



WILLISTOWN TOWNSHIP

*BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION*

*YEAR ENDED
December 31, 2011*

WILLISTOWN TOWNSHIP

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December 31, 2011

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Introductory Section

WILLISTOWN TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis of Willistown Township, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2011. Please read it in conjunction with the Township's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The assets of Willistown Township exceeded its liabilities at the close of the 2011 fiscal year by \$18,207,507 which represents the Township's net assets. Of this amount, 46% or \$8,389,798 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$104,790 in 2011.
- As of December 31, 2011, the Township's combined ending fund balance for its governmental funds amounted to \$9,850,907 a decrease of \$1,036,663 compared to the prior year. Approximately 40% of the total governmental fund balance, or \$3,955,423, is available for spending at the Township's discretion (unrestricted & unassigned fund balance).

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 4 and 5, respectively, provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. For governmental activities, the governmental fund statements, which begin on page 6, explain how services were financed in the short term as well as what remains for future spending. For business-type activities, the proprietary fund statements report these activities by fund with the sewer fund being the only business-type activity operated by the Township. 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 significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the Township as a whole begins on page 4 with the Statement of Net Assets and on page 5 with the Statement of Activities.

These statements provide information that will help the reader determine if the Township is financially better or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

WILLISTOWN TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

These two statements report the Township's net assets and the changes in net assets during the year. The reader can think of the Township's net assets (the difference between assets and liabilities) 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. The reader will need to consider other non-financial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two types of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the police, general administration, public works and parks and recreation. Property taxes, earned income tax, intergovernmental revenues and franchise fees finance most of these activities.
- **Business-type Activities** – The Township charges a fee to customers to cover all of the cost of certain services it provides. The Township's sewer funds are reported here.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds provides 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 it control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Township's two types of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds: Most of the Township's basic 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 short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation on page 7 of this report.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Proprietary Funds: When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise fund (a component of proprietary funds) is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as Pension Plans) are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Government-wide

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Township's total activities.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, and additions or improvements to the storm drainage, and the sewer collection system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets in the amount of \$8,389,798 at December 31, 2011 may be used to meet these current and ongoing obligations to citizens and creditors. **In addition, the Township maintains a "Aa" rating from Moody's for its current debt issuances.** This is Moody's second highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2011, the Township's assets exceeded its liabilities by \$18,207,507.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

*Table 1
Summarized Schedule of Net Assets
December 31, 2011 and 2010*

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 10,308,213	\$ 1,836,414	\$ 12,144,627	\$ 11,263,536	\$ 1,384,816	\$ 12,648,352
Noncurrent Assets	\$ 14,188,896	\$ 3,570,861	\$ 17,759,757	\$ 13,810,892	\$ 3,663,664	\$ 17,474,556
Total Assets	\$ 24,497,109	\$ 5,407,275	\$ 29,904,384	\$ 25,074,428	\$ 5,048,480	\$ 30,122,908
Current Liabilities	\$ 720,746	\$ 508,247	\$ 1,228,993	\$ 647,329	\$ 474,887	\$ 1,122,216
Long-Term Liabilities	\$ 9,298,306	\$ 1,169,577	\$ 10,467,883	\$ 9,522,388	\$ 1,375,587	\$ 10,897,975
Total Liabilities	\$ 10,019,052	\$ 1,677,824	\$ 11,696,876	\$ 10,169,717	\$ 1,850,474	\$ 12,020,191
Invested in Capital Assets -						
Net of Related Debt	\$ 4,743,967	\$ 2,186,911	\$ 6,930,878	\$ 4,104,906	\$ 2,081,388	\$ 6,186,294
Restricted	\$ 2,886,832	\$ 0	\$ 2,886,832	\$ 2,942,248	\$ 0	\$ 2,942,248
Unrestricted	\$ 6,847,258	\$ 1,542,540	\$ 8,389,798	\$ 7,857,557	\$ 1,116,618	\$ 8,974,175
Total Net Assets	\$ 14,478,057	\$ 3,729,451	\$ 18,207,508	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717

*Table 2
Changes in Net Assets
Years Ended December 31, 2011 and 2010*

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 218,990	\$ 1,719,239	\$ 1,938,229	\$ 211,575	\$ 1,720,110	\$ 1,931,685
Operating Grants & Contributions	\$ 831,352	\$ 6,756	\$ 838,108	\$ 654,123	\$ 5,450	\$ 659,573
General Revenues						
Real Estate Taxes	\$ 346,208	\$ 0	\$ 346,208	\$ 352,793	\$ 0	\$ 352,793
Local Service Tax	\$ 261,695	\$ 0	\$ 261,695	\$ 240,413	\$ 0	\$ 240,413
Transfer Taxes	\$ 424,313	\$ 0	\$ 424,313	\$ 501,786	\$ 0	\$ 501,786
Earned Income Tax	\$ 5,038,078	\$ 0	\$ 5,038,078	\$ 4,760,939	\$ 0	\$ 4,760,939
Investment Earnings	\$ 39,946	\$ 2,896	\$ 42,842	\$ 116,930	\$ 4,641	\$ 121,571
Transfer - Net	\$ (590,416)	\$ 0	\$ (590,416)	\$ (623,251)	\$ 323,020	\$ (300,231)
Other	\$ 284,399	\$ 0	\$ 284,399	\$ 278,741	\$ 0	\$ 278,741
Total Revenues	\$ 6,854,565	\$ 1,728,891	\$ 8,583,456	\$ 6,494,049	\$ 2,053,221	\$ 8,547,270

The Schedule continues on the next page.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

*Table 2. Continued
Changes in Net Assets
Years Ended December 31, 2011 and 2010*

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Total Revenues from Previous Page	\$ 6,854,565	\$ 1,728,891	\$ 8,583,456	\$ 6,494,049	\$ 2,053,221	\$ 8,547,270
Expenses:						
General Government	\$ 2,530,101	\$ 0	\$ 2,530,101	\$ 2,290,496	\$ 0	\$ 2,290,496
Public Safety	\$ 3,210,011	\$ 0	\$ 3,210,011	\$ 3,056,130	\$ 0	\$ 3,056,130
Public Works	\$ 835,815	\$ 0	\$ 835,815	\$ 919,504	\$ 0	\$ 919,504
Health and Welfare	\$ 8,800	\$ 0	\$ 8,800	\$ 8,800	\$ 0	\$ 8,800
Parks and Recreation	\$ 301,048	\$ 0	\$ 301,048	\$ 365,894	\$ 0	\$ 365,894
Interest Expense	\$ 395,444	\$ 0	\$ 395,444	\$ 403,766	\$ 0	\$ 403,766
Sewer Operations	\$ 0	\$ 1,197,446	\$ 1,197,446	\$ 0	\$ 1,121,604	\$ 1,121,604
Total Expenses	\$ 7,281,219	\$ 1,197,446	\$ 8,478,665	\$ 7,044,590	\$ 1,121,604	\$ 8,166,194
Change in Net Assets	\$ (426,654)	\$ 531,445	\$ 104,791	\$ (550,541)	\$ 931,617	\$ 381,076
Net Assets- Beginning of Year	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717	\$ 15,455,252	\$ 2,266,389	\$ 17,721,641
Net Assets - End of Year	\$ 14,478,057	\$ 3,729,451	\$ 18,207,508	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717

Governmental Activities

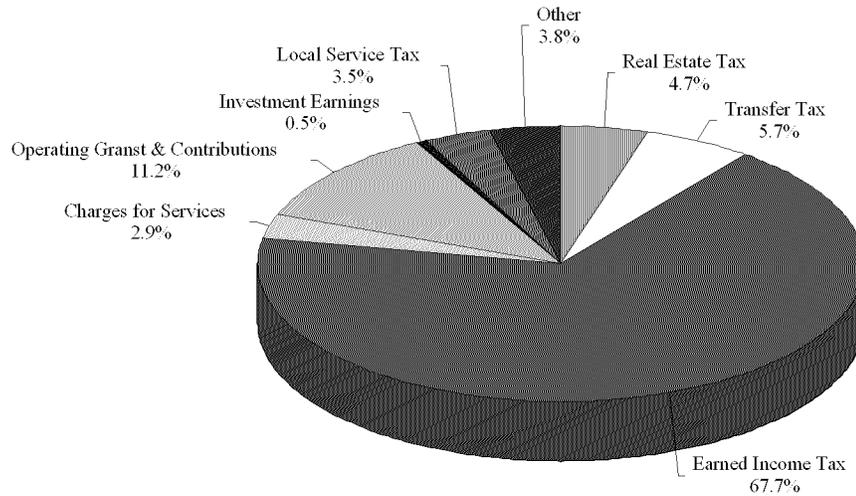
As shown in Table 1, the 2011 net assets increase of \$104,790 is primarily reflected through an increase in noncurrent assets.

As shown in Table 2, governmental expenses exceeded governmental revenues by \$426,654 in 2011 resulting in an overall decrease in net assets. Total governmental revenues increased in 2011 by \$360,000 which is primarily attributable to an increase in earned income taxes.

The following graph illustrates the Township's revenue sources, with Earned Income Tax providing the major funding for our governmental activities, accounting for 68% of total governmental revenues. The next major revenue source is Operating Grants and Contributions, accounting for 11% of governmental revenues, which represents funds received from the Commonwealth of Pennsylvania. Real estate, local service and transfer taxes collectively provide 14% of governmental revenues. The Township relies on all of these revenues to provide the quality of life to citizens and businesses to which the Board of Supervisors has always been committed.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

**2011 Revenues by Source
Governmental Activities**



Business-Type Activities

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenues are not specific to an individual program, but to the fund as a whole.

As shown in Table 2, revenues exceed expenses by \$531,445 in 2011 resulting in an overall increase in net assets which maintained the strong financial condition of the Township.

As shown in Table 1, the 2011 net assets increase of \$531,445 is primarily attributable to an increase in cash.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Township's governmental funds reported combined ending balances of \$9,850,907, a decrease of \$1,036,663 from the prior year. Approximately \$4 million of the governmental fund balance constitutes unrestricted & unassigned fund balance of the governmental funds, which is available for spending at the Township's discretion. The Township has restricted and assigned \$5.9 million of the governmental fund balance, which means that it is not available for new spending because it has already been committed or restricted for: 1) open space acquisition, 2) capital improvements or 3) a variety of other purposes.

The Township maintains a General Fund which serves as the chief operating fund of the Township. As of December 31, 2011 the total fund balance of the General Fund was \$3,955,423, all of which is unassigned. The Township had budgeted for a \$50,000 surplus, but the General Fund balance decreased by \$850,000 in fiscal year 2011. Key factors for this decrease are as follows:

- Earned income tax revenues were lower than expected.
- Intergovernmental revenues were more than expected.
- Larger increases in health insurance premiums than were expected.
- New equipment purchases.
- Higher professional fees related to a series of complex zoning and legal matters.
- A road paving project completed ahead of schedule.
- Facility costs were higher than expected.

The Township maintains a Capital Reserve Fund to account for major capital acquisitions and construction separately from the ongoing activities. As of December 31, 2011, the combined fund balances was \$1,998,799.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The primary Special Revenue Fund includes the Liquid Fuels Fund. Revenue sources for these funds include special assessments, grants from the Commonwealth of Pennsylvania, and interest earnings.

- Liquid Fuel Fund – The Township received \$261,061 from the Commonwealth of Pennsylvania to pay for roadway repairs and maintenance.

The financial statements for the governmental funds can be found on pages 6 and 8 of this report.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Proprietary Funds

The Township's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,542,540. The total increase in unrestricted net assets was \$425,922. Factors contributing to the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

The financial statements for the proprietary funds can be found on pages 10 through 12 of this report.

Fiduciary Funds

The Township maintains Pension Trust Funds and Agency Funds to account for assets held by the Township in a trustee capacity. The Pension Trust Funds' assets held pertain to the Police and Municipal Pension Plans. The Agency Funds are custodial in nature and account for the escrow accounts held by the Township.

The financial statements for the fiduciary funds can be found on pages 13 and 14 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the Township's budget and actual results can be found on pages 34 through 37. Sewer Fund budget comparisons can be found on pages 39-42.

For 2011, there were no revisions to the General Fund budget.

As of December 31, 2011, the total fund balance of the General Fund was \$3,955,423, all of which is unassigned. As discussed on the previous page (Page 7 of the MD&A), the General Fund balance decreased by \$853,972 in fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$17,567,838, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure. Major capital assets in the governmental funds acquired during the current fiscal year included the following:

- Capital Reserve Fund: \$250,000 for the design and upgrades to the police building
- General Fund: \$350,000 for paving of streets and various police and computer equipment.
- Sewer Fund: \$102,000 for capital improvements to the Tredyffrin Township for the Valley Creek Trunk Line.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Capital Assets - Subsequent Events During 2010, after careful thought and consideration, the Board of Supervisors approved an extensive renovation of both the Willistown Township Administration building and Police building. The Township was faced with a number of issues concerning both the Township Administration and the Police buildings on the Sugartown Road campus. The Township building required extensive repair and remediation to deal with long-standing water intrusion and related issues. The Administration building was built in 1956 and enlarged in 1969. The building's plumbing, HVAC, life-safety, and electrical systems all require modernization. Neither the Township Administration building nor the Police building is ADA-compliant and must be brought up to standards. Township administration long ago outgrew the space available in the building for normal activities and we are presently leasing 3rd-party office space. The Police building was extensively renovated in 1992, but also unfortunately quickly outgrew the space available. Modern police techniques and constantly-evolving legal requirements for law-enforcement facilities dictate substantial renovations. The Board of Supervisors has been reviewing all options to address these requirements, ranging from delaying work to a complete demolition and reconstruction of the entire campus. While delaying work was, and is, unacceptable, the price tag for an entirely new facility was prohibitive, with an estimated cost between \$10 – 11 million. We have therefore been working extensively with township staff and outside architects experienced in municipal facilities to develop a renovation and rehabilitation plan for police facilities, with an estimated total cost of \$3.2 million. We believe that we have come to a base plan that not only satisfies all our legal requirements, addresses the building problems, and leaves room for some expected growth but also does so within a reasonable budget.

As a result of the expected renovations, the Township needed to lease temporary office space for its employees. Bids were advertised and on June 21, 2010, the Board of Supervisors awarded the one year lease to Greentree Office Plaza in Malvern, PA which was the only bid received by the Township. Township employees moved from the offices on Sugartown Road to the offices at Greentree Office Plaza on August 2, 2010. The renovation continues to be on hold due to higher than expected costs over and above the mandated budget set by the Board of Supervisors. The township administration facilities are not expected to be completed for at least another two years due to budget constraints; therefore a two-year lease, with an additional third year option, with Greentree Office Plaza was signed in September 2011.

Despite lengthy analysis of the various alternatives by Township staff and informal consultation with various design professionals, the project remained on hold during 2011.

After further analysis and thorough consideration, in August 2012, the Board of Supervisors awarded a contract for the design of a new 9,000 square foot police building to be located on the existing site of the Township Administration. The concept calls for the Willistown Township Police Department to vacate the existing police administration building, which would then become the Township Administration Building, requiring minimal alterations initially to accommodate the Township's administrative offices. Completion of this transition is preliminarily slated for early 2014.

Additional information on the Township's capital assets can be found in Note 3 of this report.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Long-term Debt

At December 31, 2011, the Township had \$10,589,583 in bonds outstanding (all of which is non-electoral debt) versus \$11,019,309 last year – a decrease of \$429,726 or 3.9%.

Willistown Township maintains an “Aa” rating from Moody’s for its current debt issuances.

State statutes limit the amount of general obligation non-electoral debt a governmental entity may issue to 250% of its average borrowing base (average adjusted revenues over the past three years). The current non-electoral debt limitation for Willistown Township is \$23,165,373 which is significantly more than the Township’s associated outstanding debt of \$10,589,583.

Additional information about the Township’s long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The Township continues to maintain a diversified revenue base to mitigate potential short-term fluctuations in any one source.
- New housing development is largely static, with some exceptions. The number of real estate sales in the Township directly impacts the real estate transfer tax, but has nominal impact on real estate property tax revenue.
- Contractual requirements of the Collective Bargaining Agreement with the Willistown Police Association, along with market volatility, continue to place a significant financial burden on the Township to supplement State Aid.
- The real estate tax millage of 0.28 mills remains unchanged.
- The Township’s largest source of revenue in the General Fund is the Earned Income Tax, which is beginning to grow stagnant in the current economic environment.
- The Earned Income Tax in the General Fund is levied at a rate of 0.875% on both residents and non-residents. All employers within the Township are required to withhold the earned income tax and submit it to the Township’s earned income tax collector. The Township’s earned income tax collector must transmit receipts from non-residents to the employees’ place of residence. When the employees’ place of residence does not impose the earned income tax, Willistown retains those receipts. The Township administration is concerned that one or more jurisdictions not currently imposing the earned income tax may explore that option, particularly during these difficult economic times. This could result in a reduction in earned income tax revenues for Willistown Township. Likewise, the Township administration is concerned that the Great Valley School District may explore implementation of the earned income tax, which would result in a 50% reduction in earned income tax revenues to the Township. The Township administration will continue to monitor related events for any potential impact on Willistown’s finances.

All of these factors were considered in preparing the Township’s budget for the 2011 fiscal year.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Willistown 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 Open Records Officer, Willistown Township, 40 Lloyd Ave., Suite 204-206, Malvern, PA 19355. During renovations all mail should be sent to the Greentree Plaza office location.

Greentree Office Plaza
40 Lloyd Avenue, Suite 204-206
Malvern, PA 19355

The police department will remain at the present location.

In addition, general information relating to Willistown Township can be found on its website, <http://www.willistown.pa.us>.

Financial Section

**TOWNSHIP OF WILLISTOWN, PENNSYLVANIA
PRINCIPAL OFFICIALS**

as of December 31, 2011

BOARD OF SUPERVISORS

Norman S. MacQueen

Chairman

William R. Shoemaker

Vice-Chairman

Robert T. Lange

Member

OTHER MANAGEMENT OFFICIALS

Hugh J. Murray, Sr.

Township Manager

David R. Burman

Finance Director

John M. Narcise

Chief of Police

INDEPENDENT AUDITORS' REPORT

Board of Supervisors Willistown Township Malvern, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willistown Township, Chester County, Pennsylvania as of and for the year ended December 31, 2011, which collectively comprise Willistown Township's basic financial statements as listed in the foregoing index. These financial statements are the responsibility of Willistown Township, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Township's 2010 financial statements and, in our report dated October 11, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Willistown, Chester County, Pennsylvania as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, on our consideration of the Township of Willistown, Chester County, Pennsylvania internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress presented on pages MDA1 through MDA11 and 33 through 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Willistown Township, Chester County, Pennsylvania's basic financial statements as a whole. The Other Supplementary Information listed in the foregoing index is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Hanna, McGlone & Co. P.C.

Hanna, McGlone & Co. P.C.
August 27, 2012

WILLISTOWN TOWNSHIP
STATEMENT OF NET ASSETS (WITH COMPARATIVE TOTALS FOR 2010)

				December 31	
		Governmental Activities	Business-Type Activities	2011	2010
ASSETS					
CURRENT ASSETS	Cash (Notes 1 and 2)	\$ 8,678,542	\$ 1,164,951	\$ 9,843,493	\$ 10,269,874
	Investments (Note 2)	757,462	0	757,462	590,053
	Receivables (Note 1)				
	Real Estate & Transfer	57,959	0	57,959	73,585
	Local Service & Earned Income Tax	144,760	0	144,760	433,111
	Due From Other Funds (Note 4)	583,470	16,358	599,828	490,064
	Other	86,020	0	86,020	72,653
	Sewer	0	655,105	655,105	719,012
	Total Current Assets	10,308,213	1,836,414	12,144,627	12,648,352
NONCURRENT ASSETS (NOTES 1 and 3)	Land	11,532,389	0	11,532,389	11,532,389
	Building & Improvements	1,503,291	0	1,503,291	1,245,390
	Park and Land Improvements	645,701	0	645,701	434,230
	Automobiles	803,515	0	803,515	834,701
	Machinery and Equipment	731,937	0	731,937	661,482
	Office Equipment	360,637	0	360,637	275,753
	Sewer Collection System	0	4,531,669	4,531,669	4,429,300
		15,577,470	4,531,669	20,109,139	19,413,245
	Less: Accumulated Depreciation	(1,572,326)	(968,975)	(2,541,301)	(2,138,175)
	Net Property, Plant & Equipment	14,005,144	3,562,694	17,567,838	17,275,070
Debt Financing Costs - Net	183,752	8,167	191,919	199,486	
Total Noncurrent Assets	14,188,896	3,570,861	17,759,757	17,474,556	
TOTAL ASSETS	\$ 24,497,109	\$ 5,407,275	\$ 29,904,384	\$ 30,122,908	
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	Accounts Payable	\$ 86,938	\$ 12,733	\$ 99,671	\$ 206,417
	Accrued Interest Payable	16,990	0	16,990	17,302
	Due to Other Funds (Note 4)	350,879	289,308	640,187	446,485
	Capital Lease (Note 6)	23,139	0	23,139	22,090
	Bonds and Notes Payable (Note 5)	242,800	206,206	449,006	429,922
Total Current Liabilities	720,746	508,247	1,228,993	1,122,216	
LONG-TERM LIABILITIES	Deferred Revenue	18,016	0	18,016	18,378
	Capital Lease (Note 6)	24,238	0	24,238	47,377
	Bonds and Notes Payable (Note 5)	8,971,000	1,169,577	10,140,577	10,589,387
	Other Post Employment Benefits Accrual (Note 8)	271,443	0	271,443	228,701
	Deferral on Current Refunding (Note 5)	13,609	0	13,609	14,132
Total Long-Term Liabilities	9,298,306	1,169,577	10,467,883	10,897,975	
TOTAL LIABILITIES	10,019,052	1,677,824	11,696,876	12,020,191	
NET ASSETS	Invested in Capital Assets, Net of Related Debt	4,743,967	2,186,911	6,930,878	6,186,294
	Restricted for:				
	State Highways and Streets	275,221	0	275,221	357,295
	Open Space Acquisitions	2,611,611	0	2,611,611	2,584,953
	Unrestricted	6,847,258	1,542,540	8,389,798	8,974,175
Total Net Assets	14,478,057	3,729,451	18,207,508	18,102,717	
TOTAL LIABILITIES AND NET ASSETS	\$ 24,497,109	\$ 5,407,275	\$ 29,904,384	\$ 30,122,908	

The accompanying notes are an integral part of these financial statements.

**WILLISTOWN TOWNSHIP
STATEMENT OF ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2010)**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2011	2010
			Operating Grants and Contributions	Capital Grants and Contributions					
GOVERNMENTAL ACTIVITIES									
General Government	\$ 2,530,101	\$ 25,642	\$ 335,049	\$ 0	\$ 0	\$ (2,169,410)	\$ 0	\$ (2,169,410)	\$ (2,054,065)
Public Safety	3,210,011	148,192	235,242	0	0	(2,826,577)	0	(2,826,577)	(2,748,813)
Public Works	835,815	21,720	260,247	0	0	(553,848)	0	(553,848)	(634,866)
Health and Welfare	8,800	0	0	0	0	(8,800)	0	(8,800)	(8,800)
Parks and Recreation	301,048	23,436	814	0	0	(276,798)	0	(276,798)	(328,582)
Interest Expense	395,444	0	0	0	0	(395,444)	0	(395,444)	(403,766)
Total Governmental Activities	7,281,219	218,990	831,352	0	0	(6,230,877)	0	(6,230,877)	(6,178,892)
BUSINESS TYPE ACTIVITIES									
Sewer	1,197,446	1,719,239	0	6,756	0	0	528,549	528,549	603,956
Total Business Type Activities	1,197,446	1,719,239	0	6,756	0	0	528,549	528,549	603,956
TOTAL PRIMARY GOVERNMENT	\$ 8,478,665	\$ 1,938,229	\$ 831,352	\$ 6,756	\$ 0	(6,230,877)	\$ 528,549	(5,702,328)	(5,574,936)
GENERAL REVENUES									
Taxes:									
Real Estate					346,208		0	346,208	352,793
Local Service Tax					261,695		0	261,695	240,413
Transfer Taxes					424,313		0	424,313	501,786
Earned Income					5,038,078		0	5,038,078	4,760,939
Franchise Fees					222,096		0	222,096	200,488
Fines and Forfeits					44,947		0	44,947	43,465
Investment Earnings					39,946		2,896	42,842	121,571
Miscellaneous					10,460		0	10,460	34,788
Transfers - Net					(590,416)		0	(590,416)	(300,231)
Total General Revenues and Transfers					5,804,223		2,896	5,807,119	5,956,012
CHANGE IN NET ASSETS					(426,654)		531,445	104,791	381,076
NET ASSETS, BEGINNING OF YEAR					14,904,711		3,198,006	18,102,717	17,721,641
NET ASSETS, END OF YEAR					\$ 14,478,057		\$ 3,729,451	\$ 18,207,508	\$ 18,102,717

The accompanying notes are an integral part of these financial statements.

WILLISTOWN TOWNSHIP
 BALANCE SHEETS - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2010)
 DECEMBER 31

	Totals			
	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds
	2011	2011	2011	2010
ASSETS				
Cash	\$ 3,328,272	\$ 2,634,782	\$ 1,988,799	\$ 726,689
Investments	0	0	0	757,462
Taxes Receivable	152,291	10,486	0	0
Other Accounts Receivable	96,222	0	0	0
Due From Other Funds	573,470	0	10,000	0
TOTAL ASSETS	\$ 4,150,255	\$ 2,645,268	\$ 1,998,799	\$ 1,484,151
				\$ 11,281,985
LIABILITIES AND FUND BALANCES				
<i>Liabilities</i>				
Accounts Payable	\$ 58,658	\$ 0	\$ 0	\$ 13
Due to Other Funds	118,158	33,657	0	199,064
Deferred Revenue	18,016	0	0	0
<i>Total Liabilities</i>	194,832	33,657	0	199,077
				427,566
<i>Fund Balances</i>				
Restricted For:				
Public Highways and Streets	0	0	0	275,221
Open Space Acquisitions	0	2,611,611	0	0
Assigned For:				
General Government	0	0	0	250,759
Other Post Employment Benefits	0	0	0	757,462
Capital Purchases	0	0	1,998,799	0
Park and Recreation	0	0	0	1,632
Unassigned	3,955,423	0	0	0
<i>Total Fund Balances</i>	3,955,423	2,611,611	1,998,799	1,285,074
				9,850,907
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,150,255	\$ 2,645,268	\$ 1,998,799	\$ 1,484,151
				\$ 11,281,985

The accompanying notes are an integral part of these financial statements.

*WILLISTOWN TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2010)*

	December 31	
	2011	2010
TOTAL GOVERNMENTAL FUND BALANCES (Page 6)	\$ 9,850,907	\$ 10,887,570
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,005,144	13,620,069
Debt Financing Costs are recorded as an expenditure in the Fund Statements but recorded as an asset and amortized over the life of the long term debt in the Statements of Net Assets.	183,752	190,819
Allowance for Doubtful Accounts is not a financial resource and is not reported in the Fund Statements.	0	(18,445)
Prepaid expense items are not financial resources and therefore are not reported in the funds.	29,741	0
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds Payable	(9,213,800)	(9,445,700)
Capital Lease Obligations	(47,377)	(69,467)
Other Post Employment Benefits Liability	(271,443)	(228,701)
Deferral on Bond Refunding	(13,609)	(14,132)
Accounts Payable on Capital Assets	(28,268)	0
Accrued Interest Payable	(16,990)	(17,302)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (Page 4)	<u>\$ 14,478,057</u>	<u>\$ 14,904,711</u>

WILLISTOWN TOWNSHIP
 STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2010)

For the Years Ended December 31					TOTALS	
					2011	2010
	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds		
REVENUES						
Real Estate Taxes	\$ 346,208	\$ 0	\$ 0	\$ 0	\$ 346,208	\$ 352,793
Local Service Tax	261,695	0	0	0	261,695	240,413
Real Estate Transfer Tax	424,313	0	0	0	424,313	501,786
Earned Income Tax	4,420,526	617,552	0	0	5,038,078	4,760,939
Fines, Forfeitures, and Other Costs	44,947	0	0	0	44,947	43,465
Cable Franchise Fees	222,096	0	0	0	222,096	200,488
Interest, Dividends, and Rents	14,773	8,805	6,876	17,096	47,550	61,036
Intergovernmental Revenues	570,291	0	0	261,061	831,352	617,311
Park and Recreation Fees	23,436	0	0	0	23,436	36,812
Charges for Services	195,554	0	0	0	195,554	211,575
Miscellaneous	10,460	0	0	0	10,460	34,793
Total Revenues	6,534,299	626,357	6,876	278,157	7,445,689	7,061,411
EXPENDITURES						
General Government	2,419,633	15,396	12,407	21,385	2,468,821	2,167,969
Public Safety	3,080,872	0	0	0	3,080,872	2,864,635
Health and Welfare	8,800	0	0	0	8,800	8,800
Public Works	594,378	0	0	344,130	938,508	853,317
Culture and Recreation	252,306	0	0	2,265	254,571	310,879
Capital Outlay	238,354	0	273,122	0	511,476	247,113
Debt Service						
Principal Payment	36,900	195,000	0	0	231,900	225,100
Interest and Other Charges	6,977	389,303	0	0	396,280	404,594
Total Expenditures	6,638,220	599,699	285,529	367,780	7,891,228	7,082,407
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(103,921)	26,658	(278,653)	(89,623)	(445,539)	(20,996)
OTHER FINANCING SOURCES (USES)						
Transfers In	31,510	0	0	192,068	223,578	321,669
Transfers Out	(788,457)	0	(814)	(24,723)	(813,994)	(944,920)
Sale of Fixed Assets	6,896	0	0	0	6,896	0
Realized and Unrealized Gain (Loss) on Investments	0	0	0	(7,604)	(7,604)	55,893
Total Other Financing Sources (Uses)	(750,051)	0	(814)	159,741	(591,124)	(567,358)
NET CHANGE IN FUND BALANCES	(853,972)	26,658	(279,467)	70,118	(1,036,663)	(588,354)
FUND BALANCES, BEGINNING OF YEAR	4,809,395	2,584,953	2,278,266	1,214,956	10,887,570	11,475,924
FUND BALANCES, END OF YEAR	\$ 3,955,423	\$ 2,611,611	\$ 1,998,799	\$ 1,285,074	\$ 9,850,907	\$ 10,887,570

WILLISTOWN TOWNSHIP

RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES IN THE STATEMENTS OF ACTIVITIES
(WITH COMPARATIVE TOTALS FOR 2010)

<i>For the Years Ended December 31</i>	2011	2010
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (Page 8)	\$ (1,036,663)	\$ (588,354)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	607,131	177,461
Depreciation Expense	(250,326)	(245,699)
Repayment of debt principal or long term liabilities is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of debt issuance costs and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Principal	231,900	225,100
Capital Lease Principal Payments	22,090	0
Other Post Employment Benefits (Net)	(42,742)	(112,808)
Amortization of Deferral Charges	523	524
Amortization of Debt Issuance Costs	(7,067)	(7,069)
Write-off of accounts receivable	18,447	0
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Prepaid Expenses	29,741	0
Accrued Interest Expense - Prior Year	17,302	17,606
Accrued Interest Expense - Current Year	(16,990)	(17,302)
CHANGE IN NET ASSETS - GOVERNMENTAL FUNDS (Page 5)	\$ (426,654)	\$ (550,541)

WILLISTOWN TOWNSHIP
STATEMENTS OF NET ASSETS - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2010)

		December 31	
		2011	2010
ASSETS			
CURRENT ASSETS	Cash and Cash Equivalents (Notes 1 & 2)	\$ 1,164,951	\$ 649,446
	Due from Other Funds (Note 4)	16,358	16,358
	Accounts Receivable (Note 1)	655,105	719,012
	Total Current Assets	1,836,414	1,384,816
PROPERTY, PLANT & EQUIPMENT	Sewer Collection System (Note 3)	4,531,669	4,429,300
	Less: Accumulated Depreciation	(968,975)	(774,303)
	Net Property, Plant & Equipment	3,562,694	3,654,997
OTHER NONCURRENT ASSETS	Debt Financing Costs - Net (Note 1)	8,167	8,667
	Total Noncurrent Assets	8,167	8,667
TOTAL ASSETS		\$ 5,407,275	\$ 5,048,480
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES	Accounts Payable	\$ 12,733	\$ 50,602
	Notes Payable (Note 5)	206,206	198,022
	Due to Other Funds (Note 4)	289,308	226,263
	Total Current Liabilities	508,247	474,887
NONCURRENT LIABILITIES	Notes Payable (Note 5)	1,169,577	1,375,587
	Total Noncurrent Liabilities	1,169,577	1,375,587
TOTAL LIABILITIES		1,677,824	1,850,474
NET ASSETS	Invested in Capital Assets, Net of Related Debt Unrestricted	2,186,911	2,081,388
		1,542,540	1,116,618
	Total Net Assets	3,729,451	3,198,006
TOTAL LIABILITIES AND NET ASSETS		\$ 5,407,275	\$ 5,048,480

WILLISTOWN TOWNSHIP
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
 (WITH COMPARATIVE TOTALS FOR 2010)

<i>For the Years Ended December 31</i>		2011	%	2010	%	Variance Over (Under)	%
OPERATING REVENUES	Sewer Charges	\$ 1,719,239	100.0	\$ 1,720,110	100.0	(871)	(0.1)
	<i>Total Operating Revenues</i>	1,719,239	100.0	1,720,110	100.0	(871)	(0.1)
OPERATING EXPENSES BEFORE DEPRECIATION	Sewage Treatment	536,312	31.2	377,590	22.0	158,722	(42.0)
	Operations & Maintenance	385,363	22.4	514,808	29.9	(129,445)	25.1
	General and Administrative	10,680	0.6	9,133	0.5	1,547	(16.9)
	<i>Total Operating Expenses</i>	932,355	54.2	901,531	52.4	30,824	(3.4)
NET OPERATING INCOME BEFORE DEPRECIATION		786,884	45.8	818,579	47.6	(31,695)	(3.9)
Depreciation & Amortization (Note 1)		195,172	11.4	134,889	7.8	60,283	0.4
NET INCOME FROM OPERATIONS		591,712	34.4	683,690	39.8	(91,978)	(13.5)
NON-OPERATING INCOME (EXPENSE)	Investment Income	2,896	0.2	4,641	0.3	(1,745)	(37.6)
	Interest Expense	(69,919)	(4.1)	(85,184)	(5.0)	15,265	17.9
	<i>Total Non-Operating Income (Expense) - Net</i>	(67,023)	(3.9)	(80,543)	(4.7)	13,520	(16.8)
INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS		524,689	30.5	603,147	35.1	(78,458)	(13.0)
CAPITAL CONTRIBUTIONS AND TRANSFERS	Tapping Fee Income	6,756	0.4	5,450	0.3	1,306	24.0
	Transfers - Net	0	0.0	323,020	18.8	(323,020)	N/A
	<i>Total Capital Contributions and Transfers</i>	6,756	0.4	328,470	19.1	(321,714)	97.9
CHANGE IN NET ASSETS		531,445	30.9	931,617	54.2	(400,172)	(43.0)
NET ASSETS, BEGINNING OF YEAR		3,198,006		2,266,389			
NET ASSETS, END OF YEAR		\$ 3,729,451		\$ 3,198,006			

WILLISTOWN TOWNSHIP
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2010)

<i>Cash Flows From:</i>		<i>December 31</i>	
		<i>2011</i>	<i>2010</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$ 1,783,146	\$ 1,634,995
	Cash Payments to Employees for Services	(86,030)	(132,523)
	Cash Payments to Vendors for Goods and Services	(884,194)	(720,462)
	<i>Net Cash Provided by Operating Activities</i>	812,922	782,010
NONCAPITAL AND RELATED FINANCING ACTIVITIES	Interfund Transfers - Transfer In	63,045	412,713
	<i>Net Cash Provided by Noncapital and Related Financing Activities</i>	63,045	412,713
CAPITAL AND RELATED FINANCING ACTIVITIES	Tapping Fee Income	6,756	5,450
	Grant Proceeds Received	0	96,500
	Purchases of Capital Assets	(102,369)	(1,384,713)
	Debt Principal Payments	(197,826)	(193,583)
	Interest Paid	(69,919)	(85,184)
	<i>Net Cash Used by Capital and Related Financing Activities</i>	(363,358)	(1,561,530)
INVESTING ACTIVITIES	Investment Earnings	2,896	4,641
	<i>Net Cash Provided by Investing Activities</i>	2,896	4,641
	<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	515,505	(362,166)
	<i>Cash and Cash Equivalents-Beginning</i>	649,446	1,011,612
	<i>Cash and Cash Equivalents-Ending</i>	\$ 1,164,951	\$ 649,446
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>			
	Operating Income	\$ 591,712	\$ 683,690
	Adjustment for Noncash Charges to Operations:		
	Depreciation and Amortization	195,172	134,889
	Changes in Assets and Liabilities		
	(Increase) Decrease in Accounts Receivable	63,907	(67,883)
	Increase (Decrease) in Accounts Payable	(37,869)	31,314
	<i>Net Cash Provided by Operating Activities</i>	\$ 812,922	\$ 782,010

WILLISTOWN TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011

		Pension Trust Funds	Agency Funds
ASSETS	Cash and Cash Equivalents	\$ 32,685	\$ 63,685
	Due From Developers	0	142,212
	Due From Other Funds	0	106,600
	Investments - Drop Plan	148,056	0
	Investments	8,276,974	0
TOTAL ASSETS		<u>8,457,715</u>	<u>312,497</u>
LIABILITIES	Payroll Taxes Payable	0	13,481
	Due to Employees - Drop Plan Balances	148,056	0
	Due to Other Funds	0	66,241
	Escrow Deposits	0	232,775
TOTAL LIABILITIES		<u>148,056</u>	<u>\$ 312,497</u>
NET ASSETS	Net Assets Held in Trust for Pension Benefits	<u>\$ 8,309,659</u>	

*WILLISTOWN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS*

<i>For the Year Ended December 31</i>		Police Pension Trust Fund	Municipal Pension Trust Fund	2011 Total
ADDITIONS	<i>Contributions:</i>			
	Employer	\$ 322,076	\$ 62,590	\$ 384,666
	Commonwealth of Pennsylvania	268,629	0	268,629
	Plan Members	79,023	21,219	100,242
	<i>Total Contributions</i>	669,728	83,809	753,537
	<i>Investments:</i>			
	Investment Earnings	229,886	1	229,887
	Realized and Unrealized Loss on Sale of Investments	(203,357)	(23,239)	(226,596)
	<i>Net Investment Income</i>	26,529	(23,238)	3,291
	Total Additions	696,257	60,571	756,828
DEDUCTIONS	Benefits	392,322	149,510	541,832
	Administrative Expenses	21,551	3,200	24,751
	Total Deductions	413,873	152,710	566,583
CHANGE IN NET ASSETS		282,384	(92,139)	190,245
NET ASSETS, BEGINNING OF YEAR		7,371,202	748,212	8,119,414
NET ASSETS, END OF YEAR		\$ 7,653,586	\$ 656,073	\$ 8,309,659

1. Summary of Significant Accounting Policies

Reporting Entity. Willistown Township (“Township” or “Willistown”), is a second class township consisting of approximately 18 square miles, located in the eastern part of Chester County, Pennsylvania, five miles east of West Chester and approximately twenty miles from Philadelphia. Originally settled by Lenape Indians, Willistown was part of the 50,000 acre Welsh Tract surveyed by William Penn in 1684 and became a township in year 1704. The Township is governed by a three member Board of Supervisors and operates under the Willistown Township Administrative Code.

In accordance with the Governmental Accounting Standards Board (“GASB”), the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Township is financially accountable. Willistown has also considered all other potential organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township’s financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability which includes appointing a voting majority of the organization’s governing body and (1) having the ability to impose its will onto that organization or (2) realizing the potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

Financial reporting for the government-wide financial statements, is based upon all GASB pronouncements as well as the Financial Accounting Standards Board (“FASB”) Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 have not been followed in the preparation of the accompanying financial statements.

The 2010 comparative total information was derived from the Township's 2010 Audit Report dated October 11, 2011 in which an unqualified opinion was expressed.

Basis of Presentation, Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. In general, the effect of interfund activity has been eliminated from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely on fees and charges for support.

On the government-wide statement of net assets and the statement of activities, information is presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

For the government-wide statement of net assets and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flows.

Continued on next page.

1. Summary of Significant Accounting Policies
(Continued)

Revenues, expenses, gains, losses, assets, and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset mostly by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead, as general revenues.

Fund Financial Statements. The accounting system of the Township is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, revenues, and expenditures.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor Funds are aggregated and presented in a single column.

In the fund financial statements, the funds are presented using the **modified-accrual** basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. "Measurable" means that the amounts can be estimated or otherwise determined. The term "available" is limited to collection within 60 days of the fiscal year end. Expenses are recorded at the time liabilities are incurred.

Their reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Licenses, permits, fines and forfeitures, and miscellaneous revenues are generally recorded as revenues when received in cash since they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

Continued on next page.

1. Summary of Significant Accounting Policies
(Continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Township has the following major governmental funds:

- **General Fund** - The Township's primary operating fund which accounts for all financial resources except those that are legally or administratively required to be accounted for in another fund.
- **Capital Reserve Fund** - Accounts for accumulated excess funds which are used at the discretion of the Board of Supervisors.
- **Open Space Fund** - Accounts for financial resources to be used for the acquisition of land, parkland, natural resource protection and open space for the benefit of the public.

The Township aggregates all nonmajor funds and reports the total in a separate column. Other governmental funds that the Township considers nonmajor funds are as follows:

- **State Highway Fund** – Required by state law to account for receipts from the State Motor License Fund and the transfer of funds to the General Fund to cover allowable highway related expenditures.
- **Bartram's Bridge** – Accounts for the costs associated with the preservation of the old covered bridge that is shared between the Township and Newtown Square.
- **Police Hospitalization Fund** – Accounts for the postretirement health benefits incurred on behalf of the retired police officers.
- **Life Insurance Fund** – Accounts for the interest earned from monies received when life insurance policies on municipal employees are canceled.

Proprietary Funds – Account for operations that are organized to be self-supporting through user charges. Enterprise Funds fall under the umbrella of Proprietary Funds which account for operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods and services are financed or recovered through user charges. The Township maintains one Enterprise Fund:

- **Sewer Fund** – Accounts for transactions related to the billing and collection of the sanitary sewer rents and expenditures related to the collection of the treatment of waste water.

Like the government wide financial statements, proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and goods in connection with the proprietary fund's principal operations.

The principal operating revenues of the Township's Enterprise Fund are charges to customers for sewer rents. Operating expenses for enterprise funds include the related treatment expense along with maintenance and administrative charges. Debt service payments and investment income are treated as nonoperating income and included under capital and related financing and investment activities in the Statement of Cash Flows.

Continued on next page.

1. Summary of Significant Accounting Policies
(Continued)

Fiduciary Funds – Account for assets held by the Township in their capacity as trustee or as an agent for individuals, private organizations, other governments, and other funds. The Township includes the following as fiduciary funds:

- **Police Pension Fund** – Accounts for the pension plan contributions and payment of retirement benefits for its police officers.
- **Municipal Pension Fund** – Accounts for the pension plan contributions and payment of retirement benefits for its non-uniformed employees.

Agency Funds – These funds are custodial in nature (assets equal liabilities), do not have a measurement focus, and therefore, do not report operations. The Township's Agency Funds include the Master Escrow Fund, Agency Fund, and Payroll Fund.

Fund Balances. In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies its governmental fund balances into specifically defined classifications: restricted, committed, assigned, or unassigned. The Township permits funds to be expended in the following order: Committed, Assigned, and Unassigned.

The following is an explanation of the various classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity. As of December 31, 2011, there were no nonspendable balances.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes the Township's right to assess, levy, or charge fees to be used for a specific purpose. Legal enforceability means that the Township can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Township. Committed amounts cannot be used for any other purpose unless the Township removes those constraints by taking the same type of action (e.g., legislation, resolution, ordinance). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Township. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. As of December 31, 2011, there were no committed balances.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., a budget or finance committee) or official to which the Township has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Continued on next page.

**1. Summary of
Significant
Accounting
Policies
(Continued)**

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Township itself.

Appropriated Assigned Fund Balance is an appropriation of existing fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Budgets. Pursuant to the Township's Administrative Code, the following budget procedures are followed:

- Budgets are legally adopted on an annual basis and are required for all funds except Trust and Agency Funds.
- The Manager shall prepare an operating budget and submit it to the Board, not less than 45 days before the close of each fiscal year.
- After adopting the proposed operating budget, two public hearings are held to permit public input.
- The Board is required to adopt a final operating budget ordinance after the public hearing and before the end of the current fiscal year.
- All annual appropriations lapse at the end of each fiscal year. However, at any time, the Board may authorize supplemental appropriations for operating expenditures if the Township Manager certifies that additional revenues are available for such purpose.
- The Board may make supplemental appropriations to meet an emergency and may issue temporary notes, in accordance with the Local Government Unit Debt Act, for such purpose.

Cash and Cash Equivalents. Cash and cash equivalents include demand deposits, money market funds, and all highly liquid investments with an original maturity date of ninety days or less unless they are included as a component of an investment account. Cash equivalents are stated at cost, which approximates market.

Investments. Investments are reported at fair market value in accordance with quoted market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Accounts Receivable. The Township has determined that all receivables are fully collectible and no allowance for doubtful accounts has been established. The Township files a lien with the county against any property for which current real estate taxes are not paid by December 31.

Continued on next page.

1. Summary of Significant Accounting Policies
(Continued)

Interfund Balances. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds”.

Capital Assets. Capital assets consist of land, buildings, improvements, machinery and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial cost of \$1,000 or more or infrastructure construction of \$25,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost except for donated capital assets which are recorded at their fair value at the time of the donation. In the fund financial statements, all capital assets are recorded as capital outlay expenditures of the governmental fund upon acquisition.

Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings and Improvements	7 - 40 Years
Park and Land Improvements	20 Years
Sewer Collection System	40 Years
Machinery and Equipment	5 - 10 Years
Automobiles	5 - 7 Years
Computer Hardware & Software	3 - 5 Years

The Township is exempt from retroactively reporting its infrastructure assets (streets, roads, bridges, etc.) and has not included any such amount in these financial statements. However, in the governmental fund financial statements, capital outlays are reported as expenditures.

Deferred Financing Costs. Bond discounts and issuance costs are amortized over the life of the respective bond issue. In the governmental fund financial statements, issuance costs are recognized as debt service expenditures during the current period, whether or not withheld from the actual debt proceeds received.

Bonds and Notes Payable. In the government-wide financial statements and proprietary fund financial statements long-term debt and other long-term obligations are reported as liabilities. In accordance with *GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of old debt on refunding of debt is deferred and amortized to interest expense using the straight line method. The unamortized charge is reported as a deduction from long term debt.

Compensated Absences. The Township provides its non-uniform employees with vacation and sick time based on certain eligibility requirements and years of service. Employees are allowed to carryover and/or elect to be paid (at their regular rate) up to six unused vacation days. Upon retirement, death or termination, the Township will pay for all unused vacation. No Township provision exists for the payment of unused sick time upon termination of employment.

Continued on next page.

1. Summary of Significant Accounting Policies
(Continued)

A separate vacation and sick time policy exists for the unionized police force in which unused vacation time is either paid to the officer at the end of the anniversary year or unused time can carryover, up to three months, to the next year. An officer forfeits any unused vacation time if not used by the end of the carryover period. Officers are allowed to carryover five unused sick days per year with a maximum accumulation of thirty days, but no provision exists for payment of unused sick time. As of December 31, 2011, the Township's liability for compensated absences amounted to \$27,601.

Real Estate Tax. Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2011 assessment amounted to 0.28 mills. The tax calendar follows:

<u>Initial Billing</u>	<u>March 1</u>
<u>Discount Period</u>	<u>March 1 - April 30</u>
<u>Face Period</u>	<u>May 1 - June 30</u>
<u>Penalty Period</u>	<u>July 1 - December 31</u>
<u>Lien Date</u>	<u>December 31</u>

Local Earned Income Tax. In 1980, the Township imposed an earned income tax in the amount of 0.875% on all residents and nonresidents. In 1999, the Township increased the earned income tax by 0.125% designated as an element to be used for preservation and protection of open space, farmlands, parklands, and natural historic and scenic resources. The 0.125% element of earned income tax is payable only by residents of Willistown.

Franchise Fees. Willistown Township is engaged in a franchise fee arrangement with Verizon and Comcast for cable television services provided. Comcast remits 5% of their gross revenue to Willistown, while Verizon remits 4% of gross revenue. Total franchise fee income received for 2011 amounted to \$222,096.

Sewer Rates. In accordance with Ordinance 4 of 2007, residential and commercial customers are billed on a quarterly basis (January, April, July, October) with bills dated on the first day of the month following the end of the applicable calendar quarter. The Township is divided into four sewer districts, each with its own sewer rate. Ordinance 4 of 2009 and Resolution 24 of 2009, both effective January 1, 2009, govern residential and commercial sewer billing rates. All sewer customers are entitled to a quarterly base consumption allowance of 10,000 gallons, and are surcharged \$5.00 per 1,000 gallons in excess of the base consumption amount.

Net Assets/Fund Balance. Net assets represent the difference between assets and liabilities in the government-wide financial statements and proprietary and fiduciary fund financial statements. Net Assets Invested in Capital Assets, Net of Related Debt represent capital assets, reduced by any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when limitations are imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net Assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the governmental fund financial statements, fund balance represents assets less liabilities. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued) **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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments **Deposits.** In accordance with Section 708 of the Pennsylvania Second Class Township Code, the Township is required to deposit funds in banking institutions, located in the Commonwealth that are either insured with the Federal Deposit Insurance Corporation (“FDIC”) or with the National Credit Union Share Insurance Fund (“NCUSIF”). Willistown maintains its deposits at two financial institutions, only one of the institutions provides FDIC coverage of \$250,000 per depositor.

Deposits in excess of FDIC limits are secured by way of state law which requires all deposits in financial institutions in excess of federal insurance limits be fully collateralized by obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Pennsylvania Act 72 of 1971, as amended, permits banking institutions to satisfy this collateralization requirement by pooling securities pledged as collateral for public funds on deposit.

Procurement Cards (“P-Cards”). The Township utilizes a purchasing card program offered by the Pennsylvania Local Government Investment Trust (“PLGIT”) in which employees use a debit card with certain credit limits to make purchases. Based on the levels of purchases made, the Township will receive a refund of a portion of its expenses based on certain thresholds. All employees receive a P-Card program manual and a Code of Conduct Policy.

A PLGIT account, designated in the Township’s name, is used to operate this program. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share.

PLGIT is also rated by a nationally recognized statistical rating organization and is subject to an independent annual audit, however there is no assurance that the net asset value will not vary from the \$1 per share. Additionally, since PLGIT is not a bank, it cannot use Act 72 to collateralize investments of its participants. The Township’s PLGIT account has been included with cash and cash equivalents in these financial statements.

At December 31, 2011, the bank balance of all Township funds on deposit with both financial institutions, including Trust and Fiduciary Funds totaled \$10,170,369, of which, \$250,000 was covered by FDIC and \$9,920,369 was covered under Pennsylvania Act 72. The \$64,707 balance in the PLGIT money market account at December 31, 2011 was not covered by FDIC or PA Act 72.

Investments. State law authorizes funds of the Township to be invested in (1) United States Treasury Bills, (2) direct obligations of the United States and certain federal agencies, (3) cash accounts which are insured by the FDIC or by the NCUSIF, (4) money market funds that only trade in investments listed in items (1) through (3), or (5) certificates of deposit that are FDIC or NCUSIF insured.

Continued on next page.

2. Deposits and Investments held as of December 31, 2011 follow:
(Continued)

	Governmental		Fiduciary	
Cash	\$	12,692	\$	3,440
Certificates of Deposit		189,515		0
Fixed Income Mutual Funds		63,957		2,315,233
Stocks and Stock Mutual Funds		491,298		5,958,301
Total	\$	757,462	\$	8,276,974

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a financial institution failure, the Township's deposits or investments may not be returned. As of December 31, 2011, 99% of the balances shown as cash were held by TD Bank. Of the total investments held by the Township in the Governmental and Fiduciary Funds at December 31, 2011, 84% was held by Vanguard, 9% was held by Wells Fargo, and 7% was held by Nationwide.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. With respect to the Township's fixed income mutual funds, 82% is invested in intermediate term bonds with an average maturity date ranging from five to ten years, and 18% is invested in short term bonds with an average maturity date ranging from one to three years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. Government are not considered to have a credit risk attribute. As of December 31, 2011, the Township invested in cash, certificates of deposit, fixed income mutual funds, stocks and stock mutual funds all of which do not contain a credit rating.

The Township does not have a formal policy that addresses custodial credit risk, interest rate risk, or credit risk, however, the Township adheres to Commonwealth of Pennsylvania ("Commonwealth") statutes and prudent business practices.

3. Capital Assets

Capital assets activity for the year ended December 31, 2011 follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets - Not Depreciated				
Land	\$11,532,389	\$0	\$0	\$11,532,389
Police Building - In Progress	0	253,122	0	253,122
Total Capital Assets - Not Depreciated	11,532,389	253,122	0	11,785,511
Capital Assets - Depreciated				
Buildings & Improvements	1,245,390	4,780	0	1,250,170
Park and Land Improvements	434,230	239,737	0	673,967
Automobiles	834,701	24,097	(41,872)	816,926
Machinery and Equipment	661,482	25,775	0	687,257
Office Equipment	275,753	87,886	0	363,639
Total Capital Assets - Depreciated	3,451,556	382,275	(41,872)	3,791,959

Continued on next page.

WILLISTOWN TOWNSHIP

Notes To Basic Financial Statements

December 31, 2011

3. Capital Assets (Continued)	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Less: Accumulated Depreciation For:				
Buildings & Improvements	205,118	29,939	0	235,057
Park and Land Improvements	73,653	21,141	0	94,794
Automobiles	502,282	105,173	(41,872)	565,583
Machinery and Equipment	352,837	68,423	0	421,260
Office Equipment	229,982	25,650	0	255,632
Total Accumulated Depreciation	1,363,872	250,326	(41,872)	1,572,326
Total Net Capital Assets - Depreciated	2,087,684	131,949	0	2,219,633
Total Net Capital Assets - Governmental Activities				
	\$13,620,073	\$385,071	\$0	\$14,005,144
Business-Type Activities:				
Capital Assets - Depreciated				
Sewer Collection System	\$4,429,300	\$102,369	\$0	\$4,531,669
Total Capital Assets - Depreciated	4,429,300	102,369	0	4,531,669
Less: Accumulated Depreciation	774,303	194,672	0	968,975
Total Net Capital Assets - Business-Type Activities				
	\$3,654,997	(\$92,303)	\$0	\$3,562,694

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities	Amount
General Government	\$74,005
Public Works	95,674
Police	80,647
Total Depreciation Expense - Governmental Activities	\$250,326

All of the depreciation expense in business-type activities was charged to the sewer fund.

4. Interfund Receivables, Payables and Transfers

Balances due to/from other funds at December 31, 2011 consist of the following (certain amounts are netted for presentation purposes in the fund balance sheets and statements of net assets):

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$573,470	\$118,158
Open Space	0	33,657
Liquid Fuel Fund	0	199,064
Capital Reserve Fund	10,000	0
Enterprise Fund (Sewer)	16,358	289,308
Fiduciary Funds	106,600	66,241
Total	\$706,428	\$706,428

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**4. Interfund
Receivables,
Payables and
Transfers
(Continued)**

Interfund balances generally result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The composition of interfund transfers included in the basic financial statements is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$441,510	\$1,198,458
Bartram's Bridge Fund	814	0
Capital Reserve Fund	0	814
Police Hospitalization Fund	191,254	24,723
Fiduciary Funds	988,932	398,515
Total	\$1,622,510	\$1,622,510

For governmental recording purposes, activity that occurs within the fiduciary funds is not recorded on the government wide financial statements. Therefore, amounts reported above as due to/from the fiduciary funds are not included on the Statement of Net Assets shown on page 4.

**5. Long-Term
Debt**

On September 15, 2001, General Obligation Bonds (GOB), Series 2001, in the amount of \$2,365,000 were issued for the purpose of currently refunding the 1991 General Obligation Bonds which were originally issued for the purpose of constructing the police building, installing sewer lines and to pay for the issuance of the bonds.

On May 1, 2007, General Obligation Bonds, Series 2007, in the amount of \$10,000,000, were issued for multiple purposes to include currently refunding the Open Space portion of the 2001 General Obligation Note, currently refunding the 2004 General Obligation Note, to acquire land in the Township to be used for open space, to acquire conservation easements in the Township, and to pay the cost of issuing the bonds.

On April 30, 2008, a General Obligation Note (GON), Series 2008, in the amount of \$945,000 was issued for the purpose of currently refunding the sewer portion of the 2001 General Obligation Note and to pay the costs of issuing the note. Interest on the note is payable at an annual fixed rate of 4.8%.

Continued on next page.

WILLISTOWN TOWNSHIP

Notes To Basic Financial Statements

December 31, 2011

**5. Long-Term Debt
(Continued)**

General Obligation Notes and Bonds outstanding at December 31, 2011 and a summary of the activity for the year ended December 31, 2011 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOB - Series of 2001	\$865,000	\$0	(\$205,000)	\$660,000	\$210,000
GOB - Series of 2007	9,290,000	0	(195,000)	9,095,000	205,000
GON - Series of 2008	864,309	0	(29,726)	834,583	34,006
	<u>11,019,309</u>	<u>0</u>	<u>(429,726)</u>	<u>10,589,583</u>	<u>\$449,006</u>
Less: Current Portion	<u>(429,922)</u>	<u>(449,006)</u>	<u>429,922</u>	<u>(449,006)</u>	
Bonds Payable - Long Term	10,589,387	(449,006)	196	10,140,577	
Add: Unamortized Deferred Amount on Refunding	<u>14,132</u>	<u>0</u>	<u>(523)</u>	<u>13,609</u>	
Bonds Payable - Net of Current Portion	<u>\$10,603,519</u>	<u>(\$449,006)</u>	<u>(\$327)</u>	<u>\$10,154,186</u>	

A summary of the annual debt service requirements on all outstanding General Obligation Bonds and Notes follows:

Year	GOB Series 2001		GOB Series 2007		GON Series 2008	
	Principal	Interest Rate	Principal	Interest Rate	Principal	Interest Rate
2012	\$210,000	4.40%	\$205,000	3.625%	\$34,006	4.80%
2013	\$220,000	4.55%	\$210,000	3.650%	\$35,813	4.80%
2014	\$230,000	4.65%	\$220,000	3.700%	\$37,596	4.80%
2015	\$0		\$225,000	3.750%	\$39,467	4.80%
2016	\$0		\$235,000	3.850%	\$41,336	4.80%
2017 - 2021	\$0		\$1,330,000	4.125%	\$240,113	4.80%
2022 - 2026	\$0		\$1,630,000	4.125% - 4.2%	\$306,142	4.80%
2027 - 2031	\$0		\$2,000,000	4.20% - 4.30%	\$100,110	4.80%
2032 - 2036	\$0		\$2,480,000	4.30% - 4.40%	\$0	
2037	\$0		\$560,000	4.400%	\$0	
Total	\$660,000		\$9,095,000		\$834,583	

Continued on next page.

5. Long-Term Debt (Continued) Scheduled future principal and interest maturities with respect to the 2001, 2007, and 2008 General Obligation Bonds and Notes at December 31, 2011 follow:

Year	Principal	Interest	Total Debt Service Requirements
2012	\$449,006	\$452,253	\$901,259
2013	\$465,813	\$433,774	\$899,587
2014	\$487,596	\$414,317	\$901,913
2015	\$264,467	\$393,611	\$658,078
2016	\$276,336	\$383,304	\$659,640
2017 - 2021	\$1,570,113	\$1,732,661	\$3,302,774
2022 - 2026	\$1,936,142	\$1,368,554	\$3,304,696
2027 - 2031	\$2,100,110	\$935,200	\$3,035,310
2032 - 2036	\$2,480,000	\$459,345	\$2,939,345
2037	\$560,000	\$24,640	\$584,640
Total	\$10,589,583	\$6,597,659	\$17,187,242

6. Leases

Capital Lease. A capital lease transfers substantially all of the benefits and risks of ownership of leased property to the lessee. As of December 31, 2011, machinery and equipment and vehicles owned by way of capital leases and included within the balance sheet caption "Automobiles" is accounted for as follows:

	2011
Capitalized Cost	\$ 115,944
Less: Accumulated Amortization	40,028
Capitalized Cost - Net	\$ 75,916
Lease Amortization Included in Depreciation Expense	\$ 16,563

Future minimum payments under the capital leases together with the present value, calculated based on the Township's incremental borrowing rate at the date of inception of the leases follow:

Year Ending December 31	Total
2012	\$ 25,389
2013	25,389
Total Minimum Lease Payments	50,778
Less: Amount Representing Interest	3,401
Present Value of Future Minimum Rental	47,377
Less: Current Portion	23,139
Total Noncurrent	\$ 24,238

Continued on next page.

6. Leases
(Continued)

Operating Leases. For the year ended December 31, 2011, rent expense for the Township's operating leases is as follows:

	2011
Office Space located at 40 Lloyd Avenue, Malvern, PA, commencing September 1, 2010. On July 14, 2011, the lease was renewed for two years with base annual rent of \$85,176 and \$87,060 for the yeras ended August 31, 2012 and 2013, respectively.	\$ 84,392
Two Copier leases: thirty-nine and forty-eight month terms commencing May and December 2009 with monthly payments of \$277 and \$263, respectively.	\$ 6,490
Postage Meter: sixty-three month term commencing December 2009 with monthly payment of \$160.	\$ 1,920
Telephone Lease: sixty month term commencing September 2010 with monthly payments of \$695.	\$ 8,340
Three Auto Leases: thirty-six and sixty month terms beginning February 2008 and March 2009 with monthly payments of \$472, \$535, and \$535, respectively.	\$ 13,310

Aggregate future minimum lease payments under the aforementioned leases follow:

Years Ending December 31	Amount
2012	\$ 115,382
2013	83,007
2014	13,470
2015	6,040
Total	\$ 217,899

7. Pension Plans

The Township contributes to two retirement plans. The first is a single-employer defined benefit plan for the uniformed employees (police) and the second is a 403(b) plan for the non-uniformed employees (civilian) both of which are reported in the Statement of Net Assets and Statement of Changes in Net Assets of Fiduciary Funds. The plans are governed by the Willistown Township Board of Supervisors, who as trustees, have responsibility for the exclusive management of the funds and the power to invest monies therein subject to the terms, conditions, limitations and restrictions imposed by law upon fiduciaries.

Continued on next page.

7. Pension Plans (Continued)

A table of key information about the plans is listed below:

	Police	Non-Uniform
Covered Employees	All full-time sworn police officers.	Any full time employee working at least 35 hours per week or any salaried person who works at least 20 hours per week, excluding police officers.
Vesting Period	100% after 12 years of service.	100% after 5 years of service.
Normal Retirement Date	The first day after 25 years of service and the date on which the member attains age 50.	The first day of the month coincident with or next following the date on which the member completes 10 years of service or the date which the member attains 65, whichever is later.
Annual Retirement Benefit	A monthly benefit equal to 50% of the member's average applicable compensation. In addition, each member who has completed 26 years of service or more shall receive an additional \$1,200.	A distribution of the vested value of the member's account as of retirement date.
Early Retirement Date	The first day after 20 years of service.	The first day after 10 years of service.
Early Retirement Benefit	The actuarial equivalent of the vested retirement benefit reduced to reflect that it will commence on the early retirement date versus the normal retirement date.	A distribution of the vested value of the member's account as of the early retirement date plus vested contributions made after that date.
Provision for Disability	Any member who retires due to total and permanent disability shall receive a benefit equal to 65% of the member's salary at the time the disability was incurred offset by any social security benefits received.	Any member who retires due to total disability shall receive a distribution of the entire value of the member's account as of the disability retirement date.
Cost of Living Adjustments	Available to all members who retire after 1/1/97 provided that the certain maximum percentage increases are not exceeded.	N/A
Pre-Retirement Death Benefits	A benefit of 100% of the member's salary at the time of death is paid to the surviving spouse until death, then to surviving children until age 18 or age 23 if in college.	A benefit of 100% of the member's account, valued at the end of the month during which death occurred will be paid to the designated beneficiary.
Post-Retirement Death Benefits	The form of benefit payment in force for such member at the time death occurs.	The form of benefit payment in force for such member at the time death occurs.
Employee Contributions	Members are required to make a contribution of 5% of their salary.	Members may elect to make a voluntary contribution of up to 10% of salary.

Valuation. Investments are reported at fair value as determined by the investment managers. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions. Pennsylvania Act 205 of 1984 requires that annual contributions amount to no less than the minimum municipal obligation ("MMO") which is based upon the plan's biennial actuarial valuation. MMO includes normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial liability, less estimated member contributions, and a credit equal to 10% of any excess of the actuarial value of assets over the actuarial accrued liability.

The Commonwealth dictates an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth contribution must be funded by the employer in accordance with Act 205. Administrative costs for the Township's pension plans are paid from the pension plans.

Continued on next page.

7. Pension Plans
(Continued)

Annual Pension Cost and Net Pension Obligation. The Township’s annual required contribution for 2011 was determined as part of the January 1, 2011 valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions include (1) 7.5% investment rate of return, (2) projected salary increases of 5% per year, (3) inflationary adjustments of 3% per year, (4) amortization method is level dollar with the remaining amortization period at 13 years – closed period. An asset valuation method is used to smooth the effect of market fluctuations.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Information on the Township’s annual pension cost (“APC”) and percentage of APC contributed for the uniformed and non-uniformed pension plans for the prior three years is presented below. Additional trend information can also be found on page 37 of these financial statements.

Year	Uniform		Non-Uniform	
	Annual Pension Cost	Percentage Contribution	Annual Pension Cost	Percentage Contribution
2011	\$ 590,703	100%	\$ 68,521	100%
2010	\$ 294,821	100%	\$ 67,877	100%
2009	\$ 286,341	100%	\$ 67,877	100%

Funded Status and Funding Progress. Effective with the January 1, 2011 valuation, the Township reduced its investment rate of return assumption to 7.5%. As of January 1, 2011, the most recent actuarial valuation date, the actuarial value of plan assets amounted to \$7,768,466, the actuarial accrued liability for benefits amounted to \$10,368,453, and the actuarial value of assets as a percentage of that actuarial accrued liability was 75%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,715,778, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 152%.

8. Post-employment Benefits Other Than Pension Benefits

Plan Description. The Township offers a single-employer defined benefit healthcare plan providing medical, dental, and vision insurance benefits through the Township’s group health insurance plan to eligible police officers. Additionally, certain eligible Township employees and former police chiefs are also covered by the plan and are allowed to continue the same coverage they received prior to retirement for the remainder of their lives including Medicare supplement payments that are due after age 65. The plan does not issue a publicly available financial report.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2011, the Township contributed \$191,254 to prefund benefits for the police officers. The Township does not require any funding from members receiving benefits. Health insurance premiums for all members receiving benefits amounted to \$128,198 for the year ended December 31, 2011.

Annual OPEB Cost and Net OPEB Obligation. The Township’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the Annual Required Contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of *GASB Statement 45*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Continued on next page.

8. Post-employment Benefits Other Than Pension Benefits
(Continued)

The following table shows the components of the Township's annual OPEB cost for the year and the amount actually contributed to the plan:

Description	Police	Administration	Combined Total
Annual Required Contribution	\$ 150,626	\$ 20,314	\$ 170,940
Interest on OPEB Obligation	0	0	0
Annual OPEB Cost	150,626	20,314	170,940
Contributions Made	(123,865)	(4,333)	(128,198)
Increase in Net OPEB Obligation	26,761	15,981	42,742
Net OPEB Obligation - Beginning of Year	204,374	24,327	228,701
Net OPEB Obligation - End of Year	\$ 231,135	\$ 40,308	\$ 271,443

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Year	Annual OPEB Cost	Actual Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 170,940	\$ 128,198	75%	\$ 42,742
2010	\$ 170,940	\$ 58,132	34%	\$ 112,808
2009	\$ 170,940	\$ 55,047	32%	\$ 115,893

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,872,984, and the actuarial value of assets amounted to \$288,255, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,584,729. The covered payroll (annual payroll of active employees covered by the plan) was \$1,504,015, and the ratio of the UAAL to the covered payroll was 105%. As of December 31, 2011, the actuarial value of assets totaled \$757,462.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is the third year the Township has implemented the provisions of GASB 45, and accordingly, a schedule of funding progress is not presented since prior year information is not available. In accordance with the provisions of GASB 45, the Township is required to perform a valuation of the plan every three years.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Continued on next page.

8. Post-employment Benefits Other Than Pension Benefits (Continued)

For the January 1, 2009 actuarial valuation, the following assumptions were made:

- Retirement age for active employees – Employees were assumed to retire immediately upon attainment of age 53 and the completion of 28 years of service.
- Marital Status – 90% of both male and female members were assumed to be married throughout retirement.
- Mortality – Life expectancies for pre and post-retirement were based on the 1992 Railroad Retirement Board Mortality Table. The female spouse is assumed to be three years younger than the male spouse for future retirees.
- Healthcare Cost Trend – Healthcare insurance premiums are expected to increase at a rate of 9% in the second year and gradually decrease by 1% per year to an ultimate rate of 5%.
- Health Insurance Premiums – The 2009 health insurance single rate premiums were used as the basis for calculating the present value of total benefits to be paid.
- Payroll Growth Rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Township's investment portfolio, a discount rate of 8% was used. In addition, the valuation uses the entry age normal cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2009, was thirty years.

The Township also provides life insurance benefits to its non-uniform employees in which the total benefit amounts to \$10,000. The premiums are fully paid by the Township and continue until the employee's death or until the employee terminates employment with the Township. These post-retirement life insurance benefits are recognized as expenditures when due.

9. Sewage Treatment Agreements

Valley Forge Sewage Treatment Agreement. The Township joined with several other municipalities on November 1, 1970 to form the Valley Forge Sewer Authority ("VFSA") for the construction and operation of sanitary sewer collection. VFSA provides sewage treatment services to all or portions of the member municipalities and the area served by the Township. VFSA's normal operating costs are allocated among the participants based upon their proportionate share of sewage in relation to the total of sewage treated by VFSA. The agreement calls for quarterly estimated payments based on the estimated operating expenses. Any amounts advanced in excess of actual costs incurred are refundable and likewise, any amounts underpaid are due. VFSA's charges to the Township for treatment operating costs are expensed as incurred and totaled \$386,388 for the year ended December 31, 2011.

Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Township's payments to VFSA for capital construction and plant upgrades are capitalized and depreciated over a period of 40 years.

Continued on next page.

9. Sewage Treatment Agreements (Continued)

Valley Creek Trunk Sewer Agreement. Pursuant to the Township's agreement with VFSA for sanitary sewer collection, the Township must convey sewage through trunk lines and interceptors ("Valley Creek Trunk Line") owned and operated by Tredyffrin Township Municipal Authority. On November 1, 1970, the Township entered into an agreement with Tredyffrin Township Municipal Authority permitting the Township to dispose of its sewage through the Valley Creek Trunk Line and providing that the Township will be assessed its share of operating costs based on the Township's proportionate volume of sewage compared to the total amount of sewage from all municipalities participating in the VFSA. Treatment costs and capital contributions for future capital improvements charged by Valley Creek Trunk Line amounted to \$139,369 and \$100,719, respectively, for the year ended December 31, 2011.

The agreement calls for quarterly estimated payments based on budgeted operating expenses prepared by the Tredyffrin Township's engineers. Amounts advanced in excess of actual costs incurred are refundable and likewise, amounts are due.

10. Risk Management and Commitments

Risk Management. The Township is subject to various risks of loss arising from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Township purchases commercial insurance. No settlements have exceeded coverage during the year ended December 31, 2011.

Litigation. The Township is involved in certain claims and legal actions which arise in the ordinary course of business. In the opinion of management and legal counsel, there are no such matters pending that are expected to be material in relation to the Township's financial condition or results of operations.

11. Other Information

GASB has issued the following Statements which will become effective in future years:

Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included the FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA that were issued on or before November 30, 1989. This Statement will become effective for the Township in year 2012.

Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This Statement standardizes the presentation of deferred inflows and outflows of resources and their effects on a government's net position. This Statement will become effective for the Township in year 2012.

Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". This Statement establishes accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities. This Statement will become effective for the Township in year 2013.

Management has not yet determined the effect of these Statements on the financial statements.

Required Supplementary Information

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Taxes			
	Real Estate	\$ 367,096	\$ 346,208	\$ (20,888)
	Transfer Taxes	460,000	424,313	(35,687)
	Earned Income	4,600,000	4,420,526	(179,474)
	Local Service Tax	200,000	261,695	61,695
	Cable Franchise Fees	236,464	222,096	(14,368)
	Fines and Forfeits	36,600	44,947	8,347
	Investment Income / Rental Income	45,500	14,773	(30,727)
	Intergovernmental Revenues	364,207	570,291	206,084
	Park and Recreation Fees	42,141	23,436	(18,705)
	Charges for Services	211,027	195,554	(15,473)
	Miscellaneous	77,039	10,460	(66,579)
	Total Revenues	6,640,074	6,534,299	(105,775)
EXPENDITURES				
	Current:			
	General Government	2,107,460	2,529,547	422,087
	Public Safety	2,884,316	2,900,762	16,446
	Planning and Zoning	214,181	280,356	66,175
	Health and Welfare	8,800	8,800	0
	Public Works	415,315	622,572	207,257
	Library/Parks/Recreation	231,837	252,306	20,469
	Debt Service	41,101	43,877	2,776
	Total Expenditures	5,903,010	6,638,220	735,210
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES		737,064	(103,921)	(840,985)
OTHER FINANCING SOURCES (USES)				
	Proceeds from Sale of Fixed Assets	4,000	6,896	2,896
	Transfers In	17,090	31,510	14,420
	Transfers Out	(704,157)	(788,457)	(84,300)
	Total Other Financing (Uses), Net	(683,067)	(750,051)	(66,984)
NET CHANGE IN FUND BALANCE		\$ 53,997	(853,972)	\$ (907,969)
FUND BALANCE, BEGINNING OF YEAR			4,809,395	
FUND BALANCE, END OF YEAR			\$ 3,955,423	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPEN SPACE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Earned Income Tax	\$ 525,000	\$ 617,552	\$ 92,552
Investment Income	20,000	8,805	(11,195)
<i>Total Revenues</i>	545,000	626,357	81,357
EXPENDITURES			
General Government	19,138	15,396	(3,742)
Debt Service:			
Principal Retirement	195,000	195,000	0
Interest	389,303	389,303	0
<i>Total Expenditures</i>	603,441	599,699	(3,742)
NET CHANGE IN FUND BALANCE	\$ (58,441)	26,658	\$ 85,099
FUND BALANCE, BEGINNING OF YEAR		2,584,953	
FUND BALANCE, END OF YEAR		\$ 2,611,611	

WILLISTOWN TOWNSHIP
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Investment Income	\$ 8,600	\$ 6,876	\$ (1,724)
<i>Total Revenues</i>	<u>8,600</u>	<u>6,876</u>	<u>(1,724)</u>
EXPENDITURES			
General Government	93,500	12,407	(81,093)
Fire Protection	20,000	20,000	0
Capital Purchases	2,000,000	253,122	(1,746,878)
<i>Total Expenditures</i>	<u>2,113,500</u>	<u>285,529</u>	<u>(1,827,971)</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(2,104,900)</u>	<u>(278,653)</u>	<u>1,826,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(500)	(814)	314
<i>Total Other Financing (Uses), Net</i>	<u>(500)</u>	<u>(814)</u>	<u>314</u>
NET CHANGE IN FUND BALANCE	\$ <u>(2,105,400)</u>	(279,467)	\$ <u>1,825,933</u>
FUND BALANCE, BEGINNING OF YEAR		<u>2,278,266</u>	
FUND BALANCE, END OF YEAR		\$ <u><u>1,998,799</u></u>	

***WILLISTOWN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2011***

The budgets presented in the required supplementary information are presented on the budgetary basis which is the modified accrual basis of accounting. The budgets presented are in greater detail than the legal level budgets passed by the Township. During 2011, actual expenditures were in excess of appropriations for the individual funds listed below. In 2011, the Township passed a Resolution which authorized the use of supplemental appropriations from funds on hand to be used to meet expenditures which exceeded the approved budgeted amounts. None of the excess amounts were deemed to be material violations.

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
GENERAL FUND			
General Government	\$ 2,107,460	\$ 2,529,547	\$ 422,087
Public Safety	\$ 2,884,316	\$ 2,900,762	\$ 16,446
Planning and Zoning	\$ 214,181	\$ 280,356	\$ 66,175
Public Works	\$ 415,315	\$ 622,572	\$ 207,257
Library/Parks/Recreation	\$ 231,837	\$ 252,306	\$ 20,469
Debt Service	\$ 41,101	\$ 43,877	\$ 2,776

The overage in General Government was primarily related to larger increases in health insurance premiums and new equipment purchases.

The overage in Planning and Zoning is attributable to higher than anticipated professional fees related to a series of complex zoning and legal matters.

The overage in Public Works is attributable to a road paving project that was completed ahead of schedule.

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS - UNIFORM AND NON-UNIFORM PLANS
ELEVEN YEARS ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
Uniform Pension Plan						
2001	6,382,475	4,285,796	2,096,679	148.92%	1,109,759	188.93%
2003	4,673,574	5,425,141	(751,567)	86.15%	1,092,207	-68.81%
2005	5,508,409	6,173,467	(665,058)	89.23%	1,335,085	-49.81%
2007	6,477,737	7,427,140	(949,403)	87.22%	1,387,189	-68.44%
2009	5,378,982	8,534,586	(3,155,604)	63.03%	1,504,015	-209.81%
2011	7,768,466	10,368,453	(2,599,987)	74.92%	1,715,778	-151.53%
Non-Uniform Pension Plan						
2001	477,525	477,525	0	100.00%	528,114	0.00%
2003	401,580	401,580	0	100.00%	531,892	0.00%
2005	598,781	598,781	0	100.00%	715,943	0.00%
2007	761,206	761,206	0	100.00%	776,243	0.00%
2009	496,779	496,779	0	100.00%	928,574	0.00%
2011	656,074	656,074	0	100.00%	1,042,512	0.00%

Other Supplementary Information

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - VALLEY FORGE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,457,562	\$ 1,533,952	\$ 76,390
	Total Revenues	1,457,562	1,533,952	76,390
OPERATING EXPENSES	Sewage Treatment	777,476	536,312	(241,164)
	Operations and Maintenance	144,800	187,480	42,680
	General and Administrative	12,577	10,346	(2,231)
	Total Operating Expenses	934,853	734,138	(200,715)
NET OPERATING INCOME BEFORE DEPRECIATION		522,709	799,814	277,105
	Depreciation & Amortization	0	195,172	(195,172)
NET INCOME FROM OPERATIONS		522,709	604,642	81,933
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	600	600
	Investment Income	1,640	2,214	574
	Interfund Transfers - Net	(323,000)	0	323,000
	Interest Expense	(86,353)	(69,919)	16,434
	Total Non-Operating Income (Expense), Net	(407,713)	(67,105)	340,608
CHANGE IN NET ASSETS		\$ 114,996	\$ 537,537	\$ 422,541
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS				
	Capital Expenditures	\$ 0	\$ (102,369)	\$ (102,369)
	Grant Awards	96,500	0	(96,500)
	Principal Retirement	(174,462)	(197,826)	(23,364)
	Total Other Budgeted Items	(77,962)	(300,195)	(222,233)
NET CHANGE IN FUND BALANCE		\$ 37,034		

WILLISTOWN TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE - PENNS PRESERVE SEWER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 116,040	\$ 116,289	\$ 249
	<i>Total Revenues</i>	116,040	116,289	249
OPERATING EXPENSES	Operations and Maintenance	105,560	107,781	2,221
	General and Administrative	379	334	(45)
	<i>Total Operating Expenses</i>	105,939	108,115	2,176
NET OPERATING INCOME BEFORE DEPRECIATION		10,101	8,174	(1,927)
	Depreciation	0	0	0
NET INCOME FROM OPERATIONS		10,101	8,174	(1,927)
NON-OPERATING INCOME (EXPENSE)	Investment Income	908	600	(308)
	<i>Total Non-Operating Income (Expense), Net</i>	908	600	(308)
CHANGE IN NET ASSETS		\$ 11,009	\$ 8,774	\$ (2,235)

WILLISTOWN TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE - LOW PRESSURE SEWER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 96,435	\$ 68,997	\$ (27,438)
	<i>Total Revenues</i>	96,435	68,997	(27,438)
OPERATING EXPENSES	Operations and Maintenance	70,000	90,102	20,102
	<i>Total Operating Expenses</i>	70,000	90,102	20,102
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION		26,435	(21,105)	(47,540)
	Depreciation	0	0	0
NET INCOME (LOSS) FROM OPERATIONS		26,435	(21,105)	(47,540)
NON-OPERATING INCOME (EXPENSE)	Investment Income	135	81	(54)
	Tapping Fee Income	0	6,156	6,156
	<i>Total Non-Operating Income (Expense), Net</i>	135	6,237	6,102
CHANGE IN NET ASSETS		\$ 26,570	\$ (14,868)	\$ (41,438)

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - COMBINED SEWER FUNDS
(EXCLUDING SEWER MAINTENANCE FUND)
FOR THE YEAR ENDED DECEMBER 31, 2011

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,670,037	\$ 1,719,238	\$ 49,201
	<i>Total Revenues</i>	1,670,037	1,719,238	49,201
OPERATING EXPENSES	Sewage Treatment	777,476	536,312	(241,164)
	Operations and Maintenance	320,360	385,363	65,003
	General and Administrative	12,956	10,680	(2,276)
	<i>Total Operating Expenses</i>	1,110,792	932,355	178,437
NET OPERATING INCOME BEFORE DEPRECIATION		559,245	786,883	227,638
	Depreciation & Amortization	0	195,172	195,172
NET INCOME FROM OPERATIONS		559,245	591,711	32,466
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	6,756	6,756
	Investment Income	2,683	2,895	212
	Interest Expense	(86,353)	(69,919)	16,434
	Interfund Transfers - Net	(323,000)	0	323,000
	<i>Total Non-Operating Income (Expense), Net</i>	(406,670)	(60,268)	346,402
CHANGE IN NET ASSETS		\$ 152,575	\$ 531,443	\$ 378,868
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS				
	Capital Expenditures	\$ 0	\$ (102,369)	\$ (102,369)
	Grant Awards	96,500	0	(96,500)
	Principal Retirement	(174,462)	(197,826)	(23,364)
	<i>Total Other Budgeted Items</i>	(77,962)	(300,195)	(222,233)
NET CHANGE IN FUND BALANCE		\$ 74,613	231,248	
FUND BALANCE, BEGINNING OF YEAR			3,198,006	
FUND BALANCE, END OF YEAR			\$ 3,429,254	

WILLISTOWN TOWNSHIP
SCHEDULE OF OPEN SPACE ACQUISITIONS
and CONTRIBUTIONS TO WILLISTOWN CONSERVATION TRUST

Open Space Acquisitions			Cost			Funding Sources				
Date Purchased	Seller	Description / Location	Purchase Price	Other Costs	Total Cost	Note Proceeds	Grants	Financing Notes	Cash	Total
7/13/2001	Okehocking Associates	Lots 1, 2, 3, & 5 of Okehocking	\$ 4,000,000	\$ 42,062	\$ 4,042,062	\$ 4,042,062	\$ -	\$ -	\$ -	\$ 4,042,062
10/30/2003	Okehocking Associates	Parcels A-1 & A-2, Newtown Square, PA	\$ 3,233,794	\$ 36,672	\$ 3,270,466	\$ -	\$ 1,000,000 (1)	\$ 733,794	\$ 1,536,672	\$ 3,270,466
12/8/2003	Bryn Mawr Hospital	Lot 2 - Paoli Pike and Line Road, Malvern, PA	\$ 800,000	\$ 10,486	\$ 810,486	\$ -	\$ -	\$ -	\$ 810,486	\$ 810,486
3/30/2006	Okehocking Associates	Parcel B - 10 acres North Side of West Chester Pike	\$ 1,500,000	\$ 16,787	\$ 1,516,787	\$ -	\$ 1,435,000 (2)	\$ -	\$ 81,787	\$ 1,516,787
7/30/2007	Okehocking Associates	Northeast corner of Route 3, Newtown Square, PA	\$ 1,500,000	\$ 25,563	\$ 1,525,563	\$ -	\$ 1,000,000 (4)	\$ -	\$ 525,563	\$ 1,525,563
5/28/2009	Ricardo Navarro Jr.	28 Duffryn Avenue, Malvern PA	\$ 352,000	\$ 15,025	\$ 367,025	\$ -	\$ -	\$ -	\$ 367,025	\$ 367,025
Total			\$ 11,385,794	\$ 146,595	\$ 11,532,389	\$ 4,042,062	\$ 3,435,000	\$ 733,794	\$ 3,321,533	\$ 11,532,389

Contributions to Willistown Conservation Trust			Cost		Funding Sources				
Date Purchased	Seller	Description / Location	Total Cost	Willistown Contribution	Note Proceeds	Grants	Financing Notes	Cash	Total
12/17/2004	Estate of Almira R. Scott	Lot #1 - Kirkwood Farm	\$ 5,013,570	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000
3/9/2005	Estate of Almira R. Scott	Lot #1 - Kirkwood Farm	\$ -	\$ 500,000	\$ -	\$ 500,000 (3)	\$ -	\$ -	\$ 500,000
6/23/2005	Delchester Group, Inc.	Kirkwood Farm - Parcel #2	\$ 1,003,984	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000	\$ 650,000
Total			\$ 6,017,554	\$ 3,650,000	\$ 2,500,000	\$ 500,000	\$ -	\$ 650,000	\$ 3,650,000

(1) - Grants funds were received from Chester County in the amount of \$1,000,000.

(2) - Grants funds were received from DCNR and Chester County in the amounts of \$935,000 and \$500,000, respectively.

(3) - Grants funds were received from Chester County in the amount of \$500,000.

(4) - Grants funds were received from Chester County (\$225,000); Willistown Conservation Trust (\$275,000); and DCNR (\$500,000).