

WEST PIKELAND TOWNSHIP

December 31, 2008

**ROBERT C. BEZGIN**  
**CERTIFIED PUBLIC ACCOUNTANT**

WEST PIKELAND TOWNSHIP

DECEMBER 31, 2008

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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, 2008, 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.

Except as discussed in the following paragraph, 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 Statement of Net Assets - Fiduciary Funds and the Statement of Changes in Fiduciary Net Assets have not been audited, and I was not engaged to audit these financial statements as part of my audit of West Pikeland Township's basic financial statements. Those financial statements are audited by the Department of Auditor General's office of the Commonwealth of Pennsylvania every other year.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had The Statement of Net Assets - Fiduciary Funds and the Statement of Changes in Fiduciary Net Assets been audited, 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, 2008, 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 MD&A 1 through MD&A 8 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.

The supplemental disclosure on page 20 is not a required part of the basic financial statements but is supplemental information required the Governmental Accounting Standards Board. 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*

July 8, 2009

**WEST PIKELAND TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2008**

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, 2008. 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 \$5,474,424 (*net assets*).
- The government's total net assets increased by \$925,893, primarily due to increases in the collections of open space earned income taxes.
- As of the close of the current fiscal year, West Pikeland Township's governmental funds reported combined ending fund balances of \$1,151,335 an increase of \$260,274. The fund balance is restricted \$346,127 for highways, and \$243,468 for open space. The remaining balance \$561,740 is available for spending at the government's discretion (*unrestricted fund balance*).
- West Pikeland Township's total debt decreased by \$182,848 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, 2008 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, 2008**

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, 2008**

**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	\$1,159,254
Certificates of deposit	33,123
Taxes receivable	118,450
Due from Developers	15,027
Other assets	5,858
Capital assets:	
Land and rights of way	2,285,860
Other capital assets net depreciation	2,048,779
Total assets	\$5,666,351
Liabilities:	
Accounts payable and accrued expenses	\$61,927
Note payable	130,000
Total liabilities	191,927
Net assets:	
Invested in capital assets, net of related debt	4,204,639
Restricted for highways	346,127
Restricted for open space	243,468
Unrestricted	680,190
Total net assets	5,474,424
Total liabilities and net assets	\$5,666,351

**WEST PIKELAND TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2008**

As previously noted, over time, net assets will serve as a useful indicator of West Pikeland's overall long-term financial health. The government wide unrestricted net assets of \$680,190 differ from the unrestricted fund balance of \$561,740 by the amount of taxes receivable recognized on the full accrual method by the amount of \$118,450.

As of December 31, 2008, assets exceeded liabilities by \$5,474,424. This reflects an increase of \$925,893. 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	\$1,732,637
Depreciation	98,696
Interest on debt	10,566
Total expenses	1,841,899
Program revenues:	
Charges for services	300,971
Operating grants and contributions	601,264
Total program revenues	902,235
Net (Expense) Revenue	(939,664)
General revenues:	
Taxes:	
Real estate	50,298
Transfer	127,203
Earned income tax	1,627,295
Investment earnings	54,007
Proceeds of sale of equipment	6,754
Total general revenues	1,865,557
Change in net assets	925,893
Net assets - January 1, 2008	4,548,531
Net assets - December 31, 2008	\$5,474,424

**WEST PIKELAND TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2008**

It is clear that taxes are the primary support of governmental activities. Tax revenue amounted to \$1,804,796. Governmental programs provided revenues of \$902,235. Their cost was \$1,841,899.

As expected, the greatest cost in governmental activities was administration at a cost of \$659,556 followed by police and emergency services at a cost of \$615,462.

**Financial Analysis of Township Funds**

West Pikeland Township funds, as reported in the activities report, show ending fund balances of \$1,151,335.

The following table reflects the condensed balance sheet:

**Table 3**  
**West Pikeland Township**  
**Balance Sheet**

Assets:		
Cash	\$1,159,254	
Certificates of deposit	33,123	
Due from Developers	15,027	
Other assets	5,858	
	_____	
Total Assets		\$1,213,262
Liabilities:		
Accounts payable and accrued expenses	\$61,927	
Total Liabilities	61,927	
	_____	
Fund Balances:		
Restricted for highways	346,127	
Restricted for open space	243,468	
Unrestricted	561,740	
Total fund balances	1,151,335	
	_____	\$1,213,262

Within the General Fund certain moneys are kept segregated for designated purposes. For example, state liquid fuel moneys in the amount of \$346,127 is kept for road improvements. Likewise, open space moneys in the amount of \$243,468 and are kept in a separate account.

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, 2008**

**Table 4**  
**West Pikeland Township**  
**Statement of Revenues, Expenditures & Changes in Fund Balances**

Revenues:	
Real Estate Taxes	\$50,298
Transfer Taxes	116,355
Earned Income Taxes	1,310,556
Earned Income Taxes restricted for open space	271,921
Licenses and permits	54,639
Fines and forfeits	62,036
Interest, rents and royalties	54,007
State grants	601,264
Charges for service:	
General government	23,166
Public safety	60,559
Refunds of prior year expenditures	36,923
Reimbursed subdivision and land development costs	63,647
Proceeds of sale of equipment	6,754
Total Revenues	<u>2,712,126</u>
Expenditures:	
General Government:	
Legislative	114,174
Executive	109,288
Financial Administration	27,829
Tax Collection	35,822
Legal services	28,304
Secretary	99,406
Data Processing	8,352
Engineering	147,675
Buildings and plants	206,935
Public Safety:	
Police	534,848
Fire	88,124
Code Enforcement	59,951
Planning and Zoning	14,204
Emergency Management	108
Community Recycling	416
Wastewater management	98,154
Public works:	
General services	75,006
Winter Maintenance - Snow Removal	16,933
Traffic Control Devices	18,146
Maintenance and Repairs of Roads	41,185
Culture and Recreation	71,553
Debt service	180,566
Open Space expenditures	27,883
Reimbursable subdivision and land development costs	78,637
Miscellaneous Insurance and General	926
Police Video Camera	367,426
Total Expenditures	<u>2,451,852</u>
Excess (deficiency) of revenues over expenditures	260,274
Fund Balances, January 1, 2008	<u>891,061</u>
Fund Balances, December 31, 2008	<u><u>\$1,151,335</u></u>

**WEST PIKELAND TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2008**

**General Fund Budgetary Highlights**

A review of the West Pikeland Township general fund for year ending December, 2008, indicates total revenue at \$2,712,126 or \$204,576 more than anticipated. The open space revenues showed total revenue of \$271,921 or \$278,079 less than anticipated.

A state grant of \$372,581 for Police Vehicle Videos was received in 2008, but budgeted in 2007.

On the expenditure side, there was \$100,675 more in engineering costs than budgeted. This was due primarily to engineering studies on the Horseshoe Trail West Bridge, the Horseshoe Trail East Bridge, the Upper Pine Creek Culvert, and the Pine Creek Park Field.

The debt service at the end of the year was reduced from \$300,000 to \$130,000.

Reimbursable Subdivision and Land Development and Zoning costs of \$67,000 were offset by \$65,000 received under revenue.

Overall, West Pikeland Township ended the year with an excess from all funds of \$260,274.

**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	482,783
Buildings	918,556
Traffic lights and signals	86,400
Office equipment	2,868
Roads Department machinery and equipment	154,155
Police vehicles and equipment	<u>404,017</u>
Total	<u>\$4,334,639</u>

**Long-term Debt**

As of December 31, 2008, West Pikeland has total outstanding debt of \$130,000 to DNB First.

**WEST PIKELAND TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2008**

**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, 2008

	Primary Government Governmental <u>Activities</u>
Assets:	
Cash and cash equivalents	\$1,159,254
Certificates of deposit	33,123
Taxes receivable	118,450
Due from Developers	15,027
Other assets	5,858
Capital assets:	
Land and rights of way	2,285,860
Other capital assets net depreciation	2,048,779
Total assets	<u>\$5,666,351</u>
Liabilities:	
Accounts payable and accrued expenses	\$61,927
Note payable	130,000
Total liabilities	<u>191,927</u>
Net assets:	
Invested in capital assets, net of related debt	4,204,639
Restricted for highways	346,127
Restricted for open space	243,468
Unrestricted	680,190
Total net assets	<u>5,474,424</u>
Total liabilities and net assets	<u>\$5,666,351</u>

WEST PIKELAND TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

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	\$1,732,637	\$659,556	\$615,462	\$152,901	\$233,164	\$71,553	\$
Depreciation	98,696	44,318	24,676		23,489	6,213	
Interest on debt	10,566						10,566
Total expenses	<u>1,841,899</u>	<u>703,874</u>	<u>640,138</u>	<u>152,901</u>	<u>256,653</u>	<u>77,766</u>	<u>10,566</u>
Program revenues:							
Charges for services	300,971	60,090	62,036	178,845			
Operating grants and contributions	601,264	601,264					
Total program revenues	<u>902,235</u>	<u>661,354</u>	<u>62,036</u>	<u>178,845</u>			
Net (Expense) Revenue	(939,664)	(42,520)	(578,103)	25,944	(256,653)	(77,766)	(10,566)
General revenues:							
Taxes:							
Real estate	50,298						
Transfer	127,203						
Earned income tax	1,627,295						
Investment earnings	54,007						
Proceeds of sale of equipment	6,754						
Total general revenues	<u>1,865,557</u>						
Change in net assets	925,893						
Net assets - January 1, 2008	<u>4,548,531</u>						
Net assets - December 31, 2008	<u>\$5,474,424</u>						

See footnotes to financial statements.

WEST PIKELAND TOWNSHIP  
BALANCE SHEET  
DECEMBER 31, 2008

	General <u>Fund</u>	
Assets:		
Cash	\$1,159,254	
Certificates of deposit	33,123	
Due from Developers	15,027	
Other assets	<u>5,858</u>	
 Total Assets	 <u><u>\$1,213,262</u></u>	
 Liabilities:		
Accounts payable and accrued expenses	<u>\$61,927</u>	
Total Liabilities	<u>61,927</u>	
 Fund Balances:		
Restricted for highways	346,127	
Restricted for open space	243,468	
Unrestricted	<u>561,740</u>	
Total fund balances	<u>1,151,335</u>	
		<u><u>\$1,213,262</u></u>
 Amounts reported for governmental activities in the statement of net assets are different because:		
Taxes receivable are not available until received in the funds statement	118,450	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,334,639	
Loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(130,000)</u>	
Net assets of governmental activities	<u><u>\$5,474,424</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, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Real Estate Taxes	\$50,298	\$46,500	\$3,798
Transfer Taxes	116,355	185,000	(68,645)
Earned Income Taxes	1,310,556	1,175,000	135,556
Earned Income Taxes restricted for open space	271,921	550,000	(278,079)
Licenses and permits	54,639	36,200	18,439
Fines and forfeits	62,036	56,000	6,036
Interest, rents and royalties	54,007	97,900	(43,893)
State grants	601,264	211,300	389,964
<b>Charges for service:</b>			
General government	23,166	14,950	8,216
Public safety	60,559	81,000	(20,441)
Culture and Recreation		5,000	(5,000)
Refunds of prior year expenditures	36,923	5,000	31,923
Reimbursed subdivision and land development costs	63,647	43,700	19,947
Proceeds of sale of equipment	6,754		6,754
Total Revenues	<u>2,712,126</u>	<u>2,507,550</u>	<u>204,576</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
Legislative	114,174	140,595	26,421
Executive	109,288	92,868	(16,420)
Financial Administration	27,829	23,400	(4,429)
Tax Collection	35,822	35,800	(22)
Legal services	28,304	50,500	22,196
Secretary	99,406	134,320	34,914
Data Processing	8,352	6,500	(1,852)
Engineering	147,675	47,000	(100,675)
Buildings and plants	206,935	155,600	(51,335)
<b>Public Safety:</b>			
Police	534,848	588,858	54,010
Fire	88,124	105,700	17,576
Code Enforcement	59,951	60,000	49
Planning and Zoning	14,204	43,500	29,296
Emergency Management	108	1,500	1,392
Community Recycling	416		(416)
Wastewater management	98,154	35,000	(63,154)
<b>Public works:</b>			
General services	75,006	86,100	11,094
Winter Maintenance - Snow Removal	16,933	181,700	164,767
Traffic Control Devices	18,146	12,500	(5,646)
Maintenance and Repairs of Roads	41,185	180,400	139,215
Culture and Recreation	71,553	111,850	40,297
Debt service	180,566	181,000	434
Open Space expenditures	27,883	550,000	522,117
Reimbursable subdivision and land development costs	78,637	22,450	(56,187)
Miscellaneous Insurance and General	926	1,000	74
Police Video Camera	367,426		(367,426)
Total Expenditures	<u>2,451,852</u>	<u>2,848,141</u>	<u>396,289</u>
Excess (deficiency) of revenues over expenditures	260,274	(340,591)	(191,714)
Fund Balances, January 1, 2008	<u>891,061</u>		
Fund Balances, December 31, 2008	<u><u>\$1,151,335</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, 2008

Excess (deficiency) of revenues over expenditures	\$260,274
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 (\$525,800) exceeded depreciation (\$98,696) in the current period.	427,104
Taxes receivable are recognized as a receivable. However, in the statement of revenues, taxes receivable are recognized upon receipt.	55,666
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>182,848</u>
Change in net assets of governmental activities	<u><u>\$925,893</u></u>

WEST PIKELAND TOWNSHIP  
 STATEMENT OF NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2008

	Police Pension <u>Plan</u>	Escrow <u>Funds</u>
Assets:		
Cash	\$	\$1,604
Investments at fair value assets with PMRS	<u>227,685</u>	
Total assets	<u>\$227,685</u>	<u>\$1,604</u>
 Liabilities:		
Escrow deposits	<u>\$</u>	<u>\$1,604</u>
 Net assets:		
Held in trust for pension benefits	<u>\$227,685</u>	<u>\$</u>

See footnotes to financial statements.

WEST PIKELAND TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Police Pension <u>Plan</u>
Additions:	
Contributions:	
Employer	\$41,256
Members	13,958
Total contributions	<u>55,214</u>
Investment income - interest	<u>11,623</u>
Total additions	<u>66,837</u>
Deductions:	
Administrative expense	80
Allocated insurance premiums	1,331
	<u>1,411</u>
Net increase	65,426
Net assets held in trust for pension benefits:	
January 1, 2008	<u>162,259</u>
December 31, 2008	<u><u>\$227,685</u></u>

WEST PIKELAND TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**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 five 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, 2008

**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

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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.

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, 2008 was as follows:

Primary Government	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</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	147,037		508,192
Buildings	966,577			966,577
Traffic lights and signals	96,000			96,000
Office equipment	59,651			59,651
Roads Department machinery and equipment	217,723	3,827		221,550
Police vehicles and equipment	<u>178,414</u>	<u>374,936</u>		<u>553,350</u>
Total capital assets being depreciated	<u>1,879,520</u>	<u>525,800</u>		<u>2,405,320</u>
Less accumulated depreciation for:				
Improvements other than buildings		25,410		25,410
Buildings	23,857	24,164		48,021
Traffic lights and signals	4,800	4,800		9,600
Office equipment	55,827	956		56,783
Roads Department machinery and equipment	48,706	18,689		67,395
Police vehicles and equipment	<u>124,656</u>	<u>24,676</u>		<u>149,332</u>
Total accumulated depreciation	<u>257,846</u>	<u>98,695</u>		<u>356,541</u>
Total capital assets being depreciated, net	<u>1,621,674</u>	<u>427,105</u>		<u>2,048,779</u>
Governmental activities capital assets, net	<u>\$3,907,534</u>	<u>\$427,105</u>	<u>\$0</u>	<u>\$4,334,639</u>

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B. Deposits and investments

At year end, the Township's deposits with banking institutions was \$1,192,377. Of the bank balance, \$250,000 was covered by federal depository insurance. Funds in excess of the FDIC Insurance are pledged by collateral for deposits of public funds on a pooled basis. Collateralization is per Act No. 72-1971 Session, the procedure for pledging of bank assets to secure Pennsylvania public funds.

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, 2008.

C. Receivables:

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

Receivables:	<u>General</u>	<u>Escrow Funds</u>
Due from Developers	\$15,027	
Inter-governmental		1,604

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

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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.

**E.. General Obligation Bonds Payable:**

General Obligation Note dated December, 2007 is payable to Downingtown 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. 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.

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.

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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 Contributions:

Year Ending	Annual Required <u>Contribution</u>	Actuarial Valuation	Percentage of Annual Pension <u>Cost</u>
		Date Basis for <u>Contributions</u>	
12/31/04	\$24,976	2001	100%
12/31/05	\$25,036	2003	100%
12/31/06	\$27,950	2003	100%
12/31/07	\$31,266	2005	100%
12/31/08	\$41,256	2005	100%

Actuarial Assumptions:

Actuarial valuation date	January 1, 2007
Actuarial cost method	Entry age normal
Amortization method	Level Dollar Closed
Remaining amortization period	18.14 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	6%
Projected salary increases	5.2%

**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 2008 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.

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**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.

WEST PIKELAND TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Police Pension 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%
1/1/07	107,466	174,386	66,920	61.63%	215,535	31.05%