

***Township of Upper St. Clair
Pennsylvania***



**Comprehensive Annual Financial Report
Year Ended December 31, 2006**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2006

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August 23, 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, 2006, 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, 2006 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, 2006, 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 require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to

complement the MD&A and should be read in conjunction with it. The Township's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The Township of Upper St. Clair was incorporated in 1788 as one of the original seven townships of Allegheny County located in southwestern Pennsylvania. In January 1954, Upper St. Clair was designated a First Class Township of the Commonwealth of Pennsylvania. On January 1, 1976, Upper St. Clair officially became a Home Rule Community when its Home Rule Charter went into effect. The Township currently occupies a land area of 10 square miles and serves a population 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 49.

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 Board of Commissioners has adopted the Boyce/Mayview Park Master Plan. A architectural, fee structure and tax impact studies have been completed to build a community recreation center with an indoor and outdoor aquatic park on the property at a cost of approximately \$27,500,000. Bid proposals are expected to be awarded in November, 2007 with the project scheduled for completion in February, 2009.

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), and 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 4.99 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.

Due to some serious injuries in the Police Department, the Township's workers' compensation experience modification factor increased from .796 in 2005 to .989 in 2006. Premiums have been stable over the past three years but will be rising due to the rise in the 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 2006, the Plans generated net investment earnings of \$1,726,858 on an average combined fund balance of \$15,037,042. This represents a 11.5% 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, 2005. This was the eighteenth 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 should 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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CERTIFICATE OF ACHIEVEMENT

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Township of Upper St. Clair
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



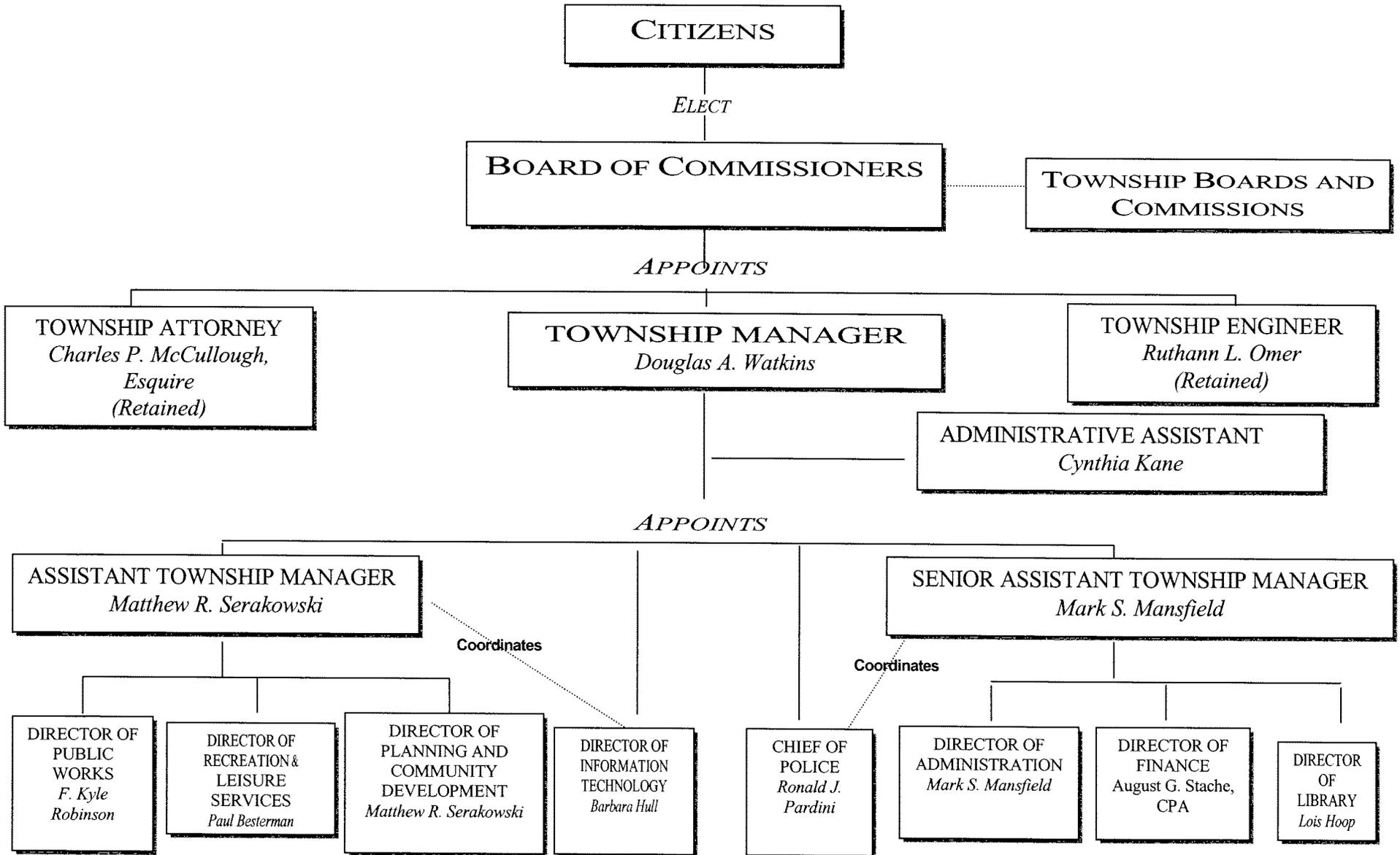
A handwritten signature in black ink, appearing to read "Ronald P. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

Township of Upper St. Clair
ORGANIZATION CHART



FINANCIAL SECTION

MAHER DUESSEL
CERTIFIED PUBLIC ACCOUNTANTS

THREE GATEWAY CENTER - SIX WEST
PITTSBURGH, PA 15222

(412) 471-5500
FAX (412) 471-5508

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, 2006, 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, 2006, 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.

Pittsburgh, Pennsylvania
August 23, 2007

UPPER ST. CLAIR TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

December 31, 2006

Our discussion and analysis of Upper St. Clair Township's (Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2006. This information should be reviewed in conjunction with the Township's financial statements that begin on page 1.

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

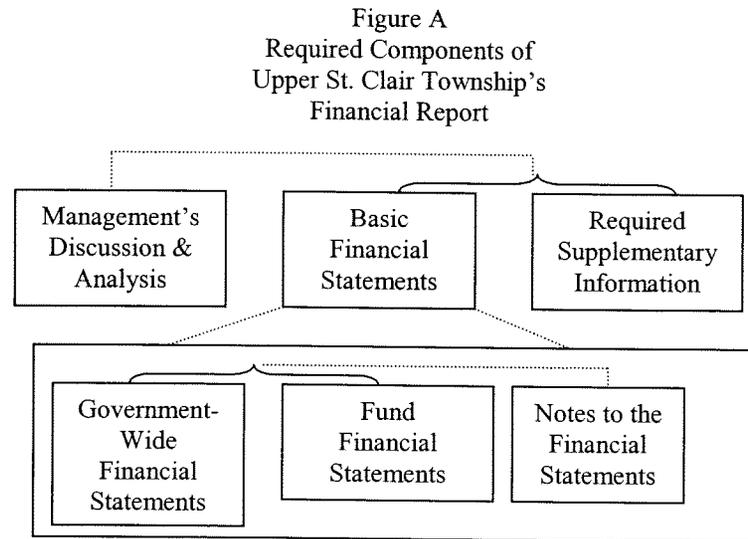
FINANCIAL HIGHLIGHTS

During the year of 2006, Upper St. Clair Township's real estate tax collections increased modestly by \$26,687, but the Township realized a 14.2% or \$867,645 increase in its earned income tax collections which was due to the continuing favorable economic conditions of the local area. These revenue sources were anticipated in the 2006 Operating Budget and were used to offset the escalating personnel costs of the Township workforce and to purchase additional capital equipment for the Public Works Department. Also, the Township refinanced a portion of its Series 2003 Bonds due to favorable interest rates saving the Township approximately \$200,000 in future debt service payments.

USING THE BASIC FINANCIAL STATEMENT REPORT

This Basic Financial Statement Report consists of a transmittal letter and a Financial Section. Within the Financial Section are the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. The Statement of Net Assets and Statement of Activities, on pages 1 and 2 respectively, provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund Financial Statements, which start on page 3, provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at the Township's most significant funds with all other non-major funds presented in total in one column. For Upper St. Clair Township, the General Fund is the most significant fund. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

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



Reporting the Township as a Whole

Government-wide Statements

While the Fund Financial Statements beginning on page 3 contain the majority of funds used by the Township to provide programs and activities, the Statement of Net Assets and the Statement of Activities answer the question, “How did we do financially during 2006?” These statements, beginning on page 1, include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Township's Most Significant Funds

Fund Financial Statements

Fund financial statements, which begin on page 3, provide detailed information about the most significant funds – not the Township as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's services. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reflected in a reconciliation after each fund statement on pages 4 and 7.

Proprietary fund – This fund is used to account for the Township's activities that are similar to business operations in the private sector. A significant portion of funding is from user charges. When the Township charges for services it provides – whether to outside customers or to other units in the Township – these services are generally reported in proprietary funds. The Sanitary Sewer Fund and the Township/School District Magazine Fund are the Township's proprietary funds and use the same basis of accounting as business-type activities. Therefore, these statements are the same as the business-type activities discussed above.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's total net assets were \$10,886,755 and \$9,809,901 at December 31, 2006 and December 31, 2005, respectively.

Table 1
Year Ended December 31
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 9,459,047	\$ 10,491,706	\$ 1,337,233	\$ 3,637,080	\$ 10,796,280	\$ 14,128,786
Capital assets	13,134,621	11,844,037	6,451,179	4,605,985	19,585,800	16,450,022
Total Assets	\$ 22,593,668	\$ 22,335,743	\$ 7,788,412	\$ 8,243,065	\$ 30,382,080	\$ 30,578,808
Current and other liabilities	\$ 1,353,386	\$ 1,123,278	\$ 3,021	\$ 387,504	1,356,407	1,510,782
Long-term liabilities:						
Due within one year	365,066	1,172,239	155,000	150,000	520,066	1,322,239
Due in more than one year	10,598,852	10,760,886	7,020,000	7,175,000	17,618,852	17,935,886
Total Liabilities	\$ 12,317,304	\$ 13,056,403	\$ 7,178,021	\$ 7,712,504	\$ 19,495,325	\$ 20,768,907
Net Assets:						
Invested in Capital Assets, net of related debt	\$ 2,642,610	\$ 2,904,677	\$ (666,272)	\$ (611,219)	\$ 1,976,338	\$ 2,293,458
Unrestricted	7,633,754	6,374,663	1,276,663	1,141,780	8,910,417	7,516,443
Total Net Assets	10,276,364	9,279,340	610,391	530,561	10,886,755	9,809,901
Total Liabilities and Net Assets	\$ 22,593,668	\$ 22,335,743	\$ 7,788,412	\$ 8,243,065	\$ 30,382,080	\$ 30,578,808

Part of the Township's net assets is invested in capital assets (infrastructure, land, buildings, and equipment). The remaining unrestricted net assets (\$8,910,417) may be used to meet the Township's ongoing obligations to citizens and creditors.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, and revenues that directly relate to specific expense categories are presented to determine the final amount of the Township's activities that are supported by other general revenues. The four largest general revenues are listed in Table 2.

Table 2
Year Ended December 31

	2006	2005
Property taxes, levied for general purposes	\$ 4,184,809	\$ 4,158,122
Earned income taxes, levied for general purposes	6,983,270	6,115,625
Emergency & Municipal Services	330,513	328,868
Other taxes	1,401,236	1,323,898

The 2006 financial statements offer a view of the financial condition of the Township on a consolidated basis. For example, investment earnings (Statement of Activities, page 2) not only include interest earnings in the General Fund, but also interest earnings in the 2003 Capital Projects Fund, the regular Capital Projects Fund, and all other Governmental Funds. Table 3 summarizes total revenues for the current year, with comparative data from 2005.

Table 3
Year Ended December 31
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2005	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 1,024,103	\$ 981,248	\$ 3,396,757	\$ 4,303,830	\$ 4,420,860	\$ 5,285,078
Operating grants and contributions	1,448,014	1,044,725	-	-	1,448,014	1,044,725
Capital grants and contributions	132,707	562,053	-	-	132,707	562,053
General Revenues:						
Property taxes	4,184,809	4,158,122	-	-	4,184,809	4,158,122
Earned income taxes	6,983,270	6,115,625	-	-	6,983,270	6,115,625
Emergency Services taxes	330,513	328,868	-	-	330,513	328,868
Other taxes	1,401,236	1,323,898	-	-	1,401,236	1,323,898
Franchise fees	253,936	238,873	-	-	253,936	238,873
Investment earnings	338,685	382,375	68,380	29,271	407,065	411,646
Miscellaneous	77,504	89,842	-	-	77,504	89,842
Transfers	-	1,701,357	-	(1,701,357)	-	-
Total Revenues	16,174,777	16,926,986	3,465,137	2,631,744	19,639,914	19,558,730

Table 3 (Continued)
Year Ended December 31
Changes in Net Assets

Expenses:	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
General government	1,833,720	1,640,270	-	-	1,833,720	1,640,270
Public safety	4,999,484	3,922,335	-	-	4,999,484	3,922,335
Public works	5,665,332	6,151,707	-	-	5,665,332	6,151,707
Community Development	613,142	545,702	-	-	613,142	545,702
Recreation and leisure services	786,192	733,599	-	-	786,192	733,599
Library Services	897,351	948,335	-	-	897,351	948,335
Interest on long-term debt	382,532	517,891	-	-	382,532	517,891
Sanitary Sewer	-	-	3,199,555	3,312,632	3,199,555	3,312,632
Magazine	-	-	185,752	186,645	185,752	186,645
Total Expenses	15,177,753	14,459,839	3,385,307	3,499,277	18,563,060	17,959,116
Changes in Net Assets	\$ 997,024	\$ 2,467,147	\$ 79,830	\$ (867,533)	\$ 1,076,854	\$ 1,599,614

The tables below present the expenses of the Governmental Activities of the Township.

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

Table 4
Year Ended December 31, 2006
Governmental Activities

Functions/Programs:	Total Cost of Services	Net Cost of Services
General government	\$ 1,833,720	\$ 1,402,170
Public safety	4,999,484	4,690,523
Public works	5,665,332	4,848,469
Community development	613,142	613,142
Recreation and leisure services	786,192	125,830
Library services	897,351	510,263
Interest on long-term debt	382,532	382,532
Total Expenses	\$ 15,177,753	\$ 12,572,929
Total required from local taxes and other revenues		\$ 12,572,929

The dependence upon local tax revenues for governmental activities is apparent. The Township had expenses for governmental activities of \$15.2 million while only \$2.6 million has been provided by the State and program specific charges. The Township must finance \$12.6 million of expenses, which must be covered by tax assessments and other revenues. Approximately 83 percent of all government activities are supported through taxes and other general revenues. The community, as a whole, is the primary support for Upper St. Clair Township's services for its citizens.

Business-Type Activity

The business-type activities of the Township are the Sanitary Sewer and the Township/School District Magazine operations. The Sanitary Sewer and the Township/School District Magazine operations had revenues of \$3.2 and \$.19 million, respectively, and expenses of \$3.2 and \$.2 million, respectively, for 2006. The excess of revenues over expenses in the Sanitary Sewer Fund added to the balance of unrestricted net assets.

THE TOWNSHIP'S FUNDS

The General Fund, which accounts for the Township's operations, represents the Township's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds on page 5 are summarized in Table 5. The significant decrease in the other governmental funds was due, in large part, to the expenditure of the 2003 bond proceeds for construction of the new ball fields at Boyce/Mayview Park.

Table 5
Year Ended December 31, 2006
Summary of Governmental Change in Fund Balance

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Beginning fund balance	\$ 3,061,280	\$ 5,130,770	\$ 8,192,050
Net change fund balance	1,613	(1,666,705)	(1,665,092)
Ending fund balance	<u>\$ 3,062,893</u>	<u>\$ 3,464,065</u>	<u>\$ 6,526,958</u>

General Fund Budgetary Highlights

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

During the year, the Board of Commissioners (the Board) can authorize revisions to the original budget to accommodate differences between the original budget and the actual expenditures of the Township. The budgeting system is designed with internal controls that assign responsibility for each Township Department's budget to the managing Department Head with overall responsibility assigned to the Township Manager. The Department Heads are each responsible for their individual areas.

For the General Fund, revenues exceeded budgeted amounts by approximately \$847,000. This amount is the net result of tax revenue, licenses and permits, fines, interest on investments, service agreements, and other revenue and grant estimates being exceeded; while there were decreases experienced in real estate taxes, rents and recreation fees. Expenditures were under appropriations by approximately \$432,000; thus, with this combination, the Township Manager authorized an additional operating transfer from the General Fund to the Regular Capital Projects Fund to finance future capital needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS (See Note 5)

At December 31, 2006, the Township's Governmental Activities had \$13,134,621 invested in a broad range of capital assets, including land, site improvements, buildings, equipment, and vehicles. This amount represents a net increase (including additions, deletions, and depreciation) of \$1,290,584, or 11% from last year. The primary increase in capital assets is a result of construction in progress on the new ball fields at Boyce/Mayview Park and equipment acquired.

The Township's Business Activities had infrastructure of \$6,300,149 and \$151,030 invested in vehicles and equipment on December 31, 2006. The amount of the infrastructure was due to the completion of the construction in progress from 2005; while the equipment amount includes depreciation during the year that totaled \$39,065 for a decrease of 20.5% from the prior year.

Table 6
Governmental and Business-type Activities
Year Ended December 31
Capital Assets - Net of Depreciation (when applicable)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 2,105,630	\$ 2,105,630	\$ -	\$ -
Construction in progress	1,517,908	-	-	4,415,890
Infrastructure	1,115,982	1,139,232	6,300,149	-
Buildings	5,398,311	5,652,189	-	-
Improvements other than buildings	705,549	742,127	-	-
Equipment	2,230,159	2,192,541	151,030	190,095
Library assets	61,082	12,318	-	-
	<u>\$ 13,134,621</u>	<u>\$ 11,844,037</u>	<u>\$ 6,451,179</u>	<u>\$ 4,605,985</u>

DEBT ADMINISTRATION

The Township had total outstanding bond and note principal of \$18.65 million and \$19.5 million as of December 31, 2006 and December 31, 2005, respectively. More detailed information about our long-term liabilities is included in Notes 7 and 8 to the financial statements on pages 39-43.

**Table 7
Year Ended December 31
General Obligation Bonds**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Series of 1998-Bonds	\$ -	\$ 805,000	\$ -	\$ -
Series of 2003-Bonds	5,570,000	10,925,000	2690000	7325000
Series of 2005-Notes	374,661	393,900	-	-
Series of 2006-Bonds	5,315,000	-	4680000	-
MATUSC Revenue Bonds	20,000	53,000	-	-
	<u>\$ 11,279,661</u>	<u>\$ 12,176,900</u>	<u>\$ 7,370,000</u>	<u>\$ 7,325,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for 2007 is \$1.21 million higher than the original budget for 2006. This represents a 6.07% increase in budgeted revenues. This increase in revenues is due to the combination of earned income taxes and sanitary sewer fees budgeted to increase while other revenue sources remained flat from 2006. Budgeted expenditures increased due to contracted personnel cost increases and ALCOSAN sewage treatment fee increases. The Township Commissioners adopted a General Fund Budget that increased by 5.64% in expenditures and other governmental funds were budgeted to remain consistent with 2006 appropriations.

The comparison of revenue and expenditure categories is as follows:

Table 8

Budgeted Revenues (Original Budget)

	2007	2006
Local	\$ 18,736,586	\$ 17,353,630
State	992,445	949,945
Fund reserve	1,482,551	1,693,243
	<u>\$ 21,211,582</u>	<u>\$ 19,996,818</u>

Table 8

Budgeted Expenditures (Original Budget)

	<u>2007</u>	<u>2006</u>
General government	\$ 1,689,697	\$ 1,640,022
Public safety	4,565,703	4,235,301
Public works	9,098,670	8,431,055
Community development	572,312	553,690
Recreation and leisure services	1,182,477	960,323
Library services	986,951	910,251
Debt/fund transfer/reserve	3,115,772	3,266,176
	<u>\$ 21,211,582</u>	<u>\$ 19,996,818</u>

Upper St. Clair Township has committed itself to excellence in the delivery of essential governmental services and quality financial reporting for its taxpayers and residents.

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board of Commissioners and Township Staff's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact August G. Stache, Jr., Director of Finance, 1820 McLaughlin Run Road, Upper St. Clair, PA 15241, 412-831-9000, ext. 213, or by email at stache@twpusc.org.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

<u>Assets</u>	Primary Government		<u>Total</u>
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 5,467,009	\$ 762,311	\$ 6,229,320
Receivables, net	3,277,499	486,569	3,764,068
Internal balances	(87,953)	87,953	-
Due from other governmental agencies	97,700	-	97,700
Prepaid assets	147,241	400	147,641
Deferred bond issue costs	182,890	-	182,890
Investment in Tri-Community EMS	374,661	-	374,661
Capital assets, non-depreciable	3,623,538	-	3,623,538
Capital assets, net of accumulated depreciation	8,395,101	6,451,179	14,846,280
Infrastructure assets, net of accumulated depreciation	1,115,982	-	1,115,982
Total Assets	22,593,668	7,788,412	30,382,080
Liabilities			
Accounts payable and accrued expenses	561,775	3,021	564,796
Accrued interest payable	93,590	-	93,590
Unearned revenue	6,000	-	6,000
Refundable deposits	692,021	-	692,021
Bonds and notes payable:			
Due within one year	365,066	155,000	520,066
Due in more than one year	10,598,852	7,020,000	17,618,852
Total Liabilities	12,317,304	7,178,021	19,495,325
Net Assets			
Invested in capital assets, net of related debt	2,642,610	(666,272)	1,976,338
Unrestricted	7,633,754	1,276,663	8,910,417
Total Net Assets	\$ 10,276,364	\$ 610,391	\$ 10,886,755

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, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total			
Primary government:							
Governmental activities:							
General government	\$ 1,833,720	\$ 296,970	\$ 134,580	\$ -	\$ (1,402,170)	\$ -	\$ (1,402,170)
Public safety	4,999,484	114,112	194,849	-	(4,690,523)	-	(4,690,523)
Public works	5,665,332	202,279	481,877	132,707	(4,848,469)	-	(4,848,469)
Community development	613,142	-	-	-	(613,142)	-	(613,142)
Recreation and leisure services	786,192	379,872	280,490	-	(125,830)	-	(125,830)
Library services	897,351	30,870	356,218	-	(510,263)	-	(510,263)
Interest on long-term debt	382,532	-	-	-	(382,532)	-	(382,532)
Total governmental activities	15,177,753	1,024,103	1,448,014	132,707	(12,572,929)	-	(12,572,929)
Business-type activities:							
Sanitary sewer	3,199,555	3,194,703	-	-	-	(4,852)	(4,852)
Magazine	185,752	202,054	-	-	-	16,302	16,302
Total business-type activities	3,385,307	3,396,757	-	-	-	11,450	11,450
Total primary government	\$ 18,563,060	\$ 4,420,860	\$ 1,448,014	\$ 132,707	(12,572,929)	11,450	(12,561,479)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					4,184,809	-	4,184,809
Earned income taxes, levied for general purposes					6,983,270	-	6,983,270
Emergency & Municipal Services					330,513	-	330,513
Other taxes					1,401,236	-	1,401,236
Franchise fees					253,936	-	253,936
Unrestricted investment earnings					338,685	68,380	407,065
Miscellaneous					77,504	-	77,504
Total general revenues					13,569,953	68,380	13,638,333
Change in net assets					997,024	79,830	1,076,854
Net assets - beginning					9,279,340	530,561	9,809,901
Net assets - ending					\$ 10,276,364	\$ 610,391	\$ 10,886,755

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, 2006

	General Fund	Capital Projects Fund 2003	Capital Projects Fund - Regular	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 3,497,202	\$ 97,246	\$ 1,158,324	\$ 714,237	\$ 5,467,009
Taxes receivable:					
Real estate taxes	110,304	-	-	-	110,304
Earned income taxes	2,572,867	-	-	-	2,572,867
Accounts receivable (Net of allowance for uncollectible accounts)	594,328	-	-	-	594,328
Due from other funds	408,369	338,140	1,813,336	152,840	2,712,685
Due from fiduciary funds	76,296	-	-	-	76,296
Due from emergency medical service	21,404	-	-	-	21,404
Prepays	147,241	-	-	-	147,241
TOTAL ASSETS	\$ 7,428,011	\$ 435,386	\$ 2,971,660	\$ 867,077	\$ 11,702,134
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 426,628	\$ -	\$ -	\$ -	\$ 426,628
Due to other funds	1,996,580	329,623	338,140	136,295	2,800,638
Refundable deposits	692,021	-	-	-	692,021
Accrued payroll and related taxes	135,147	-	-	-	135,147
Deferred revenues	1,114,742	-	6,000	-	1,120,742
TOTAL LIABILITIES	4,365,118	329,623	344,140	136,295	5,175,176
Fund Balance:					
Reserved for prepaid items	147,241	-	-	-	147,241
Reserved for capital projects	-	105,763	-	-	105,763
Unreserved, reported in:					
General Fund	2,915,652	-	-	-	2,915,652
Special Revenue Funds	-	-	-	730,782	730,782
Capital Projects Funds	-	-	2,627,520	-	2,627,520
TOTAL FUND BALANCE	3,062,893	105,763	2,627,520	730,782	6,526,958
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,428,011	\$ 435,386	\$ 2,971,660	\$ 867,077	\$ 11,702,134

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, 2006

Total Fund Balance - Governmental Funds		\$ 6,526,958
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.		13,134,621
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.		1,114,742
The Township's investment in Tri-Community EMS' is recorded as an asset on the statement of net assets.		374,661
Government funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized on the statement of activities.		182,890
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 \$ (10,963,918)	
	Accrued interest payable <u>(93,590)</u>	<u>(11,057,508)</u>
Total Net Assets - Governmental Activities		<u>\$ 10,276,364</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, 2006

	General Fund	Capital Projects Fund 2003	Capital Projects Fund - Regular	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real Estate Taxes	\$ 4,166,460	\$ -	\$ -	\$ -	\$ 4,166,460
Earned Income Taxes	6,742,917	-	-	-	6,742,917
Other Taxes	1,731,749	-	-	-	1,731,749
Licenses and Permits	133,045	-	-	29,100	162,145
Fees and Fines	357,975	-	-	19,180	377,155
Rents	65,675	-	-	-	65,675
Interest	144,662	120,409	36,369	37,245	338,685
Service Agreements	272,172	-	-	-	272,172
Other Revenue and Grants	628,942	-	137,582	912,721	1,679,245
Recreation Fees	379,872	-	-	-	379,872
TOTAL REVENUES	14,623,469	120,409	173,951	998,246	15,916,075
EXPENDITURES:					
Current:					
General Government	1,452,361	-	-	7,713	1,460,074
Community Development	534,397	-	-	-	534,397
Public Safety	4,196,306	-	-	-	4,196,306
Public Works	4,058,268	-	-	443,336	4,501,604
Recreation and Leisure Services	630,198	-	-	276,057	906,255
Library Services	724,076	-	-	206,863	930,939
Capital Outlay:					
General Government	-	-	271,372	-	271,372
Community Development	-	-	59,300	-	59,300
Public Safety	-	54,762	670,598	-	725,360
Public Works	-	1,555,396	944,802	-	2,500,198
Debt Service:					
Principal Retirement	-	-	-	1,153,000	1,153,000
Interest	-	-	-	389,051	389,051
TOTAL EXPENDITURES	11,595,606	1,610,158	1,946,072	2,476,020	17,627,856
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,027,863	(1,489,749)	(1,772,121)	(1,477,774)	(1,711,781)

(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, 2006

(Continued)

	General Fund	Capital Projects Fund 2003	Capital Projects Fund - Regular	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding bonds	-	-	5,315,000	-	5,315,000
Bond issuance costs	-	-	(156,343)	-	(156,343)
Deposit to bond refunding agent	-	-	(5,111,968)	-	(5,111,968)
Transfers in	-	-	1,485,259	1,570,991	3,056,250
Transfers (out)	(3,026,250)	-	(30,000)	-	(3,056,250)
	(3,026,250)	-	1,501,948	1,570,991	46,689
TOTAL OTHER FINANCING SOURCES (USES)	(3,026,250)	-	1,501,948	1,570,991	46,689
NET CHANGE IN FUND BALANCE	1,613	(1,489,749)	(270,173)	93,217	(1,665,092)
TOTAL FUND BALANCE, JANUARY 1	3,061,280	1,595,512	2,897,693	637,565	8,192,050
TOTAL FUND BALANCE, DECEMBER 31	\$ 3,062,893	\$ 105,763	\$ 2,627,520	\$ 730,782	\$ 6,526,958

(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, 2006

Net Change in Fund Balance - Governmental Funds \$ (1,665,092)

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

Capital outlay for capital assets	\$ 2,046,972	
Less: depreciation expense	<u>(756,388)</u>	1,290,584

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 increased by this amount during the year.

258,702

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.

1,153,000

When debt is refunded, governmental funds report the refunding proceeds as current financial resources and the payments to the bond refunding agent are reported as an expenditure. In contrast, the statement of activities treats such activity as changes in long-term liabilities.

Deposit to bond refunding agent	5,111,968	
Bond proceeds	<u>(5,315,000)</u>	(203,032)

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.

155,322

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.

7,540

Change in Net Assets - Governmental Activities

\$ 997,024

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, 2006

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Real Estate Taxes	\$ 4,345,286	\$ 4,166,460	\$ (178,826)
Earned Income Taxes	6,242,025	6,742,917	500,892
Other Taxes	1,341,490	1,731,749	390,259
Licenses and Permits	124,200	133,045	8,845
Fees and Fines	352,700	357,975	5,275
Rents	66,565	65,675	(890)
Interest	65,000	144,662	79,662
Service Agreements	268,485	272,172	3,687
Other Revenues and Grants	545,200	628,942	83,742
Recreation Fees	424,991	379,872	(45,119)
TOTAL REVENUES	13,775,942	14,623,469	847,527
EXPENDITURES:			
Current:			
General Government	1,436,992	1,452,361	(15,369)
Community Development	553,690	534,397	19,293
Public Safety	4,235,301	4,196,306	38,995
Public Works	4,414,473	4,058,268	356,205
Recreation and Leisure Services	669,823	630,198	39,625
Library Services	717,556	724,076	(6,520)
TOTAL EXPENDITURES	12,027,835	11,595,606	432,229
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,748,107	3,027,863	1,279,756
OTHER FINANCING SOURCES (USES):			
Transfer (out)	(1,748,107)	(3,026,250)	(1,278,143)
NET CHANGE IN FUND BALANCE	\$ -	\$ 1,613	\$ 1,613

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, 2006

	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	\$ 762,311	\$ -	\$ 762,311
Accounts receivable	471,108	15,461	486,569
Due from other funds	57,549	59,904	117,453
Prepays assets	-	400	400
Total current assets	1,290,968	75,765	1,366,733
Capital assets:			
Sewer Lines, net of accumulated depreciation	6,300,149	-	6,300,149
Equipment, net of accumulated depreciation	151,030	-	151,030
Total capital assets	6,451,179	-	6,451,179
TOTAL ASSETS	7,742,147	75,765	7,817,912
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	3,021	3,021
Due to other funds	29,500	-	29,500
Current portion of bonds payable	155,000	-	155,000
Total current liabilities	184,500	3,021	187,521
Noncurrent liabilities:			
Bonds payable	7,020,000	-	7,020,000
TOTAL LIABILITIES	7,204,500	3,021	7,207,521
NET ASSETS:			
Invested in Capital Assets, net of related debt	(666,272)	-	(666,272)
Unrestricted	1,203,919	72,744	1,276,663
TOTAL NET ASSETS	\$ 537,647	\$ 72,744	\$ 610,391

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, 2006

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer Fund	Other Enterprise Fund: Township/ School District Magazine Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges For Services	\$ 3,194,703	\$ 202,054	\$ 3,396,757
OPERATING EXPENSES:			
Sewage Treatment Charges	1,670,871	-	1,670,871
Personnel Services	297,202	44,417	341,619
Contractual Services	1,046,382	135,087	1,181,469
Materials and Supplies	13,764	6,248	20,012
Depreciation	102,703	-	102,703
TOTAL OPERATING EXPENSES	3,130,922	185,752	3,316,674
OPERATING INCOME	63,781	16,302	80,083
NONOPERATING REVENUES (EXPENSES):			
Interest Income on Investments	68,380	-	68,380
Bond Interest Expense	(68,633)	-	(68,633)
TOTAL NONOPERATING REVENUES (EXPENSES)	(253)	-	(253)
CHANGE IN NET ASSETS	63,528	16,302	79,830
NET ASSETS, JANUARY 1	474,119	56,442	530,561
NET ASSETS, DECEMBER 31	\$ 537,647	\$ 72,744	\$ 610,391

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, 2006

	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	\$ 3,190,752	\$ 201,676	\$ 3,392,428
Payment for treatment charges	(2,050,719)	-	(2,050,719)
Payments for services	(1,343,584)	(178,904)	(1,522,488)
Payments to suppliers	(13,764)	(6,248)	(20,012)
Net cash provided by (used in) operating activities	(217,315)	16,524	(200,791)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from refunding bonds	4,680,000	-	4,680,000
Deposit to bond refunding agent	(4,680,000)	-	(4,680,000)
Transfers from (to) other funds	29,100	(16,524)	12,576
Net cash provided by (used in) noncapital financing activities	29,100	(16,524)	12,576
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(1,770,198)	-	(1,770,198)
Principal paid on capital debt	(150,000)	-	(150,000)
Interest paid on capital debt, including capitalized interest	(246,332)	-	(246,332)
Transfers from other funds (capital related)	1,373,534	-	1,373,534
Net cash provided by (used in) capital and related financing activities	(792,996)	-	(792,996)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	68,380	-	68,380
NET DECREASE IN CASH	(912,831)	-	(912,831)
CASH AND CASH EQUIVALENTS - Beginning Of Year	1,675,142	-	1,675,142
CASH AND CASH EQUIVALENTS - End Of Year	\$ 762,311	\$ -	\$ 762,311
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income	\$ 63,781	\$ 16,302	\$ 80,083
Adjustments To Reconcile Operating Income To Net Cash Provided By (Used In) Operating Activities:			
Depreciation	102,703	-	102,703
Changes In Assets And Liabilities			
Accounts Receivable	(3,951)	(378)	(4,329)
Prepaid Items	-	600	600
Accounts Payable	(379,848)	-	(379,848)
Total Adjustments	(281,096)	222	(280,874)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (217,315)	\$ 16,524	\$ (200,791)

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, 2006

ASSETS	
Cash	\$ 89,006
Mutual Funds	16,104,079
TOTAL ASSETS	<u>16,193,085</u>
LIABILITIES	
Due To Other Funds	<u>76,296</u>
NET ASSETS	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 16,116,789</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, 2006

ADDITIONS:

Contributions:

Member Contributions/Rollovers	\$ 114,891
Township Contributions	166,287
State Aid	378,702
	<hr/>
Total Contributions	659,880

INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments	1,739,041
Less: Investment Expenses	(12,183)
	<hr/>
Net Investment Income	1,726,858
	<hr/>
Total Additions	2,386,738

DEDUCTIONS:

Benefits	163,135
Withdrawal Credits	44,481
Administrative Expenses	19,628
	<hr/>
Total Deductions	227,244

Increase in Plan Net Assets 2,159,494

Net Assets:

Beginning Of Year	<hr/>
	13,957,295
End Of Year	<hr/>
	<u>\$ 16,116,789</u>

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 financial burden

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006; 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

YEAR ENDED DECEMBER 31, 2006

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

YEAR ENDED DECEMBER 31, 2006

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

YEAR ENDED DECEMBER 31, 2006

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 (Capital

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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.

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 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, 2006, are summarized below:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Fund	Interfund Receivable	Interfund Payable	Transfers In	Transfer Out
Major Funds:				
General	\$ 484,665	\$ 1,996,580	\$ -	\$ 3,026,250
2003 Capital Projects Fund	338,140	329,623	-	-
Capital Projects Fund - Regular	1,813,336	338,140	1,485,259	30,000
Sanitary Sewer Fund	57,549	29,500	-	-
Other Enterprise Funds	59,904	-	-	-
Other Governmental Funds	152,840	136,295	1,570,991	-
Fiduciary Funds	-	76,296	-	-
Total	\$ 2,906,434	\$ 2,906,434	\$ 3,056,250	\$ 3,056,250

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 \$1,485,259 due to the Capital Projects Fund Regular from the General Fund. This amount represents the General Fund's 2006 transfer to the Capital Projects Fund Regular.

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.

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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.

As of December 31, 2006, \$4,336,817 of the Township's bank balance of \$4,736,817 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 \$3,667,587 as of December 31, 2006.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

As of December 31, 2006, the Township had the following short-term investments in cash equivalents:

<u>Investments</u>	<u>Fair Value</u>
PLGIT	\$ 1,262,738
INVEST	392,863
Federated Money Markets	<u>906,132</u>
	2,561,733
Carrying amount - deposits	<u>3,667,587</u>
 Total cash and cash equivalents per financial statements	 <u><u>\$ 6,229,320</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 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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006, the Township's investments in PLGIT, INVEST, and Federated Money Markets 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, 2006, the Township had the following cash and investments in its pension trust funds:

Investment Type	Fair Value	Maturity (in years)		
		less than 1	1-5	6-10
Principal Fixed Income	\$ 4,477,973	\$ -	\$ 270,693	\$ 4,207,280
ICMA Fixed Income	1,500,113	415,101	1,071,223	13,789
Total investments with securities	5,978,086	\$ 415,101	\$ 1,341,916	\$ 4,221,069
Cash	89,006			
Principal Equity	9,504,185			
ICMA Equity	621,808			
Total Pension Trust Fund assets per financial statements	\$ 16,193,085			

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006, 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.

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, 2006, 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 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 \$635,383. Of this amount, \$177,699 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:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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

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 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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:

- 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 net 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."

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 requires that governments account for and report the annual cost 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:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 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 bi-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 information is as of the latest actuarial valuation:

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

	<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	\$310,465	\$71,005
Plan Members	5.0% of Salary	None
Funding of Administrative Costs	Investment Earnings	Investment Earnings
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	Unit benefit, as defined in plan, times number of

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

	<u>PPP</u>	<u>PWEP</u>
	month average salary prior to retirement or other severance	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 retirement, retiree to receive an increase in monthly benefit equal to the percentage change in the CPI-W times the pension benefit before service increment. Total of increase cannot exceed 20% of original benefit nor can total benefit exceed 75% of final monthly average salary	None
Provisions for Disability Benefits	Yes	Yes
Provisions for Death Benefits	Yes	Yes

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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>

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, 2006.

There are no long-term contracts for contributions.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

C. Trend Information:

Year Ended December 31,	Annual Pension Cost	Police Pension		Public Works Employees' Pension		
		Percentage Contributed	Net Pension Obligation (NPO)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
2004	\$191,135	100%	-0-	\$42,123	100%	-0-
2005	196,977	100%	-0-	42,930	100%	-0-
2006	310,465	100%	-0-	71,005	100%	-0-

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are as follows:

	<u>Police Pension</u>	<u>Public Works Employees' Pension</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%

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006 was \$163,519 or 8.36% of the \$1,955,632 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

C. Concentrations:

The Management Employees' Pension Plan investments in mutual funds held by ICMA-RC account for 100% of the total investments at December 31, 2006.

5. Capital Assets:

A summary of changes in capital assets during 2006 are as follows:

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

	January 1, 2006	Increases	Decreases	December 31, 2006
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,105,630	\$ -	\$ -	\$ 2,105,630
Construction in progress	-	1,517,908	-	1,517,908
Capital Assets being depreciated:				
Infrastructure	1,162,482	-	-	1,162,482
Buildings	10,250,114	-	-	10,250,114
Improvements	1,463,134	-	-	1,463,134
Equipment	5,316,620	462,767	(168,229)	5,611,158
Library assets	895,310	66,297	-	961,607
	21,193,290	2,046,972	(168,229)	23,072,033
Less: accumulated depreciation for:				
Infrastructure	(23,250)	(23,250)	-	(46,500)
Buildings	(4,597,925)	(253,878)	-	(4,851,803)
Improvements	(721,007)	(36,578)	-	(757,585)
Equipment	(3,124,079)	(425,149)	168,229	(3,380,999)
Library assets	(882,992)	(17,533)	-	(900,525)
	(9,349,253)	(756,388)	168,229	(9,937,412)
Governmental activities capital assets, net	\$ 11,844,037	\$ 1,290,584	\$ -	\$ 13,134,621
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 4,415,890	\$ 1,947,897	\$ (6,363,787)	\$ -
Capital assets being depreciated:				
Sewer lines	-	6,363,787	-	6,363,787
Equipment	427,108	-	-	427,108
	4,842,998	8,311,684	(6,363,787)	6,790,895
Less: accumulated depreciation for:				
Sewer lines	-	(63,638)	-	(63,638)
Equipment	(237,013)	(39,065)	-	(276,078)
	(237,013)	(102,703)	-	(339,716)
Business-type activities capital assets, net	\$ 4,605,985	\$ 8,208,981	\$ (6,363,787)	\$ 6,451,179

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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

Governmental activities:	
General government	\$ 181,680
Public safety	192,355
Public works	204,585
Community development	20,024
Recreation and leisure	125,036
Library	<u>32,708</u>
Total depreciation expense - governmental activities	<u>\$ 756,388</u>
Business-type activities:	
Sewer operations	<u>\$ 102,703</u>

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

YEAR ENDED DECEMBER 31, 2006

7. Changes in Long-Term Debt :

	Amounts Payable as of January 1, 2006	New Debt	Repayment	Refunded	Amounts Payable as of December 31, 2006	Due Within One Year
Governmental Activities:						
Bonds payable	\$ 11,783,000	\$ 5,315,000	\$(1,153,000)	\$(5,040,000)	\$ 10,905,000	\$345,000
Notes payable	393,900	-	(19,239)	-	374,661	20,066
Less deferred amounts:						
For issuance discounts	(243,775)	-	-	121,888	(121,887)	-
On refunding	-	(193,856)	-	-	(193,856)	-
Governmental activities long-term liabilities	<u>\$ 11,933,125</u>	<u>\$ 5,121,144</u>	<u>\$(1,172,239)</u>	<u>\$(4,918,112)</u>	<u>\$ 10,963,918</u>	<u>\$365,066</u>
Business-type Activities:						
Bonds payable	\$ 7,325,000	\$ 4,680,000	\$ (150,000)	\$(4,485,000)	\$ 7,370,000	\$155,000
Less deferred amounts:						
On refunding	-	(195,000)	-	-	(195,000)	-
Business-type activities long-term liabilities	<u>\$ 7,325,000</u>	<u>\$ 4,485,000</u>	<u>\$ (150,000)</u>	<u>\$(4,485,000)</u>	<u>\$ 7,175,000</u>	<u>\$155,000</u>

USC Municipal Authority (MATUSC) bonds of \$20,000 included in bonds payable for governmental activities is as of August 31, 2006.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

8. Description of Long-Term Debt :

Issue: General Obligation Bonds of 2003

Date: May 28, 2003

Original Proceeds: \$18,705,000

Principal amount at December 31, 2006: \$8,260,000

Principal amount defeased at December 31, 2006: \$9,525,000

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 debt service requirements to maturity for the General Obligation Bonds of 2003 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 320,000	\$ 197,714	\$ 155,000	\$ 95,473
2008	325,000	190,251	160,000	91,826
2009	335,000	181,498	160,000	87,586
2010	345,000	171,418	165,000	82,768
2011	355,000	160,082	170,000	77,343
2012-2016	1,990,000	595,385	960,000	287,745
2017-2021	1,900,000	167,129	920,000	80,997
Total	\$ 5,570,000	\$ 1,663,477	\$ 2,690,000	\$ 803,738

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006: \$374,661

Interest Rate: 4.24%

Debt Service Source: General Fund

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

The annual debt service requirements to maturity for the General Obligation Note of 2005 is as follows:

	Governmental Activities	
	Principal	Interest
2007	\$ 20,066	\$ 16,106
2008	20,929	15,244
2009	21,828	14,344
2010	22,767	13,405
2011	23,745	12,427
2012-2016	134,934	45,916
2017-2020	130,392	14,307
Total	<u>\$ 374,661</u>	<u>\$ 131,749</u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Issue: General Obligation Bonds of 2006

Date: September 1, 2006

Original Proceeds: \$9,995,000

Principal amount at December 31, 2006: \$9,995,000

Interest Rate: 3.40 – 4.45% semi-annual interest due May 15 and November 15

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

Purpose: The proceeds were used to advance refund \$9,525,000 of the Township's General Obligation Bonds of 2003. In connection with this advance refunding, \$9,791,967 of the proceeds were deposited into an irrevocable trust with an escrow agent to provide for certain debt service payments on the refunded debt. The advance refunding resulted in an economic gain of approximately \$310,000. The aggregate difference in debt service between the refunded debt and refunding debt is approximately \$188,000.

The annual debt service requirements to maturity for the General Obligation Bonds of 2006 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 5,000	\$ 225,474	\$ -	\$ 202,540
2008	5,000	225,290	-	202,540
2009	5,000	225,120	-	202,540
2010	10,000	224,865	10,000	202,370
2011	15,000	224,432	10,000	202,025
2012-2016	75,000	1,114,077	55,000	1,004,435
2017-2021	615,000	1,087,876	325,000	986,100
2022-2026	3,130,000	661,691	1,510,000	778,606
2027-2031	1,455,000	64,435	1,890,000	413,074
2032-2033	-	-	880,000	39,606
Total	\$ 5,315,000	\$ 4,053,260	\$ 4,680,000	\$ 4,233,836

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Municipal Authority of the Township of Upper St. Clair Bonds

Issue: Revenue Bond of 1967

Original Proceeds: \$700,000

Principal amount at December 31, 2006: \$20,000

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 Revenue Bonds of 1967 mature in 2007 with final principal and interest payments of \$20,000 and \$800, respectively.

In March 2007, the Township issued General Obligation Bonds in the amount of \$10,000,000. The proceeds will be used to finance various municipal and sewer capital projects.

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, 2006. Vacation days may be carried forward only upon approval of the Township Manager. At December 31, 2006, 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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 \$297 and \$339 in 2006 and 2005, respectively. Health insurance benefits provided for retirees amounted to \$2,304 and \$2,280 in 2006 and 2005, respectively.

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, 2006, the plan assets totaled \$277,021.

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. Phase I of the consent order was completed during 2006. Management estimates that the Township's cost to comply with Phase II of the consent order will be \$9.1 million.

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.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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:

COMBINING STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2006

	<u>Public Works Employees</u>	<u>Police</u>	<u>Mgt & Admin Employees</u>	<u>Total</u>
ASSETS:				
Cash	\$ -	\$ 89,006	\$ -	\$ 89,006
Mutual Funds	2,800,865	11,181,293	2,121,921	16,104,079
TOTAL ASSETS	<u>2,800,865</u>	<u>11,270,299</u>	<u>2,121,921</u>	<u>16,193,085</u>
LIABILITIES:				
Due To Other Funds	25,249	51,047	-	76,296
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,775,616</u>	<u>\$ 11,219,252</u>	<u>\$ 2,121,921</u>	<u>\$ 16,116,789</u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

COMBINING STATEMENT OF CHANGES IN PLAN ASSETS YEAR ENDED DECEMBER 31, 2006

	PUBLIC WORKS EMPLOYEES	POLICE	MGT & ADMIN EMPLOYEES	TOTAL
ADDITIONS:				
Contributions:				
Member Contributions/Rollovers	\$ -	\$ 114,891	\$ -	\$ 114,891
Township Contributions	2,150	135,198	28,939	166,287
State Aid	68,855	175,267	134,580	378,702
Total Contributions	71,005	425,356	163,519	659,880
INVESTMENT INCOME:				
Net Appreciation in Fair Value of Investments	317,614	1,233,743	187,684	1,739,041
Less: Investment Expenses	(4,653)	(7,530)	-	(12,183)
Net Investment Income	312,961	1,226,213	187,684	1,726,858
Total Additions	383,966	1,651,569	351,203	2,386,738
DEDUCTIONS:				
Benefits	84,903	78,232	-	163,135
Withdrawal Credits	-	-	44,481	44,481
Administrative Expenses	3,484	16,144	-	19,628
Total Deductions	88,387	94,376	44,481	227,244
Increase in Plan Net Assets	295,579	1,557,193	306,722	2,159,494
Net Assets Held In Trust For Pension Benefits:				
Beginning Of Year	2,480,037	9,662,059	1,815,199	13,957,295
End Of Year	\$ 2,775,616	\$ 11,219,252	\$ 2,121,921	\$ 16,116,789

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2006

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 note to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2006

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 note to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2006

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>
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%
2006	71,005	100%	310,465	100%

See accompanying note to required supplementary pension information.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

REQUIRED SUPPLEMENTARY PENSION INFORMATION

DEFINED BENEFIT PENSION TRUST FUNDS

DECEMBER 31, 2006

NOTE 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 seven non-major Special Revenue Funds are:

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

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

Municipal Authority of the Township of Upper St. Clair (MATUSC) Special Revenue Fund is used to account for revenues derived from investments made by 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 four 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 2021. Debt service on these bonds is derived from general operating revenues from the General Fund.

General Obligation Bonds of 2006 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 2031. 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, 2006

	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	Regional Asset District Boyce/Mayview Fund	MATUSC Special Revenue Fund	Total	MATUSC Debt Service Fund	General Obligation Bonds of 1998	General Obligation Bonds of 2003	General Obligation Bonds of 2006		Total
ASSETS:														
Cash and cash equivalents	\$ 3,541	\$ 173,518	\$ 84,496	\$ 42,985	\$ -	\$ -	\$ 409,697	\$ 714,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 714,237
Due From Other Funds	-	29,500	99,092	-	19,815	4,433	-	152,840	-	-	-	-	-	152,840
TOTAL ASSETS	\$ 3,541	\$ 203,018	\$ 183,588	\$ 42,985	\$ 19,815	\$ 4,433	\$ 409,697	\$ 867,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 867,077
LIABILITIES AND FUND EQUITY:														
Liabilities:														
Due To Other Funds	\$ -	\$ 136,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,295
Fund Balance:														
Unreserved	3,541	66,723	183,588	42,985	19,815	4,433	409,697	730,782	-	-	-	-	-	730,782
TOTAL FUND BALANCE	3,541	66,723	183,588	42,985	19,815	4,433	409,697	730,782	-	-	-	-	-	730,782
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,541	\$ 203,018	\$ 183,588	\$ 42,985	\$ 19,815	\$ 4,433	\$ 409,697	\$ 867,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 867,077

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2006

	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	Regional Asset District Boyce/Mayview Fund	MATUSC Special Revenue Fund	Total	MATUSC Debt Service Fund	General Obligation Bonds of 1998	General Obligation Bonds of 2003	General Obligation Bonds of 2006		Total
REVENUES:														
Licenses and Permits	\$ -	\$ 29,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,100
Interest	15,216	3,971	800	432	-	-	16,826	37,245	-	-	-	-	-	37,245
State Grants	411,004	-	-	-	221,077	280,490	-	912,571	-	-	-	-	-	912,571
Donations	-	-	-	150	-	-	-	150	-	-	-	-	-	150
User Fees	-	-	19,180	-	-	-	-	19,180	-	-	-	-	-	19,180
TOTAL REVENUES	426,220	33,071	19,980	582	221,077	280,490	16,826	998,246	-	-	-	-	-	998,246
EXPENDITURES:														
Current:														
General Government	-	-	-	-	-	-	7,713	7,713	-	-	-	-	-	7,713
Public Works	438,000	1,370	3,966	-	-	-	-	443,336	-	-	-	-	-	443,336
Recreation and Leisure Services	-	-	-	-	-	276,057	-	276,057	-	-	-	-	-	276,057
Library Services	-	-	-	-	206,863	-	-	206,863	-	-	-	-	-	206,863
Debt Service:														
Principal Retirement	-	-	-	-	-	-	-	-	33,000	805,000	315,000	-	1,153,000	1,153,000
Interest	-	-	-	-	-	-	-	-	2,120	17,511	323,052	46,368	389,051	389,051
TOTAL EXPENDITURES	438,000	1,370	3,966	-	206,863	276,057	7,713	933,969	35,120	822,511	638,052	46,368	1,542,051	2,476,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,780)	31,701	16,014	582	14,214	4,433	9,113	64,277	(35,120)	(822,511)	(638,052)	(46,368)	(1,542,051)	(1,477,774)
OTHER FINANCING SOURCES (USES):														
Transfer In	-	-	30,000	-	-	-	-	30,000	34,060	822,511	638,052	46,368	1,540,991	1,570,991
NET CHANGE IN FUND BALANCE	(11,780)	31,701	46,014	582	14,214	4,433	9,113	94,277	(1,060)	-	-	-	(1,060)	93,217
FUND BALANCE, JANUARY 1	15,321	35,022	137,574	42,403	5,601	-	400,584	636,505	1,060	-	-	-	1,060	637,565
FUND BALANCE, DECEMBER 31	\$ 3,541	\$ 66,723	\$ 183,588	\$ 42,985	\$ 19,815	\$ 4,433	\$ 409,697	\$ 730,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,782

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, 2006

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Interest	\$ 8,500	\$ 15,216	\$ 6,716
State Grant	408,995	411,004	2,009
TOTAL REVENUES	417,495	426,220	8,725
EXPENDITURES:			
Current:			
Public Works - Street Maintenance	422,000	438,000	(16,000)
TOTAL EXPENDITURES	422,000	438,000	(16,000)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,505)	(11,780)	(7,275)
FUND BALANCE, JANUARY 1	-	15,321	15,321
FUND BALANCE, DECEMBER 31	\$ (4,505)	\$ 3,541	\$ 8,046

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, 2006

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Licenses and Permits	\$ 5,000	\$ 29,100	\$ 24,100
Interest	2,500	3,971	1,471
TOTAL REVENUES	7,500	33,071	25,571
EXPENDITURES:			
Current:			
Public Works - Sewer Projects	10,000	1,370	8,630
TOTAL EXPENDITURES	10,000	1,370	8,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,500)	31,701	34,201
FUND BALANCE, JANUARY 1	-	35,022	35,022
FUND BALANCE, DECEMBER 31	\$ (2,500)	\$ 66,723	\$ 69,223

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, 2006

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
Interest	\$ 400	\$ 800	\$ 400
User Fees	18,500	19,180	680
TOTAL REVENUES	<u>18,900</u>	<u>19,980</u>	<u>1,080</u>
EXPENDITURES:			
Current:			
Public Works - Field Projects	60,000	3,966	56,034
TOTAL EXPENDITURES	<u>60,000</u>	<u>3,966</u>	<u>56,034</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(41,100)</u>	<u>16,014</u>	<u>57,114</u>
OTHER FINANCING SOURCES (USES):			
Transfer In	30,000	30,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(11,100)</u>	<u>46,014</u>	<u>57,114</u>
FUND BALANCE, JANUARY 1	<u>-</u>	<u>137,574</u>	<u>137,574</u>
FUND BALANCE, DECEMBER 31	<u>\$ (11,100)</u>	<u>\$ 183,588</u>	<u>\$ 194,688</u>

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, 2006

	Original and Final Budgeted Amounts	Actual	Variance
REVENUES:			
State Grants	\$ 196,338	\$ 221,077	\$ 24,739
TOTAL REVENUES	196,338	221,077	24,739
EXPENDITURES:			
Current:			
Library services	198,695	206,863	(8,168)
TOTAL EXPENDITURES	198,695	206,863	(8,168)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,357)	14,214	16,571
FUND BALANCE, JANUARY 1	-	5,601	5,601
FUND BALANCE, DECEMBER 31	\$ (2,357)	\$ 19,815	\$ 22,172

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

DECEMBER 31, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 2,105,630
Construction in progress	1,517,908
Infrastructure	1,162,482
Buildings	10,250,114
Improvements other than buildings	1,463,134
Equipment	5,611,158
Library assets	<u>961,607</u>

TOTAL CAPITAL ASSETS \$ 23,072,033

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	76,809
Library Endowment Fund	545,980
Capital Projects Funds	16,431,147
Boyce Mayview RAD Fund	239,273
General Fund	<u>(828,864)</u>

TOTAL INVESTMENT IN CAPITAL ASSETS \$ 23,072,033

(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, 2006

	<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, 2006	<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>
EXPENDITURES FROM:								
General Fund	13,443	-	-	-	-	-	13,443	-
RAD Funds	245,452	-	239,273	-	-	-	-	6,179
Capital Projects Funds	1,788,077	-	1,278,635	-	-	-	449,324	60,118
Capital Asset Disposals	<u>(168,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,229)</u>	<u>-</u>
CAPITAL ASSETS AT DECEMBER 31, 2006	<u><u>\$ 23,072,033</u></u>	<u><u>\$ 2,105,630</u></u>	<u><u>\$ 1,517,908</u></u>	<u><u>\$ 1,162,482</u></u>	<u><u>\$ 10,250,114</u></u>	<u><u>\$ 1,463,134</u></u>	<u><u>\$ 5,611,158</u></u>	<u><u>\$ 961,607</u></u>

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

DECEMBER 31, 2006

Function and Activity	Total	Land	Construction in Progress	Infrastructure	Buildings	Improvements Other than Buildings	Equipment (Including Library Assets)
General government:							
Administration	\$ 5,163,990	\$ 433,630	\$ -	\$ -	\$ 4,480,889	\$ -	\$ 249,471
Finance/tax	177,384	-	-	-	-	-	177,384
TOTAL GENERAL GOVERNMENT	5,341,374	433,630	-	-	4,480,889	-	426,855
Community Development	588,715	-	-	-	-	-	588,715
Public Safety:							
Police	1,351,907	-	-	-	118,925	-	1,232,982
VFD	4,303,294	298,000	-	-	4,005,294	-	-
TOTAL PUBLIC SAFETY	5,655,201	298,000	-	-	4,124,219	-	1,232,982
Public works:							
Office	209,328	-	-	-	68,849	68,983	71,496
Highways and streets	1,162,482	-	-	1,162,482	-	-	-
Garage	3,959,397	19,920	-	-	875,330	97,088	2,967,059
TOTAL PUBLIC WORKS	5,331,207	19,920	-	1,162,482	944,179	166,071	3,038,555
Recreation and leisure services	5,193,929	1,354,080	1,517,908	-	700,827	1,297,063	324,051
Library	961,607	-	-	-	-	-	961,607
TOTAL CAPITAL ASSETS	\$ 23,072,033	\$ 2,105,630	\$ 1,517,908	\$ 1,162,482	\$ 10,250,114	\$ 1,463,134	\$ 6,572,765

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY

YEAR ENDED DECEMBER 31, 2006

<u>Function and Activity</u>	<u>Capital Assets January 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets December 31, 2006</u>
General government:				
Administration	\$ 5,086,080	\$ 77,910	\$ -	\$ 5,163,990
Finance/tax	175,888	1,496	-	177,384
TOTAL GENERAL GOVERNMENT	<u>5,261,968</u>	<u>79,406</u>	<u>-</u>	<u>5,341,374</u>
Community Development	<u>588,436</u>	<u>579</u>	<u>(300)</u>	<u>588,715</u>
Public Safety:				
Police	1,280,098	114,537	(42,728)	1,351,907
VFD	4,303,294	-	-	4,303,294
TOTAL PUBLIC SAFETY	<u>5,583,392</u>	<u>114,537</u>	<u>(42,728)</u>	<u>5,655,201</u>
Public works:				
Office	208,002	1,326	-	209,328
Highways and streets	1,162,482	-	-	1,162,482
Garage	3,823,504	261,094	(125,201)	3,959,397
TOTAL PUBLIC WORKS	<u>5,193,988</u>	<u>262,420</u>	<u>(125,201)</u>	<u>5,331,207</u>
Recreation and leisure services	<u>3,670,196</u>	<u>1,523,733</u>	<u>-</u>	<u>5,193,929</u>
Library	<u>895,310</u>	<u>66,297</u>	<u>-</u>	<u>961,607</u>
TOTAL CAPITAL ASSETS	<u>\$ 21,193,290</u>	<u>\$ 2,046,972</u>	<u>\$ (168,229)</u>	<u>\$ 23,072,033</u>

STATISTICAL SECTION

Statistical Section

This section of the Township of Upper St. Clair (Township) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Township's overall financial health. In 2006, the Township adopted the disclosure requirements of GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section".

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.	62
Revenue Capacity	
These schedules contain information to help the reader assess the Township's most significant local revenue sources, the property tax, and the earned income tax.	70
Debt Capacity	
These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	76
Demographic and Economic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Township's financial activities take place.	79
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.	81

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The Township implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

NET ASSETS BY COMPONENT LAST FOUR YEARS ACCRUAL BASIS OF ACCOUNTING

	2006	2005	2004	2003
Governmental activities:				
Invested in Capital Assets, Net of Related Debt	\$ 2,642,610	\$ 2,904,677	\$ 2,471,199	\$ 6,428,741
Unrestricted	7,633,754	6,374,663	4,340,994	249,303
<i>Total governmental activities net assets</i>	\$ 10,276,364	\$ 9,279,340	\$ 6,812,193	\$ 6,678,044
Business-type activities:				
Invested in Capital Assets, Net of Related Debt	\$ (666,272)	\$ (611,219)	\$ 1,177,047	\$ 259,024
Unrestricted	1,276,663	1,141,780	221,047	209,745
<i>Total business-type activities net assets</i>	\$ 610,391	\$ 530,561	\$ 1,398,094	\$ 468,769
Primary government:				
Invested in Capital Assets, Net of Related Debt	\$ 1,976,338	\$ 2,293,458	\$ 3,648,246	\$ 6,687,765
Unrestricted	8,910,417	7,516,443	4,562,041	459,048
<i>Total primary government net assets</i>	\$ 10,886,755	\$ 9,809,901	\$ 8,210,287	\$ 7,146,813

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CHANGES IN NET ASSETS LAST FOUR YEARS ACCRUAL BASIS OF ACCOUNTING

	2006	2005	2004	2003
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 296,970	\$ 271,128	\$ 347,340	\$ 325,709
Public safety	114,112	121,436	57,497	64,893
Public works	202,279	149,747	86,482	115,384
Recreation and leisure services	379,872	410,671	408,371	381,839
Library services	30,870	28,266	29,574	23,375
Operating grants and contributions	1,448,014	1,044,725	1,188,858	1,078,750
Capital grants and contributions	132,707	562,053	598,318	84,494
	2,604,824	2,588,026	2,716,440	2,074,444
 Total governmental activities program revenues				
Business-type activities:				
Charges for services:				
Sanitary sewer	3,194,703	4,089,105	3,192,858	2,557,765
Magazine	202,054	214,725	187,445	168,044
	3,396,757	4,303,830	3,380,303	2,725,809
 Total business-type activities program revenues				
	3,396,757	4,303,830	3,380,303	2,725,809
 <i>Total primary government program revenues</i>	\$ 6,001,581	\$ 6,891,856	\$ 6,096,743	\$ 4,800,253

(Continued)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CHANGES IN NET ASSETS LAST FOUR YEARS ACCRUAL BASIS OF ACCOUNTING (CONTINUED)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses:				
<i>Governmental activities:</i>				
General government	\$ 1,833,720	\$ 1,640,270	\$ 1,549,094	\$ 1,514,980
Public safety	4,999,484	3,922,335	3,907,203	3,760,312
Public works	5,665,332	6,151,707	6,426,591	8,525,680
Community development	613,142	545,702	514,158	533,015
Recreation and leisure services	786,192	733,599	665,735	669,598
Library services	897,351	948,335	883,831	853,384
Interest on long-term debt	382,532	517,891	672,132	314,290
Total governmental activities expenses	<u>15,177,753</u>	<u>14,459,839</u>	<u>14,618,744</u>	<u>16,171,259</u>
<i>Business-type activities:</i>				
Sanitary sewer	3,199,555	3,312,632	2,281,722	2,573,801
Magazine	185,752	186,645	178,264	196,481
Total business-type activities expenses	<u>3,385,307</u>	<u>3,499,277</u>	<u>2,459,986</u>	<u>2,770,282</u>
Total primary government expenses	<u>\$ 18,563,060</u>	<u>\$ 17,959,116</u>	<u>\$ 17,078,730</u>	<u>\$ 18,941,541</u>
Net (Expense)/Revenue:				
Governmental activities	\$ (12,572,929)	\$ (11,871,813)	\$ (11,902,304)	\$ (14,096,815)
Business-type activities	11,450	804,553	920,317	(44,473)
Total primary government net (expense) revenue	<u>\$ (12,561,479)</u>	<u>\$ (11,067,260)</u>	<u>\$ (10,981,987)</u>	<u>\$ (14,141,288)</u>

(Continued)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CHANGES IN NET ASSETS LAST FOUR YEARS ACCRUAL BASIS OF ACCOUNTING (CONTINUED)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 4,184,809	\$ 4,158,122	\$ 4,237,635	\$ 4,121,330
Earned income taxes, levied for general purposes	6,983,270	6,115,625	5,966,769	5,953,585
Emergency & municipal services	330,513	328,868	-	-
Other taxes	1,401,236	1,323,898	1,229,013	1,282,343
Franchise fees	253,936	238,873	281,014	151,623
Unrestricted investment earnings	338,685	382,375	219,692	146,941
Miscellaneous	77,504	89,842	102,330	73,897
Transfers	-	1,701,357	-	-
Total governmental activities general revenues	<u>13,569,953</u>	<u>14,338,960</u>	<u>12,036,453</u>	<u>11,729,719</u>
Business-type activities:				
Unrestricted investment earnings	68,380	29,271	9,008	9,033
Transfers	-	(1,701,357)	-	-
Total business-type activities general revenues	<u>68,380</u>	<u>(1,672,086)</u>	<u>9,008</u>	<u>9,033</u>
Total primary government general revenues	<u>\$ 13,638,333</u>	<u>\$ 12,666,874</u>	<u>\$ 12,045,461</u>	<u>\$ 11,738,752</u>
Change in Net Assets:				
Governmental activities	\$ 997,024	\$ 2,467,147	\$ 134,149	\$ (2,367,096)
Business-type activities	79,830	(867,533)	929,325	(35,440)
Total primary government change in net assets	<u>\$ 1,076,854</u>	<u>\$ 1,599,614</u>	<u>\$ 1,063,474</u>	<u>\$ (2,402,536)</u>

(Concluded)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN YEARS MODIFIED ACCRUAL BASIS OF ACCOUNTING

	2006	2005	2004	2003	2002
<i>General Fund:</i>					
Reserved	\$ 147,241	\$ 175,433	\$ 173,001	\$ 175,827	\$ 147,340
Unreserved, undesignated	2,915,652	2,885,847	2,867,809	2,911,812	2,856,884
<i>Total general fund</i>	3,062,893	3,061,280	3,040,810	3,087,639	3,004,224
<i>All Other Governmental Funds:</i>					
Reserved, reported in capital projects funds	105,763	1,666,429	4,287,339	14,995,036	-
Reserved, reported in debt service funds	-	1,060	1,680	2,280	29,585
Reserved, reported in special revenue funds	-	-	-	18,563	18,563
Unreserved, reported in capital projects funds	2,627,520	2,826,776	2,146,481	1,524,803	1,826,858
Unreserved, reported in special revenue funds	730,782	636,505	563,248	581,827	579,329
<i>Total all other governmental funds</i>	3,464,065	5,130,770	6,998,748	17,122,509	2,454,335
<i>Total governmental funds</i>	\$ 6,526,958	\$ 8,192,050	\$ 10,039,558	\$ 20,210,148	\$ 5,458,559

(Continued)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN YEARS MODIFIED ACCRUAL BASIS OF ACCOUNTING (CONTINUED)

	2001	2000	1999	1998	1997
<i>General Fund:</i>					
Reserved	\$ 123,332	\$ 12,642	\$ 143,927	\$ 102,913	\$ 223,638
Unreserved, undesignated	2,874,915	2,983,862	2,843,825	2,877,329	2,205,533
<i>Total General Fund</i>	2,998,247	2,996,504	2,987,752	2,980,242	2,429,171
<i>All Other Governmental Funds:</i>					
Reserved, reported in capital projects funds	-	-	-	-	-
Reserved, reported in debt service funds	28,160	27,815	27,898	27,593	27,248
Reserved, reported in special revenue funds	38,563	58,563	78,563	98,563	-
Unreserved, reported in capital projects funds	995,565	1,228,068	837,372	744,120	423,222
Unreserved, reported in special revenue funds	534,666	498,658	464,859	414,870	478,505
<i>Total All Other Governmental Funds</i>	1,596,954	1,813,104	1,408,692	1,285,146	928,975
<i>Total Governmental Funds</i>	\$ 4,595,201	\$ 4,809,608	\$ 4,396,444	\$ 4,265,388	\$ 3,358,146

(Concluded)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN YEARS MODIFIED ACCRUAL BASIS OF ACCOUNTING

	2006	2005	2004	2003	2002
Revenues:					
Real estate taxes	\$ 4,166,460	\$ 4,175,518	\$ 4,313,925	\$ 4,203,433	\$ 3,890,142
Earned income taxes	6,742,917	6,112,019	5,885,288	5,253,585	5,114,898
Other taxes	1,731,749	1,652,766	1,229,013	1,282,343	1,129,434
Licenses and permits	162,145	146,256	129,943	110,377	120,332
Fees and fines	377,155	341,706	376,333	254,596	311,211
Rents	65,675	63,669	62,712	61,264	60,447
Interest	338,685	382,375	219,692	146,941	75,156
Service agreements	272,172	240,779	207,704	232,096	209,250
Other revenue and grants	1,679,245	1,713,660	1,914,721	1,259,792	2,888,172
Recreation fees	379,872	410,671	408,371	381,839	386,607
<i>Total revenues</i>	<u>15,916,075</u>	<u>15,239,419</u>	<u>14,747,702</u>	<u>13,186,266</u>	<u>14,185,649</u>
Expenditures:					
Current:					
General government	1,460,074	1,328,707	1,286,119	1,290,149	1,362,321
Community development	534,397	519,909	489,295	508,759	458,742
Public safety	4,196,306	4,324,536	3,738,816	3,626,602	3,512,079
Public works	4,501,604	4,085,658	4,126,208	3,865,282	3,952,896
Recreation and leisure services	906,255	624,700	559,886	531,843	514,372
Library services	930,939	920,100	853,078	838,788	775,828
Debt service:					
Principal retirement	1,153,000	1,106,000	770,000	739,000	717,000
Interest	389,051	515,591	757,602	125,210	152,855
Capital outlay	3,556,230	5,756,983	4,862,288	5,418,002	1,894,199
<i>Total expenditures</i>	<u>17,627,856</u>	<u>19,182,184</u>	<u>17,443,292</u>	<u>16,943,635</u>	<u>13,340,292</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(1,711,781)</u>	<u>(3,942,765)</u>	<u>(2,695,590)</u>	<u>(3,757,369)</u>	<u>845,357</u>
Other Financing Sources (Uses):					
Transfers in	3,056,250	4,652,328	2,907,002	2,281,905	1,867,830
Transfers out	(3,056,250)	(2,950,971)	(10,382,002)	(2,281,905)	(1,849,830)
Debt proceeds	5,315,000	393,900	-	18,705,000	-
Bond issuance costs	(156,343)	-	-	-	-
Bond issuance discount	-	-	-	(196,042)	-
Payment to refunded bond escrow agent	(5,111,968)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,689</u>	<u>2,095,257</u>	<u>(7,475,000)</u>	<u>18,508,958</u>	<u>18,000</u>
Net change in fund balance	<u>\$ (1,665,092)</u>	<u>\$ (1,847,508)</u>	<u>\$ (10,170,590)</u>	<u>\$ 14,751,589</u>	<u>\$ 863,357</u>
Debt service as a percentage of non-capital expenditures	11.0%	12.1%	12.1%	7.5%	7.6%
Debt service as a percentage of total expenditures	8.7%	8.5%	8.8%	5.1%	6.5%

(Continued)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN YEARS MODIFIED ACCRUAL BASIS OF ACCOUNTING (CONTINUED)

	2001	2000	1999	1998	1997
Revenues:					
Real estate taxes	\$ 3,630,073	\$ 3,616,620	\$ 3,539,576	\$ 3,451,346	\$ 3,412,240
Earned income taxes	5,085,053	5,261,152	4,140,167	4,269,419	4,195,740
Other taxes	1,615,490	1,172,476	1,161,875	1,264,816	1,086,493
Licenses and permits	138,822	116,070	179,969	116,297	105,111
Fees and fines	321,661	392,843	249,549	236,966	213,409
Rents	66,685	61,204	61,485	62,739	62,108
Interest	154,230	215,262	162,204	143,215	133,664
Service agreements	231,113	171,621	173,624	157,929	180,019
Other revenue and grants	1,102,025	1,716,056	1,386,903	1,368,116	1,295,825
Recreation fees	341,600	315,042	280,165	281,059	281,720
<i>Total revenues</i>	<u>12,686,752</u>	<u>13,038,346</u>	<u>11,335,517</u>	<u>11,351,902</u>	<u>10,966,329</u>
Expenditures:					
Current:					
General government	1,251,300	1,220,090	1,094,462	996,122	1,121,878
Community development	444,257	418,717	376,341	391,723	367,548
Public safety	3,276,101	3,067,378	2,984,933	2,925,504	2,752,740
Public works	3,800,558	3,809,476	3,545,906	3,451,637	3,400,231
Recreation and leisure services	485,202	380,652	373,782	377,082	366,576
Library services	800,326	756,304	767,257	729,015	743,111
Emergency medical services	-	-	357,257	352,051	297,071
Debt service:					
Principal retirement	687,000	661,000	630,000	584,000	563,000
Interest	178,971	184,281	244,364	284,408	304,228
Capital outlay	1,977,444	2,127,284	830,159	478,318	1,250,070
<i>Total expenditures</i>	<u>12,901,159</u>	<u>12,625,182</u>	<u>11,204,461</u>	<u>10,569,860</u>	<u>11,166,453</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(214,407)</u>	<u>413,164</u>	<u>131,056</u>	<u>782,042</u>	<u>(200,124)</u>
Other Financing Sources (Uses):					
Transfers in	2,547,866	2,651,361	1,706,219	1,500,303	1,863,203
Transfers out	(2,547,866)	(2,651,361)	(1,706,219)	(1,500,303)	(1,863,203)
Debt proceeds	-	-	-	5,608,853	-
Bond issuance costs	-	-	-	-	-
Bond issuance discount	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(5,483,653)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,200</u>	<u>-</u>
Net change in fund balance	<u>\$ (214,407)</u>	<u>\$ 413,164</u>	<u>\$ 131,056</u>	<u>\$ 907,242</u>	<u>\$ (200,124)</u>
Debt service as a percentage of non-capital expenditures	7.9%	8.1%	8.4%	8.6%	8.7%
Debt service as a percentage of total expenditures	6.7%	6.7%	7.8%	8.2%	7.8%

(Concluded)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PROGRAM REVENUES BY FUNCTION/PROGRAM LAST FOUR YEARS ACCRUAL BASIS OF ACCOUNTING

	2006	2005	2004	2003
Function/Program:				
Governmental activities:				
General government	\$ 431,550	\$ 392,652	\$ 479,935	\$ 457,389
Public safety	308,961	473,680	275,738	240,416
Public works	816,863	990,732	1,251,777	639,416
Recreation and leisure services	660,362	410,671	408,371	381,839
Library services	387,088	320,291	300,619	355,384
Total governmental activities	2,604,824	2,588,026	2,716,440	2,074,444
Business-type activities:				
Sanitary sewer	3,194,703	4,089,105	3,192,858	2,557,765
Magazine	202,054	214,725	187,445	168,044
Total business-type activities	3,396,757	4,303,830	3,380,303	2,725,809
<i>Total primary government</i>	\$ 6,001,581	\$ 6,891,856	\$ 6,096,743	\$ 4,800,253

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN YEARS

<u>Tax Year</u>	<u>Upper St. Clair Township</u>	<u>Upper St. Clair School District</u>	<u>Allegheny County</u>	<u>Total</u>
2006	2.60	22.45	4.69	29.74
2005	2.60	22.45	4.69	29.74
2004	2.60	21.78	4.69	29.07
2003	2.60	20.26	4.69	27.55
2002	2.44	18.69	4.69	25.82
2001	2.69	21.11	4.72	28.52
2000	13.00	100.50	25.20	138.70
1999	13.00	97.50	25.20	135.70
1998	13.00	94.00	25.20	132.20
1997	13.00	92.00	26.50	131.50

* Assessment was 25% of market value 1997 through 2000. As of 2001, assessments became 100% of market value.

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

ASSESSED VALUATION AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY LAST TEN YEARS

<u>Year</u>	(1) <u>Taxable Real Property</u>	(2) <u>Estimated Actual Values of Real Property</u>	<u>Ratio of Total Assessed to Estimated Actual Value</u>	<u>Township Municipal Millage Rate</u>
2006	\$ 1,656,966,390	\$ 1,656,966,390	100	2.60
2005	1,634,938,240	1,634,938,240	100	2.60
2004	1,614,770,740	1,614,770,740	100	2.60
2003	1,603,927,301	1,603,927,301	100	2.60
2002	1,634,203,390	1,634,203,390	100	2.44
2001	1,411,612,925	1,411,612,925	100	2.69
2000	282,615,435	1,130,461,740	25	13.00
1999	276,116,645	1,104,466,580	25	13.00
1998	269,733,620	1,078,934,480	25	13.00
1997	265,687,490	1,062,749,960	25	13.00

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

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

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PRINCIPAL TAXPAYERS 12/31/2006 AND 12/31/1997

Taxpayer	December 31, 2006			December 31, 1997		
	Estimated Actual Values of Real Property (1)	Rank	Percentage of Total Assessed Valuation	Estimated Actual Values of Real Property	Rank	Percentage of Total Assessed Valuation
South Hills Village Associates	\$ 74,304,200	1	4.48%	\$ 51,000,000	1	4.80%
Friendship Village of South Hills	29,705,500	2	1.79%	22,242,000	2	2.09%
May Centers Associates Corp.	14,800,000	3	0.89%	14,800,000	3	1.39%
Corvus Pittsburgh Interests I	13,700,000	4	0.83%	-	-	0.00%
Summerfield Village Associates	6,886,700	5	0.42%	6,020,000	5	0.57%
McMurray Road Family Limited PTR	6,065,900	6	0.37%	-	-	0.00%
St. Clair Country Club	5,850,600	7	0.35%	5,904,000	6	0.56%
Upper St. Clair Senior Living	3,677,600	8	0.22%	-	-	0.00%
Southwood Psychiatric Hospital	2,900,000	9	0.18%	-	-	0.00%
Painters Plaza Associates	2,841,000	10	0.17%	2,700,000	8	0.25%
Consolidated Coal Company	-	-	0.00%	14,072,000	4	1.32%
Allegheny County Ind. Dev. Authority	-	-	0.00%	3,206,000	7	0.30%
J.C. Penney Company	-	-	0.00%	2,330,000	9	0.22%
Outback Steakhouse of Florida	-	-	0.00%	1,400,000	10	0.13%
	160,731,500		9.70%	123,674,000		11.63%
Total Taxable Assessed Valuation	\$ 1,656,966,390			\$ 1,062,749,960		

Source: Allegheny County Assessment Duplicate Books

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Year	Adjusted Total Tax Levy	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Collections to Date	
		Amount	Percent of Total Levy		Amount	Percent of Levy
2006	\$ 4,310,565	\$ 4,195,950	97.34%	\$ -	\$ 4,195,950	97.34%
2005	4,267,221	4,091,073	95.87%	38,152	4,129,225	96.77%
2004	4,226,861	4,108,258	97.19%	73,879	4,182,137	98.94%
2003	4,191,449	3,968,324	94.68%	127,923	4,096,247	97.73%
2002	3,911,973	3,670,866	93.84%	130,300	3,801,166	97.17%
2001	3,817,151	3,558,529	93.22%	196,303	3,754,832	98.37%
2000	3,656,745	3,544,061	96.92%	49,615	3,593,676	98.28%
1999	3,577,215	3,477,060	97.20%	50,986	3,528,046	98.63%
1998	3,497,482	3,373,824	96.46%	58,296	3,432,120	98.13%
1997	3,484,604	3,347,925	96.08%	69,212	3,417,137	98.06%

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

MUNICIPAL EARNED INCOME TAX REVENUE BASE AND COLLECTIONS LAST TEN YEARS MODIFIED ACCRUAL BASIS OF ACCOUNTING

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Total Earned Income Tax Collected</u>	<u>Refunds</u>	<u>Net Earned Income Tax Collected</u>
2006	0.75%	\$ 6,868,039	\$ (125,122)	\$ 6,742,917
2005	0.75%	6,246,561	(134,542)	6,112,019
2004	0.75%	5,995,393	(110,105)	5,885,288
2003	0.75%	5,350,100	(96,515)	5,253,585
2002	0.70%	5,187,834	(72,936)	5,114,898
2001	0.70%	5,170,543	(85,490)	5,085,053
2000	0.70%	5,343,963	(82,811)	5,261,152
1999	0.70%	4,218,220	(78,053)	4,140,167
1998	0.70%	4,344,675	(75,256)	4,269,419
1997	0.70%	4,267,415	(71,675)	4,195,740

Note: Earned income tax rate and collections amounts represent only municipal share (Upper St. Clair School District levies an earned income tax of .5%)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN YEARS

	<u>General Obligation Bonds</u>		<u>Total Primary Government</u>	<u>Less: Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>% of Assessed Valuation</u>	<u>Debt per Capita (1)</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>					
2006	\$11,279,661	\$7,370,000	\$18,649,661	\$ -	\$18,649,661	1.13%	\$930
2005	12,176,900	7,325,000	19,501,900	1,060	19,500,840	1.19%	\$972
2004	12,889,000	7,475,000	20,364,000	1,680	20,362,320	1.26%	\$1,015
2003	21,134,000	-	21,134,000	2,280	21,131,720	1.32%	\$1,054
2002	3,168,000	-	3,168,000	29,585	3,138,415	0.19%	\$157
2001	3,885,000	-	3,885,000	28,160	3,856,840	0.27%	\$192
2000	4,572,000	-	4,572,000	27,815	4,544,185	1.61%	\$227
1999	5,233,000	-	5,233,000	27,898	5,205,102	1.89%	\$264
1998	5,863,000	-	5,863,000	27,593	5,835,407	2.16%	\$296
1997	6,252,000	-	6,252,000	27,248	6,224,752	2.34%	\$316

(1) 1996-1999 based on population of 19,692 per Official U.S. Census, 1990
2000-2006 based on population of 20,053 per Official U.S. Census, 2000

Note: Amounts reported for bonds and notes outstanding exclude deferred discounts and refunding losses

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

	<u>Three year average revenue (borrowing base) (1)</u>	<u>Legal debt limit (2)</u>	<u>Debt applicable to limit</u>	<u>Legal debt margin</u>	<u>Legal debt margin %</u>
2006	\$56,984,086	\$47,486,738	\$11,279,661	\$36,207,077	76.25%
2005	53,583,329	44,652,774	12,176,900	32,475,874	72.73%
2004	49,336,321	41,113,601	12,889,000	28,224,601	68.65%
2003	46,197,729	38,498,108	13,659,000	24,839,108	64.52%
2002	45,101,371	37,584,476	3,168,000	34,416,476	91.57%
2001	43,269,487	36,057,906	3,885,000	32,172,906	89.23%
2000	41,665,325	34,721,104	4,572,000	30,149,104	86.83%
1999	39,526,365	32,938,638	5,233,000	27,705,638	84.11%
1998	38,706,763	32,255,636	5,863,000	26,392,636	81.82%
1997	37,350,445	31,125,371	6,252,000	24,873,371	79.91%

(1) The local Governmental Unit Debt Act (Act 52 of 1978), reenacted and amending Act 185 of 1972 prescribes debt limits, net revenues and the calculation of the borrowing base for all local units in Pennsylvania. The "Debt Act" is administered by the Pennsylvania Department of Economic Development. Under the Home Rule Charter, any new debt in excess of 25% of the borrowing base must be approved by the electorate.

(2) 250% of borrowing base

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2006

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Township of Upper St. Clair	Amount Applicable to Township of Upper St. Clair
Direct			
Township of Upper St. Clair (1)	\$ 18,629,661	100.00%	\$ 18,629,661
Upper St. Clair Municipal Authority	20,000	100.00%	20,000
<i>Total Direct Debt</i>	18,649,661		18,649,661
Overlapping			
Upper St. Clair School District	70,644,986	100.00%	70,644,986
County of Allegheny (2)	601,131,591	3.47%	23,478,267
<i>Total Overlapping Debt</i>	671,776,577		94,123,253
<i>Total Debt</i>	\$ 671,796,577		\$ 94,143,253

(1) The local Governmental Unit Debt Act (Act 52 of 1978), reenacted and amending Act 185 of 1972 prescribes debt limits, net revenues, and the calculation of the borrowing base for all local units in Pennsylvania. The "Debt Act" is administered by the Pennsylvania Department of Economic Development. Under the Home Rule Charter, any new debt in excess of 25% of the borrowing base must be approved by the electorate.

(2) Proportion share of Allegheny County's existing debt as of December 31, 2006 based on the ratio of Upper St. Clair Township's assessed valuation to Allegheny County's 2006 assessed valuation. (Source: 12/31/06 Allegheny County CAFR - schedule J-2)

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
2006	20,053 (a)	\$ 574,839,298	28,666 (a)	3.9 %
2005	20,053 (a)	574,839,298	28,666 (a)	5.0 %
2004	20,053 (a)	574,839,298	28,666 (a)	5.3 %
2003	20,053 (a)	574,839,298	28,666 (a)	5.7 %
2002	20,053 (a)	574,839,298	28,666 (a)	5.4 %
2001	20,053 (a)	574,839,298	28,666 (a)	4.3 %
2000	20,053 (a)	574,839,298	28,666 (a)	4.1 %
1999	19,692 (b)	296,443,368	15,054 (b)	4.4 %
1998	19,692 (b)	296,443,368	15,054 (b)	4.1 %
1997	19,692 (b)	296,443,368	15,054 (b)	4.6 %

(1) Source: U. S. Census, Census of population

(a) 2000 Federal Census

(b) 1990 Federal Census

(2) Computation of per capita personal income multiplied by population

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Employer:	2006			1997		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
USC School District	641	1	21.98 %	870	2	15.79 %
National City Corporation	443	2	15.19	-	-	0.00
Consol Energy	322	3	11.04	605	5	10.98
YMCA of Pittsburgh	260	4	8.92	-	-	0.00
Boscovs	255	5	8.74	-	-	0.00
Friendship Village	255	6	8.74	502	4	9.11
OS Restaurant Service Inc.	177	7	6.07	-	-	0.00
USC Township	155	8	5.32	145	10	2.63
St. Clair Country Club	149	9	5.11	330	6	5.99
Sears Roebuck & Co.	135	10	4.63	465	8	8.44
Southwood Psychiatric Hospital	124	11	4.25	472	7	8.57
Kaufmann's	-	-	0.00	986	1	17.90
J.C. Penney Company, Inc.	-	-	0.00	742	3	13.47
King's Family Restaurants	-	-	0.00	392	9	7.12
Total	2,916		100.00 %	5,509		100.00 %
Total Employees	6,350			7,170		

Source: Upper St. Clair Occupation Tax records

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

FULL-TIME EQUIVALENT MUNICIPAL EMPLOYEES BY FUNCTION/PROGRAM 2006

Function/Program:

General government:	
Administration	6
Finance/Tax	4
Information technology	4
Community development:	
Administration	4.5
Inspection	2.5
Public safety:	
Uniformed Police Officers	28
Other Department Personnel	7
Public works:	
Administration	5
Inspection	4
Labor Force	24
Recreation and leisure service:	
Administration	4
Library services:	
Administration	4
Librarians & Assistants	18
	<hr/>
Total	115
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Note: Because the Township has not previously reported this schedule, it has elected to report this information prospectively

TOWNSHIP OF UPPER ST. CIAIR, PENNSYLVANIA

OPERATING INDICATORS BY FUNCTION/PROGRAM

2006

Function/program	
<hr/>	
General Government:	
Lien letter and tax certification requests	545
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Community Development:	
Building permits issued	11
Estimated value of construction	\$6,991,970
Occupancy permits issued	76
Number of planning commission agenda items	35
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Public Works:	
Roads resurfaced (Linear miles)	4.39
Sanitary Sewers Rehabilitated Linear miles)	2.46
Snow storm call-outs	37
Storm Sewer Inlets and Manholes rebuilt	60
Recycling tonnage collected	2,172
Tons of snow melting salt used	4,000
Requests for Service	4,004
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Recreation:	
Number of seasonal programs	14
Total number of seasonal program attendees	4,275
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Police:	
Calls for service	12,216
Total arrests	74
Part I offenses reported (major offenses)	96
Part I offenses cleared percentage	32%
Part II offenses reported (other crimes)	223
Part II offenses cleared percentage	73%
DUI arrests	24
Animal control calls for service	1,561
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Fire:	
Total number of responses	271
Estimated Fire Losses	\$ 122,100
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Library:	
Membership	25,999
Circulation	191,057
Program Attendance	11,096
Catalogued Items	98,971

Sources: Upper St. Clair Township

Note: Because the Township has not previously reported this schedule, it has elected to report this information prospectively

TOWNSHIP OF UPPER ST. CLAIR, PENNSYLVANIA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM 2006

Function/program	
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General Government:	
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Square Footage Occupied*	5,000
Staff Vehicles	2
Community development:	
<hr/>	
Square Footage Occupied*	2,500
Inspection Vehicles	3
Public Works:	
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Municipal Street (lane miles)	110
Number of Traffic Lighted Intersections	9
Sanitary Sewers (miles)	66
Storm Sewers (miles)	50
Staff Vehicles	4
Inspection Vehicles	3
Vehicles	25
Recreation:	
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Staff Vehicles	1
Number of Parks	11
Acreage of Park Land	613
Recreation Centers	1
Recreation Center Square Footage	6,500
Basketball Courts	10
Tennis Courts	10
Ball Fields	8
Public Safety:	
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Square Footage of Police Department*	4,500
Police Vehicles	20
Library:	
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Square Footage Occupied*	10,000

Sources: Upper St. Clair Township

Note: Because the Township has not previously reported this schedule, it has elected to report this information prospectively