

**CHARLESTOWN TOWNSHIP  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009, 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, 2009, 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 20, 2010



**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009. Please review it in conjunction with the Township's basic financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$1,093,150 which represents an 18 percent increase from 2008.
- General Revenues accounted for \$1,163,000 in revenues or 24 percent of all revenues. Program specific revenues in the form of charges for services and capital grants and additions to the Open Space Fund accounted for \$3,694,765 or 76 percent of all revenues.
- The Township had \$3,765,000 in expenses related to governmental activities with \$4,858,000 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, 2009**

**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, 2009**

*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 \$6.0 million to \$7.0 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>2008</u>	<u>2009</u>		<u>2008</u>	<u>2009</u>
Current and other assets	\$ 2.3	\$ 1.3	Net Assets:		
Capital Assets	13.9	15.6	Invested in capital		
Other Assets	<u>0.2</u>	<u>0.1</u>	assets, net of related		
Total Assets	<u>16.4</u>	<u>17.0</u>	debt	\$ 3.8	\$ 5.8
G.O. Bonds Payable	10.3	10.0			
Other Liabilities	<u>0.1</u>	<u>0.05</u>	Unrestricted	<u>2.2</u>	<u>1.2</u>
Total Liabilities	<u>10.4</u>	<u>10.0</u>	Total Net Assets	<u>\$ 6.0</u>	<u>\$ 7.0</u>



**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Table 2 compares the 2009 change in net assets to the 2008 change in net assets:

Table 2  
Changes in Net Assets for 2009  
Compared with 2008 Activity

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 0	\$ 0	\$ 0
Capital Grants	1,134,066	694,077	(439,989)
General Revenues:			
Other	<u>2,351,047</u>	<u>4,164,178</u>	<u>1,813,131</u>
Total Revenues	\$ 3,485,113	\$ 4,858,255	\$1,373,142
 Program Expenses			
General Government	<u>2,248,071</u>	<u>3,765,104</u>	<u>1,517,033</u>
Total Expenses	<u>2,248,071</u>	<u>3,765,104</u>	<u>1,517,033</u>
 Increase in Net Assets	\$ <u>1,237,042</u>	\$ <u>1,093,151</u>	\$ <u>(143,891)</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>2008</u>	<u>2009</u>	<u>% Change</u>
General	\$ 212,205	\$ 337,944	59%
Property	13,881,189	15,635,802	13%
State Highway	77,827	40,225	(48)%
Open Space	2,092,796	1,035,374	(51)%
General Obligation Note	<u>(10,279,589)</u>	<u>(9,971,767)</u>	<u>(0.3)%</u>
 Total Governmental Balances	\$ <u>5,984,428</u>	\$ <u>7,077,578</u>	<u>18%</u>



**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

The 59% increase in the **General Fund** was due to a \$280,000 unbudgeted transfer from the Open Space Fund which was partially offset by a \$133,000 unbudgeted expense overrun in plan reviews.

The 13% increase in the **Property and Equipment Fund** was due to three easement purchases totaling \$1,819,973.

The 48% decrease in the **State Highway Fund** was due to budgeted road construction projects.

The 51% decrease in the **Open Space Fund** was due to a lag in E.I.T. tax revenues combined with a \$280,000 transfer to the General Fund.

Table 4  
Total Governmental Fund Revenues

<b>Revenue Source</b>	<u>2009 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2008</u>	<u>Percent Increase (Decrease)</u>
Open Space Acquisitions	\$ 1,819,973	37%	\$ 1,819,973	100%
Intergovernmental	2,329,461	48%	23,573	1%
Capital Grants	694,077	14%	(439,989)	(39)%
Investment Earnings	<u>14,743</u>	<u>1%</u>	<u>(30,416)</u>	<u>(67)%</u>
Total	\$ <u>4,858,255</u>	<u>100.0%</u>	\$ <u>1,373,142</u>	<u>39%</u>

The 100% increase in **Open Space Acquisitions** was due to three conservation easements purchased by the Township.

The 39% decrease in **Capital Grants** was due to a lower level of Open Space Fund Grants due to less activity.

The 67% 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, 2009**

Table 5  
Final Budget versus Actual Results  
All Funds

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Intergovernmental	\$ 7,603,480	\$ 4,149,434	\$ (3,454,046)
Grants	347,700	694,077	346,377
Investment Earnings	59,500	14,743	(44,757)
<b>Expenditures:</b>			
Total General Government	6,492,722	3,765,104	(2,727,618)

**Budget versus Actual Results**

The large negative variance in intergovernmental revenues was due to the significant budget variances in the Open Space Fund, pertaining to bond issues, the Jenkins tract, and earned income tax revenues.

The positive variance in grants was due to Open Space Grants exceeding lower expectations.

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 2009.

**CHARLESTOWN TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009**

**ASSETS:**

Current Assets:	
Cash and Cash Equivalents	\$ <u>1,310,917</u>
Total Current Assets	<u>1,310,917</u>
Noncurrent Assets:	
Land	14,399,288
Buildings (net)	1,109,104
Improvements other than Buildings (net)	101,160
Equipment (net)	<u>26,250</u>
Total Noncurrent Assets	<u>15,635,802</u>
Other Assets:	
Deferred Bond Fees (net)	<u>150,104</u>
Total Other Assets	<u>150,104</u>
TOTAL ASSETS	<u>17,096,823</u>

**LIABILITIES:**

Current Liabilities:	
Notes Payable - Current Portion	315,000
Deferred Revenue	<u>47,478</u>
Total Current Liabilities	<u>362,478</u>
Long - Term Liabilities:	
Notes Payable	<u>9,656,767</u>
TOTAL LIABILITIES	<u>10,019,245</u>

**NET ASSETS:**

Invested in Capital Assets	5,814,139
Unrestricted	<u>1,263,439</u>
TOTAL NET ASSETS	<u>\$ <u>7,077,578</u></u>

See accompanying notes to the financial statements.



**CHARLESTOWN TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET REVENUES AND CHANGE IN NET ASSETS</u>
		CHARGES FOR SERVICES	CAPITAL GRANTS AND REVENUES	
Primary Government:				
Governmental Activities:				
General Government	\$ <u>3,765,104</u>	\$ <u>          </u>	\$ <u>4,843,512</u>	\$ <u>1,078,407</u>
General Revenues:				
Unrestricted Investment Earnings				14,743
Grants and Revenues not Restricted to Specific Programs				
Total General Revenues				<u>14,743</u>
Change in Net Assets				1,093,150
Net Assets - Beginning				<u>5,984,428</u>
Net Assets - Ending				\$ <u><u>7,077,578</u></u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP  
COMBINED BALANCE SHEET - ALL FUNDS  
December 31, 2009**

	Governmental Fund Types				
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	TOTALS (MEMORANDUM ONLY)
<b>ASSETS</b>					
Cash- Money Market Accounts and Government Bonds	\$ 385,165	\$ 40,225	\$ 885,270	\$	\$ 1,310,660
Petty Cash	58				58
Accounts Receivable	200				200
Land, Buildings and Equipment (net)			150,104	15,635,802	15,635,802
Deferred Bond Fees (net)					150,104
<b>TOTAL ASSETS</b>	<b>\$ 385,422</b>	<b>\$ 40,225</b>	<b>\$ 1,035,374</b>	<b>\$ 15,635,802</b>	<b>\$ 17,096,823</b>
<b>LIABILITIES</b>					
Deferred Revenues	\$ 47,478				\$ 47,478
Notes Payable			9,971,767		9,971,767
<b>TOTAL LIABILITIES</b>	<b>47,478</b>	<b>0</b>	<b>9,971,767</b>	<b>0</b>	<b>10,019,245</b>
<b>FUND BALANCES</b>					
Fund Balances	337,944	40,225	(8,936,393)	15,635,802	7,077,578
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 385,422</b>	<b>\$ 40,225</b>	<b>\$ 1,035,374</b>	<b>\$ 15,635,802</b>	<b>\$ 17,096,823</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, 2009

	Governmental Fund Types				
	GENERAL FUND	STATE HIGHWAY AID FUND	OPEN SPACE FUND	PROPERTY & EQUIPMENT FUND	TOTALS (MEMORANDUM ONLY)
<b>REVENUES</b>					
2009 Property Acquisitions	\$ 0	\$	\$	\$ 1,819,973	\$ 1,819,973
Real Estate Taxes	481,687				481,687
Transfer Taxes	190,932				190,932
Emergency & Municip Mgmt Taxes	16,082				16,082
Licenses/Permits/Inspections	313,395				313,395
Per Capita Taxes	10,295				10,295
Contributions	0				0
Earned Income Tax	0		1,302,670		1,302,670
Interest Earned	1,571	453	12,719		14,743
Rental Income	14,400				14,400
Grants	135,127	107,627	451,323		694,077
TOTAL REVENUES	1,163,490	108,080	1,766,712	1,819,973	4,858,255
<b>EXPENDITURES:</b>					
Woolen Mill Improvements			12,296		12,296
Parks and Recreation			72,352		72,352
Purchase of Easements			1,584,973		1,584,973
Appraisals & Surveys			4,974		4,974
Advisors/Consultants			65,351		65,351
Advertising	11,180				11,180
Auditing	5,964				5,964
Culture and Recreation	33,122				33,122
Amortization			8,225		8,225
Depreciation				65,360	65,360
Dues and Conventions	3,977				3,977
Emergency Control	4,336				4,336
Plan Reviews	177,114				177,114
Fire Protection	170,236				170,236
General Obligation Note/Interest			434,000		434,000
Tax Collection/Fees	7,104		27,997		35,101
Highway Maintenance	341,544	145,682			487,226
Insurance	29,606		1,680		31,286
Legal Expenses	136,254				136,254
Bank Fees	45				45
Engineering	35,042				35,042
Office Expenses	55,041		5,266		60,307
Payroll Taxes	14,512				14,512
Planning and Zoning	185,701				185,701
Property Maintenance	255		16,538		16,793
Rent	11,929				11,929
Salaries	95,312				95,312
Telephone	2,135				2,135
TOTAL EXPENDITURES	1,320,409	145,682	2,233,653	65,360	3,765,104
EXCESS OF REVENUES OVER EXPENDITURES	(156,920)	(37,602)	(466,941)	1,754,613	1,093,151
INTERFUND TRANSFERS	282,659		(282,659)		0
FUND BALANCE - 01/01/09	212,205	77,827	(8,186,793)	13,881,189	5,984,428
FUND BALANCE - 12/31/09	\$ 337,944	\$ 40,225	\$ (8,936,393)	\$ 15,635,802	\$ 7,077,578

**CHARLESTOWN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2009**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Real Estate Taxes	\$ 474,500	\$ 481,687	\$ 7,187
Transfer Taxes	300,000	190,932	(109,068)
Emergency & Municipal Services	21,000	16,082	(4,918)
Licenses/Permits/Inspections	228,080	313,395	85,315
Per Capita Taxes	15,500	10,295	(5,205)
Interest Income	7,500	1,571	(5,929)
Grants	130,200	135,127	4,927
Rental Income	14,400	14,400	0
TOTAL REVENUES	1,191,180	1,163,490	(27,689)
<b>EXPENDITURES:</b>			
Advertising	11,551	11,180	371
Auditing	6,000	5,964	36
Culture and Recreation	27,500	33,122	(5,622)
Dues and Conventions	2,000	3,977	(1,977)
Emergency Control	5,300	4,336	964
Plan Reviews	44,000	177,114	(133,114)
Fire Protection	181,900	170,236	11,664
Tax Collection/Fees	8,200	7,104	1,096
Highway Maintenance	369,500	341,544	27,956
Insurance	25,000	29,606	(4,606)
Legal Expenses	127,500	136,254	(8,754)
Bank Fees	0	45	(45)
Engineering	34,200	35,042	(842)
Office Expenses	57,370	55,041	2,329
Payroll Taxes	13,500	14,512	(1,012)
Planning and Zoning	199,860	185,701	14,159
Property Maintenance	0	255	(255)
Rent/Utilities	13,000	11,929	1,071
Salaries	98,000	95,312	2,688
Telephone	2,000	2,135	(135)
TOTAL EXPENDITURES	1,226,381	1,320,409	(94,028)
EXCESS OF REVENUES OVER EXPENDITURES	(35,201)	(156,919)	(121,718)
INTERFUND TRANSFERS	0	282,659	282,659
FUND BALANCE – 01/01/09	384,674	212,205	(172,469)
FUND BALANCE – 12/31/09	\$ 349,473	\$ 337,944	\$ (11,529)

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, 2009**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Interest and Dividends	\$ 2,000	\$ 453	\$ (1,547)
Grants & Contributions	112,500	107,627	(4,873)
TOTAL REVENUES	114,500	108,080	(6,420)
EXPENDITURES:			
Road Construction	82,500	105,682	(23,182)
Snow Removal	60,000	40,000	20,000
TOTAL EXPENDITURES	142,500	145,682	(3,182)
EXCESS OF REVENUES OVER EXPENDITURES	(28,000)	(37,602)	(9,602)
FUND BALANCE – 01/01/09	50,000	77,827	27,827
FUND BALANCE – 12/31/09	\$ 22,000	\$ 40,225	\$ 18,226

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, 2009**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>			
Earned Income Tax	\$ 1,800,000	\$ 1,302,670	\$ (497,330)
Grants	105,000	451,323	346,323
Proceeds- Jenkins Property	750,000	0	(750,000)
Interest and Dividends	50,000	12,719	(37,281)
New Bond Issue	<u>4,000,000</u>	<u>0</u>	<u>(4,000,000)</u>
TOTAL REVENUES	<u>6,705,000</u>	<u>1,766,712</u>	<u>(4,938,288)</u>
<b>EXPENDITURES:</b>			
Appraisals & Surveys	118,000	70,325	47,675
Tax Collection/Fees	87,500	27,997	59,503
Easement Purchases	4,000,000	1,584,973	2,415,027
Parks and Recreation	106,500	84,648	21,852
Principal on Bonds & Notes	304,900	0	304,900
Interest on Bonds & Notes	438,116	442,225	(4,109)
Insurance	0	1,680	(1,680)
Office Expense	63,325	5,266	58,059
Property Maintenance	<u>5,500</u>	<u>16,538</u>	<u>(11,038)</u>
TOTAL EXPENDITURES	<u>5,123,841</u>	<u>2,233,653</u>	<u>2,890,188</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,581,159	(466,941)	(2,048,100)
INTERFUND TRANSFER	0	(282,659)	(282,659)
FUND BALANCE – 01/01/09	<u>(9,585,630)</u>	<u>(8,186,793)</u>	<u>1,398,837</u>
FUND BALANCE – 12/31/09	<u>\$ (8,004,471)</u>	<u>\$ (8,936,393)</u>	<u>\$ (931,922)</u>

See accompanying notes to financial statements.

**CHARLESTOWN TOWNSHIP  
STATEMENT OF ACTIVITY  
PROPERTY AND EQUIPMENT FUND  
THE YEAR ENDED DECEMBER 31, 2009**

ANALYSIS OF OPENING FUND  
BALANCE AS OF 01/01/09

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
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>14,286,195</u>
Accumulated Depreciation	(405,006)
Opening Fund Balance 01/01/09	<u>13,881,189</u>
2009 Acquisitions	
Stevens Conservation Easement	282,973
Bernhard Conservation Easement	390,000
Desfor Conservation Easement	1,147,000
	<u>1,819,973</u>
2009 Expenses:	
Depreciation	(65,360)
Interfund Transfers	<u>0</u>
Fund Balance 12/31/09	<u>\$ 15,635,802</u>

See accompanying notes to the financial statements.

**CHARLESTOWN TOWNSHIP - ALL FUNDS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009**

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 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, 2009**

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, 2009**

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, 2009 total investments amounted to \$1,310,660 and consisted of the following:

GENERAL FUND

Operating Account – PGLIT Money Market	\$177,140
Operating Account – PGLIT PLUS Money Market	130,003
Stormwater Management Account – PGLIT Money Market	<u>78,022</u>
	<u>\$385,165</u>

STATE HIGHWAY AID FUND

Operating Account – PGLIT Money Market	\$40,132
Operating Account – PGLIT PLUS Money Market	<u>93</u>
	<u>\$40,225</u>

OPEN SPACE FUND

Operating Account – PGLIT Money Market	\$85,417
Operating Account – PGLIT PLUS Money Market	798,853
Operating Account – Phoenixville Federal Bank & Trust Checking	<u>1,000</u>
	<u>\$885,270</u>

**CHARLESTOWN TOWNSHIP - ALL FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2009**

**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 2009 calendar year was based, was \$616,824,700.

The tax rate assessed for the calendar year ended December 31, 2009, 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, 2009, Deferred Revenues consisted solely of the following:

Subdivision/Land Development Escrow	\$ 39,691
Zoning Hearing Deposits	7,412
Other Escrow Funds	<u>375</u>
	<u>\$ 47,478</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 were 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, 2009**

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.

On May 1, 2008, these Bonds were refinanced and replaced with a fixed rate loan at Phoenixville Federal Bank. 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 2009 was \$87,420 and the balance remaining at December 31, 2009 was \$1,761,767.

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 2009 amounted to \$346,580. At December 31, 2009, the principal remaining was \$8,210,000.

**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>(28,591)</u>
Net Deferred Bond Fees	<u>\$150,104</u>