

**WEST PIKELAND TOWNSHIP**

**ANNUAL FINANCIAL REPORT**

*Year Ended December 31, 2012*

## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Supervisors  
West Pikeland Township  
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Pikeland Township as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise West Pikeland Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

West Pikeland Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Pikeland Township as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors  
West Pikeland Township  
Chester County, Pennsylvania

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 32 through 36 and pension plan funding progress on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

**Emphasis of Matter**

As discussed in Note A to the financial statements, for the year ended December 31, 2012, West Pikeland Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

*Maille LLP*

West Chester, Pennsylvania  
July 26, 2013

## **WEST PIKELAND TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2012*

The management of West Pikeland Township offers the readers of the Township's basic financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the Township's basic financial statements, which begin with the statement of net position.

### **USING THIS ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

### **FINANCIAL HIGHLIGHTS**

West Pikeland Township has three important sources of revenue for its General Fund operations--Earned Income Tax, Real Estate Property Tax and Realty Transfer Tax.

In 2012, the Earned Income Tax (EIT) was the primary revenue source. It amounted to \$1,330,121. This represented a 19% increase of \$211,886 over the 2011 Earned Income Tax revenue of \$1,118,235. As a result of Act 32, the County has transitioned to a new Earned Income Tax Collector - Keystone Collections Group. It is unclear if the increased tax collections are a result of different collection efforts or a general bounce back of the economy. During the recession, the low point in our EIT collections was 2010 at \$1,104,997. The previous high watermark for general fund Earned Income Tax was in 2007 at \$1,361,680. The average of EIT collections for the past six years is \$1,233,249. This average reflects the stability of income levels and employment prospects of our residents.

In 2012, the Real Estate Property Tax amounted to \$187,046. This represented a small \$5,845 decrease over the 2011 Real Estate Property Tax revenue of \$192,891. 2011 represented the high-water mark for Real Estate Property tax revenue even with the Township's real estate assessed valuation decreasing by 2.3% from the previous year as a result of property owner assessment appeals. The Township's tax millage was 0.500 mills in 2012. The Supervisors are limited to levying a maximum of 14 mills for road, bridge and general Township purposes. An additional 5 mills may be levied with approval of a petition by the Courts.

## **WEST PIKELAND TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2012*

In 2012, the Real Estate Transfer tax amounted to \$122,852. This represented a \$13,588 increase (12%) from the 2011 Real Estate Transfer tax revenue of \$109,264. While homes are sitting on the market longer than in previous years, 2012 revenue showed a return to more normal levels. The amount of the tax is 1% equally divided between the Township and the Downingtown Area School District. The tax is collected by the Chester County Recorder of Deeds office at the time the transfer of ownership is recorded. The main source of transfer taxes in 2012 was from the resale of houses since a minimum of new homes were constructed in the Township. The high-water mark for Real Estate Transfer tax revenue was in 2005 at \$281,239. The income is directly proportional to overall housing sales values, but has appeared to have stabilized at current levels.

- The assets of West Pikeland Township exceeded its liabilities at the close of the fiscal year by \$7,013,689. This represents an increase of \$1,119,404, primarily due to an increase in capital assets (see page 12 TOTAL GOVERNMENTAL NET POSITION).
- The General Fund revenues amounted to \$2,063,203 for the year ended December 31, 2012, which was an increase of \$11,162 from 2011. This increase was primarily due to increases in earned income and real estate transfer taxes.
- The Open Space Fund revenues amounted to \$664,394 for the year ended December 31, 2012, which was \$94,794 more than was received in 2011. This increase was due to increases in earned income taxes.
- The State Highway Aid Fund revenues amounted to \$113,023 for the year ended December 31, 2012. These are State pass-through funds received from gasoline taxes. Yearly allocations vary slightly depending on municipal population, mileage of roads owned, and the actual sale of gasoline state-wide.
- The Township's Administration has undertaken two improvements as recommended in the Auditor's 2011 internal control review, including:
  - Segregating the duties of petty cash reconciliation and distribution and the creation of receipts for accounts receivables between employees. We believe that this increases our check and balance ability to the best extent possible giving the number of employees in the administrative office.
  - Reviewing the chart of accounts and simplifying the account classifications.

#### **Government-Wide Financial Statements**

The government-wide financial statements are comprised of the statement of net position and the statement of activities. These statements are designed to provide readers with a broad overview of the Township's finances utilizing the full accrual method of accounting. Under the full accrual method of accounting, the Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

## **WEST PIKELAND TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2012*

The statement of net position presents information on all the Township's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The governmental activities of the Township include general government, police, fire, community development, planning, public works, etc. These functions are primarily funded by taxes, permit activity, investments and grants.

The government-wide financial statements can be found later in this report.

#### **Fund Financial Statements**

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All of the funds of the Township can be divided into two categories: Governmental Funds and Fiduciary Funds.

**Governmental Funds** - Governmental Funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the Governmental Funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of the Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions. Both the Governmental Funds balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The Township maintains numerous individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, Open Space Fund and State Highway Aid Fund, all of which are considered to be major funds.

The Township adopts an annually appropriate budget for all Governmental Funds.

**WEST PIKELAND TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2012*

**Fiduciary Funds** - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources are not available to support the Township's own programs.

The Fiduciary Funds financial statements can be found later in this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in the following pages of this report.

**Required Supplementary Information**

The management's discussion and analysis and the General Fund budgetary comparison schedule (pages 32 and 33) represent financial information required by the GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

**A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net Position**

The Township's combined net position was \$7,013,689 at December 31, 2012.

***Statements of Net Position  
December 31, 2012 and 2011***

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current and other assets	\$ 1,941,326	\$ 1,830,758
Capital assets	5,962,389	5,109,503
<b>TOTAL ASSETS</b>	<u>7,903,715</u>	<u>6,940,261</u>
<b>LIABILITIES</b>		
Long-term debt	868,815	986,355
Other liabilities	21,211	49,237
<b>TOTAL LIABILITIES</b>	<u>890,026</u>	<u>1,035,592</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	5,093,574	4,337,206
Restricted	924,484	1,175,460
Unrestricted	995,631	392,003
<b>TOTAL NET POSITION</b>	<u>\$ 7,013,689</u>	<u>\$ 5,904,669</u>

**WEST PIKELAND TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2012*

**Changes in Net Position**

For the years ended December 31, 2012 and 2011, net position of the primary government changed as follows:

***Statements of Changes in Net Position***  
***Years Ended December 31, 2012 and 2011***

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 211,929	\$ 217,831
Operating grants and contributions	246,245	296,331
General revenues		
Taxes	2,285,376	1,983,426
Investment earnings	7,463	48,404
Gain (loss) on sale of assets	4,530	(46,088)
Miscellaneous	<u>60,957</u>	<u>6,715</u>
<b>TOTAL REVENUES</b>	<u>2,816,500</u>	<u>2,506,619</u>
<b>EXPENSES</b>		
Administration	586,292	548,012
Police and emergency services	719,052	743,958
Codes and engineering	58,491	54,945
Public works	99,487	295,334
Parks and recreation	46,367	116,058
Depreciation and amortization	145,683	132,841
Interest	<u>41,724</u>	<u>42,996</u>
<b>TOTAL EXPENSES</b>	<u>1,697,096</u>	<u>1,934,144</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,119,404</u>	<u>\$ 572,475</u>

**WEST PIKELAND TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2012*

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

	Balance at December 31, 2011	Additions	Deletions	Balance at December 31, 2012
<b>GOVERNMENTAL ACTIVITIES</b>				
Land and rights of way	\$ 3,366,809	\$ 668,400	\$ -	\$ 4,035,209
Improvements other than buildings	508,192	298,546	-	806,738
Buildings	945,577	-	-	945,577
Traffic lights and signals	96,000	-	-	96,000
Office equipment	62,474	3,005	-	65,479
Roads Department machinery and equipment	223,950	-	-	223,950
Police vehicles and equipment	610,565	28,618	(78,864)	560,319
	<u>5,813,567</u>	<u>998,569</u>	<u>(78,864)</u>	<u>6,733,272</u>
Accumulated depreciation	<u>(704,064)</u>	<u>(145,683)</u>	<u>78,864</u>	<u>(770,883)</u>
	<u>\$ 5,109,503</u>	<u>\$ 852,886</u>	<u>\$ -</u>	<u>\$ 5,962,389</u>

**Long-Term Debt**

At December 31, 2012, the Township had \$868,815 in long-term debt. At December 31, 2012, \$868,815 of the debt is related to governmental activities. On September 15, 2010, West Pikeland Township borrowed \$1,015,000 from DNB First to fund infrastructure improvements throughout the Township. The General Obligation Note, Series of 2010, incurs interest at 4.375% with principal payments beginning on December 1, 2011. The loan matures in March 2019.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

A detailed explanation of the 2012 General fund budget may be obtained at:

[www.westpikeland.com/Pages/budget.html](http://www.westpikeland.com/Pages/budget.html)

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This report is designed to provide a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Manager's office at 1645 Art School Road, Chester Springs, Pennsylvania, 19425 or at (610) 827-7660.

**WEST PIKELAND TOWNSHIP****STATEMENT OF NET POSITION***December 31, 2012*

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,923,644
Taxes receivable	5,102
Due from developers	2,160
Accounts receivable, other	7,970
Other assets	2,450
Capital assets	
Land and rights of way	4,035,209
Other capital assets net of depreciation	<u>1,927,180</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,903,715</u></b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 19,629
Accrued interest	1,582
Long-term liabilities	
Portion due or payable within one year	
General obligation note	123,515
Portion due or payable after one year	
General obligation note	<u>745,300</u>
<b>TOTAL LIABILITIES</b>	<b><u>890,026</u></b>
<b>NET POSITION</b>	
Net invested in capital assets	5,093,574
Restricted	924,484
Unrestricted	<u>995,631</u>
<b>TOTAL NET POSITION</b>	<b><u>7,013,689</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 7,903,715</u></b>

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	\$ 586,292	\$ 82,035	\$ 88,830	\$ -	\$ (415,427)
Public safety	719,052	49,005	-	-	(670,047)
Public works	99,487	-	157,415	-	57,928
Codes and engineering	58,491	80,889	-	-	22,398
Culture and recreation	46,367	-	-	-	(46,367)
Depreciation, unallocated	145,683	-	-	-	(145,683)
Interest on long-term debt	41,724	-	-	-	(41,724)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,697,096</b>	<b>\$ 211,929</b>	<b>\$ 246,245</b>	<b>\$ -</b>	<b>(1,238,922)</b>
<b>GENERAL REVENUES</b>					
Taxes					
Property taxes, levied for general purposes					172,592
Transfer					122,852
Earned income					1,989,932
Investment earnings					7,463
Gain on sale of capital assets					4,530
Miscellaneous					60,957
<b>TOTAL GENERAL REVENUES</b>					<b>2,358,326</b>
					<b>CHANGE IN NET POSITION</b>
					1,119,404
					<b>NET POSITION AT BEGINNING OF YEAR, restated (Note K)</b>
					5,894,285
					<b>NET POSITION AT END OF YEAR</b>
					<b>\$ 7,013,689</b>

See accompanying notes to the basic financial statements.

**WEST PIKELAND TOWNSHIP**

## BALANCE SHEET

## GOVERNMENTAL FUNDS

December 31, 2012

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Open Space Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 995,360	\$ 138,677	\$ 789,607	\$ 1,923,644
Accounts receivable	15,232	-	-	15,232
Due from other funds	3,800	-	-	3,800
Other assets	<u>2,450</u>	<u>-</u>	<u>-</u>	<u>2,450</u>
TOTAL ASSETS	<u>\$ 1,016,842</u>	<u>\$ 138,677</u>	<u>\$ 789,607</u>	<u>\$ 1,945,126</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to General Fund	\$ -	\$ 2,036	\$ 1,764	\$ 3,800
Accounts payable and accrued expenses	<u>19,629</u>	<u>-</u>	<u>-</u>	<u>19,629</u>
TOTAL LIABILITIES	<u>19,629</u>	<u>2,036</u>	<u>1,764</u>	<u>23,429</u>
<b>FUND BALANCES</b>				
Restricted for				
Highways and road improvements	-	136,641	-	136,641
Open space purchases	-	-	787,843	787,843
Unassigned	<u>997,213</u>	<u>-</u>	<u>-</u>	<u>997,213</u>
TOTAL FUND BALANCES	<u>997,213</u>	<u>136,641</u>	<u>787,843</u>	<u>1,921,697</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,016,842</u>	<u>\$ 138,677</u>	<u>\$ 789,607</u>	<u>\$ 1,945,126</u>

See accompanying notes to the basic financial statements.

**WEST PIKELAND TOWNSHIP****RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES***December 31, 2012*

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,921,697
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and rights of way	4,035,209
Improvements other than buildings	806,738
Buildings	945,577
Traffic lights and signals	96,000
Office equipment	65,479
Roads Department machinery and equipment	223,950
Police vehicles and equipment	560,319
Accumulated depreciation	(770,883)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(1,582)
Bonds payable	<u>(868,815)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,013,689</u>

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2012*

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Open Space Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real estate taxes	\$ 187,046	\$ -	\$ -	\$ 187,046
Transfer taxes	122,852	-	-	122,852
Earned income taxes	1,330,121	-	659,811	1,989,932
Licenses and permits	80,889	-	-	80,889
Fines and forfeits	49,005	-	-	49,005
Interest, rents and royalties	53,615	1,313	4,320	59,248
State grants	134,535	111,710	-	246,245
Charges for service				
General government	16,811	-	-	16,811
Public safety	58,224	-	-	58,224
Proceeds from sale of capital assets	4,530	-	-	4,530
Miscellaneous revenues	25,575	-	263	25,838
	<u>2,063,203</u>	<u>113,023</u>	<u>664,394</u>	<u>2,840,620</u>
<b>TOTAL FORWARD</b>				
<b>EXPENDITURES</b>				
General government				
Legislative	91,370	-	-	91,370
Executive	118,234	-	-	118,234
Financial administration	36,567	-	-	36,567
Tax collection	21,913	-	9,014	30,927
Legal services	35,481	-	-	35,481
Secretary	101,042	-	-	101,042
Data processing	14,855	-	-	14,855
Engineering	48,377	-	-	48,377
Building and plans	46,708	-	-	46,708
Public safety				
Police	648,409	-	-	648,409
Fire and ambulance	75,521	-	-	75,521
Code enforcement	35,903	-	-	35,903
Planning and zoning	22,663	-	-	22,663
Wastewater management	7,529	-	-	7,529
Public works				
General services	15,680	1,694	-	17,374
Winter maintenance, snow removal	2,067	12,636	-	14,703
Traffic control devices	-	1,088	-	1,088
Maintenance and repairs of roads	58,823	298,516	-	357,339
Culture and recreation	39,613	-	-	39,613
Debt service	159,480	-	-	159,480
	<u>\$ 1,580,235</u>	<u>\$ 313,934</u>	<u>\$ 9,014</u>	<u>\$ 1,903,183</u>
<b>SUBTOTAL FORWARD</b>				

**WEST PIKELAND TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2012*

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Open Space Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
TOTAL FORWARDED	\$ 2,063,203	\$ 113,023	\$ 664,394	\$ 2,840,620
EXPENDITURES				
SUBTOTAL FORWARDED	1,580,235	313,934	9,014	1,903,183
Intergovernmental expenditures	15,803	-	-	15,803
Reimbursement subdivision and land development costs	10,977	-	-	10,977
Capital outlays	31,623	-	-	31,623
Open space acquisitions	-	-	715,818	715,818
TOTAL EXPENDITURES	<u>1,638,638</u>	<u>313,934</u>	<u>724,832</u>	<u>2,677,404</u>
NET CHANGE IN FUND BALANCES	424,565	(200,911)	(60,438)	163,216
FUND BALANCES AT BEGINNING OF YEAR	<u>572,648</u>	<u>337,552</u>	<u>848,281</u>	<u>1,758,481</u>
FUND BALANCES AT END OF YEAR	<u>\$ 997,213</u>	<u>\$ 136,641</u>	<u>\$ 787,843</u>	<u>\$ 1,921,697</u>

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

*Year Ended December 31, 2012*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 163,216
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation and disposals in the current period.	852,886
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	117,540
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables or are deferred in the funds.	(14,454)
Accrued interest is recognized as a payable in the statement of activities.	<u>216</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,119,404</u>

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*December 31, 2012*

	<u>Police Pension Plan Fund</u>	<u>Escrow Fund</u>
<b>ASSETS</b>		
Cash	\$ 584,912	\$ <u>15,385</u>
<b>LIABILITIES</b>		
Escrow deposits	<u>-</u>	\$ <u>15,385</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	\$ <u>584,912</u>	

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2012*

	<u>Police Pension Plan Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 30,482
Commonwealth	28,609
Members	16,755
Miscellaneous	<u>10,000</u>
<b>TOTAL CONTRIBUTIONS</b>	<b>85,846</b>
Investment income, interest	<u>29,454</u>
<b>TOTAL ADDITIONS</b>	<b><u>115,300</u></b>
<b>DEDUCTIONS</b>	
Administrative expense	80
Allocated insurance premiums	<u>1,461</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>1,541</u></b>
<b>CHANGE IN NET POSITION</b>	<b>113,759</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b><u>471,153</u></b>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 584,912</u></b>

*See accompanying notes to the basic financial statements.*

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

West Pikeland Township (the "Township") is a Second-Class Township located in Chester County, Pennsylvania. The Township is governed by a five-member Board of Supervisors. Supervisors are elected at large for six-year terms. Elections are held for one position every two years. The Board of Supervisors is responsible for the administration, management and operation of the Township. 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.

**Financial Reporting Entity**

In determining the financial reporting entity, the Township complies with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

**Fund Accounting**

The accounts of the Township are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses.

The Township reports the following major Governmental Funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units.

The *State Highway Aid Fund* is used to account for the proceeds of specific revenue sources restricted to expenditures for the construction and maintenance of streets and highways.

The *Open Space Fund* is used to account for all financial resources 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.

**Government-Wide Financial 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.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

The government-wide statement of net position is 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 position is reported in three parts: net invested in capital assets, restricted and unrestricted.

The government-wide statements report 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.

**Fund Financial Statements**

Fund financial statements report detailed information about the Township. The focus of the Governmental Funds financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, 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 is recognized when due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) or current cash resources.

Additionally, the Township reports two Fiduciary Funds: the Police Pension Plan Fund to account for the activities of the Uniformed Employees' Pension Plan and the Escrow Fund. The assets reported in these funds are held in a trustee or agency capacity for others and are not available to support Township programs.

**Real Estate Tax Calendar**

The Township imposes a property tax of .500 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, are due July 1 and are penalized 10% if paid after July 1. Liens are filed for unpaid property taxes on March 1 of the following year.

**WEST PIKELAND TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Traffic lights and signals	20
Machinery and equipment	5-15

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 BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

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 that increase the capacity or efficiency of the assets rather than preserve the useful life of the assets are capitalized.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has no types of items that qualify for reporting in this category.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, Governmental Funds recognize note premiums and discounts, as well as note issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Use of Estimates**

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

**WEST PIKELAND TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2012

**Fund Equity**

Beginning with the year ended December 31, 2011, the Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. The Township has delegated such authority to the Township Manager.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Beginning fund balances for the Township's Governmental Funds have been restated to reflect the above classifications.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Change in Accounting Principles**

During the year ended December 31, 2012, West Pikeland Township adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Additionally, the Township adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

**NOTE B DEPOSITS AND INVESTMENTS**

**Deposits**

The Township's deposits with financial institutions at December 31, 2012, consisted of the following:

	<u>Deposit Amount</u>
CASH AND CASH EQUIVALENTS	
Checking	\$ <u>1,959,895</u>

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2012, the Federal Depository Insurance Corporation insured \$250,000 of the Township's \$1,959,895 bank balances. The remaining bank balances of \$1,709,895 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name.

***Credit Risk*** - Pennsylvania statutes authorize the Township to invest in U.S. Treasury bills, short-term obligations of the U.S. Government, obligations of the U.S. Government or Commonwealth of Pennsylvania or political subdivisions of the Commonwealth that are backed by the full faith and credit of the issuing government and shares of authorized investment companies provided that all of the company investments are authorized investments for a township.

In addition, the Township may invest in time deposits, savings accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent that such investments are insured and, where amounts exceed the insured maximums, that the depository pledge collateral as provided by Pennsylvania law.

The law provides that the Township's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

**NOTE C RECEIVABLES**

Accounts receivable at December 31, 2012, consisted of taxes, amounts due from developers, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes and the stable condition of state programs.

	<u>General Fund</u>
Taxes receivable	\$ 5,102
Due from developers	2,160
Other receivables	<u>7,970</u>
	<u>\$ 15,232</u>

**NOTE D CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land and rights of way	\$ 3,366,809	\$ 668,400	\$ -	\$ 4,035,209
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Improvements other than buildings	508,192	298,546	-	806,738
Buildings	945,577	-	-	945,577
Traffic lights and signals	96,000	-	-	96,000
Office equipment	62,474	3,005	-	65,479
Roads Department machinery and equipment	223,950	-	-	223,950
Police vehicles and equipment	610,565	28,618	78,864	560,319
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>2,446,758</u>	<u>330,169</u>	<u>78,864</u>	<u>2,698,063</u>
Accumulated depreciation				
Improvements other than buildings	(101,639)	(37,352)	-	(138,991)
Buildings	(94,407)	(23,639)	-	(118,046)
Traffic lights and signals	(24,000)	(4,800)	-	(28,800)
Office equipment	(61,166)	(1,166)	-	(62,332)
Roads Department machinery and equipment	(124,673)	(18,515)	-	(143,188)
Police vehicles and equipment	(298,179)	(60,211)	(78,864)	(279,526)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(704,064)</u>	<u>(145,683)</u>	<u>(78,864)</u>	<u>(770,883)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>1,742,694</u>	<u>184,486</u>	<u>-</u>	<u>1,927,180</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 5,109,503</u>	<u>\$ 852,886</u>	<u>\$ -</u>	<u>\$ 5,962,389</u>

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

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 returned to the grantor. Accordingly, the Township is considered the owner of the video equipment and is responsible for it. As of December 31, 2012, all the video equipment is being used in accordance with the terms and conditions of the grant.

**NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Open Space Fund	\$ 1,764
General Fund	State Highway Aid Fund	<u>2,036</u>
		<u>\$ 3,800</u>

The amounts between the Open Space Fund, State Highway Aid Fund and the General Fund are interfund borrowings to pay for operations.

**NOTE F LONG-TERM DEBT**

The Township has a General Obligation Note, Series of 2010, dated September 15, 2010, payable to DNB First in quarterly payments of principal and interest of \$39,870 with interest at 4.375% and maturing March 1, 2019. Proceeds from the note were used to fund repairs and reconstruction of roads and highways. The balance of the note at December 31, 2012, is \$868,815.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 123,515	\$ 35,966	\$ 159,481
2014	129,008	30,473	159,481
2015	134,746	24,735	159,481
2016	140,738	18,743	159,481
2017	146,997	12,484	159,481
2018 to 2019	<u>193,811</u>	<u>6,378</u>	<u>200,189</u>
	<u>\$ 868,815</u>	<u>\$ 128,779</u>	<u>\$ 997,594</u>

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

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

**NOTE G CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Interest</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GENERAL OBLIGATION NOTE Series of 2010	4.375%	\$ <u>986,355</u>	\$ <u>-</u>	\$ <u>(117,540)</u>	\$ <u>868,815</u>	\$ <u>123,515</u>

**NOTE H UNIFORMED EMPLOYEES' PENSION PLAN**

**Summary of Significant Accounting Policies**

Financial information of the Township's Uniformed Employees' Pension Plan (the "Plan") is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due as required by Act 600 and Act 205 of the Commonwealth of Pennsylvania. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported using an adjusted market basis method. This method calculates investments at the fair market value of assets as of the most recent actuarial valuation, adjusted by a percentage of the difference between the expected and actual year-end market value.

**Plan Description**

The West Pikeland Township Uniformed Employees' 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.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

Membership of the Plan consisted of the following at December 31, 2012:

Active plan members	4
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not receiving benefits	-
	<hr/>
TOTAL MEMBERSHIP	<u>4</u>

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

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due, in accordance with ACT 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Funding Policy and Contribution Information**

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. Act 205 requires that annual contributions be based upon the Plan's Minimum Municipal Obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. 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. Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings. In accordance with Act 205, the Township was required to contribute \$59,091 to the Plan for the year 2012. The Township's actual contributions for the Plan year 2012 were \$85,846.

**Funded Status and Funding Progress**

The funded status of the Plan as of January 1, 2011, the most recent actuarial valuation date, was 68.91%. The actuarial accrued liability for benefits was \$550,739 and the actuarial value of assets was \$379,489, resulting in an unfunded actuarial accrued liability (UAAL) of \$171,250. The covered payroll (annual payroll of active employees covered in the Plan) was \$305,136, and the ratio of the UAAL to the covered payroll was 56.12%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AALs for benefits.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

**Three-Year Trend Information**

<u>Year Ending December 31,</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 45,592	100%	\$ -
2011	54,143	100%	-
2012	59,091	100%	-

Additional information as of the latest actuarial valuation for the Plan follows:

Valuation date.....	January 1, 2011
Actuarial cost method .....	Entry age, normal
Amortization method.....	Level dollar, closed
Asset valuation method.....	Adjusted market value
Actuarial assumptions	
Investment rate of return .....	6%
Projected salary increases* .....	Age-related scale for merit/seniority (e.g., age 30 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%. 2.0% is added for each of the first three years of service)

\*Includes inflation at 3.00%

**NOTE I      DEFINED CONTRIBUTION 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 2012 may defer a maximum of 100% of normal compensation or \$14,000, whichever is less. Employees may invest at their discretion in different funds offered by the trustee (Nationwide).

**NOTE J      CONTINGENCIES**

There are a number of lawsuits arising in the normal course of operations. Legal counsel for the Township cannot give an opinion on the outcome of these lawsuits nor can they reasonably estimate the financial impact.

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2012*

**NOTE K      PRIOR PERIOD ADJUSTMENT**

For the year ended December 31, 2012, the Township adopted Governmental Accounting Standards Board Statement No. 65 (see Note A), which states that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred. Therefore, the Township is treating governmental activities debt issuance costs of \$11,900 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The Township adjusted beginning net position on the government-wide financial statements for the governmental activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WEST PIKELAND TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2012*

	<u>Actual</u>	<u>Budget</u>	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
Real estate taxes	\$ 187,046	\$ 188,000	\$ (954)
Transfer taxes	122,852	80,000	42,852
Earned income taxes	1,330,121	1,015,000	315,121
Licenses and permits	80,889	60,400	20,489
Fines and forfeits	49,005	50,100	(1,095)
Interest, rents and royalties	53,615	28,995	24,620
State grants	134,535	82,300	52,235
Charge for service			
General government	16,811	8,050	8,761
Public safety	58,224	46,250	11,974
Proceeds from sale of capital assets	4,530	-	4,530
Miscellaneous revenues	25,575	27,200	(1,625)
	<u>2,063,203</u>	<u>1,586,295</u>	<u>476,908</u>
<b>TOTAL FORWARD</b>			
<b>EXPENDITURES</b>			
General government			
Legislative	91,370	92,975	1,605
Executive	118,234	119,233	999
Financial administration	36,567	34,035	(2,532)
Tax collection	21,913	22,850	937
Legal services	35,481	57,000	21,519
Secretary	101,042	94,420	(6,622)
Data processing	14,855	12,675	(2,180)
Engineering	48,377	49,000	623
Building and plans	46,708	69,950	23,242
Public safety			
Police	648,409	649,002	593
Fire and ambulance	75,521	93,210	17,689
Code enforcement	35,903	35,600	(303)
Planning and zoning	22,663	10,182	(12,481)
Emergency management	-	500	500
Wastewater management	7,529	12,575	5,046
Public works			
General services	15,680	64,583	48,903
Winter maintenance, snow removal	2,067	24,400	22,333
Maintenance and repairs of roads	58,823	101,765	42,942
Culture and recreation	39,613	117,525	77,912
Debt service	159,480	159,481	1
Intergovernmental expenditures	15,803	-	(15,803)
<b>SUBTOTAL FORWARD</b>	<u>\$ 1,596,038</u>	<u>\$ 1,820,961</u>	<u>\$ 224,923</u>

**WEST PIKELAND TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2012*

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
REVENUES			
TOTAL FORWARDED	\$ <u>2,063,203</u>	\$ <u>1,586,295</u>	\$ <u>476,908</u>
EXPENDITURES			
SUBTOTAL FORWARDED	1,596,038	1,820,961	224,923
Reimbursement subdivision and land development costs	10,977	19,250	8,273
Capital outlays	<u>31,623</u>	<u>-</u>	<u>(31,623)</u>
TOTAL EXPENDITURES	<u>1,638,638</u>	<u>1,840,211</u>	<u>201,573</u>
NET CHANGE IN FUND BALANCE	424,565	\$ <u>(253,916)</u>	\$ <u>678,481</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>572,648</u>		
FUND BALANCE AT END OF YEAR	\$ <u><u>997,213</u></u>		

*See accompanying notes to the budgetary comparison schedules.*

**WEST PIKELAND TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**STATE HIGHWAY AID FUND**  
*Year Ended December 31, 2012*

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interests, rents and royalties	\$ 1,313	\$ 500	\$ 813
State grants	<u>111,710</u>	<u>102,000</u>	<u>9,710</u>
<b>TOTAL REVENUES</b>	<u>113,023</u>	<u>102,500</u>	<u>10,523</u>
<b>EXPENDITURES</b>			
Public works			
General services	1,694	-	(1,694)
Winter maintenance, snow removal	12,636	24,000	11,364
Traffic control devices	1,088	2,618	1,530
Maintenance and repairs of roads	<u>298,516</u>	<u>330,405</u>	<u>31,889</u>
<b>TOTAL EXPENDITURES</b>	<u>313,934</u>	<u>357,023</u>	<u>43,089</u>
<b>NET CHANGE IN FUND BALANCE</b>	(200,911)	\$ <u>(254,523)</u>	\$ <u>53,612</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>337,552</u>		
<b>FUND BALANCE AT END OF YEAR</b>	\$ <u><u>136,641</u></u>		

*See accompanying notes to the budgetary comparison schedules.*

**WEST PIKELAND TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**OPEN SPACE FUND**  
*Year Ended December 31, 2012*

	<u>Actual</u>	<u>Budget</u>	<u>Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Earned income taxes restricted for open space	\$ 659,811	\$ 515,000	\$ 144,811
Interests, rents and royalties	4,320	1,200	3,120
Grants and contributions	-	74,000	(74,000)
Miscellaneous revenues	<u>263</u>	<u>-</u>	<u>263</u>
<b>TOTAL REVENUES</b>	<u>664,394</u>	<u>590,200</u>	<u>74,194</u>
<b>EXPENDITURES</b>			
Tax collection	9,014	11,275	2,261
Open space acquisitions	<u>715,818</u>	<u>813,250</u>	<u>97,432</u>
<b>TOTAL EXPENDITURES</b>	<u>724,832</u>	<u>824,525</u>	<u>99,693</u>
<b>NET CHANGE IN FUND BALANCE</b>	(60,438)	<u>\$ (234,325)</u>	<u>\$ 173,887</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>848,281</u>		
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 787,843</u>		

*See accompanying notes to the budgetary comparison schedules.*

**WEST PIKELAND TOWNSHIP**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
*Year Ended December 31, 2012*

**NOTE A      BUDGETARY INFORMATION**

The Township's process for establishing its annual operating budget involves submission of the budget by the Township Manager to the Board of Supervisors for its approval and adoption. The Township Manager and Supervisors are responsible for the preparation of the annual budget.

The budgetary process consists of the evaluation and review of appropriation requests of the operating directors of the various Township departments. Revenue estimates are made throughout the process to determine the amount of Township property taxes and other revenue required to balance the budget.

The Board of Supervisors is required to introduce the budget for the following year by 20 days prior to the end of the fiscal year, after which it is advertised and reviewed at public hearings held by the Board of Supervisors of the Township. After the close of the public hearings, the Board of Supervisors approve and adopt the budget on or before December 31, the close of the Township's fiscal year.

The Township Supervisors may authorize supplemental appropriations for any lawful purpose via resolution. In addition, the Supervisors are permitted to transfer funds from one Township account to another; however, such transfers are not permitted during the first three months of the fiscal year. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. The Township Supervisors prepare a budget reconciliation at year's end which allows for the reallocation of any excess appropriations. It is the Township's policy to maintain budgetary control at the fund level.

**NOTE B      EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures were funded by various revenues that were over budget in the General Fund and fund balance carried over from the prior year.

**WEST PIKELAND TOWNSHIP**  
**PENSION PLAN FUNDING PROGRESS**  
*Year Ended December 31, 2012*

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Annual Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
2007	\$ 107,466	\$ 174,386	\$ 66,920	61.63%	\$ 215,535	31.05%
2009	227,685	355,922	128,237	63.97%	293,230	43.73%
2011	379,489	550,739	171,250	68.91%	305,136	56.12%