



**CHARLESTOWN TOWNSHIP  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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, 2007, 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, 2007, 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 7, 2008

**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007. Please review it in conjunction with the Township's basic financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$175,478 which represents a 4 percent increase from 2006.
- General Revenues accounted for \$1,352,000 in revenues or 48 percent of all revenues. Program specific revenues in the form of charges for services and capital grants accounted for \$1,451,000 or 52 percent of all revenues.
- The Township had \$2,628,000 in expenses related to governmental activities with \$2,803,000 in program revenues to cover the cost of those programs. The excess revenues were invested for use in future capital expenditure programs.
- In addition to the above, the Township purchased several conservation easements:
  - 1.) 16.6 acres on the Coleman property for \$273,000
  - 2.) 38.8 acres on George Bullard's property for \$968,708
  - 3.) 91.5 acres on the McDevitt property for \$2,205,000
  - 4.) 61.8 acres on the Kling property for \$1,600,000

The source of these funds came from the \$9 million in General Obligation Bonds issued by the Township in 2005.

**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, 2007**

**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
- General Obligation Bond

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, 2007**

*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 19 through 25 of this report.

**THE TOWNSHIP AS A WHOLE**

The Township's total net assets changed from a year ago, increasing from \$4.6 million to \$4.7 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>2006</u>	<u>2007</u>		<u>2006</u>	<u>2007</u>
Current and other assets	\$ 6.5	\$ 1.4	Net Assets:		
Capital Assets	9.0	13.9	Invested in capital		
Other Assets	<u>0.2</u>	<u>0.2</u>	assets, net of related		
Total Assets	<u>15.7</u>	<u>15.5</u>	debt	\$ 3.0	\$ 3.5
G.O. Bonds Payable	10.8	10.6			
Other Liabilities	<u>0.3</u>	<u>0.2</u>	Unrestricted	<u>1.6</u>	<u>1.2</u>
Total Liabilities	<u>11.1</u>	<u>10.8</u>	Total Net Assets	<u>\$ 4.6</u>	<u>\$ 4.7</u>

**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Table 2 compares the 2007 change in net assets to the 2006 change in net assets:

Table 2  
Changes in Net Assets for 2007  
Compared with 2006 Activity

	<u>2006</u>	<u>2007</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 0	\$ 0	\$ 0
Capital Grants	179,363	205,766	26,403
General Revenues:			
Other	<u>2,999,443</u>	<u>2,597,720</u>	<u>(401,723)</u>
Total Revenues	\$ 3,178,806	\$ 2,803,486	\$(375,320)
 Program Expenses			
General Government	<u>2,523,537</u>	<u>2,628,008</u>	<u>104,471</u>
Total Expenses	<u>2,523,537</u>	<u>2,628,008</u>	<u>104,471</u>
 Increase in Net Assets	\$ <u>655,269</u>	\$ <u>175,478</u>	\$ <u>(479,791)</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>2006</u>	<u>2007</u>	<u>% Change</u>
General	\$ 420,523	\$ 189,497	(55)%
Property	8,963,910	13,945,258	56%
State Highway	104,477	108,238	4%
Open Space	1,066,224	898,700	(16)%
General Obligation Note	<u>(5,969,519)</u>	<u>(10,395,600)</u>	<u>(74)%</u>
 Total Governmental Balances	\$ <u>4,585,615</u>	\$ <u>4,746,093</u>	<u>4%</u>



**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

The 55% decrease in the **General Fund** was actually \$97,000 better than expected due to slightly higher tax revenues and grants, and slightly lower highway maintenance costs.

The 56% increase in the **Property and Equipment Fund** was due solely to the purchase of four different easements totaling over \$5 million.

The 16% decrease in the **Open Space Fund** was due mainly to the absence of expected revenues from the sale of the Jenkins tract.

The 74% decrease in the **General Obligation Note Fund** was due solely to funds used for the purchase of four easements.

Table 4  
Total Governmental Fund Revenues

<b>Revenue Source</b>	<u>2007 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2006</u>	<u>Percent Increase (Decrease)</u>
Intergovernmental	\$ 2,291,976	82%	\$ (309,159)	(12)%
Capital Grants	205,766	7%	26,403	15%
Investment Earnings	<u>305,744</u>	<u>11%</u>	<u>(92,564)</u>	<u>(23)%</u>
Total	<u>\$ 2,803,486</u>	<u>100.0%</u>	<u>\$ (375,320)</u>	<u>(12)%</u>

**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

The 12% decrease in **Intergovernmental Revenues** was due to the effects of a sluggish real estate market as reflected in reduced transfer tax revenues and lower license and permit receipts.

The 15% increase in **Capital Grants** fell far short of the 265% budgeted increase due solely to timing issues on the expected receipt of these grants.

The 23% decrease in **Investment Earnings** was the result of interest earning funds being used to purchase easements.

Table 5  
Final Budget versus Actual Results  
General Fund

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Intergovernmental	\$ 2,749,920	\$ 2,291,976	\$ (457,944)
Grants	476,500	205,766	(270,734)
Investment Earnings	206,600	305,744	99,144
<b>Expenditures:</b>			
Total General Government	2,669,883	2,628,008	(41,825)

**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 large positive variance in Investment Earnings was due to greater than expected yields on investments.

The lower than budgeted expenditures were mainly a result of less funds spent on highway maintenance than anticipated.

**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007**

**ASSETS:**

Current Assets:	
Cash and Cash Equivalents	\$ <u>1,433,934</u>
Total Current Assets	<u>1,433,934</u>
Noncurrent Assets:	
Land	11,778,006
Buildings (net)	1,876,852
Improvements other than Buildings	252,900
Equipment (net)	<u>37,500</u>
Total Noncurrent Assets	<u>13,945,258</u>
Other Assets:	
Deferred Bond Fees (net)	<u>164,400</u>
Total Other Assets	<u>164,400</u>
TOTAL ASSETS	<u>15,543,592</u>

**LIABILITIES:**

Current Liabilities:	
G.O Bonds Payable - Current Portion	295,000
Deferred Revenue	<u>237,499</u>
Total Current Liabilities	<u>532,499</u>
Long - Term Liabilities:	
G.O. Bonds Payable	<u>10,265,000</u>
TOTAL LIABILITIES	<u>10,797,499</u>

**NET ASSETS:**

Invested in Capital Assets	3,549,658
Unrestricted	<u>1,196,435</u>
TOTAL NET ASSETS	<u>\$ 4,746,093</u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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>2,643,008</u>	\$ <u>          </u>	\$ <u>2,497,742</u>	\$ <u>(145,266)</u>
General Revenues:				
Unrestricted Investment Earnings				305,744
Grants and Revenues not Restricted to Specific Programs				
Total General Revenues				<u>305,744</u>
Change in Net Assets				160,478
Net Assets - Beginning				<u>4,585,615</u>
Net Assets - Ending			\$	<u><u>4,746,093</u></u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP  
COMBINED BALANCE SHEET - ALL FUNDS  
December 31, 2007**

	Governmental Fund Types					TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	GENERAL OBLIGATION BOND FUND	
<b>ASSETS</b>						
Cash- Money Market Accounts and Government Bonds	\$ 426,328	\$ 108,238	\$ 898,700	\$	\$	\$ 1,433,266
Petty Cash	468					468
Accounts Receivable	200					200
Land, Buildings and Equipment (net)				13,945,258		13,945,258
Deferred Bond Fees (net)					164,400	164,400
<b>TOTAL ASSETS</b>	<b>\$ 426,996</b>	<b>\$ 108,238</b>	<b>\$ 898,700</b>	<b>\$ 13,945,258</b>	<b>\$ 164,400</b>	<b>\$ 15,543,592</b>
<b>LIABILITIES</b>						
Deferred Revenues	\$ 237,499	\$	\$	\$	\$	\$ 237,499
General Obligation Bond					10,560,000	10,560,000
<b>TOTAL LIABILITIES</b>	<b>237,499</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,560,000</b>	<b>10,797,499</b>
<b>FUND BALANCES</b>						
Fund Balances	189,497	108,238	898,700	13,945,258	(10,395,600)	4,746,093
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 426,996</b>	<b>\$ 108,238</b>	<b>\$ 898,700</b>	<b>\$ 13,945,258</b>	<b>\$ 164,400</b>	<b>\$ 15,543,592</b>

See accompanying notes to the financial statements.

CHARLESTOWN TOWNSHIP  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types					TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	GENERAL OBLIGATION BOND FUND	
<b>REVENUES</b>						
2007 Property Acquisitions	\$ 0	\$	\$	\$ 5,046,708	\$	5,046,708
Real Estate Taxes	447,233					447,233
Transfer Taxes	413,646					413,646
Emergency & Municip Mgmt Taxes	17,946					17,946
Licenses/Permits/Inspections	315,299					315,299
Per Capita Taxes	13,488					13,488
Contributions	0					0
Earned Income Tax	0		1,069,856			1,069,856
Interest Earned	30,784	7,714	67,383		199,863	305,744
Rental Income	14,507					14,507
Grants	99,720	101,047	5,000			205,766
<b>TOTAL REVENUES</b>	<u>1,352,623</u>	<u>108,761</u>	<u>1,142,239</u>	<u>5,046,708</u>	<u>199,863</u>	<u>7,850,194</u>
<b>EXPENDITURES:</b>						
Woolen Mill Improvements			71,400			71,400
Charlestown Park Improvements			135,236			135,236
Trail & Open Space Improvements			1,100			1,100
Purchase of Easements			5,046,708			5,046,708
Appraisals & Surveys			86,741			86,741
Advisors/Consultants			75,060			75,060
Advertising	11,363					11,363
Auditing	5,943					5,943
Culture and Recreation	103,801					103,801
Amortization					7,148	7,148
Depreciation				65,360		65,360
Dues and Conventions	1,120					1,120
Emergency Control	4,921					4,921
Plan Reviews	78,616					78,616
Fire Protection	170,823					170,823
General Obligation Note/Interest					445,684	445,684
Fees			18,375		14,311	32,685
Highway Maintenance	469,321	105,000				574,321
Insurance	26,058					26,058
Legal Expenses	159,096					159,096
Bank Fees	55					55
Engineering	34,072					34,072
Office Expenses	67,412					67,412
Payroll Taxes	12,791					12,791
Planning and Zoning	362,546					362,546
Property Maintenance	10,916					10,916
Rent	7,050					7,050
Salaries	89,679					89,679
Telephone	2,008					2,008
<b>TOTAL EXPENDITURES</b>	<u>1,617,593</u>	<u>105,000</u>	<u>5,434,620</u>	<u>65,360</u>	<u>467,142</u>	<u>7,689,716</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(264,970)	3,761	(4,292,382)	4,981,348	(267,279)	160,478
<b>INTERFUND TRANSFERS</b>	33,944		4,124,858		(4,158,802)	(0)
<b>FUND BALANCE - 01/01/07</b>	\$ <u>420,523</u>	\$ <u>104,477</u>	\$ <u>1,066,224</u>	\$ <u>8,963,910</u>	\$ <u>(5,969,519)</u>	\$ <u>4,585,615</u>
<b>FUND BALANCE - 12/31/07</b>	\$ <u>189,497</u>	\$ <u>108,238</u>	\$ <u>898,700</u>	\$ <u>13,945,258</u>	\$ <u>(10,395,600)</u>	\$ <u>4,746,093</u>

**CHARLESTOWN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2007**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Real Estate Taxes	\$ 429,500	\$ 447,233	\$ 17,733
Transfer Taxes	400,000	413,646	13,646
Emergency & Municipal Services	17,500	17,946	446
Licenses/Permits/Inspections	309,620	315,299	5,679
Per Capita Taxes	26,500	13,488	(13,012)
Interest Income	24,600	30,784	6,184
Grants	80,400	99,720	19,320
Rental Income	16,800	14,507	(2,293)
	<b>TOTAL REVENUES</b>	<b>1,304,920</b>	<b>1,352,623</b>
			<b>47,704</b>
<b>EXPENDITURES:</b>			
Advertising	9,000	11,363	(2,363)
Auditing	6,500	5,943	557
Culture and Recreation	117,450	103,801	13,649
Dues and Conventions	1,000	1,120	(120)
Emergency Control	8,300	4,921	3,379
Plan Reviews	82,000	78,616	3,384
Fire Protection	177,900	170,823	7,077
Highway Maintenance	526,750	469,321	57,429
Insurance	31,000	26,058	4,942
Legal Expenses	140,000	159,096	(19,096)
Bank Fees	100	55	45
Engineering	46,200	34,072	12,128
Office Expenses	70,500	67,412	3,088
Payroll Taxes	12,000	12,791	(791)
Planning and Zoning	326,775	362,546	(35,771)
Property Maintenance	6,000	10,916	(4,916)
Rent/Utilities	15,000	7,050	7,950
Salaries	88,640	89,679	(1,039)
Telephone	2,000	2,008	(8)
	<b>TOTAL EXPENDITURES</b>	<b>1,667,115</b>	<b>1,617,593</b>
			<b>49,522</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(362,195)</b>	<b>(264,970)</b>	<b>97,226</b>
<b>INTERFUND TRANSFERS</b>	<b>0</b>	<b>33,944</b>	<b>33,944</b>
<b>FUND BALANCE - 01/01/07</b>	<b>803,000</b>	<b>420,523</b>	<b>(382,477)</b>
<b>FUND BALANCE - 12/31/07</b>	<b>\$ 440,805</b>	<b>\$ 189,497</b>	<b>\$ (251,308)</b>

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, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>			
Interest and Dividends	\$ 2,000	\$ 7,714	\$ 5,714
Grants & Contributions	<u>100,700</u>	<u>101,047</u>	<u>347</u>
TOTAL REVENUES	<u>102,700</u>	<u>108,761</u>	<u>6,061</u>
<b>EXPENDITURES:</b>			
Road Construction	77,700	80,000	(2,300)
Snow Removal	<u>25,000</u>	<u>25,000</u>	<u>0</u>
TOTAL EXPENDITURES	<u>102,700</u>	<u>105,000</u>	<u>(2,300)</u>
EXCESS OF REVENUES OVER EXPENDITURES	0	3,761	3,761
FUND BALANCE - 01/01/07	<u>50,000</u>	<u>104,477</u>	<u>54,477</u>
FUND BALANCE - 12/31/07	<u>\$ 50,000</u>	<u>\$ 108,238</u>	<u>\$ 58,238</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, 2007**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Earned Income Tax	\$ 850,000	\$ 1,069,856	\$ 219,856
Grants	295,400	5,000	(290,400)
Proceeds- Jenkins Property	700,000	0	(700,000)
Interest and Dividends	60,000	67,383	7,383
TOTAL REVENUES	1,905,400	1,142,239	(763,161)
EXPENDITURES:			
Appraisals & Surveys	35,000	161,802	(126,802)
Tax Collection	20,000	18,375	1,625
Open Space Acquisition	65,000	5,046,708	(4,981,708)
Parks and Recreation	307,500	207,736	99,764
Historical Commission	0	0	0
TOTAL EXPENDITURES	427,500	5,434,620	(5,007,120)
EXCESS OF REVENUES OVER EXPENDITURES	1,477,900	(4,292,381)	(5,770,281)
INTERFUND TRANSFER	(752,568)	4,124,858	4,877,426
FUND BALANCE - 01/01/07	1,000,000	1,066,224	66,224
FUND BALANCE - 12/31/07	\$ 1,725,332	\$ 898,700	\$ (826,632)

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BOND PROCEEDS FUND  
YEAR ENDED DECEMBER 31, 2007**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Interest and Dividends	\$ 120,000	\$ 199,863	\$ 79,863
TOTAL REVENUES	120,000	199,863	79,863
EXPENDITURES:			
Purchase of Easements	3,000,000	0	3,000,000
Amortization	0	7,148	(7,148)
General Obligation Notes - Interest	456,568	445,684	10,884
General Obligation Notes - Fiscal Fees	16,000	14,311	1,689
TOTAL EXPENDITURES	3,472,568	467,142	3,005,426
EXCESS OF REVENUES OVER EXPENDITURES	(3,352,568)	(267,279)	3,085,289
INTERFUND TRANSFER	752,568	(4,158,802)	(4,911,370)
FUND BALANCE - 01/01/07	(4,600,000)	(5,969,519)	(1,369,519)
FUND BALANCE - 12/31/07	\$ (7,200,000)	\$ (10,395,600)	\$ (3,195,600)

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP  
STATEMENT OF ACTIVITY  
PROPERTY AND EQUIPMENT FUND  
THE YEAR ENDED DECEMBER 31, 2007**

ANALYSIS OF OPENING FUND  
BALANCE AS OF 01/01/07

Brightside Farm	\$ 1,536,656
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>9,238,195</u>
Accumulated Depreciation	(274,285)
Opening Fund Balance 01/01/07	<u>8,963,910</u>
2007 Acquisitions	
Coleman Easement	273,000
Bullard Conservation Easement	968,708
McDevitt Easement	2,205,000
Kling Easement	1,600,000
2007 Expenses:	
Depreciation	(65,360)
Interfund Transfers	<u>0</u>
Fund Balance 12/31/07	<u><u>\$ 13,945,258</u></u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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

**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

Basis of Presentation – Fund Accounting (continued)

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.

**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.

**General Obligation Bond Fund** – This fund is used to record the proceeds from General Obligation Bond Issues. It also reflects balances due on the obligations and any disbursements of proceeds.

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.

**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

Basis of Accounting (continued)

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. 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").

**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

Budget (continued)

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 Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and 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.



**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

At December 31, 2007 total investments amounted to \$1,433,266 and consisted of the following:

GENERAL FUND

Operating Account – PGLIT Money Market	\$210,702
Stormwater Management Account – PGLIT Money Market	75,479
Fire Loss Escrow Account – PGLIT Money Market	<u>140,147</u>
	<u>\$426,328</u>

STATE HIGHWAY AID FUND

Operating Account – PGLIT Money Market	<u>\$108,238</u>
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OPEN SPACE FUND

Operating Account – PGLIT Money Market	<u>\$898,700</u>
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**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 2007 calendar year was based, was \$585,511,800.

The tax rate assessed for the calendar year ended December 31, 2007, to finance general fund operations was .75 mils of assessed valuation.

**CHARLESTOWN TOWNSHIP - ALL FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2007**

**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, 2007, Deferred Revenues consisted solely of the following:

Subdivision/Land Development Escrow	\$ 98,494
Zoning Hearing Deposits	8,308
Conditional Use Escrows	788
Fire Loss Escrow Fund	129,323
Other Escrow Funds	586
	<u>\$ 237,499</u>

**NOTE 5 – CONTINGENT LIABILITIES**

The Township leases its office space on a month-to-month basis at a monthly rental of \$ 575. 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.

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

Interest is payable monthly and fluctuates at a discounted rate from prime. Interest paid during 2007 amounted to \$69,116, which equaled an average annual interest rate of 3.3%. At December 31, 2007, the principal remaining was \$1,855,000.

**CHARLESTOWN TOWNSHIP - ALL FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2007**

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 15<sup>th</sup> and December 15<sup>th</sup>. 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 2007 amounted to \$361,568. At December 31, 2007, the principal remaining was \$8,705,000.

**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>(14,295)</u>
Net Deferred Bond Fees	<u>\$164,400</u>