation of order in the Township and enforcement of its ordinances and regulations; official representation of the Township to other governmental organizations and agencies.

Boards of Commissions

The Township is organized into seven departments under the direction of the Township Manager. The departments include Administration, Finance, Public Works, Parks and Recreation, Police, Community Development and Library. Each department head is managed by the Director who is supervised by the Township Manager.

An important role in the governmental process is played by the many Citizens Boards and Commissions appointed by the Board of Commissioners. These Boards specialize in selected types of problems and serve as advisors to the elected Board of Commissioners. Active Boards and Commissions are:

Civil Service Board	3 members	3 year terms
Library Board	5 members	3 year terms
Planning Commission	7 members	4 year terms
Recreation and Leisure Services Board	7 members	3 year terms
Zoning Hearing Board	3 members	3 year terms
Building and Fire Codes Appeals and Advisory Board	3 members	3 year terms
Cable Commission	3 members	