

**CHARLESTOWN TOWNSHIP
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2008**

**CHARLESTOWN TOWNSHIP
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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Charlestown Township
Devault, Pennsylvania

We have audited the accompanying financial statements of the governmental activities of Charlestown Township as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlestown Township's management. Our responsibility is to express an opinion 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 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlestown Township as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (Continued)

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charlestown Township basic financial statements. The introductory section, combining individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Todd & Todd, LLP

Chester Springs, Pennsylvania
March 10, 2009

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Our discussion and analysis of Charlestown Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2008. Please review it in conjunction with the Township's basic financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,222,042 which represents a 26 percent increase from 2007.
- General Revenues accounted for \$1,306,000 in revenues or 37 percent of all revenues. Program specific revenues in the form of charges for services and capital grants accounted for \$2,179,000 or 63 percent of all revenues.
- The Township had \$2,263,000 in expenses related to governmental activities with \$3,485,000 in program revenues to cover the cost of those programs. The excess revenues were invested for use in future capital expenditure programs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most financially significant funds.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

Reporting the Township as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 10. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets and changes in them. You can think of the Township's net assets, the difference between assets, what the Township owns, and liabilities, what the Township owes, as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the Township.

Reporting the Township's Most Significant Funds

Major Funds

Fund Financial Statements

- General
- Property and Equipment
- State Highway
- Open Space

Our analysis of the Township's major funds begins on page 5. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors establishes many other funds to help control and manage money for particular purposes (ex. various capital projects funds). The Township only has governmental funds.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

Governmental Funds: The Township's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 24 of this report.

THE TOWNSHIP AS A WHOLE

The Township's total net assets changed from a year ago, increasing from \$4.7 million to \$6.0 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Township's governmental activities.

Table 1
Net Assets (in millions)

	<u>2007</u>	<u>2008</u>		<u>2007</u>	<u>2008</u>
Current and other assets	\$ 1.4	\$ 2.3	Net Assets:		
Capital Assets	13.9	13.9	Invested in capital		
Other Assets	<u>0.2</u>	<u>0.2</u>	assets, net of related		
Total Assets	<u>15.5</u>	<u>16.4</u>	debt	\$ 3.5	\$ 3.8
G.O. Bonds Payable	10.6	10.3	Unrestricted	<u>1.2</u>	<u>2.2</u>
Other Liabilities	<u>0.2</u>	<u>0.1</u>	Total Net Assets	<u>\$ 4.7</u>	<u>\$ 6.0</u>
Total Liabilities	<u>10.8</u>	<u>10.4</u>			

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

Table 2 compares the 2008 change in net assets to the 2007 change in net assets:

Table 2
Changes in Net Assets for 2008
Compared with 2007 Activity

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 0	\$ 0	\$ 0
Capital Grants	205,766	1,134,066	928,300
General Revenues:			
Other	<u>2,597,720</u>	<u>2,351,047</u>	<u>(246,673)</u>
Total Revenues	\$ 2,803,486	\$ 3,485,113	\$681,627
 Program Expenses			
General Government	<u>2,628,008</u>	<u>2,248,071</u>	<u>(379,937)</u>
Total Expenses	<u>2,628,008</u>	<u>2,248,071</u>	<u>(379,937)</u>
 Increase in Net Assets	\$ <u>175,478</u>	\$ <u>1,237,042</u>	\$ <u>1,061,564</u>

Table 3 presents the fund balances of the individual major funds and an analysis of significant changes in the fund balances.

Table 3
Changes in Year End Fund Balance

	<u>2007</u>	<u>2008</u>	<u>% Change</u>
General	\$ 189,497	\$ 212,205	12%
Property	13,945,258	13,879,897	(0.5)%
State Highway	108,238	77,827	(28)%
Open Space	898,700	2,092,796	133%
General Obligation Note	<u>(10,395,600)</u>	<u>(10,279,589)</u>	<u>(1)%</u>
 Total Governmental Balances	\$ <u>4,746,093</u>	\$ <u>5,983,135</u>	<u>26%</u>

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

The 12% increase in the **General Fund** was due mainly to lower than expected highway maintenance costs.

The 0.5% decrease in the **Property and Equipment Fund** was due solely to depreciation of the property and equipment.

The 28% decrease in the **State Highway Fund** was due to budgeted road construction projects of \$108,000. The decrease was actually less than expected due to reduced snow removal costs.

The 133% increase in the **Open Space Fund** was due totally to the fact that no easements were purchased during 2008.

The 1% decrease in the **General Obligation Note Fund** was due solely to scheduled principal reductions.

Table 4
Total Governmental Fund Revenues

Revenue Source	<u>2008 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2007</u>	<u>Percent Increase (Decrease)</u>
Intergovernmental	\$ 2,305,888	66%	\$ 13,912	0.6%
Capital Grants	1,134,066	33%	928,300	451%
Investment Earnings	<u>45,159</u>	<u>1%</u>	<u>(260,585)</u>	<u>(85)%</u>
Total	<u>\$ 3,485,113</u>	<u>100.0%</u>	<u>\$ 681,627</u>	<u>24%</u>

The 451% increase in **Capital Grants** was due to two Open Space grants received from state and local governments.

The 85% decrease in **Investment Earnings** was due to a combination of lower investment balances and lower interest rates.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

Table 5
Final Budget versus Actual Results
All Funds

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 3,093,420	\$ 2,305,888	\$ (787,532)
Grants	1,541,550	1,134,066	(407,484)
Investment Earnings	74,000	45,159	(28,841)
Expenditures:			
Total General Government	5,009,181	2,248,072	2,761,109

Budget versus Actual Results

The large negative variances in intergovernmental revenues and grants were due to the absence of proceeds from the anticipated sale of the Jenkins tract and timing issues on the receipt of the grants.

The negative variance in Investment Earnings was due to lower than expected yields on investments.

The lower than budgeted expenditures were due almost exclusively to the absence of any easement purchases during 2008.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charlestown Township Administrator, P. O. Box 507, Devault, PA 19432.

Linda M. Csete
Township Administrator

**CHARLESTOWN TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ <u>2,299,765</u>
Total Current Assets	<u>2,299,765</u>
Noncurrent Assets:	
Land	11,778,006
Buildings (net)	1,811,491
Improvements other than Buildings	252,900
Equipment (net)	<u>37,500</u>
Total Noncurrent Assets	<u>13,879,897</u>
Other Assets:	
Deferred Bond Fees (net)	<u>157,251</u>
Total Other Assets	<u>157,251</u>
TOTAL ASSETS	<u>16,336,912</u>

LIABILITIES:

Current Liabilities:	
Notes Payable - Current Portion	305,000
Deferred Revenue	<u>74,188</u>
Total Current Liabilities	<u>379,188</u>
Long - Term Liabilities:	
Notes Payable	<u>9,974,589</u>
TOTAL LIABILITIES	<u>10,353,777</u>

NET ASSETS:

Invested in Capital Assets	3,757,558
Unrestricted	<u>2,225,577</u>
TOTAL NET ASSETS	<u>\$ 5,983,135</u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>PROGRAM REVENUES</u>		
<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND REVENUES</u>	<u>NET REVENUES AND CHANGE IN NET ASSETS</u>
Primary Government:			
Governmental Activities:			
General Government	\$ <u>2,248,072</u>	\$ <u> </u>	\$ <u>3,439,954</u>
			\$ <u>1,191,883</u>
General Revenues:			
Unrestricted Investment Earnings			45,159
Grants and Revenues not Restricted to Specific Programs			
Total General Revenues			<u>45,159</u>
Change in Net Assets			1,237,042
Net Assets - Beginning			<u>4,746,093</u>
Net Assets - Ending			<u>\$ 5,983,135</u>

See accompanying notes to the financial statements.

CHARLESTOWN TOWNSHIP
COMBINED BALANCE SHEET - ALL FUNDS
 December 31, 2008

	Governmental Fund Types				TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	
ASSETS					
Cash- Money Market Accounts and Government Bonds	\$ 286,039	\$ 77,827	\$ 1,935,545		\$ 2,299,411
Petty Cash	154				154
Accounts Receivable	200				200
Land, Buildings and Equipment (net)				13,879,897	13,879,897
Deferred Bond Fees (net)			157,251		157,251
TOTAL ASSETS	<u>\$ 286,393</u>	<u>\$ 77,827</u>	<u>\$ 2,092,796</u>	<u>\$ 13,879,897</u>	<u>\$ 16,336,912</u>
LIABILITIES					
Deferred Revenues	\$ 74,188				\$ 74,188
Notes Payable			10,279,589		10,279,589
TOTAL LIABILITIES	<u>74,188</u>	<u>0</u>	<u>10,279,589</u>	<u>0</u>	<u>10,353,777</u>
FUND BALANCES					
Fund Balances	<u>212,205</u>	<u>77,827</u>	<u>(8,186,793)</u>	<u>13,879,897</u>	<u>5,983,135</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 286,393</u>	<u>\$ 77,827</u>	<u>\$ 2,092,796</u>	<u>\$ 13,879,897</u>	<u>\$ 16,336,912</u>

See accompanying notes to the financial statements.

CHARLESTOWN TOWNSHIP
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	
REVENUES					
2008 Property Acquisitions	\$ 0	\$	\$	\$	0
Real Estate Taxes	495,916				495,916
Transfer Taxes	355,226				355,226
Emergency & Municip Mgmt Taxes	25,657				25,657
Licenses/Permits/Inspections	248,907				248,907
Per Capita Taxes	15,405				15,405
Contributions	0				0
Earned Income Tax	0		1,152,177		1,152,177
Interest Earned	9,396	3,435	32,328		45,159
Rental Income	12,600				12,600
Grants	142,543	112,123	879,400		1,134,066
TOTAL REVENUES	<u>1,305,650</u>	<u>115,558</u>	<u>2,063,905</u>	<u>0</u>	<u>3,485,113</u>
EXPENDITURES:					
Woolen Mill Improvements			8,750		8,750
Parks and Recreation			117,563		117,563
Purchase of Easements			0		0
Appraisals & Surveys			37,929		37,929
Advisors/Consultants			80,248		80,248
Advertising	12,805				12,805
Auditing	5,978				5,978
Culture and Recreation	68,378				68,378
Amortization			7,148		7,148
Depreciation				65,361	65,361
Dues and Conventions	3,179				3,179
Emergency Control	4,863				4,863
Plan Reviews	78,560				78,560
Fire Protection	178,154				178,154
General Obligation Note/Interest			438,836		438,836
Tax Collection/Fees			46,510		46,510
Highway Maintenance	273,177	145,970			419,147
Insurance	23,210		16,545		39,755
Legal Expenses	135,209				135,209
Bank Fees					0
Engineering	28,896				28,896
Office Expenses	58,706				58,706
Payroll Taxes	13,859				13,859
Planning and Zoning	278,339				278,339
Property Maintenance	13,501				13,501
Rent	12,156				12,156
Salaries	92,023				92,023
Telephone	2,220				2,220
TOTAL EXPENDITURES	<u>1,283,213</u>	<u>145,970</u>	<u>753,528</u>	<u>65,361</u>	<u>2,248,072</u>
EXCESS OF REVENUES OVER EXPENDITURES	22,438	(30,411)	1,310,377	(65,361)	1,237,042
INTERFUND TRANSFERS	270		(270)		0
FUND BALANCE - 01/01/08	<u>189,497</u>	<u>108,238</u>	<u>(9,496,900)</u>	<u>13,945,258</u>	<u>4,746,093</u>
FUND BALANCE - 12/31/08	<u>\$ 212,205</u>	<u>\$ 77,827</u>	<u>\$ (8,186,793)</u>	<u>\$ 13,879,897</u>	<u>\$ 5,983,135</u>

CHARLESTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Real Estate Taxes	\$ 472,500	\$ 495,916	\$ 23,416
Transfer Taxes	350,000	355,226	5,226
Emergency & Municipal Services	18,000	25,657	7,657
Licenses/Permits/Inspections	307,920	248,907	(59,013)
Per Capita Taxes	33,000	15,405	(17,595)
Interest Income	21,500	9,396	(12,104)
Grants	81,750	142,543	60,793
Rental Income	12,000	12,600	600
	<u>1,296,670</u>	<u>1,305,650</u>	<u>8,981</u>
TOTAL REVENUES			
EXPENDITURES:			
Advertising	10,000	12,805	(2,805)
Auditing	6,500	5,978	522
Culture and Recreation	77,500	68,378	9,122
Dues and Conventions	1,000	3,179	(2,179)
Emergency Control	8,300	4,863	3,437
Plan Reviews	54,000	78,560	(24,560)
Fire Protection	172,900	178,154	(5,254)
Highway Maintenance	381,000	273,177	107,823
Insurance	25,000	23,210	1,790
Legal Expenses	124,000	135,209	(11,209)
Bank Fees	100	0	100
Engineering	34,200	28,896	5,304
Office Expenses	60,551	58,706	1,845
Payroll Taxes	13,000	13,859	(859)
Planning and Zoning	271,250	278,339	(7,089)
Property Maintenance	5,000	13,501	(8,501)
Rent/Utilities	13,000	12,156	844
Salaries	93,500	92,023	1,477
Telephone	2,000	2,220	(220)
	<u>1,352,801</u>	<u>1,283,213</u>	<u>69,588</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	(56,131)	22,438	78,570
INTERFUND TRANSFERS	0	270	270
FUND BALANCE - 01/01/08	<u>440,805</u>	<u>189,497</u>	<u>(251,308)</u>
FUND BALANCE - 12/31/08	<u>\$ 384,674</u>	<u>\$ 212,205</u>	<u>\$ (172,469)</u>

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - STATE FUND
YEAR ENDED DECEMBER 31, 2008**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Interest and Dividends	\$ 2,500	\$ 3,435	\$ 935
Grants & Contributions	111,800	112,123	323
TOTAL REVENUES	114,300	115,558	1,258
EXPENDITURES:			
Road Construction	107,750	108,830	(1,080)
Snow Removal	65,000	37,140	27,860
TOTAL EXPENDITURES	172,750	145,970	26,780
EXCESS OF REVENUES OVER EXPENDITURES	(58,450)	(30,411)	28,038
FUND BALANCE - 01/01/08	108,450	108,238	(212)
FUND BALANCE - 12/31/08	\$ 50,000	\$ 77,827	\$ 27,827

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - OPEN SPACE
YEAR ENDED DECEMBER 31, 2008**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Earned Income Tax	\$ 1,000,000	\$ 1,152,177	\$ 152,177
Grants	1,348,000	879,400	(468,600)
Proceeds- Jenkins Property	900,000	0	(900,000)
Interest and Dividends	50,000	32,328	(17,672)
TOTAL REVENUES	3,298,000	2,063,905	(1,234,095)
EXPENDITURES:			
Appraisals & Surveys	125,000	118,177	6,823
Tax Collection/Fees	38,700	46,510	(7,810)
Open Space Acquisition	0	0	0
Parks and Recreation	82,500	126,313	(43,813)
Interest on Bonds & Notes	737,430	445,983	291,447
Insurance	0	16,545	(16,545)
Easement Purchases	2,500,000	0	2,500,000
TOTAL EXPENDITURES	3,483,630	753,528	2,730,102
EXCESS OF REVENUES OVER EXPENDITURES	(185,630)	1,310,377	1,496,007
INTERFUND TRANSFER	0	(270)	(270)
FUND BALANCE - 01/01/08	(9,400,000)	(9,496,900)	(96,900)
FUND BALANCE - 12/31/08	\$ (9,585,630)	\$ (8,186,793)	\$ 1,398,837

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF ACTIVITY
PROPERTY AND EQUIPMENT FUND
THE YEAR ENDED DECEMBER 31, 2008**

**ANALYSIS OF OPENING FUND
BALANCE AS OF 01/01/08**

Brightside Farm	\$ 1,536,656
Coleman Easement	273,000
Bullard Conservation Easement	968,708
McDevitt Easement	2,205,000
Kling Easement	1,600,000
Stonorov Conservation Easement	3,100,000
Burgoon-Muldoon Conservation Easement	1,500,000
School and Traffic Signals	252,900
Charlestown Park - Land	120,620
Charlestown Park - Buildings	170,945
Township Yard - Land	14,840
Township Yard - Buildings	22,702
Jenkins Property	850,000
Solda Conservation Easement	460,213
Woolen Mill Stabilization	486,194
20.6 Acres Land - Brightside Farm	470,000
Land along Pickering Creek	201,625
Ruins of Historic Ice Dam	14,000
Office Furniture and Equipment	37,500
	<u>14,284,903</u>
Accumulated Depreciation	(339,645)
Opening Fund Balance 01/01/08	<u>13,945,258</u>
2008 Acquisitions	<u> </u>
2008 Expenses:	
Depreciation	(65,361)
Interfund Transfers	<u> 0</u>
Fund Balance 12/31/08	<u><u>\$ 13,879,897</u></u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charlestown Township comply with the rules prescribed by the Pennsylvania Department of Community and Economic Development and the Pennsylvania Second Class Township Code. Accounting policies included in the aforementioned conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds or account groups, 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, reserves, fund balance, revenues and expenditures or expenses as appropriate.

The various funds are summarized by type in the financial statements. The following fund types and accounts groups are used by the Township:

In 2004, the Township implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, township-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that township-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrated fund-based financial reporting and township-wide financial reporting as complementary components of a single comprehensive financial model.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

Basis of Presentation – Fund Accounting (continued)

General Fund - The General Fund is the general operating fund of the Township and accounts for all revenues and expenditures of the Township not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Property and Equipment Fund – GASB 34 required governmental units with assets less than \$10 million to capitalize, at estimated historical cost, all property and equipment. The Township owns twelve parcels of real estate. The structures are being depreciated over 39 years and equipment is being depreciated over 10 years using the straight-line method.

State Highway Fund - The State Highway Fund is used to account for receipts from the Pennsylvania Liquid Fuels Tax, which receipts are legally restricted to expenditures for road construction and maintenance.

Open Space Fund – The Open Space Fund is funded by the newly enacted .5% Earned Income Tax and also by transfers from the General fund. Monies are used exclusively to purchase and/or improve Open Space parcels in the Township.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, if measurable.

Revenues from local sources consist primarily of property taxes, earned income taxes, licenses, permits, and inspections. Using the modified accrual basis of accounting, these revenues are reported when received or receivable, if measurable. Likewise, expenses of the Township are recorded when actually paid or payable, if measurable.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

Reporting Entity

The Charlestown Township Board of Supervisors is the basic level of government which has financial accountability and control over the financial and operational management of the Township. The Township receives funding from state and local government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Township's reporting entity.

Cash and Cash Equivalents

For purposes of the balance sheet and statement of revenues and expenditures, the fund type considers all highly liquid investments within a maturity of three months or less when purchased to be cash equivalents.

Budget

The Township is required by state law to adopt annual budgets for all funds. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP").

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. During October of each year, the Township prepares an initial draft of the operating budget for the coming calendar year.
2. During November, the budget is reviewed and finalized by the Township's Board of Supervisors.
3. At least ten days prior to the December Township meeting, the budget is publicly advertised prior to approval.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008**

Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF CREDIT RISK - CASH AND INVESTMENTS

The Township invests in Money Market Accounts with the Pennsylvania Local Government Trust ("PLGIT"). PLGIT, in turn, invests only in two types of federal securities - obligations backed by the full faith and credit of the United States Government, and short-term obligations of the United States Government or its agencies or instrumentalities. The Township also invests, through a broker, in Federal Mortgage Notes. These notes are rated AAA by both Moody's and Standard & Poors and are backed by the full faith and credit of the United States Government.

At December 31, 2008 total investments amounted to \$2,299,411 and consisted of the following:

GENERAL FUND

Operating Account – PGLIT Money Market	\$208,535
Stormwater Management Account – PGLIT Money Market	<u>77,504</u>
	<u>\$286,039</u>

STATE HIGHWAY AID FUND

Operating Account – PGLIT Money Market	\$26,847
Operating Account – PGLIT PLUS Money Market	<u>50,980</u>
	<u>\$77,827</u>

OPEN SPACE FUND

Operating Account – PGLIT Money Market	\$1,150,074
Operating Account – PGLIT PLUS Money Market	764,695
Stevens Project – Phoenixville Federal Bank & Trust Checking	19,776
Operating Account – Phoenixville Federal Bank & Trust Checking	<u>1,000</u>
	<u>\$1,935,545</u>

CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3 - PROPERTY TAXES

The Township's ad valorem property tax is levied each January 1st on the assessed value provided by the Chester County Board of Assessment as of the prior year for all residential and commercial real estate located in the Township. The assessed value of the certified roll, upon which the levy for the 2008 calendar year was based, was \$607,429,260.

The tax rate assessed for the calendar year ended December 31, 2008, to finance general fund operations was .75 mils of assessed valuation.

NOTE 4 - DEFERRED REVENUES

Deferred revenues consist of subdivision and land development escrow accounts, zoning hearing deposits, and conditional use escrow accounts. All of these accounts are reviewed on a quarterly basis and decisions are made concerning either additional billings or refunds of unused balances. At December 31, 2008, Deferred Revenues consisted solely of the following:

Subdivision/Land Development Escrow	\$ 66,491
Zoning Hearing Deposits	6,324
Conditional Use Escrows	788
Other Escrow Funds	<u>586</u>
	<u>\$ 74,188</u>

NOTE 5 – CONTINGENT LIABILITIES

The Township leases its office space on a month-to-month basis at a monthly rental of \$625. There were no other contingent liabilities.

NOTE 6 – GENERAL OBLIGATION BONDS

On November 16, 2000 the Township received \$2,100,000 in proceeds from the issuance of a General Obligation Bond through the New Garden General Authority's Municipal Pooled Financing Program. The bulk of the proceeds (\$2.0 million) from these bonds was used to buy a 55 acre property known as "Brightside Farm", and to purchase a conservation easement on the Solda property.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

The principal of the Bond was payable in 28 consecutive annual installments and commenced on November 1, 2002. Scheduled annual principal repayments ran from \$35,000 per year initially and then gradually increased by increments of \$5,000 up to the final payment of \$135,000 due on November 1, 2029.

The interest was payable monthly and fluctuated at a discounted rate from prime. On May 1, 2008, these Bonds were refinanced and replaced with a fixed rate loan at Phoenixville Federal Bank. Interest paid on the Bonds, prior to refinancing, from January 1, 2008 through April 30, 2008 amounted to \$34,592.

The new loan is a fixed rate loan with interest at 4.8% and equal monthly payments over the 20 year term of \$12,103. Interest paid during 2008 was \$50,314 and the balance remaining at December 31, 2008 was \$1,819,589.

On September 8, 2005 the Township received \$8,989,789 in proceeds from the issuance of Charlestown Township General Obligation Bonds, Series of 2005. The purpose of this bond issue was to "finance the acquisition of fee title, conservation easements, development rights or other interests in real estate for the preservation of open space or use as recreation or park land in the Township...."

The principal of the Bonds is payable in 25 consecutive annual installments commencing on December 15, 2006. Scheduled annual principal repayments run from \$230,000 in year one and then gradually increase up to a final payment of \$570,000 on December 15, 2030.

Interest is payable semiannually on June 15th and December 15th. Interest rates are fixed for the 25 year term, with a weighted average of 4.19%. Annual combined payments of principal and interest total approximately \$600,000. Interest paid for 2008 amounted to \$353,930. At December 31, 2008, the principal remaining was \$8,460,000.

NOTE 7 – DEFERRED BOND FEES

Fees paid in connection with the issuance of the Charlestown Township General Obligation Bonds, Series of 2005 totaled \$178,695. At issuance they were capitalized and are being amortized over the 25 year life of the bonds.

Fees Capitalized	\$178,695
Accumulated Amortization	<u>(21,444)</u>
Net Deferred Bond Fees	<u>\$157,251</u>