

WEST PIKELAND TOWNSHIP

December 31, 2009

DRAFT

ROBERT C. BEZGIN
CERTIFIED PUBLIC ACCOUNTANT

WEST PIKELAND TOWNSHIP

DECEMBER 31, 2009

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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, 2009, 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, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund, State Highway Aid Fund and Open Space 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 23 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

Robert C. Bezgin, CPA

July 14, 2010

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WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

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, 2009. 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 \$5,721,464 (*net assets*).
- The government's total net assets increased by \$247,039, primarily due to acquisitions of land and easements.
- The General Fund Revenues amounted to \$1,742,839 for the year ended December 31, 2009 which was only \$311 less than anticipated. As a result of a overall effect of the economy, revenues from earned income taxes were lower than last year. Fewer home sales resulted in lower real estate transfer taxes collected than the prior year.
- The Open Space Fund Revenues amounted to \$567,728 for the year ended December 31, 2009 which exceeded budget by \$166,029. This increase is due to the newness of the earned income tax and the complexities of projecting earned income tax revenues.
- The State Highway Aid Fund Revenues amounted to \$105,203 for the year ended December 31, 2009 which reflects a modest increase above budget by \$203.
- West Pikeland Township's paid off its debt of \$130,000 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, 2009 continue 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.

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

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.

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, State Highway Aid Fund and Open Space 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 funds 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; 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, 2009

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 to the Financial Statements 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	Primary Government Governmental <u>Activities</u>
Assets:	
Cash and cash equivalents	\$559,750
Certificates of deposit	137,326
Taxes receivable	116,370
Due from developers	35,061
Other assets	546
Capital assets:	
Land and rights of way	3,000,395
Other capital assets net depreciation	<u>1,933,017</u>
Total assets	<u>\$5,782,465</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$61,000</u>
Net assets:	
Invested in capital assets	4,933,412
Reserved for highways	162,718
Reserved for open space	170,092
Unreserved	<u>455,243</u>
Total net assets	<u>5,721,465</u>
Total liabilities and net assets	<u>\$5,782,465</u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

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 unreserved net assets of \$455,243 differ from the unreserved fund balance of \$336,544 by the net differences taxes receivable and accounts payable recognized on the full accrual method.

As of December 31, 2009, assets exceeded liabilities by \$5,721,465. This reflects an increase of \$. 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	\$2,045,530
Depreciation	120,985
Interest on debt	<u>137</u>
Total expenses	<u>2,166,652</u>
Program revenues:	
Charges for services	269,437
Operating grants and contributions	<u>232,018</u>
Total program revenues	<u>501,455</u>
Net (Expense) Revenue	<u>(1,665,197)</u>
General revenues:	
Taxes:	
Real estate	49,893
Transfer	83,971
Earned income tax	1,722,448
Investment earnings	55,917
Miscellaneous	<u>6</u>
Total general revenues	<u>1,912,236</u>
Change in net assets	247,039
Net assets - January 1, 2009	<u>5,474,425</u>
Net assets - December 31, 2009	<u>\$5,721,464</u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

It is clear that taxes are the primary support of governmental activities. Tax revenue amounted to \$1,856,312. Governmental programs provided revenues of \$501,455. Their cost was \$2,166,652.

The greatest cost in governmental activities was police and emergency services at a cost of \$724,245 followed by administration at a cost of \$710,954.

Financial Analysis of Township Funds

West Pikeland Township funds, as reported in the activities report, show ending fund balances of \$669,353.

The following table reflects the balance sheet:

Table 3				
West Pikeland Township		State	Open	Total
Balance Sheet	General	Highway Aid	Space	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Assets:				
Cash	\$320,271	\$69,387	\$170,092	\$559,750
Certificates of deposit	35,863	101,464		137,327
Due from developers	35,061			35,061
Other assets	<u>546</u>			<u>546</u>
Total assets	<u>\$391,741</u>	<u>\$170,851</u>	<u>\$170,092</u>	<u>\$732,684</u>
Liabilities:				
Accounts payable and accrued expenses	<u>\$55,197</u>	<u>\$8,133</u>		<u>\$63,330</u>
Fund balances:				
Reserved for highways		162,718		162,718
Reserved for open space			170,092	170,092
Unreserved	<u>336,544</u>			<u>336,544</u>
Total fund balances	<u>336,544</u>	<u>162,718</u>	<u>170,092</u>	<u>669,354</u>
Total liabilities and fund balances	<u>\$391,741</u>	<u>\$170,851</u>	<u>\$170,092</u>	<u>\$732,684</u>

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, 2009

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

	General Fund	State Highway Aid Fund	Open Space Fund	Total Funds
Revenues:				
Real estate taxes	\$49,893	\$	\$	\$49,893
Transfer taxes	86,893			86,893
Earned income taxes	1,158,142		563,464	1,721,606
Licenses and permits	58,700			58,700
Fines and forfeits	47,927			47,927
Interest, rents and royalties	50,160	2,192	3,565	55,917
State grants	129,006	103,011		232,017
Charges for service:				
General government	18,534			18,534
Public safety	49,372			49,372
Culture and recreation	5			5
Refunds of prior year expenditures	5,376		699	6,075
Reimbursed subdivision costs	88,830			88,830
Total revenues	<u>1,742,839</u>	<u>105,203</u>	<u>567,728</u>	<u>2,415,770</u>
Expenditures:				
General government:				
Legislative	76,218			76,218
Executive	166,446			166,446
Financial administration	34,183			34,183
Tax collection	26,708		10,706	37,414
Legal services	51,428			51,428
Secretary	105,513			105,513
Data processing	17,591			17,591
Engineering	86,324			86,324
Buildings and plants	54,369			54,369
Public safety:				
Police	549,406			549,406
Fire and ambulance	84,005			84,005
Code enforcement	39,434			39,434
Planning and zoning	79,742			79,742
Emergency management	95			95
Community recycling	510			510
Wastewater management	51,815			51,815
Public works:				
General services	73,066			73,066
Winter maintenance - snow removal	13,653	15,262		28,915
Traffic control devices	1,190	4,573		5,763
Maintenance and repair of roads	25,559	268,777		294,336
Culture and recreation	194,472			194,472
Debt service	130,137			130,137
Intergovernmental expenditures	42,772			42,772
Reimbursable subdivision costs	63,103			63,103
Miscellaneous expenses	295			295
Open space acquisitions			628,070	628,070
Total expenditures	<u>1,968,035</u>	<u>288,612</u>	<u>638,776</u>	<u>2,895,423</u>
Excess (deficit) of revenues over expenditures	(225,196)	(183,409)	(71,048)	(479,653)
Fund balances - January 1, 2009	561,740	346,127	241,139	1,149,006
Fund balances - December 31, 2009	<u>\$336,544</u>	<u>\$162,718</u>	<u>\$170,091</u>	<u>\$669,353</u>

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

General Fund Budgetary Highlights

A review of the West Pikeland Township general fund for year ending December, 2009, indicates total revenue at \$1,742,839 or \$311 less than anticipated. The State Highway Aid Fund total revenues amounted to \$105,203 or \$203 more than anticipated. The Open Space revenues amounted to \$567,728 or \$166,029 more than anticipated. Overall, revenues from transfer taxes and earned income taxes were less than budgeted in the General Fund due to the economy. Revenues from earned income taxes in the Open Space Fund exceeded budgeted amounts. Revenues from state grants were less than budget. Reimbursements from developers exceeded expectations.

General Fund total expenditures exceeded budget by \$32,408. The following items were noted as budgetary comparisons during 2009.:

- The Township contracted with an outside service and consultant to provide the Township with a Township Manager. As a result, Executive Expenditures exceeded budget by \$52,801 because the Township chose to continue contracting with the outside service and consultant while the Township Manager position remained open. The Township did not incur Manager's health benefits expenses, employer payroll taxes, fringe benefits expenses, or vacation or holiday costs that were originally budgeted for \$21,600 during this year.
- Legal expenditures exceeded budget by \$16,428 from services rendered for zoning issues.
- Engineering expenditures in total were less than budgeted by \$16,676.
- Buildings and plants expenditures were less than budget by \$7,781 as a result of the Township holding off on purchasing an emergency generator and the building painting costing less than budgeted.
- Code enforcement expenditures were less than budget by \$7,466 as a result of Township clerical wages paid were less than anticipated.
- Wastewater management expenditures exceeded budget by \$16,815. This represents costs for Act 537 which exceeded budget due to holding additional meetings and changing the overall direction on the collection and treatment elements of the plan. However, the filing for reimbursement from the Pennsylvania Department of Environmental Protection is expected to reimburse the Township for 50% of the eligible costs in fiscal year 2010 or early 2011.
- Culture and recreation expenditures were less than budgeted by \$93,378. This was primarily due to the Township holding off from making improvements to the Black Box Theater. The construction of the soccer field is 98% complete with total expenditures of \$127,779 during 2009. Because of continuous legal issues, the project was delayed and not finished on time.
- Debt service exceeded budget by \$64,437 as a result of the Township's decision to pay off the debt early to save interest costs.
- Reimbursable subdivision and land development costs exceeded budget by \$47,103. This category reflects reimbursable costs for engineering and legal services that are billed to developers. The reimbursements received are reflected as revenues which showed a favorable variance of \$68,730. As a result of delays in billing and collection, the amounts billed but not received are reflected as accounts receivable on the Balance Sheet.

WEST PIKELAND TOWNSHIP
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009

- Several capital improvement projects were deferred until 2010 because of the uncertainty of funding in 2009.

The Open Space Fund included total expenditures of \$628,070 which represents the purchase of the Heilman, Hopkins and Tavangar properties including the associated costs for consulting, engineering, appraisal, advertising and legal fees. Although the total expenditures exceeded budget by \$230,976, revenues from earned income taxes exceeded expectations by \$166,029 which combined with beginning cash balances more than offset additional expenditures.

Overall, total expenditures exceeded revenues by \$479,653.

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	\$3,000,395
Improvements other than buildings	457,374
Buildings	894,391
Traffic lights and signals	81,600
Office equipment	4,405
Roads Department machinery and equipment	137,507
Police vehicles and equipment	<u>357,740</u>
Total	<u>\$4,933,412</u>

Long-term Debt

As of December 31, 2009, West Pikeland has no outstanding debt.

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.

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WEST PIKELAND TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government Governmental <u>Activities</u>
Assets:	
Cash and cash equivalents	\$559,750
Certificates of deposit	137,326
Taxes receivable	116,370
Due from developers	35,061
Other assets	546
Capital assets:	
Land and rights of way	3,000,395
Other capital assets net depreciation	1,933,017
Total assets	<u>\$5,782,465</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$61,000</u>
Net assets:	
Invested in capital assets	4,933,412
Reserved for highways	162,718
Reserved for open space	170,092
Unreserved	455,243
Total net assets	<u>5,721,464</u>
Total liabilities and net assets	<u>\$5,782,465</u>

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WEST PIKELAND TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

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	\$2,045,530	\$666,307	\$677,968	\$180,589	\$452,007	\$68,657	\$
Depreciation	120,985	44,647	46,277		23,848	6,213	
Interest on debt	137						137
Total expenses	<u>2,166,652</u>	<u>710,954</u>	<u>724,245</u>	<u>180,589</u>	<u>475,855</u>	<u>74,870</u>	<u>137</u>
Program revenues:							
Charges for services	269,443	24,609	47,927	196,902		5	
Operating grants and contributions	232,018	129,006			103,011		
Total program revenues	<u>501,461</u>	<u>153,616</u>	<u>47,927</u>	<u>196,902</u>	<u>103,011</u>	<u>5</u>	<u>0</u>
Net (Expense) Revenue	<u>(1,665,191)</u>	<u>(557,338)</u>	<u>(676,318)</u>	<u>16,313</u>	<u>(372,844)</u>	<u>(74,865)</u>	<u>(137)</u>
General revenues:							
Taxes:							
Real estate	49,893						
Transfer	83,971						
Earned income tax	1,722,448						
Investment earnings	55,917						
Total general revenues	<u>1,912,230</u>						
Change in net assets	247,039						
Net assets - January 1, 2009	<u>5,474,425</u>						
Net assets - December 31, 2009	<u><u>\$5,721,464</u></u>						

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WEST PIKELAND TOWNSHIP
BALANCE SHEET
DECEMBER 31, 2009

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Open Space Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$320,271	\$69,387	\$170,092	\$559,750
Certificates of deposit	35,863	101,464		137,327
Due from developers	35,061			35,061
Other assets	546			546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$391,741</u>	<u>\$170,851</u>	<u>\$170,092</u>	<u>\$732,684</u>
Liabilities:				
Accounts payable and accrued expenses	<u>\$55,197</u>	<u>\$8,133</u>	<u>\$</u>	<u>\$63,330</u>
Fund Balances:				
Reserved for highways		162,718		162,718
Reserved for open space			170,092	170,092
Unreserved	336,544			336,544
Total fund balances	<u>336,544</u>	<u>162,718</u>	<u>170,092</u>	<u>669,354</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$391,741</u>	<u>\$170,851</u>	<u>\$170,092</u>	<u>\$732,684</u>
Reconciliation of Assets per Balance Sheet to Net Assets of Governmental Activities:				
Assets per Balance Sheet				\$732,684
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.				116,370
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				<u>4,933,412</u>
Net assets of governmental activities				<u>\$5,782,466</u>

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WEST PIKELAND TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	State Highway Aid Fund	Open Space Fund	Total Funds
Revenues:				
Real estate taxes	\$49,893	\$	\$	\$49,893
Transfer taxes	86,893			86,893
Earned income taxes	1,158,142		563,464	1,721,606
Licenses and permits	58,700			58,700
Fines and forfeits	47,927			47,927
Interest, rents and royalties	50,160	2,192	3,565	55,917
State grants	129,006	103,011		232,018
Charges for service:				
General government	18,534			18,534
Public safety	49,372			49,372
Culture and recreation	5			5
Refunds of prior year expenditures	5,376		699	6,075
Reimbursed subdivision and land development costs	88,830			88,830
Total revenues	<u>1,742,839</u>	<u>105,203</u>	<u>567,728</u>	<u>2,415,771</u>
Expenditures:				
General government:				
Legislative	76,218			76,218
Executive	166,446			166,446
Financial administration	34,183			34,183
Tax collection	26,708		10,706	37,414
Legal services	51,428			51,428
Secretary	105,513			105,513
Data processing	17,591			17,591
Engineering	86,324			86,324
Buildings and plants	54,369			54,369
Public Safety:				
Police	549,406			549,406
Fire and ambulance	84,005			84,005
Code enforcement	39,434			39,434
Planning and zoning	79,742			79,742
Emergency management	95			95
Community recycling	510			510
Wastewater management	51,815			51,815
Public works:				
General services	73,066			73,066
Winter maintenance - snow removal	13,653	15,263		28,916
Traffic control devices	1,190	4,573		5,763
Maintenance and repairs of roads	25,559	268,777		294,336
Culture and recreation	194,472			194,472
Debt service	130,137			130,137
Intergovernmental expenditures	42,772			42,772
Reimbursable subdivision and land development costs	63,103			63,103
Miscellaneous expenses	295			295
Open space acquisitions			628,070	628,070
Total expenditures	<u>1,968,035</u>	<u>288,612</u>	<u>638,776</u>	<u>2,895,423</u>
Excess (deficit) of revenues over expenditures	(225,196)	(183,409)	(71,048)	(479,653)
Fund balances January 1, 2009	<u>561,740</u>	<u>346,127</u>	<u>241,139</u>	<u>1,149,006</u>
Fund balances December 31, 2009	<u>\$336,544</u>	<u>\$162,718</u>	<u>\$170,092</u>	<u>\$669,353</u>

See footnotes to financial statements.

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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, 2009

Excess (deficiency) of revenues over expenditures	(\$479,653)
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 (\$719,757) exceeded depreciation (\$120,985) in the current period.	598,772
Taxes receivable are recognized as a receivable. However, in the statement of revenues, taxes receivable are recognized upon receipt.	(2,080)
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>130,000</u>
Change in net assets of governmental activities	<u><u>\$247,039</u></u>

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WEST PIKELAND TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
Revenues:			
Real estate taxes	\$49,893	\$47,000	\$2,893
Transfer taxes	86,893	100,000	(13,107)
Earned income taxes	1,158,142	1,200,000	(41,858)
Licenses and permits	58,700	45,400	13,300
Fines and forfeits	47,927	58,600	(10,673)
Interest, rents and royalties	50,160	44,700	5,460
State grants	129,006	151,200	(22,194)
Charges for service:			
General government	18,534	19,650	(1,116)
Public safety	49,372	51,500	(2,128)
Culture and recreation	5	0	5
Refunds of prior year expenditures	5,376	5,000	376
Reimbursed subdivision and land development costs	88,830	20,100	68,730
Total revenues	<u>1,742,839</u>	<u>1,743,150</u>	<u>(311)</u>
Expenditures:			
General government:			
Legislative	76,218	78,495	2,277
Executive	166,446	114,645	(51,801)
Financial administration	34,183	33,900	(283)
Tax collection	26,708	30,300	3,592
Legal services	51,428	35,000	(16,428)
Secretary	105,513	109,250	3,737
Data processing	17,591	19,600	2,009
Engineering	86,324	103,000	16,676
Buildings and plants	54,369	62,150	7,781
Public safety:			
Police	549,406	551,577	2,171
Fire and ambulance	84,005	89,700	5,695
Code enforcement	39,434	46,900	7,466
Planning and zoning	79,742	82,200	2,458
Emergency management	95	1,500	1,405
Community recycling	510	500	(10)
Wastewater management	51,815	35,000	(16,815)
Public works:			
General services	73,066	67,810	(5,256)
Winter maintenance - snow removal	13,653	17,000	3,347
Traffic control devices	1,190	5,500	4,310
Maintenance and repairs of roads	25,559	39,150	13,591
Culture and recreation	194,472	287,850	93,378
Debt service	130,137	65,500	(64,637)
Intergovernmental expenditures	42,772	43,000	228
Reimbursable subdivision and land development costs	63,103	16,000	(47,103)
Miscellaneous expenses	295	100	(195)
Total Expenditures	<u>1,968,035</u>	<u>1,935,627</u>	<u>(32,408)</u>
Excess (deficiency) of revenues over expenditures	(225,196)	<u>(\$192,477)</u>	<u>\$32,097</u>
Fund Balances, January 1, 2009	<u>561,740</u>		
Fund Balances, December 31, 2009	<u><u>\$336,544</u></u>		

See footnotes to financial statements.

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WEST PIKELAND TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 STATE HIGHWAY AID FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
Revenues:			
State grants	\$103,011	\$103,000	\$11
Interest, rents and royalties	2,192	2,000	192
Total Revenues	<u>105,203</u>	<u>105,000</u>	<u>203</u>
Expenditures:			
Snow & Ice removal	15,263	10,000	(5,263)
Traffic signs & signals	4,573	2,500	(2,073)
Highway maintenance & repairs	268,777	387,500	118,723
Total Expenditures	<u>288,613</u>	<u>400,000</u>	<u>111,387</u>
Excess (deficiency) of revenues over expenditures	(183,409)	<u>(\$295,000)</u>	<u>\$111,591</u>
Fund Balances, January 1, 2009	<u>346,127</u>		
Fund Balances, December 31, 2009	<u>\$162,718</u>		

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WEST PIKELAND TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 OPEN SPACE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Actual</u>	<u>Budget</u>	Budget Favorable <u>(Unfavorable)</u>
Revenues:			
Earned Income Taxes restricted for open space	\$563,464	\$400,000	\$163,464
Interest, rents and royalties	3,565	1,000	2,565
Refunds of prior year expenditures	699		699
Total Revenues	<u>567,728</u>	<u>401,000</u>	<u>166,029</u>
Expenditures:			
Tax Collection	10,706	7,800	(2,906)
Open space purchases	628,070	400,000	(228,070)
Total Expenditures	<u>638,776</u>	<u>407,800</u>	<u>(230,976)</u>
Excess (deficiency) of revenues over expenditures	(71,048)	<u>(\$6,800)</u>	<u>(\$64,947)</u>
Fund Balances, January 1, 2009	<u>241,139</u>		
Fund Balances, December 31, 2009	<u>\$170,092</u>		

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WEST PIKELAND TOWNSHIP
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Police Pension <u>Plan</u>	Escrow <u>Funds</u>
Assets:		
Cash	\$	\$1,068
Investments at fair value assets with PMRS	<u>302,168</u>	<u> </u>
Total assets	<u><u>\$302,168</u></u>	<u><u>\$1,068</u></u>
Liabilities:		
Escrow deposits	<u>\$</u>	<u>\$1,068</u>
Net assets:		
Held in trust for pension benefits	<u><u>\$302,168</u></u>	<u><u>\$</u></u>

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WEST PIKELAND TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Police Pension <u>Plan</u>
Additions:	
Contributions:	
Employer	\$47,301
Members	14,284
Total contributions	<u>61,585</u>
Investment income - interest	<u>14,326</u>
Total additions	<u>75,911</u>
Deductions:	
Administrative expense	80
Allocated insurance premiums	1,348
Total deductions	<u>1,428</u>
Net increase	74,483
Net assets held in trust for pension benefits:	
January 1, 2009	<u>227,685</u>
December 31, 2009	<u><u>\$302,168</u></u>

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009

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, 2009

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

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

State Highway Aid Fund accounts for all monies received under the State Highway Liquid Fuels tax that are legally restricted to expenditures for roadway maintenance.

Open Space Fund accounts for monies budgeted by the Board of Supervisors for the purchase of open space in the Township to be used to preserve and protect farmlands, parklands, and natural, historic and scenic 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.

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 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.

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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.

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, State Highway Aid Fund and the Open Space 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.

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

3. Detailed information on all funds

A. Capital Assets

Capital assets activity for the year ended December 31, 2009 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>\$714,535</u>	\$	<u>\$3,000,395</u>
Capital assets being depreciated:				
Improvements other than buildings	508,192			508,192
Buildings	966,577			966,577
Traffic lights and signals	96,000			96,000
Office equipment	59,651	2,823		62,474
Roads Department machinery and equipment	221,550	2,400		223,950
Police vehicles and equipment	<u>553,350</u>			<u>553,350</u>
Total capital assets being depreciated	<u>2,405,320</u>	<u>5,223</u>		<u>2,410,543</u>
Less accumulated depreciation for:				
Improvements other than buildings	25,410	25,410		50,820
Buildings	48,021	24,164		72,185
Traffic lights and signals	9,600	4,800		14,400
Office equipment	56,783	1,285		58,068
Roads Department machinery and equipment	67,395	19,048		86,443
Police vehicles and equipment	<u>149,332</u>	<u>46,278</u>		<u>195,610</u>
Total accumulated depreciation	<u>356,541</u>	<u>120,985</u>		<u>477,526</u>
Total capital assets being depreciated, net	<u>2,048,779</u>	<u>(115,762)</u>		<u>1,933,017</u>
Governmental activities capital assets, net	<u>\$4,334,639</u>	<u>\$598,773</u>	<u>\$0</u>	<u>\$4,933,412</u>

In 2008, the Township received an equipment grant to purchase police video equipment to be installed on the Township's police vehicles. In addition, the Township serves as the liaison for neighboring townships to participate in using video equipment for their own vehicles. As the liaison, the Township is responsible for monitoring the use of the equipment which reverts back to the Township in the event of discontinued use by the participating township. If the video equipment is not used in accordance with the grant terms and conditions, the equipment must be

WEST PIKELAND TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009

returned to the grantor. Accordingly, the Township is considered the owner of the video equipment and is responsible for it. As of December 31, 2009, all the video equipment is being used in accordance with the terms and conditions of the grant.

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</u> <u>Funds</u>
Due from Developers	\$35,061	
Inter-governmental		1,068

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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.

E.. General Obligation Bonds Payable:

The General Obligation Note dated December, 2007 payable to Downingtown National Bank was paid in full in January, 2009.

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 was 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.

Membership of the plan consisted of the following at December 31, 2009:

Active plan members	4
Retirees and beneficiaries currently receiving benefits	0
Terminated plan members entitled to but not receiving benefits	<u>0</u>
Total	<u>4</u>

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

WEST PIKELAND TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009

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.

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.

Investments in the plan are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

Schedule of Contributions:

Year Ending	Actuarial Valuation		
	Annual Required <u>Contribution</u>	Date Basis for <u>Contributions</u>	Percentage of Annual <u>Pension Cost</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%
12/31/09	\$47,301	2007	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%

WEST PIKELAND TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 2009 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.

9. Subsequent events:

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 14, 2010. No subsequent events have been recognized or disclosed.

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%

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