

OFFICERS

PRESIDENT
CHRIS R EYSTER

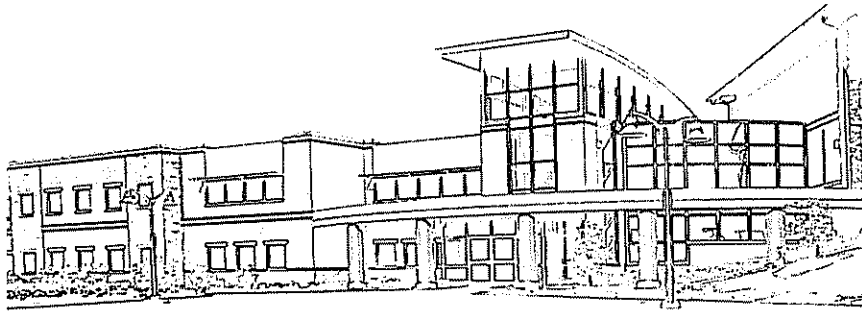
VICE-PRESIDENT
GRANT MONTGOMERY

TREASURER
DONNA CAREY
PHONE 931-4200

SOLICITOR
C. DONALD GATES, JR

MANAGER
THOMAS D LAVORINI

ENGINEER
ART GAZDIK, P E



ROSS TOWNSHIP

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1000 ROSS MUNICIPAL DRIVE

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COMMISSIONERS

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PETER A. FERRARO
GRANT MONTGOMERY

Board of Commissioners
Ross Township, Pennsylvania

The Comprehensive Annual Financial Report of Ross Township, Pennsylvania, for the year ended December 31, 2003, is hereby submitted. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including disclosures in the Notes to Financial Statements, rests with the Township. This report contains the government-wide financial statements and fund financial statements of the Township. All disclosures necessary to enable the reader to gain the maximum understanding of the Township's financial affairs have been included.

These financial statements have been prepared using the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement #34), "*Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.*"

REPORT PRESENTATION

This report contains three sections:

Introductory: includes this transmittal letter highlighting significant 2003 financial and management items, a list of principal officials, an organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the 2002 CAFR.

Financial: contains a report by the independent public accounting firm of Maher Duessel; "Management's Discussion and Analysis," a narrative overview of the Township's financial performance for the fiscal year ended December 31, 2003; the financial statements, which include government-wide financial statements and fund financial statements with comparative budgetary information, notes to the financial statements, required supplementary information and combining and individual financial statements and schedule, as applicable, arranged by fund type.

Statistical: includes historical financial information, selected demographic, and other miscellaneous statistics of the Township.

THE REPORTING ENTITY AND ITS SERVICES

Ross Township is a First Class Township located in Allegheny County, directly north of and immediately adjacent to the City of Pittsburgh. Encompassing an area of 14.7 square miles, Ross Township is primarily a residential suburb of Pittsburgh, an area that encompasses a region rich with cultural, artistic, and educational diversity. Following the rapid growth experienced during the two previous decades, Ross Township's population remained fairly constant between the years of 1970 and 2000 with the present population, according to the 2000 U.S. Census, of 32,551 people. This is a decrease in population of 2.8% for the years 1990 through 2000 versus a decrease of 4.67% in the decade between 1980 and 1990.

Ross Township was incorporated in 1922. Government is by a nine-member Board of Commissioners (Board) elected by ward. Each commissioner is elected for a term of four years and receives an annual \$5,000 salary. The Board reorganizes once every two years and elects a president and vice president. The Board is vested with a broad range of policy-making powers. To assist the Board in formulation of policy, a variety of Boards and Committees have been established. These Boards and Committees include:

- Planning Commission
- Zoning Hearing Board
- Fire Appeals Board
- Civil Service Commission
- NEWCOM Board
- Finance/Budget Committee
- Public Safety/Fire/FirePolice/EMS Committee
- Recreation/Community Enhancement Committee
- Library Board
- Public Works & Sanitation
- Administration
- Lowries Run Joint Owned Sewer
- Girty's Run Joint Sewer Authority

The Township has no component units.

The Board has the responsibility for all Township legislative matters. Its functions include the enactment of ordinances and the adoption of resolutions, and recording the same; adopting the annual budget; setting salaries, fees, and schedules; and, levying taxes. Day-to-day administration is the responsibility of the Township Manager. The Manager is appointed by the Board for an indefinite period. The Manager, in turn, recommends the appointment of all department heads to the Board.

The Township provides the following services to the community:

- Police protection
- Financial and administrative support for the eight volunteer fire companies
- Financial support for a volunteer fire police unit
- Maintenance of approximately 102 miles of township roads
- Maintenance of sanitary and storm sewer lines
- Maintenance of 28 parks and parklets
- Library services as a joint endeavor with four other communities
- Planning and zoning including building inspection and code enforcement
- Recreational services
- Senior citizen services

A Treasurer is elected for a four-year term with the responsibility for the collection of real estate taxes. The tax office of the North Hills School District collects the earned income tax and other taxes permitted by the Local Tax Enabling Act.

ECONOMIC CONDITION

Ross Township is served by an extensive network of highways with U.S. Route 19, Interstate 279, McKnight Road, and Babcock Boulevard providing easy access to downtown Pittsburgh, and to the North-South Interstate Route 79 extending from Morgantown, West Virginia north through the Pittsburgh area to Erie, Pennsylvania. The Township is approximately seven miles from the Pennsylvania Turnpike (I-76) which provides uninterrupted linkage to the states of Ohio and New Jersey. Transit service is provided by the Port Authority of Allegheny County.

Located in the Township are numerous restaurants, one regional shopping center, two major shopping centers, several smaller shopping centers, and numerous individual businesses. The commercial establishments serve a major portion of the population of Allegheny County. Recreational facilities include a number of parks including the latest development, which includes a full-sized baseball field with viewing stands, concession building, basketball court, playground, walking trails, and picnic areas.

The North Hills Passavant Hospital, located just outside the Township, provides medical services. The hospital is a short term, acute care, general medical-surgical hospital with 272 acute-care beds and 24 long-term care beds. They maintain a professional staff of 505 with 1,381 total employments. Allegheny General Hospital, a major medical center, is located on the north side of the city of Pittsburgh less than 5 miles from Ross Township. It has 778 beds and employs over 5,200 people.

Ross Township, along with the Borough of West View, comprises the North Hills School District (District). The District had an enrollment of 5,082 students for the school year 2002 through 2003. The District is comprised of seven elementary schools, which serve students from kindergarten

through sixth grade. The North Hills Junior and Senior High Schools share a campus located in Ross Township.

MAJOR INITIATIVES

In 2002, the Administration Offices and the Police Department of Ross Township moved to a new municipal center. This new building was constructed on a 27-acre plot of land, located off McKnight Road, one of the main arteries of the Township. The building is a combination Municipal Building/Public Safety Building with an attached 16,000 square foot Community Center. The surrounding land has been developed into an outdoor recreational facility. It includes a 300+ seat baseball field where many local baseball teams including the North Hills High School Varsity team schedule games. A large playground, picnic facilities, and a hard surface multi-use court are available for use for all residents of Ross Township.

The new Municipal Building includes all Administrative Offices; Commissioners' Meeting Room; Police Department; Building and Planning Offices; and Tax Collector/Treasurer's Office.

The Community Center includes a regulation-size gymnasium that can provide facilities for basketball, volleyball, aerobic exercise, plus many other indoor athletic activities. This area can also be converted for use as an auditorium with a stage for performances or a large meeting area. Additionally, a commercial kitchen has been installed adjacent to the multi-purpose room to provide preparation facilities for banquets up to 400 people.

Two classrooms are available for instructional use, arts and crafts, and small group meetings. A quiet lounge is available for reading, meeting with friends and adult card playing. An active lounge, a sort of 21st century 'coffee house' is available for small group activities including presentations and organized activities. Additionally, a game room for activities such as Ping-Pong, billiards, board games, plus a television viewing area are designed for 'under 21' use.

New programs for the residents of the community are constantly being developed. A summer program for children of Ross Township has been in existence for many years and has worked out of a number of neighborhood facilities. It now has a permanent home in the Community Center with day-to-day activities in 6 neighborhood schools plus an additional site at the Community Center. A variety of adult education programs are offered which include personal safety, crafts, and fitness. Teen programs are a high priority with Red Cross Babysitting Instruction, Skate Board Clinics, Band Concerts, and Movies in the Park. In addition, a community-wide 4th of July celebration and a Community Day have been developed; both are open to all residents of Ross Township and include a parade, fireworks, and games.

Street and sewer reconstruction will continue throughout the Township in order to maintain infrastructure. The Township has adopted a road pavement management program, which will project paving expenditures on a 15-year cycle. This will enable management to forecast costs over an extended period of time. The goal is to be able to anticipate an annual amount for improvements while continuing an aggressive, structured, infrastructure replacement agenda. Over the last three

years, the Township has expended an average of over \$1,335,000 per year for road paving. With the road-paving program in place, the annual cost for road paving in 2003 was budgeted at \$1,200,000 and \$1,000,000 is budgeted for 2004. In succeeding years, an amount between \$1,200,000 and \$1,500,000 is anticipated to be budgeted each year resulting in improved roads by using a rating system that will keep all roads at a reasonably consistent level of improvement over the entire Township.

A six-year Capital Improvement Program has been developed to improve the sanitary sewer system per a consent agreement with the Allegheny County Health Department. During that time period, over \$2,250,000 is projected to be spent to detect and repair deficiencies in the sanitary sewer system.

FINANCIAL MANAGEMENT

Internal Controls

In developing and evaluating the Township's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition, and
2. The reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and, the evaluation of costs and benefits requires the development of estimates and exercise of judgments by management.

All internal control evaluations occur within the above framework. It is believed that the internal accountings controls of the Township adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Process

By December 31 of each year, the Township's Board of Commissioners must adopt a General Fund Budget for the next fiscal year. Legal budgetary control is maintained at the department level. Department heads, in consultation with the Township Manager, may transfer funds within departments. The Board of Commissioners by ordinance must authorize all transfers between departments. The departments are shown in the financial statements. In addition, budgetary control is maintained by encumbering the total dollar value obligated via the purchase order system prior to the release of an expenditure to a vendor. The term encumbrance as employed in governmental accounting means that a restriction is placed on the budget allowance in order to control expenditures. Expenditure requests that will result in an overrun of available appropriation balances at the various levels of control are not authorized until sufficient appropriations are available. Open

encumbrances are reported as a reservation of fund balance. There were no encumbrances as of December 31, 2003.

Cash Management

It is the Township's policy to invest idle funds in money market accounts and fixed-term investments with a maturity of up to one year. All investments are made in accordance with the investment policy adopted by the Ross Township Board of Commissioners which requires that all investments must strictly adhere to the instruments as stipulated in the Commonwealth of Pennsylvania First Class Township Code. This policy was written to maximize investment earnings while maintaining security. Money market and fixed-term investments are placed in the Pennsylvania Local Government Investment Trust (PLGIT), the Commonwealth INVEST Program, or other funds that invest in US Treasury Obligations and other approved investments only. Deposits at local financial institutions must be Federal Deposit Insurance Corporation (FDIC) insured.

Risk Management

The Township uses third-party insurance coverage for general liability, automobile, public officials, police liability, malpractice, and workers' compensation. The Township, along with other municipal government units, has joined the Municipal Risk Management Worker's Compensation Pooled Trust (MRM) and the Municipal Employers Insurance Trust (MEIT) to provide worker's compensation coverage and health insurance coverage, respectively. MRM is a public entity risk pool and MEIT is a cooperative purchase of insurance, both of which operate common risk management and insurance programs for their members. The Township carries commercial insurance for all other risks of loss.

Independent Audit

An independent audit of the books of account, financial records, and transactions of all administrative departments of the Township is performed each year by an independent certified public accounting firm selected by the Board of Commissioners.

Maher Duessel was retained to complete the independent audit for the period ending December 31, 2003. The auditor's unqualified opinion for the year ended December 31, 2003, is included in this report.

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ross Township for its Comprehensive Annual Financial Report for the year ended December 31, 2002. In order to be awarded a Certificate of Achievement for Excellence, the Township must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement for Excellence Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The completion of this report was made possible through the efforts and cooperation of the Township Manager and the Finance Department staff. In addition, the accounting firm of Maher Duessel played an instrumental role in the preparation of this report. Appreciation is also extended to the elected officials of Ross Township for their continued cooperation and interest in the financial operations of the Township.

Respectfully submitted,

Virginia B. Finnegan, CPA
Finance Director

August 16, 2004
Ross Township, PA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Ross Township's Comprehensive Annual Financial Report presents a narrative overview and analysis of the Township's financial performance for the year ended December 31, 2003. Please read this management's discussion and analysis in conjunction with the preceding transmittal letter and the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Township's financial condition at December 31, 2003. 2003 represents the first year in which the Township implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Consequently this discussion and analysis provides few comparisons with the previous year. In future years, however, a comparative analysis of the government-wide data will be presented.

FINANCIAL HIGHLIGHTS

- ▶ The Township's net assets are \$16,572,125.
- ▶ Unrestricted net assets were \$4,276,392 at December 31, 2003.
- ▶ The Township's real property tax rate is 2.0541 mills.
- ▶ The Township maintains a strong investment bond rating of AAA from Standard & Poor's. This rating was issued in 2002.
- ▶ At December 31, 2003, the Township had \$6,105,807 of debt outstanding.
- ▶ The total fund balance of the General Fund at December 31, 2003 was \$3,140,750. The unreserved/undesignated portion of the fund balance was \$3,111,120, which is approximately 29.0% of revenues in the General Fund for fiscal year 2003. The unreserved/undesignated fund balance decreased \$592,059 from 2002 to 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to the financial statements and detailed budgetary comparison schedules) and combining and individual fund statements. The basic financial statements present two different views of the Township through the use of government-wide statements and fund financial statements:

- The first two statements (pages 1 and 2) are government-wide financial statements that provide long-term and short-term information about the Township's overall financial status.
- The remaining statements (pages 3 through 10) are fund financial statements that focus on individual parts of Township government, reporting operations in more detail than the government-wide statements.

- The governmental funds statements describe how general government services were financed such as public safety and recreation.
- Fiduciary fund statements provide information about the retirement plans for Township employees in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support Township activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in single columns in the basic financial statements. The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

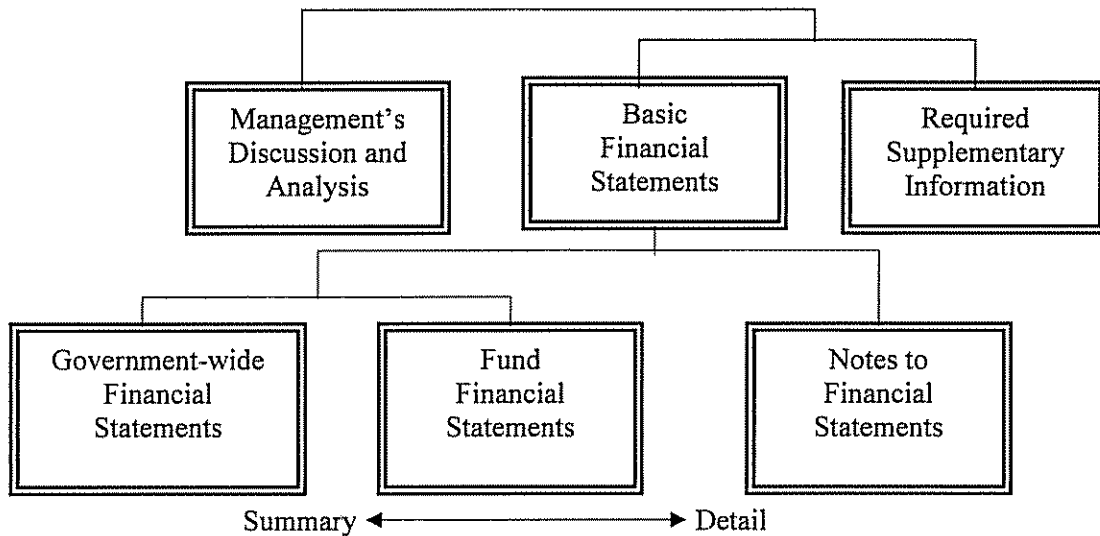


Figure A-2 summarizes the major features of the Township’s financial statements. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

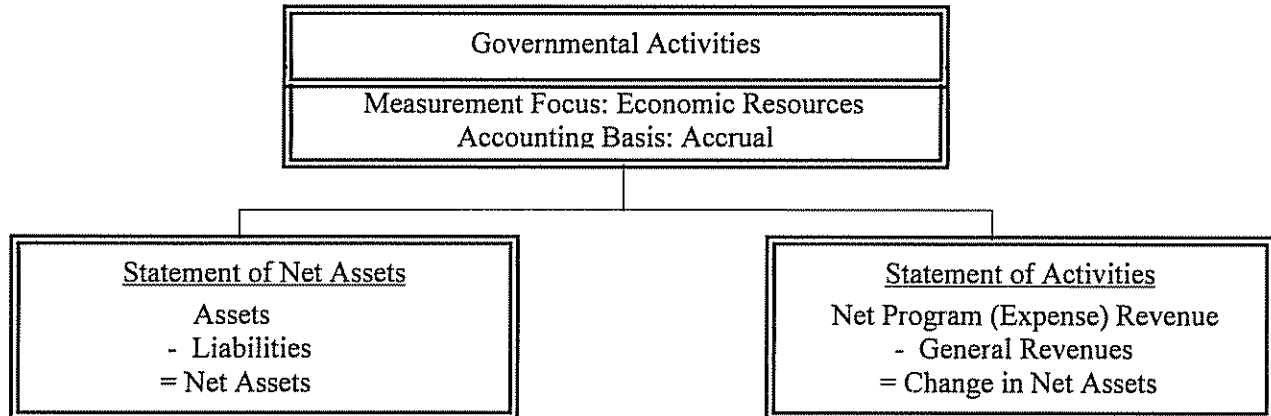
| | Figure A-2 | | |
|--|--|--|--|
| | Major Features of Ross Township’s Government-Wide and Fund Financial Statements | | |
| | Fund Statements | | |
| | Government-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire Township government (except fiduciary funds) | The activities of the Township that are not proprietary or fiduciary, such as police, fire, and recreation | Instances in which the Township is the trustee or agent for someone else’s resources, such as the retirement plan for Township employees |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Combined Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the Township’s funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township’s net assets and how they have changed. The statement of net assets includes all of the Township’s assets and liabilities, except fiduciary funds. Net assets - the difference between the Township’s assets and liabilities - is one way to measure the Township’s financial health, or position. Over time, increases or decreases in the Township’s net assets are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the Township’s net assets changed during the year. Additional non-financial factors such as changes in the Township’s real property tax base and general economic conditions must be considered to assess the overall position of the Township. The primary features of government-wide financial statements are reflected in Figure A-3.

**Figure A-3
Government-wide Financial Statements**



- *Governmental activities* - Most of the Township’s basic services are included here, such as the police, public works, recreation departments, and general administration. Property and earned income taxes, charges for services, and state grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township’s most significant funds, not the Township as a whole. Funds are accounting groups that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law.

The Township has two kinds of funds:

- *Governmental Funds* - Most of the Township’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township’s programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.
- *Pension Trust Funds* - The Township administers two pension plans using the services of the Trust Department of National City. One is for the general employees and the other is for police officers. These plans cover essentially all full-time employees. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate combined statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

This is the first year the Township has presented its financial statements using the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB Statement No. 34), "Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments." Because this reporting model significantly changes both the recording and presentation of financial data, the Township has not restated prior fiscal years for the purpose of providing comparative information for MD&A. In future years when prior year information is available, a comparative analysis of financial data will be included in this report

The Township's net assets at December 31, 2003 are presented below:

| Summary of Statement of Net Assets December 31, 2003 | |
|---|------------------------------------|
| | Governmental Activities |
| Assets: | |
| Current and other assets | \$7,137,609 |
| Capital assets | <u>18,000,733</u> |
| Total Assets | <u>25,138,342</u> |
| Liabilities: | |
| Current and other liabilities | 2,432,581 |
| Non-current liabilities | <u>6,133,701</u> |
| Total Liabilities | <u>8,566,282</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt | 12,295,733 |
| Unrestricted | <u>4,276,392</u> |
| Total Net Assets | <u>\$16,572,125</u> |

Net Assets:

For 2003, net assets of governmental activities decreased \$107,015.

Infrastructure Assets:

At December 31, 2003, the Township's total assets are \$25.1 million. Of this amount, \$18.0 million is accounted for by capital assets, which includes all of the infrastructure of the Township. Historically, infrastructure (roads, sewers, etc.) have not been reported or depreciated in governmental financial statements.

GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements. However, GASB Statement No. 34 does allow the reporting of infrastructure in two stages. Prospective reporting of

infrastructure is required during the first year of implementation of GASB Statement No. 34 (Stage 1). Accordingly, all projects and acquisitions that occurred in 2003 have been reported. Retroactive reporting of projects acquired or finished prior to the first year of implementation is allowed at a later date (Stage 2). The Township has elected to implement retroactive infrastructure reporting for the current year. The Township has elected to use the "Modified Approach" for road reporting; all other infrastructure reporting will be the same as other capital assets.

The condition of road pavement is measured using the Township's pavement management program, which is based on a weighted average of six distress factors found in pavement surfaces. The Township's pavement management program uses a measurement scale that is based on a pavement condition index ranging from one for a failed pavement to 100 for a pavement in perfect condition. The pavement condition index is used to classify roads in good condition (76-100), fair condition (66-75), fair to moderate condition (56-65), poor condition (26-55), and very poor condition (1-25). A road is considered "deficient" that is, needs maintenance or preservation, when the condition is below +/- 60. It is the Township's policy to maintain at least 85 percent of its street system at moderate or better condition level. No more than 10 percent should be in poor or very poor condition. Condition assessments are updated every year. The most recent condition assessment shows that the condition of the Township's roads is in accordance with the Township's policy. Actual maintenance and preservation costs were less than estimated by approximately 20% due to the overall condition of the Township's roads.

The following presents the Township's change in net assets for the fiscal year ended December 31, 2003:

Change in Net Assets
Year Ended December 31, 2003

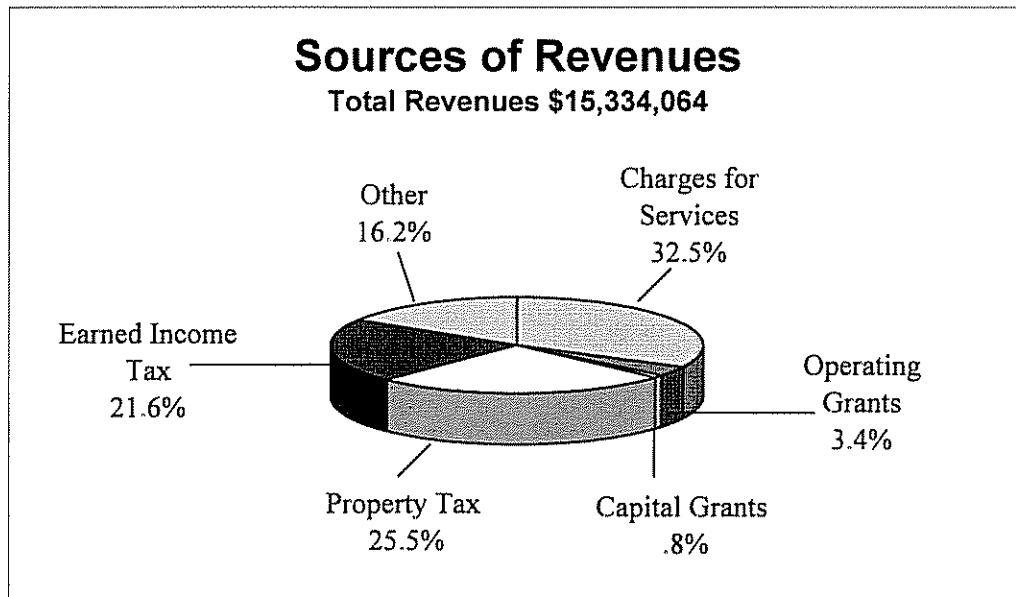
| | Governmental Activities |
|------------------------------------|----------------------------|
| Revenues: | |
| Program revenues: | |
| Charges for services | \$ 4,977,881 |
| Operating grants and contributions | 526,604 |
| Capital grants and contributions | 115,000 |
| General revenues: | |
| Property taxes | 3,917,925 |
| Earned Income taxes | 3,318,988 |
| Other | <u>2,477,666</u> |
| Total revenues | <u>15,334,064</u> |
| Program Expenses: | |
| General government | 1,476,510 |
| Public safety | 4,402,143 |
| Fire and building inspection | 849,005 |
| Highways, roads, and streets | 2,964,352 |
| Sanitation | 4,057,739 |
| Parks and recreation | 337,088 |
| Library | 390,736 |
| Senior citizen services | 74,370 |
| Miscellaneous | 19,947 |
| Unallocated depreciation | 601,026 |
| Interest on long-term debt | <u>268,163</u> |
| Total program expenses | <u>15,441,079</u> |
| Change in net assets | (107,015) |
| Net assets – beginning | <u>16,679,140</u> |
| Net assets – ending | <u>\$16,572,125</u> |

GOVERNMENTAL ACTIVITIES

Revenue Sources:

Total government-wide revenues of \$15.3 million were derived primarily from charges for services, representing 32.5% of the total. Property taxes made up the second largest source of revenue at 25.5%, followed by earned income taxes at 21.6%, other general revenue at 16.2%, and operating and capital grants at 4.2%.

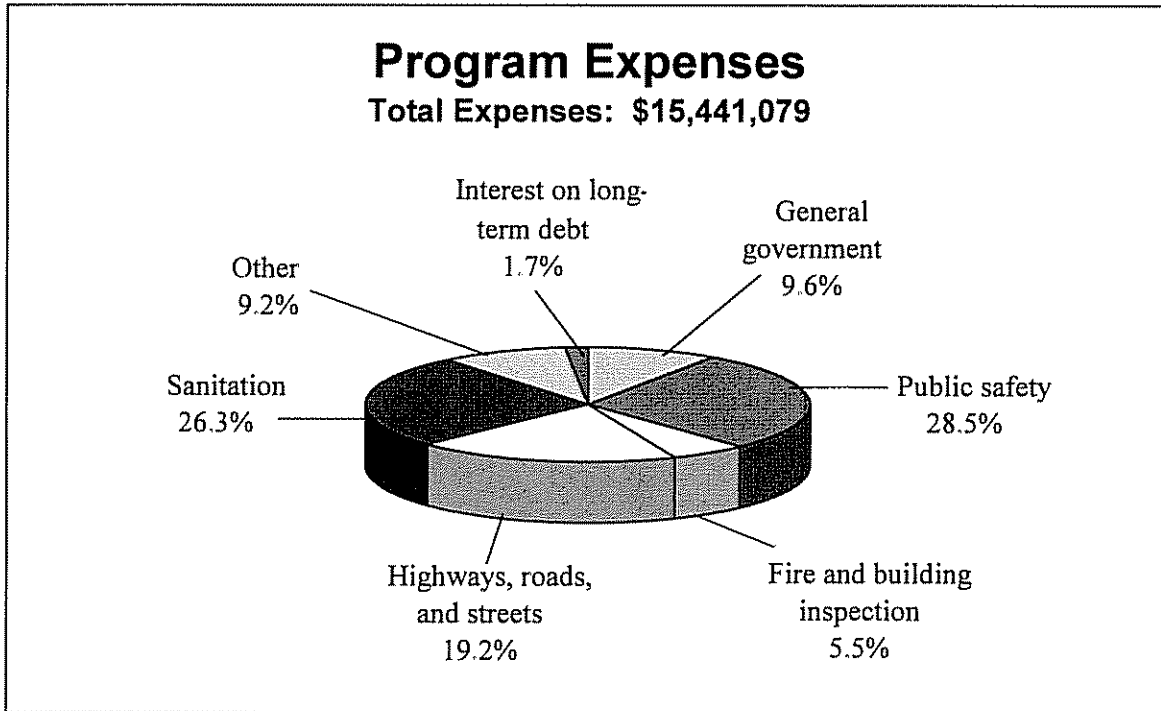
The following chart graphically depicts the government-wide sources of revenues for the fiscal year ended December 31, 2003:



Program Expenses:

Total expenses for all programs in 2003 were \$15.4 million. The expenses cover a range of services, with the largest being public safety at 28.5%. The second largest program area was sanitation at 26.3%, followed by highways, roads, and streets at 19.2%, general government at 9.6%, fire and building inspection at 5.5%, and all others at 10.9%.

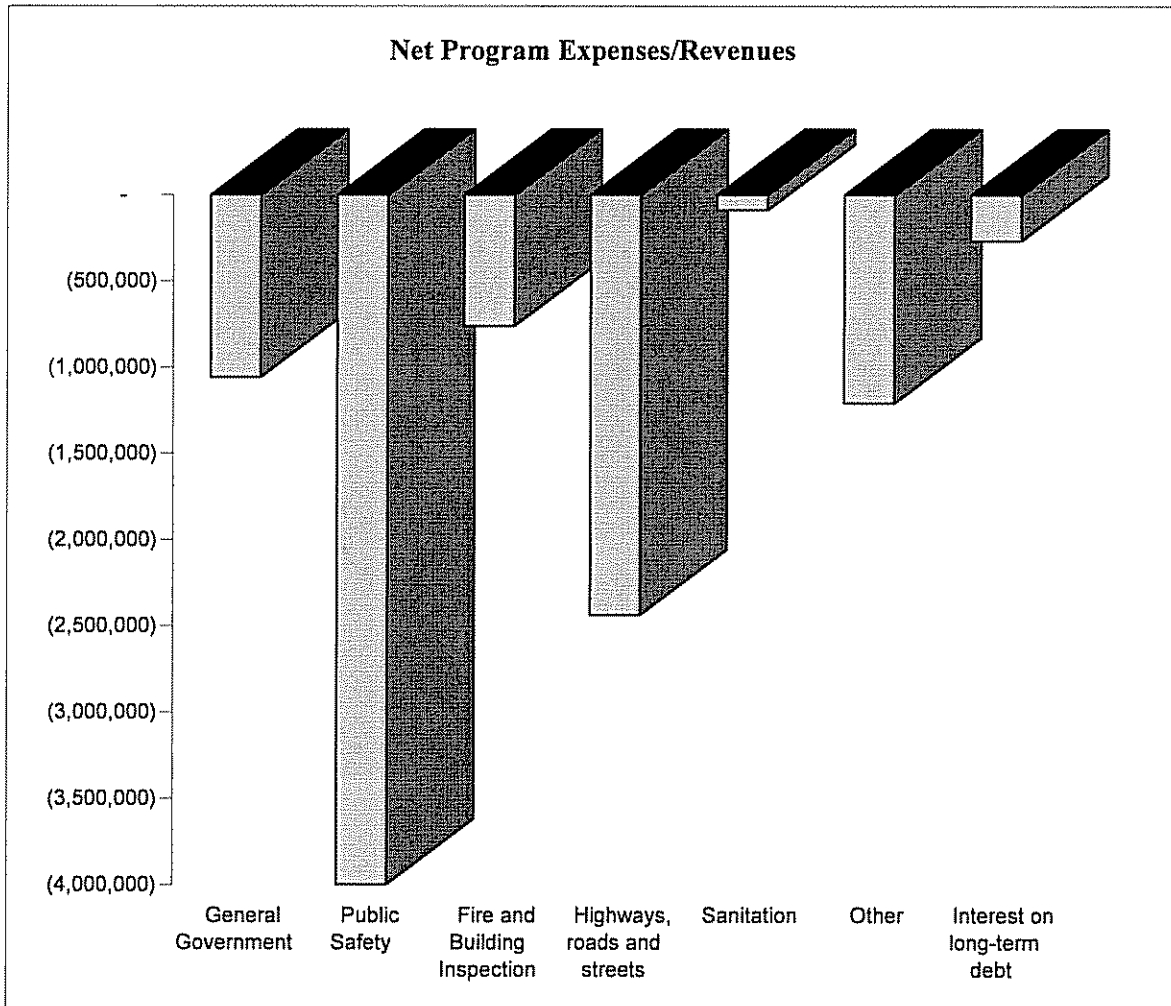
The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2003:



Net Program Expenses/Revenues:

Public safety expenses required the most general revenue for support, needing \$4.1 million in 2003. Highway, roads, and streets required \$2.7 million. General government required \$1.2 million, fire and building inspection required \$.8 million, and all others required \$1.0 million.

Net program expenses/revenues indicates the amount of support required from taxes and other general revenues for the year. The following chart graphically depicts the net program expenses/revenues by function/program for the fiscal year ended December 31, 2003:



FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds reported a combined fund balance of \$4.2 million, a decrease of \$.88 million compared to the previous year. Of this combined fund balance total, almost all of it represents unreserved/undesignated fund balance, meaning it is available to meet the Township's current and future needs.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were minor (\$72,194) and were due to outstanding purchase orders at the beginning of the year.

During 2003, actual revenues exceeded budgeted revenues by ½ of a percent. Expenditures were less than budgeted by 5%. Three grants, totaling \$115,000, were received in 2003 that were not budgeted plus real estate transfer tax collections exceeded budgeted amounts by \$170,000. Expenses for overtime in the public works department combined with snow removal expenses were \$165,000 over budget but road paving was \$145,000 under budget. Electricity expense budgeted for the Municipal Center was overestimated by \$72,000; this was for the demand billing for the baseball field lights which ended up being shut off over the winter months.

OTHER MAJOR FUNDS

Sewer Fund

The Sewer Fund, a governmental fund, was established in 1992 in an effort to more closely monitor the financial performance of the sanitary sewer operations of the Township. By agreement, Jordan Tax Service, Inc. provides billing and collection services. The Allegheny County Sanitary Authority (ALCOSAN) had previously provided this function. User fees generated in 2003 totaled \$4,181,759 and investment income totaled \$40,342. Payments to ALCOSAN totaled \$2,462,701; in addition \$1,437,790 was paid to Girty's Run Joint Sewer Authority for user's fees. Girty's Run Joint Sewer Authority operates the Girty's Run sewer shed, one of five sewer sheds within Ross Township and the only one that is separately administrated. Sewers in Girty's Run are owned and operated by the Girty's Run Joint Sewer Authority and contain approximately 50% of the sewer customers in the Township. The four remaining sewer sheds are all owned and operated directly by Ross Township. In future years, \$986,973 is available for sanitary sewer maintenance and for costs connected with complying with a Government Administrative Consent Order to inspect, clean and repair all sanitary sewer lines in the municipality. These are the only allowable expenditures of this funding source.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Township's capital assets at December 31, 2003, net of accumulated depreciation, amounted to \$18 million. Capital assets consist primarily of land, buildings and improvements, equipment and infrastructure. The following is a summary of capital assets at December 31, 2003:

| Summary of Capital Assets | |
|-------------------------------------|---------------------------------|
| | Balance at December 31, 2003 |
| Land | \$ 7,719,337 |
| Buildings and building improvements | 6,733,949 |
| Machinery, equipment, and fixtures | 2,863,658 |
| Vehicles | 1,880,828 |
| Infrastructure | <u>8,700,814</u> |
| Total capital assets | <u>27,898,586</u> |
| Less: Accumulated depreciation for: | |
| Buildings and building improvements | 975,780 |
| Machinery, equipment, and fixtures | 914,393 |
| Vehicles | 1,018,619 |
| Infrastructure | <u>6,989,061</u> |
| Total accumulated depreciation | <u>9,897,853</u> |
| Total | <u>\$18,000,733</u> |

More detailed information about the Township's capital assets can be found in Note 9 of the notes to financial statements.

Long-Term Debt

At December 31, 2003, the Township had \$6,105,807 of debt outstanding. Debt activity for 2003 consisted of scheduled principal and interest payments on existing General Obligation Bonds issued in 2000 for the purpose of constructing the new municipal office complex that was completed in 2001 and Newcom Emergency Services Loan. The following details activity related to general obligation bonds during 2003:

| Summary of General Obligation Bond Activity | |
|--|---------------------|
| Beginning Balance at 1/1/2003 | \$ 5,950,000 |
| Principal retirement | <u>(245,000)</u> |
| Ending Balance at 12/31/2003 | \$ <u>5,705,000</u> |

More detailed information on about debt can be found in Note 10 of the notes to the financial statements.

TRUST AND AGENCY OPERATIONS

Pension Trust Fund

Ross Township administers two pension plans using the services of the Trust Department of National City Bank. One is for the general employees and the other is for police officers. Mockenhaupt Associates, Inc. conducts an actuarial study for each plan biannually. The financial statements, notes, and required supplemental information disclose the pension activity for 2003. During 2003, plan net assets increased \$3,334,661. During 2003, no contributions were required to either Township pension plan.

Bond Ratings

The Township maintained a strong investment bond rating of AAA from Standard & Poors. This rating was issued in 2002. More detailed information about the Township's general long-term debt activity can be found in Notes 10 of the notes to financial statements.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Ross Township Finance Department
1000 Ross Municipal Drive
Pittsburgh, PA 15237