

**CHARLESTOWN TOWNSHIP
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**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, 2010, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlestown Township as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgeting comparisons 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.

Management's discussion and analysis and budgetary comparison information on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 21, 2011

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. Please review it in conjunction with the Township's basic financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,514,075 which represents a 21 percent increase from 2009.
- General Revenues accounted for \$3,077,786 in revenues or 82 percent of all revenues. Program specific revenues in the form of charges for services and capital grants accounted for \$657,542 or 18 percent of all revenues.
- The Township had \$2,221,253 in expenses related to governmental activities with \$3,732,071 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, 2010**

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

Fund Financial Statements

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.

Major Funds

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

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 23 of this report.

THE TOWNSHIP AS A WHOLE

The Township's total net assets changed from a year ago, increasing from \$7.0 million to \$8.6 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>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
Current and other assets	\$ 7.7	\$ 1.3	Net Assets:		
Capital Assets	15.6	15.6	Invested in capital		
Other Assets	<u>0.3</u>	<u>0.1</u>	assets, net of related		
Total Assets	<u>23.6</u>	<u>17.0</u>	debt	\$ 5.9	\$ 5.8
G.O. Bonds Payable	14.9	10.0			
Other Liabilities	<u>0.1</u>	<u>0.05</u>	Unrestricted	<u>2.7</u>	<u>1.2</u>
Total Liabilities	<u>15.0</u>	<u>10.0</u>	Total Net Assets	<u>\$ 8.6</u>	<u>\$ 7.0</u>

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

Table 2 compares the 2010 change in net assets to the 2009 change in net assets:

Table 2
Changes in Net Assets for 2010
Compared with 2009 Activity

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 313,395	\$ 336,677	\$ 23,282
Capital Grants	694,077	320,865	(373,212)
General Revenues:			
Other	<u>3,850,783</u>	<u>3,077,786</u>	<u>(772,997)</u>
Total Revenues	\$ 4,858,255	\$ 3,735,328	\$(1,122,927)
Program Expenses			
General Government	<u>3,765,104</u>	<u>2,221,253</u>	<u>(1,543,851)</u>
Total Expenses	<u>3,765,104</u>	<u>2,221,253</u>	<u>(1,543,851)</u>
Increase in Net Assets	\$ <u>1,093,151</u>	\$ <u>1,514,075</u>	\$ <u>420,924</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>2009</u>	<u>2010</u>	<u>% Change</u>
General	\$ 337,944	\$ 441,109	30%
Property	15,635,802	15,570,442	(0.4)%
State Highway	40,225	69,400	72%
Open Space	1,035,374	7,470,702	721%
General Obligation Bonds	<u>(9,971,767)</u>	<u>(14,960,000)</u>	<u>50%</u>
Total Governmental Balances	\$ <u>7,077,578</u>	\$ <u>8,591,653</u>	<u>21%</u>

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

The 30% increase in the **General Fund** was due to a \$185,000 unbudgeted transfer from the Open Space Fund which was partially offset by greater than budgeted expenses in highway maintenance and plan reviews.

The 72% increase in the **State Highway Fund** was due to the postponement of budgeted road construction projects.

The 721% increase in the **Open Space Fund** was due to the receipt of \$5.0 million of funds generated from the sale of the 2010 Series Township General Obligation Bonds.

The 50% increase in **General Obligation Bonds** was due to the sale of the 2010 Series for a total of \$14,960,000.

Table 4
Total Governmental Fund Revenues

Revenue Source	<u>2010 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2009</u>	<u>Percent Increase (Decrease)</u>
Open Space Acquisitions	\$ 0	0%	\$ (1,819,973)	(100)%
Intergovernmental	3,411,206	91%	1,081,745	46%
Capital Grants	320,865	8%	(373,212)	(54)%
Investment Earnings	<u>3,257</u>	<u>1%</u>	<u>(11,486)</u>	<u>(78)%</u>
Total	<u>\$ 3,735,328</u>	<u>100.0%</u>	<u>\$ (1,122,927)</u>	<u>(23)%</u>

The 100% decrease in **Open Space Acquisitions** was due to no purchases of any easements in 2010.

The 46% increase in **Intergovernmental Revenues** was due to a \$1.0 million increase in Earned Income Tax Revenues, a result of the E.I.T. tax rate increase from 0.5% in 2009 to 1.0% in 2010.

The 54% decrease in **Capital Grants** was due to a lower level of Open Space Fund Grants due to less activity.

The 78% decrease in **Investment Earnings** was due to drastically lower interest rates.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

Table 5
Final Budget versus Actual Results
All Funds

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 2,880,470	\$ 3,411,206	\$ 530,736
Grants	324,259	320,865	(3,394)
Investment Earnings	14,300	3,257	(11,043)
Expenditures:			
Total General Government	3,361,683	2,221,253	(1,140,430)

Budget versus Actual Results

The large positive variance in intergovernmental revenues was due solely to a greater than expected increase in earned income tax revenues.

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 reduced amount of easements purchased in the Open Space Fund during 2010.

**CHARLESTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010**

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ <u>7,745,831</u>
Total Current Assets	<u>7,745,831</u>
Noncurrent Assets:	
Land	14,399,288
Buildings (net)	1,072,784
Improvements other than Buildings (net)	75,870
Equipment (net)	<u>22,500</u>
Total Noncurrent Assets	<u>15,570,442</u>
Other Assets:	
Prepaid Insurance	70,663
Deferred Bond Fees (net)	<u>218,251</u>
Total Other Assets	<u>288,914</u>
TOTAL ASSETS	<u>23,605,187</u>

LIABILITIES:

Current Liabilities:	
Bonds Payable - Current Portion	220,000
Deferred Revenue	<u>53,534</u>
Total Current Liabilities	<u>273,534</u>
Long - Term Liabilities:	
Bonds Payable	<u>14,740,000</u>
TOTAL LIABILITIES	<u>15,013,534</u>

NET ASSETS:

Invested in Capital Assets	5,905,910
Unrestricted	<u>2,685,743</u>
TOTAL NET ASSETS	<u>\$ 8,591,653</u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET REVENUES AND CHANGE IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND REVENUES</u>	
Primary Government:				
Governmental Activities:				
General Government	\$ <u>2,221,253</u>	\$ <u>336,677</u>	\$ <u>3,395,394</u>	\$ <u>1,510,818</u>
General Revenues:				
Unrestricted Investment Earnings				3,257
Grants and Revenues not Restricted to Specific Programs				
Total General Revenues				<u>3,257</u>
Change in Net Assets				1,514,075
Net Assets - Beginning				<u>7,077,578</u>
Net Assets - Ending				\$ <u><u>8,591,653</u></u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP
COMBINED BALANCE SHEET - ALL FUNDS
December 31, 2010**

	<u>Governmental Fund Types</u>				<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL FUND</u>	<u>STATE HIGHWAY AID FUND</u>	<u>OPEN SPACE FUND</u>	<u>PROPERTY & EQUIPMENT FUND</u>	
ASSETS					
Cash- Money Market Accounts and Government Bonds	\$ 494,166	\$ 69,400	\$ 7,181,788	\$	\$ 7,745,354
Petty Cash	277				277
Accounts Receivable	200				200
Land, Buildings and Equipment (net)			15,570,442		15,570,442
Deferred Bond Fees (net)			218,251		218,251
Prepaid Insurance			70,663		70,663
TOTAL ASSETS	<u>\$ 494,643</u>	<u>\$ 69,400</u>	<u>\$ 7,470,702</u>	<u>\$ 15,570,442</u>	<u>\$ 23,605,187</u>
LIABILITIES					
Deferred Revenues	\$ 53,534				\$ 53,534
Bonds Payable			14,960,000		14,960,000
TOTAL LIABILITIES	<u>53,534</u>	<u>0</u>	<u>14,960,000</u>	<u>0</u>	<u>15,013,534</u>
FUND BALANCES					
Fund Balances	441,109	69,400	(7,489,298)	15,570,442	8,591,653
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 494,643</u>	<u>\$ 69,400</u>	<u>\$ 7,470,702</u>	<u>\$ 15,570,442</u>	<u>\$ 23,605,187</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, 2010

	Governmental Fund Types				TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	
REVENUES					0
2010 Property Acquisitions	\$	\$	\$	\$	\$
Real Estate Taxes	464,432				464,432
Transfer Taxes	192,091				192,091
Local Services Taxes	37,129				37,129
Licenses/Permits/Inspections	336,677				336,677
Per Capita Taxes	20,342				20,342
Contributions					0
Earned Income Tax			2,346,135		2,346,135
Interest Earned	463	38	2,756		3,257
Rental Income	14,400				14,400
Grants	178,153	104,137	38,575		320,865
TOTAL REVENUES	<u>1,243,687</u>	<u>104,175</u>	<u>2,387,466</u>	<u>0</u>	<u>3,735,328</u>
EXPENDITURES:					
Woolen Mill Improvements			4,970		4,970
Open Space Expenses			15,570		15,570
Parks and Recreation			74,242		74,242
Purchase of Easements					0
Appraisals & Surveys			3,125		3,125
Advisors/Consultants			33,547		33,547
Advertising	14,099				14,099
Auditing	5,973				5,973
Culture and Recreation	14,079				14,079
Amortization			151,182		151,182
Depreciation				65,360	65,360
Dues and Conventions	3,410				3,410
Emergency Control	3,955				3,955
Plan Reviews	171,904				171,904
Fire Protection	178,311				178,311
General Obligation Note/Interest			422,483		422,483
Tax Collection/Fees	7,831		42,103		49,934
Highway Maintenance	451,153	75,000			526,153
Insurance	26,282		275		26,557
Legal Expenses	108,738				108,738
Bank Fees					0
Engineering	36,899				36,899
Office Expenses	38,397		1,130		39,526
Pension Contribution	17,433				17,433
Payroll Taxes	10,149				10,149
Planning and Zoning	126,524				126,524
Property Maintenance			6,745		6,745
Rent	11,713				11,713
Salaries	96,440				96,440
Telephone	2,232				2,232
TOTAL EXPENDITURES	<u>1,325,522</u>	<u>75,000</u>	<u>755,371</u>	<u>65,360</u>	<u>2,221,253</u>
EXCESS OF REVENUES OVER EXPENDITURES	(81,835)	29,175	1,632,095	(65,360)	1,514,075
INTERFUND TRANSFERS	185,000		(185,000)		0
FUND BALANCE - 01/01/10	<u>337,944</u>	<u>40,225</u>	<u>(8,936,393)</u>	<u>15,635,802</u>	<u>7,077,578</u>
FUND BALANCE - 12/31/10	<u>\$ 441,109</u>	<u>\$ 69,400</u>	<u>\$ (7,489,298)</u>	<u>\$ 15,570,442</u>	<u>\$ 8,591,653</u>

CHARLESTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Real Estate Taxes	\$ 477,000	\$ 464,432	\$ (12,568)
Transfer Taxes	250,000	192,091	(57,909)
Local Services Taxes	60,000	37,129	(22,871)
Licenses/Permits/Inspections	263,570	336,677	73,107
Per Capita Taxes	15,500	20,342	4,842
Interest Income	2,000	463	(1,537)
Grants	110,400	178,153	67,753
Rental Income	14,400	14,400	0
TOTAL REVENUES	<u>1,192,870</u>	<u>1,243,687</u>	<u>50,818</u>
EXPENDITURES:			
Advertising	11,051	14,099	(3,048)
Auditing	6,000	5,973	27
Culture and Recreation	17,700	14,079	3,621
Dues and Conventions	1,500	3,410	(1,910)
Emergency Control	5,000	3,955	1,045
Plan Reviews	105,000	171,904	(66,904)
Fire Protection	173,300	178,311	(5,011)
Tax Collection/Fees	7,500	7,831	(331)
Highway Maintenance	353,241	451,153	(97,912)
Insurance	30,000	26,282	3,718
Legal Expenses	130,900	108,738	22,162
Engineering	51,200	36,899	14,301
Office Expenses	23,892	38,397	(14,505)
Pension Contribution	17,617	17,433	184
Payroll Taxes	10,000	10,149	(149)
Planning and Zoning	167,300	126,524	40,776
Rent/Utilities	13,000	11,713	1,287
Salaries	95,560	96,440	(880)
Telephone	2,000	2,232	(232)
TOTAL EXPENDITURES	<u>1,221,761</u>	<u>1,325,522</u>	<u>(103,761)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(28,891)	(81,835)	(52,943)
INTERFUND TRANSFERS	0	185,000	185,000
FUND BALANCE - 01/01/10	<u>349,473</u>	<u>337,944</u>	<u>(11,529)</u>
FUND BALANCE - 12/31/10	<u>\$ 320,582</u>	<u>\$ 441,109</u>	<u>\$ 120,527</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, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Interest and Dividends	\$ 300	\$ 38	\$ (262)
Grants & Contributions	<u>103,859</u>	<u>104,137</u>	<u>278</u>
TOTAL REVENUES	<u>104,159</u>	<u>104,175</u>	<u>16</u>
EXPENDITURES:			
Road Construction	19,000	0	19,000
Snow Removal	<u>75,000</u>	<u>75,000</u>	<u>0</u>
TOTAL EXPENDITURES	<u>94,000</u>	<u>75,000</u>	<u>19,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	10,159	29,175	19,016
FUND BALANCE – 01/01/10	<u>22,000</u>	<u>40,225</u>	<u>18,225</u>
FUND BALANCE – 12/31/10	<u>\$ 32,159</u>	<u>\$ 69,400</u>	<u>\$ 37,242</u>

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, 2010

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Earned Income Tax	\$ 1,800,000	\$ 2,346,135	\$ 546,135
Grants	110,000	38,575	(71,425)
Interest and Dividends	12,000	2,756	(9,244)
TOTAL REVENUES	1,922,000	2,387,466	465,466
EXPENDITURES:			
Appraisals & Surveys	100,000	36,672	63,328
Tax Collection/Fees	46,500	42,103	4,397
Easement Purchases	1,000,000	0	1,000,000
Parks and Recreation	114,400	94,782	19,618
Principal on Bonds & Notes	323,907	0	323,907
Interest on Bonds & Notes	417,915	573,665	(155,750)
Insurance	20,000	275	19,725
Office Expense	2,700	1,130	1,571
Property Maintenance	20,500	6,745	13,755
TOTAL EXPENDITURES	2,045,922	755,371	1,290,551
EXCESS OF REVENUES OVER EXPENDITURES	(123,922)	1,632,095	1,756,017
INTERFUND TRANSFER	0	(185,000)	(185,000)
FUND BALANCE - 01/01/10	(8,004,471)	(8,936,393)	(931,922)
FUND BALANCE - 12/31/10	\$ (8,128,393)	\$ (7,489,298)	\$ 639,095

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP
STATEMENT OF ACTIVITY
PROPERTY AND EQUIPMENT FUND
THE YEAR ENDED DECEMBER 31, 2010**

**ANALYSIS OF OPENING FUND
BALANCE AS OF 01/01/10**

Brightside Farm	\$ 1,536,656
Coleman Easement	273,000
Bullard Conservation Easement	970,000
McDevitt Easement	2,205,000
Kling Easement	1,600,000
Stonorov Conservation Easement	3,100,000
Burgoon-Muldoon Conservation Easement	1,500,000
Stevens Conservation Easement	282,973
Bernhard Conservation Easement	390,000
Desfor Conservation Easement	1,147,000
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
	<hr/>
	16,106,168
Accumulated Depreciation	(470,366)
	<hr/>
Opening Fund Balance 01/01/10	15,635,802
 2010 Expenses:	
Depreciation	(65,360)
Interfund Transfers	<hr/> 0
Fund Balance 12/31/10	<hr/> \$ 15,570,442

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

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.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010**

Basis of Presentation – Fund Accounting (continued)

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 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.

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.

CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

Reporting Entity (continued)

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.

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.

**CHARLESTOWN TOWNSHIP - ALL FUNDS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010**

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, 2010 total investments amounted to \$7,745,354 and consisted of the following:

GENERAL FUND

Operating Account – PGLIT Money Market	\$290,819
Operating Account – PGLIT PLUS Money Market	125,202
Stormwater Management Account – PGLIT Money Market	<u>78,145</u>
	<u>\$494,166</u>

STATE HIGHWAY AID FUND

Operating Account – PGLIT Money Market	\$69,307
Operating Account – PGLIT PLUS Money Market	<u>93</u>
	<u>\$69,400</u>

OPEN SPACE FUND

Operating Account – PGLIT Money Market	\$560,798
Operating Account – PGLIT PLUS Money Market	1,300,465
Operating Account – Phoenixville Federal Bank & Trust Checking	13,104
Operating Account – Phoenixville Federal Thompson Escrow	300,750
General Obligation Note Account – PGLIT Money Market	<u>5,006,671</u>
	<u>\$7,181,788</u>

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010**

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 2010 calendar year was based, was \$615,275,000.

The tax rate assessed for the calendar year ended December 31, 2010, 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, 2010, Deferred Revenues consisted solely of the following:

Subdivision/Land Development Escrow	\$ 45,573
Zoning Hearing Deposits	1,196
Other Escrow Funds	<u>6,765</u>
	<u>\$ 53,534</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 December 6, 2010, the Township received \$14,960,000 in proceeds from the issuance of its General Obligation Bonds, Series of 2010. The use of the proceeds were as follows:

Retire Series of 2005 General Obligation Bonds	\$7,950,000
Repay the Township's General Obligation Note, Series of 2008	1,714,531
Portion of proceeds earmarked for Open Space Acquisitions	5,006,555

**CHARLESTOWN TOWNSHIP - ALL FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010**

Balance of Proceeds used for:

Insurance	70,664
Issuance Costs	41,352
Original Issue Discount (OID)	64,698
Underwriter's Discount	<u>112,200</u>
	<u>\$14,960,000</u>

The principal of the Bonds is payable in 20 consecutive annual installments commencing on December 15, 2011. Scheduled annual principal repayments run from \$220,000 in year one, gradually increasing to a final payment of \$1,045,000 on December 15, 2030.

Interest is payable semiannually on June 15th and December 15th at varying rates depending on the term of the particular bond. The overall yield has been calculated by the Underwriter to be not less than 3.702708%. The combined payment of interest and principal for year one is \$727,320. Combined payments of interest and principal for years two through twenty total approximately \$1,090,000 per year.

NOTE 7 – DEFERRED BOND FEES

Fees paid in connection with the issuance of the Charlestown Township General Obligation Bonds, Series of 2010 totaled \$218,251. At issuance they were capitalized and are being amortized over the 20 year life of the bonds.

Fees Capitalized	\$218,251
Accumulated Amortization	<u>(0)</u>
Net Deferred Bond Fees	<u>\$218,251</u>

NOTE 8 – PREPAID INSURANCE

The Township also paid insurance in the amount of \$70,663 on the issuance of the Bonds. This amount is reflected on the Balance Sheet as Prepaid Insurance and will be amortized over the 20 year life of the Bonds.

Additionally, upon the retirement of the Township's 2005 General Obligation Bonds, the unamortized portion of the deferred bond fees in connection with that issue (\$142,956) were charged off to expense in the current year.