

WEST PIKELAND TOWNSHIP

December 31, 2007

ROBERT C. BEZGIN
CERTIFIED PUBLIC ACCOUNTANT

WEST PIKELAND TOWNSHIP

DECEMBER 31, 2007

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Independent Auditor's Report

Board of Supervisors
West Pikeland Township
Chester County, Pennsylvania

I have audited the accompanying financial statements of the governmental activities of West Pikeland Township, Pennsylvania as of and for the year ended December 31, 2007, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The accompanying financial statements do not include the fiduciary funds of West Pikeland Township's uniform pension plan which should be included in order to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the exclusion of the pension plan funds are not reasonably determinable.

In my opinion, except for the effects of not including the pension plan funds, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of West Pikeland Township, Pennsylvania, as of December 31, 2007, and the respective changes in financial position, 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.

Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

Robert C. Bezgin, CPA
June 30, 2008

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

As management of West Pikeland Township, we offer readers of West Pikeland Township's financial statements this narrative overview and analysis of the financial activities of West Pikeland Township, Chester County for the fiscal year ended December 31, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Township's financial statements, which follow this narrative.

This Annual Report includes:

- Management's Discussion and analysis
- Financial Statements reflecting the fiscal condition of the Township as a whole
- Individual fund statements

Financial Highlights

- The assets of West Pikeland Township exceeded its liabilities at the close of the fiscal year by \$4,485,747 (*net assets*).
- The government's total net assets increased by \$793,301, primarily due to increases in the collections of earned income taxes.
- As of the close of the current fiscal year, West Pikeland Township's governmental funds reported combined ending fund balances of \$891,061 an increase of \$333,150 in comparison with the prior year. The entire balance is available for spending at the government's discretion (*unreserved fund balance*).
- West Pikeland Township's total debt decreased by \$12,266 during the current fiscal year.

Overview of Financial Statements

This report is meant to enhance the basic, numeric financial statements that consist of township-wide statements, fund statements and accompanying notes. Additionally, the reader will find supplemental information that will clarify West Pikeland Township's financial condition.

West Pikeland Township's Government-Wide Financial Statements

The government-wide financial statements for the fiscal year ended December 31, 2007 are the beginning of a new era in financial reporting for West Pikeland Township and many other units of government across the United States. The first two statements are township-wide statements. They reflect a broad overview of West Pikeland's finances as a whole and are presented similarly to a private-sector business. The statement of net assets reflects the difference between our total assets and total liabilities.

The statements reflect all assets and liabilities using the accrual method of accounting.

On a long-term basis, the measurement of assets gives an indication of trends in our financial health and whether it is improving or deteriorating.

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

Governmental activities include our basic services such as public safety, public works and general administration. These functions are primarily funded by taxes, permit activity, investments, and grants.

Fund Financial Statements

The fund financial statements provide a more detailed look at our more significant activities.

Funds are accounting devices that we use to track specific sources of funding and spending for particular purposes that are segregated for specific activities or objectives. The financial statements reflect details about our most significant activities. All funds are divided into governmental or proprietary. West Pikeland Township has no proprietary funds.

Governmental Funds

Our basic services are reported in Governmental Funds. These statements provide a detailed, short-term view of the operations of our local government and the basic services it provides. This information helps to determine whether there are greater or lesser financial resources available to finance Township programs.

The funds are reported using a method called *modified accrual accounting* which measures cash and all other financial assets that can readily be converted to cash. Any monies left from one year are available for use in the future. The relationship between governmental activities and government funds is described in a reconciliation included in and a part of the fund financial statements.

West Pikeland Township adopts an annual budget for its General Fund, as required by the General Statutes. In accordance with law, the proposed budget is made available for public view and comment prior to adoption at a public meeting. The budget is a legally adopted document that incorporates input from the citizens of the Township, the management of the Township, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Township to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Township complied with the budget ordinance and whether or not the Township succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the original budget as adopted by the board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; and 3) the difference or variance between the final budget and the actual resources and charges.

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits to the employees.

The West Pikeland Township Board of Supervisors is the trustee, or fiduciary, of its employee's pension plans.

Notes to Financial Statements

Notes give additional information that are essential in order to completely understand the data provided in the financial statements.

Government-Wide Financial Analysis

Table 1
West Pikeland Township
Net Assets

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$914,098
Certificates of deposit	33,123
Due from Developers	13,728
Escrow deposits	31,343
Other assets	11,081
Capital assets:	
Land and rights of way	2,285,860
Other capital assets net depreciation	<u>1,621,674</u>
Total assets	<u><u>\$4,910,907</u></u>
Liabilities:	
Accounts payable and accrued expenses	\$80,969
Escrow liability	31,343
Long term liabilities:	
Due within one year	12,848
Due in more than one year	<u>300,000</u>
Total liabilities	<u><u>425,160</u></u>
Net assets:	
Invested in capital assets, net of related debt	3,607,534
Unrestricted	<u>878,213</u>
Total net assets	<u><u>4,485,747</u></u>
Total liabilities and net assets	<u><u>\$4,910,907</u></u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

As previously noted, over time, net assets will serve as a useful indicator of West Pikeland's overall long-term financial health.

As of December 31, 2007, assets exceeded liabilities by \$4,485,747. This reflects an increase of \$793,301.

The largest portion of our assets is capital assets.

Governmental Activities

The following table reflects the condensed governmental activities:

Table 2
West Pikeland Township
Changes in Net Assets

Expenses:	
Program expenses	\$1,554,605
Depreciation	66,935
Interest on debt	<u>27,644</u>
Total expenses	<u>1,649,184</u>
Program revenues:	
Charges for services	224,081
Operating grants and contributions	<u>201,185</u>
Total program revenues	<u>425,267</u>
Net (Expense) Revenue	(1,223,918)
General revenues:	
Taxes:	
Real estate	50,153
Transfer	204,727
Earned income tax	1,361,680
Investment earnings	80,658
Proceeds of sale of building	<u>320,000</u>
Total general revenues	<u>2,017,219</u>
Change in net assets	793,301
Net assets - January 1, 2007	<u>84,912</u>
Net assets - December 31, 2007	<u><u>\$878,213</u></u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

It is clear that taxes are the primary support of governmental activities. Tax revenue amounted to \$1,616,561. Governmental programs provided revenues of \$425,267. Their cost was \$1,649,184.

As expected, the greatest cost in governmental activities was police and emergency services at a cost of \$643,410 followed by administration at a cost of \$549,612.

Financial Analysis of Township Funds

West Pikeland Township funds, as reported in the activities report, show ending fund balances of \$891,061 all of which represent unreserved funds.

The following table reflects the condensed balance sheet:

Table 3
West Pikeland Township
Balance Sheet
(Total Governmental Funds)

Assets:	
Cash	\$914,098
Certificates of deposit	33,123
Due from Developers	13,728
Other assets	11,081
Total Assets	\$972,030
Liabilities:	
Accounts payable and accrued expenses	\$80,969
Total Liabilities	80,969
Fund Balances:	
Unreserved	891,061
	891,061

Within the General Fund certain moneys are kept segregated for designated purposes. For example, state liquid fuel moneys in the amount of \$255, 257 is kept for road improvements. Likewise, money collected for capital improvements amounted to \$154,709 and is kept in a separate accounts.

The following table is a condensed statement of revenues, expenditures and changes in fund balances:

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

Table 4
West Pikeland Township
Statement of Revenues, Expenditures & Changes in Fund Balances
(Total Governmental Funds)

Revenues:	
Real Estate Taxes	\$50,153
Transfer Taxes	204,727
Earned Income Taxes	1,361,680
Licenses and permits	46,171
Fines and forfeits	60,553
Interest, rents and royalties	80,658
State grants	201,185
Charges for service:	
General government	8,622
Public safety	54,824
Culture and Recreation	8,865
Refunds of prior year expenditures	4,581
Reimbursed subdivision and land development costs	40,465
Proceeds of sale of building	320,000
Proceeds of General Long-Term Debt	300,000
Total Revenues	<u>2,742,485</u>
Expenditures:	
General Government:	
Legislative	148,993
Executive	76,719
Financial Administration	21,687
Tax Collection	29,588
Legal services	51,516
Secretary	95,575
Data Processing	6,462
Engineering	73,428
Buildings and plants	417,556
Public Safety:	
Police	508,242
Fire	140,726
Code Enforcement	48,176
Planning and Zoning	12,291
Emergency Management	98
Community Recycling	426
Public works:	
General services	89,872
Winter Maintenance - Snow Removal	19,340
Traffic Control Devices	14,892
Maintenance and Repairs of Roads	48,285
Culture and Recreation	138,079
Debt service	427,644
Reimbursable subdivision and land development costs	39,743
Miscellaneous Insurance and General	
Police Video Camera	
Total Expenditures	<u>2,409,335</u>
Excess (deficiency) of revenues over expenditures	333,150
Fund Balance, January 1, 2007	<u>557,911</u>
Fund Balance, December 31, 2007	<u><u>\$891,061</u></u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

General Fund Budgetary Highlights

A review of the West Pikeland Township general fund for year ending December, 2007, indicates total revenue at \$2,742,485 or \$727,945 more than anticipated. A state grant of \$400,000 which was budgeted was not received. In addition, the Township received a \$10,000 grant to conduct the Horseshoe Trail Road bridge engineering study, a \$6,250 matching grant from the Chester County visitors and tourism bureau for improvements to the cultural center and a \$69,000 regional police grant all of which were not predicted.

On the expenditure side, under general government, insurance increases were realized for general liability, real and personal property and errors and omissions coverage. In addition, approximately \$51,000 more in engineering costs than budgeted and was primarily due to delays associated with construction of the township parking lot which added more than \$48,000 to the building improvement account. An explanation of other accounts follows.

The Fire Account shows an overage of \$52,626 from what was budgeted because the \$45,000 annual donation for 2008 was paid just prior to Jan 1st. A total of \$129,768.23 was paid in 2007 to the Lionville and Kimberton Fire Companies which serve West Pikeland Township.

Code Enforcement expenditures increased by almost \$13,000 from what was anticipated; however, the additional costs were covered in permit fees under revenues.

The Traffic Control Devices account experienced an increase over the budget of \$8,600 due to a vehicle accident which severed the Montgomery School flashing light pole. This was paid out by the Township and then reimbursed by the vehicle owner's insurance company.

Debt Service financing institute was changed last year from Nova Bank to DNB. DNB paid to Nova \$300,000 for the remaining debt service and the Township still carries the debt; however, now with DNB.

Reimbursable Subdivision and Land Development costs of \$39,743 (no budget was created last year) were covered by the \$40,465 received under revenue.

Overall, West Pikeland Township ended the year with an excess of \$333,150 which primarily was established from the sale of the former municipal building in the amount of \$320,000.

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007

Capital Assets and Debt Administration

The following table reflects the capital assets:

Table 5
West Pikeland Township
Capital Assets
(net of depreciation)

Land and rights of way	\$2,285,860
Improvements other than buildings	361,155
Buildings	942,720
Traffic lights and signals	91,200
Office equipment	3,824
Roads Department machinery and equipment	169,017
Police vehicles and equipment	<u>53,758</u>
Total	<u>\$3,907,534</u>

Long-term Debt

As of December 31, 2007, West Pikeland has a total outstanding debt of \$312,848.

Table 6
West Pikeland Township
Outstanding Debt

DNB First General Obligation Note	\$300,000
Caterpillar Financial Services Corporation	<u>12,848</u>
Total	<u>\$312,848</u>

Requests for information

This report is designed to provide an overview of the Township's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Administrator/Treasurer, West Pikeland Township, 1645 Art School Road, Chester Springs, Pennsylvania, 19425.

WEST PIKELAND TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Governmental Activities
Assets:	
Cash and cash equivalents	\$914,098
Certificates of deposit	33,123
Due from Developers	13,728
Escrow deposits	31,343
Other assets	11,081
Capital assets:	
Land and rights of way	2,285,860
Other capital assets net depreciation	1,621,674
Total assets	<u>\$4,910,907</u>
Liabilities:	
Accounts payable and accrued expenses	\$80,969
Escrow liability	31,343
Long term liabilities:	
Due within one year	12,848
Due in more than one year	300,000
Total liabilities	<u>425,160</u>
Net assets:	
Invested in capital assets, net of related debt	3,607,534
Unrestricted	878,213
Total net assets	<u>4,485,747</u>
Total liabilities and net assets	<u>\$4,910,907</u>

WEST PIKELAND TOWNSHIP
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Activities						
	<u>Total</u>	<u>Administration</u>	<u>Police and Emergency Services</u>	<u>Codes and Engineering</u>	<u>Public Works</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>
Expenses:							
Program expenses	\$1,554,605	\$531,011	\$624,661	\$100,308	\$160,547	\$138,079	\$
Depreciation	66,935	18,601	18,749		23,372	6,213	
Interest on debt	27,644						27,644
Total expenses	<u>1,649,184</u>	<u>549,612</u>	<u>643,410</u>	<u>100,308</u>	<u>183,919</u>	<u>144,292</u>	<u>27,644</u>
Program revenues:							
Charges for services	224,081	13,204	60,553	141,460		8,865	
Operating grants and contributions	201,185	201,185					
Total program revenues	<u>425,267</u>	<u>214,389</u>	<u>60,553</u>	<u>141,460</u>		<u>8,865</u>	
Net (Expense) Revenue	(1,223,918)	(335,222)	(582,857)	41,152	(183,919)	(135,427)	(27,644)
General revenues:							
Taxes:							
Real estate	50,153						
Transfer	204,727						
Earned income tax	1,361,680						
Investment earnings	80,658						
Proceeds of sale of building	320,000						
Total general revenues	<u>2,017,219</u>						
Change in net assets	793,301						
Net assets - January 1, 2007	<u>84,912</u>						
Net assets - December 31, 2007	<u><u>\$878,213</u></u>						

WEST PIKELAND TOWNSHIP
BALANCE SHEET
DECEMBER 31, 2007

	General <u>Fund</u>
Assets:	
Cash	\$914,098
Certificates of deposit	33,123
Due from Developers	13,728
Other assets	<u>11,081</u>
Total Assets	<u><u>\$972,030</u></u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$80,969</u>
Total Liabilities	<u>80,969</u>
Fund Balances:	
Unreserved	<u>891,061</u>
Total fund balances	<u>891,061</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,907,534
Loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(312,848)</u>
Net assets of governmental activities	<u><u>\$4,485,747</u></u>

WEST PIKELAND TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Actual	Budget	Budget Favorable (Unfavorable)
Revenues:			
Real Estate Taxes	\$50,153	\$40,750	\$9,403
Transfer Taxes	204,727	175,000	29,727
Earned Income Taxes	1,361,680	1,055,000	306,680
Licenses and permits	46,171	45,800	371
Fines and forfeits	60,553	41,000	19,553
Interest, rents and royalties	80,658	40,140	40,518
State grants	201,185	567,400	(366,215)
Charges for service:			
General government	8,622	23,450	(14,828)
Public safety	54,824	25,500	29,324
Culture and Recreation	8,865		8,865
Refunds of prior year expenditures	4,581	500	4,081
Reimbursed subdivision and land development costs	40,465		40,465
Proceeds of sale of building	320,000		320,000
Proceeds of General Long-Term Debt	300,000		300,000
Total Revenues	<u>2,742,485</u>	<u>2,014,540</u>	<u>727,945</u>
Expenditures:			
General Government:			
Legislative	148,993	84,460	(64,533)
Executive	76,719	85,010	8,291
Financial Administration	21,687	42,600	20,913
Tax Collection	29,588	28,800	(788)
Legal services	51,516	48,500	(3,016)
Secretary	95,575	91,085	(4,490)
Data Processing	6,462	5,000	(1,462)
Engineering	73,428	22,500	(50,928)
Buildings and plants	417,556	369,250	(48,306)
Public Safety:			
Police	508,242	517,200	8,958
Fire	140,726	88,100	(52,626)
Code Enforcement	48,176	35,400	(12,776)
Planning and Zoning	12,291	38,700	26,409
Emergency Management	98	1,150	1,053
Community Recycling	426		(426)
Public works:			
General services	89,872	176,445	86,573
Winter Maintenance - Snow Removal	19,340	17,000	(2,340)
Traffic Control Devices	14,892	6,295	(8,597)
Maintenance and Repairs of Roads	48,285	156,750	108,465
Culture and Recreation	138,079	137,188	(891)
Debt service	427,644	130,000	(297,644)
Reimbursable subdivision and land development costs	39,743		(39,743)
Miscellaneous Insurance and General		1,500	1,500
Police Video Camera		400,000	400,000
Total Expenditures	<u>2,409,335</u>	<u>2,482,933</u>	<u>73,597</u>
Excess (deficiency) of revenues over expenditures	333,150	<u>(468,393)</u>	<u>654,348</u>
Fund Balance, January 1, 2007	<u>557,911</u>		
Fund Balance, December 31, 2007	<u><u>\$891,061</u></u>		

WEST PIKELAND TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Excess (deficiency) of revenues over expenditures	\$333,150
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$414,820) exceeded depreciation (\$66,935) in the current period.	347,885
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>112,266</u>
Change in net assets of governmental activities	<u>\$793,301</u>

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. West Pikeland Township:

West Pikeland Township (the "Township") is a second class township located in Chester County, Pennsylvania. The Township is governed by a Board of Supervisors comprised of three residents. The Board of Supervisors is responsible for the administration, management and operation of the Township. Members of the Board of Supervisors are elected for six year terms. Elections are held for one position every two years. The duties of the Board of Supervisors include the adoption of the annual operating budget, capital improvements, maintenance of roads, public safety, and planned development.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Township are discussed below.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB 34"). Significant changes in GASB No. 34 include:

- A management discussion and analysis section providing an analysis of the Township's overall financial position and results of operations,
- Financial statements prepared using full accrual accounting for all of the Township's activities,
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township elected to implement the general provisions of the GASB 34 as of January 1, 2007 and prospectively report infrastructure assets acquired after that date.

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. Summary of significant accounting policies:

A. Reporting Entity:

These financial statements present the activities of the Township (the primary government). The fiduciary funds of West Pikeland Township's uniform pension plan are not included.

B. Basic Financial Statements—Government-Wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental activities.

The government-wide Statement of Net Assets are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets net of related debt; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions (police, public works, etc.). The functions are also supported by general government revenues (property, earned income taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs are normally covered by general revenue (property, or earned income taxes, intergovernmental revenues, interest income, etc.).

The Township does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The Township has one major governmental fund:

General Fund is the principal operating fund of the Township and accounts for all financial resources.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. These financial statements do not include the fiduciary funds of the Township's uniform pension fund.

D. Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the Township's investment

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pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Traffic lights and signals	20 years
Machinery and equipment	5-15 years
Improvements	20 years

GASB 34 requires the Township to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Township. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Township elected to implement the general provisions and the prospective infrastructure provisions (under the modified approach) of GASB 34 as of January 1, 2007. Under the modified approach: eligible infrastructure assets are not required to be depreciated as long as the Township manages the eligible infrastructure assets using an asset management system that has the characteristics set forth below; and, the Township documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the Township. To meet the first requirement, the asset management system should:

- Have an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed.

Accordingly, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

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3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

E: Use of estimates:

The preparation of the financial assets in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Budgetary Information

Annual budgets are adopted on a basis consistent with modified cash basis of accounting for the General Fund. All annual appropriations lapse at fiscal year end.

During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

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3. Detailed information on all funds

A. Capital Assets

Capital assets activity for the year ended December 31, 2007 was as follows:

Primary Government	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Land and rights of way	<u>\$2,285,860</u>			<u>\$2,285,860</u>
Capital assets being depreciated:				
Improvements other than buildings		361,155		361,155
Buildings	1,262,000	24,577	(\$320,000)	966,577
Traffic lights and signals	96,000			96,000
Office equipment	54,871	4,780		59,651
Roads Department machinery and equipment	217,723			217,723
Police vehicles and equipment	<u>154,107</u>	<u>24,307</u>		<u>178,414</u>
Total capital assets being depreciated	<u>1,784,701</u>	<u>414,819</u>	<u>(320,000)</u>	<u>1,879,520</u>
Less accumulated depreciation for:				
Improvements other than buildings				
Buildings		23,857		23,857
Traffic lights and signals		4,800		4,800
Office equipment	54,871	956		55,827
Roads Department machinery and equipment	30,134	18,572		48,706
Police vehicles and equipment	<u>105,907</u>	<u>18,749</u>		<u>124,656</u>
Total accumulated depreciation	<u>190,912</u>	<u>66,934</u>		<u>257,846</u>
Total capital assets being depreciated, net	<u>1,593,789</u>	<u>347,885</u>	<u>(320,000)</u>	<u>1,621,674</u>
Governmental activities capital assets, net	<u>\$3,879,649</u>	<u>\$347,885</u>	<u>(\$320,000)</u>	<u>\$3,907,534</u>

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B. Deposits and investments

At year end, the Township's deposits with banking institutions was \$914,098. \$100,000 was covered by federal depository insurance.

Investments are categorized into the following categories of credit risk:

1. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. The Township does not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.
2. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township does not have a formal investment policy that addresses credit risk. U.S. Government obligations are not considered to have credit risk and do not require disclosure of credit quality.
3. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Township does not have a formal investment policy that addresses concentration of credit risk.
4. Foreign currency risk is the risk that changes in exchange rate will adversely affect the fair value of an investment. The Township does not have a formal investment policy that addresses foreign currency risk, however, the Township held no investments that were exposed to foreign currency risk as of December 31, 2007.

C. Receivables:

Receivables as of year end for the Township's funds, component unit and fiduciary funds are as follows:

Receivables:	<u>General</u>	<u>Escrow Funds</u>
Due from Developers	\$13,728	
Inter-governmental		31,343

D. Property taxes:

The Township imposes a property tax of .125 mills on the assessed valuations determined by the County of Chester. Property taxes are levied on March 1 of the calendar year. Property taxes are discounted 2% if remitted by May 1, due July 1, and penalized 10% if paid after July 1. Liens are filed for unpaid property taxes on March 1 of the following year.

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E.. General Obligation Bonds Payable:

General Obligation Note dated December, 2007 is payable to DOWNTOWN NATIONAL Bank matures September 1, 2012. Proceeds from the note were used to refinance a line of credit. The General Obligation Note requires interest only payments of interest at 4.75%.

General Obligation Notes are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Township. General Obligation Notes require the Township to include in its annual budget such amounts from general revenues for the payment (in each year notes are outstanding) of interest and principal. The Township is in compliance with this requirement.

5. Equipment Note Payable:

The Township borrowed \$61,749 from Caterpillar Financial Services Corporation dated August 9, 2004 to finance an equipment purchase. Yearly payments of principal and interest are \$13,521.58.

The estimated principal payment for the year ended December 31, 2008 is \$12,848.

6. Pension Plan:

The West Pikeland Township Police pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 2004-206 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Funding Policy and Annual Pension Cost: On December 18, 1984, Act 205 was passed into law, known as the "Municipal Pension Plan Funding Standard and Recovery Act." The act mandates actuarial funding standard, establishes a recovery program for financially distressed pension systems, and provides for the distribution of the tax on premiums of foreign fire insurance companies. The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability.

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In accordance with the plan's governing Ordinance, members are required to contribute 5% of compensation to the plan.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with ACT 205.

The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living allowance are provided at the discretion of the plan.

Schedule of funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
1/1/05	31,871	89,994	58,123	35.41%	162,486	35.77%

Schedule of Contributions:

Year Ending	Annual Required Contribution	Actuarial Valuation Date Basis for Contributions	Percentage of Annual Pension Cost
12/31/04	\$24,976	2001	100%
12/31/05	\$25,036	2003	100%
12/31/06	\$27,950	2003	100%

Actuarial Assumptions:

Actuarial valuation date	January 1, 2005
Actuarial cost method	Entry age normal
Amortization method	Level Dollar Closed
Remaining amortization period	21 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	6%
Projected salary increases	5.2%

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7. Deferred compensation plan:

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

An employee participating in the plan in 2007 may defer a maximum of 100 percent of normal compensation or \$14,000, whichever is less. Employees may invest at their discretion in different funds offered by the trustee, Nationwide.

8. Contingencies:

West Pikeland Township is the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits is uncertain, the effect on the accompanying combined financial statements is uncertain and accordingly, no provision for losses has been recorded.