



WILLISTOWN TOWNSHIP

BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION

YEAR ENDED
December 31, 2010

WILLISTOWN TOWNSHIP

Index

December 31, 2010

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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, 2010. 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 2010 fiscal year by \$18,102,717 which represents the Township's net assets. Of this amount, \$8,974,175 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 \$381,076 in 2010.
- As of December 31, 2010, the Township's combined ending fund balance for its governmental funds amounted to \$10,887,570 a decrease of \$588,354 compared to the prior year. Approximately 44% of the total governmental fund balance, or \$4,809,395, 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 \$8,974,175 at December 31, 2010 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, 2010, the Township's assets exceeded its liabilities by \$18,102,717.

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

*Table 1
Summarized Schedule of Net Assets
December 31, 2010 and 2009*

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 11,243,978	\$ 1,384,816	\$ 12,628,794	\$ 11,864,999	\$ 1,778,791	\$ 13,643,790
Noncurrent Assets	\$ 13,810,892	\$ 3,663,664	\$ 17,474,556	\$ 13,912,667	\$ 2,413,839	\$ 16,326,506
Total Assets	\$ 25,054,870	\$ 5,048,480	\$ 30,103,350	\$ 25,777,666	\$ 4,192,630	\$ 29,970,296
Current Liabilities	\$ 627,771	\$ 474,887	\$ 1,102,658	\$ 658,812	\$ 349,911	\$ 1,008,723
Long-Term Liabilities	\$ 9,522,388	\$ 1,375,587	\$ 10,897,975	\$ 9,663,602	\$ 1,576,330	\$ 11,239,932
Total Liabilities	\$ 10,150,159	\$ 1,850,474	\$ 12,000,633	\$ 10,322,414	\$ 1,926,241	\$ 12,248,655
Invested in Capital Assets -						
Net of Related Debt	\$ 4,104,906	\$ 2,081,388	\$ 6,186,294	\$ 3,948,040	\$ 637,480	\$ 4,585,520
Restricted	\$ 2,942,248	\$ 0	\$ 2,942,248	\$ 3,525,124	\$ 0	\$ 3,525,124
Unrestricted	\$ 7,857,557	\$ 1,116,618	\$ 8,974,175	\$ 7,982,088	\$ 1,628,909	\$ 9,610,997
Total Net Assets	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717	\$ 15,455,252	\$ 2,266,389	\$ 17,721,641

*Table 2
Changes in Net Assets
Years Ended December 31, 2010 and 2009*

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 211,575	\$ 1,720,110	\$ 1,931,685	\$ 165,968	\$ 1,509,483	\$ 1,675,451
Operating Grants & Contributions	\$ 654,123	\$ 5,450	\$ 659,573	\$ 662,353	\$ 238,370	\$ 900,723
General Revenues						
Real Estate Taxes	\$ 352,793	\$ 0	\$ 352,793	\$ 340,063	\$ 0	\$ 340,063
Local Service Tax	\$ 240,413	\$ 0	\$ 240,413	\$ 174,839	\$ 0	\$ 174,839
Transfer Taxes	\$ 501,786	\$ 0	\$ 501,786	\$ 424,481	\$ 0	\$ 424,481
Earned Income Tax	\$ 4,760,939	\$ 0	\$ 4,760,939	\$ 5,749,934	\$ 0	\$ 5,749,934
Investment Earnings	\$ 116,930	\$ 4,641	\$ 121,571	\$ 100,279	\$ 3,569	\$ 103,848
Transfer - Net	\$ (623,251)	\$ 323,020	\$ (300,231)	\$ (293,619)	\$ 4,080	\$ (289,539)
Other	\$ 278,741	\$ 0	\$ 278,741	\$ 410,632	\$ 0	\$ 410,632
Total Revenues	\$ 6,494,049	\$ 2,053,221	\$ 8,547,270	\$ 7,734,930	\$ 1,755,502	\$ 9,490,432

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, 2010 and 2009*

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Total Revenues from Previous Page	\$ 6,494,049	\$ 2,053,221	\$ 8,547,270	\$ 7,734,930	\$ 1,755,502	\$ 9,490,432
Expenses:						
General Government	\$ 2,290,496	\$ 0	\$ 2,290,496	\$ 1,073,171	\$ 0	\$ 1,073,171
Public Safety	\$ 3,056,130	\$ 0	\$ 3,056,130	\$ 3,894,594	\$ 0	\$ 3,894,594
Public Works	\$ 919,504	\$ 0	\$ 919,504	\$ 1,480,213	\$ 0	\$ 1,480,213
Health and Welfare	\$ 8,800	\$ 0	\$ 8,800	\$ 8,800	\$ 0	\$ 8,800
Parks and Recreation	\$ 365,894	\$ 0	\$ 365,894	\$ 538,791	\$ 0	\$ 538,791
Interest Expense	\$ 403,766	\$ 0	\$ 403,766	\$ 417,747	\$ 0	\$ 417,747
Sewer Operations	\$ 0	\$ 1,121,604	\$ 1,121,604	\$ 0	\$ 1,346,516	\$ 1,346,516
Total Expenses	\$ 7,044,590	\$ 1,121,604	\$ 8,166,194	\$ 7,413,316	\$ 1,346,516	\$ 8,759,832
Change in Net Assets	\$ (550,541)	\$ 931,617	\$ 381,076	\$ 321,614	\$ 408,986	\$ 730,600
Net Assets- Beginning of Year	\$ 15,455,252	\$ 2,266,389	\$ 17,721,641	\$ 15,133,638	\$ 1,857,403	\$ 16,991,041
Net Assets - End of Year	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717	\$ 15,455,252	\$ 2,266,389	\$ 17,721,641

Governmental Activities

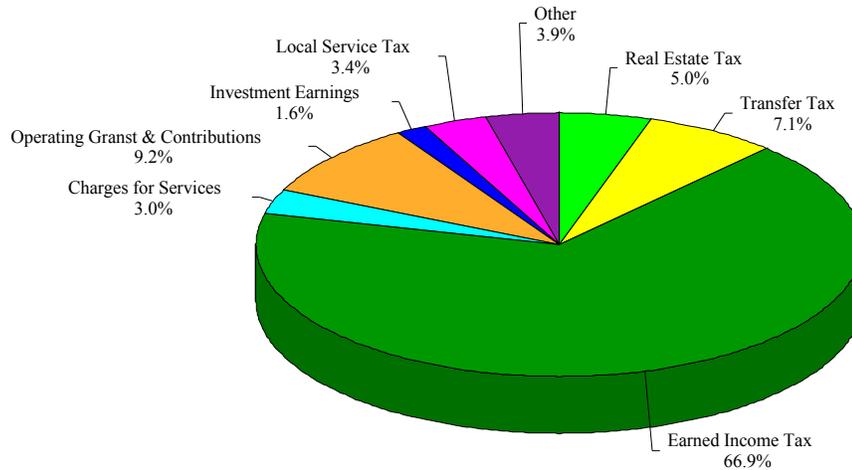
As shown in Table 1, the 2010 net assets increase of \$381,076 is primarily reflected through an increase in noncurrent assets.

As shown in Table 2, governmental expenses exceeded governmental revenues by \$550,541 in 2010 resulting in an overall decrease in net assets. Total governmental revenues decreased in 2010 by \$1.2 million which is primarily attributable to a decrease 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 67% of total governmental revenues. The next major revenue source is Operating Grants and Contributions, accounting for 9% of governmental revenues, which represents funds received from the Commonwealth of Pennsylvania. Real estate, local service and transfer taxes collectively provide 15% 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)**

**2010 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 \$931,617 in 2010 resulting in an overall increase in net assets which maintained the strong financial condition of the Township.

As shown in Table 1, the 2010 net assets increase of \$931,617 is primarily attributable to an increase in property, plant, and equipment and decreases in current assets of \$395,000 and total liabilities of \$75,000.

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, 2010, the Township's governmental funds reported combined ending balances of \$10,887,570, a decrease of \$588,354 from the prior year. Approximately \$4.9 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 \$6 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, 2010 the total fund balance of the General Fund was \$4,809,395, all of which is unassigned. The Township had budgeted for a \$300,000 surplus, but the General Fund balance decreased by \$456,000 in fiscal year 2010. Key factors for this decrease are as follows:

- Earned income tax revenues were \$160,000 lower than expected.
- Transfer taxes were \$100,000 more than expected.
- Major capital repairs and maintenance expenses of \$187,000 were incurred for the Township's roads which were not anticipated at the time the budget was prepared.
- An additional \$323,000 was transferred to the sewer funds for major capital repairs and for upgrades to the Valley Forge Sewage Treatment Plant.
- The cost for health benefits was \$235,000 more 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, 2010, the combined fund balances was \$2,278,266.

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 \$254,815 from the Commonwealth of Pennsylvania to pay for roadway repairs and maintenance.

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

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

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 \$1,116,618. The total decrease in unrestricted net assets was \$512,291. 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 2010, there were no revisions to the General Fund budget.

As of December 31, 2010, the total fund balance of the General Fund was \$4,809,395, all of which is unassigned. As discussed on the previous page (Page 7 of the MD&A), the General Fund balance decreased by \$456,247 in fiscal year 2010.

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, 2010 amounts to \$17,275,070, 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: \$110,000 for the design and upgrades to the police building
- General Fund: \$137,000 for various police and computer equipment.

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

- Sewer Fund: \$1,384,000 for pump station upgrades and capital improvements to the Valley Forge Sewage Treatment Plant.

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 renovations, expected to begin in August 2010, 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 Greentree Office Plaza was signed in September 2011.

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

Long-term Debt

At December 31, 2010, the Township had \$11,022,030 in bonds outstanding (all of which is non-electoral debt) versus \$11,437,992 last year – a decrease of \$415,962 or 3.6%.

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 \$23,146,943 which is significantly more than the Township's associated outstanding debt of \$11,022,030.

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

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 real estate revenue base should there be any short-term fluctuations in any one source.
- New housing development has declined and is currently static. The number of real estate sales in the Township directly affects the real estate transfer tax revenue stream; however, it has nominal impact on real estate property tax revenue.
- Changes in the pension laws, specifically Act 30 of 2002 and contractual changes to the pension plans, continue to place added financial burdens on the Township to supplement State Aid.
- The real estate tax millage remained the same in 2010 at 0.28 mills.

All of these factors were considered in preparing the Township's budget for the 2010 fiscal year.

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, 2010

BOARD OF SUPERVISORS

William R. Shoemaker	Chairman
Norman S. MacQueen	Vice-Chairman
Robert T. Lange	Member

OTHER MANAGEMENT OFFICIALS

Hugh J. Murray, Sr.	Township Manager
Dorothy E. McClintock	Secretary/Treasurer
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, 2010, 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 an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Township's 2009 financial statements and, in our report dated September 13, 2010, 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 opinion.

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, 2010, 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 October 11, 2011, 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 MDA10 and 34 through 38, 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 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.
October 11, 2011

WILLISTOWN TOWNSHIP
STATEMENT OF NET ASSETS (WITH COMPARATIVE TOTALS FOR 2009)

				December 31	
		Governmental Activities	Business-Type Activities	2010	2009
ASSETS					
CURRENT ASSETS	Cash (Notes 1 and 2)	\$ 9,620,428	\$ 649,446	\$ 10,269,874	\$ 11,200,350
	Investments (Note 2)	590,053	0	590,053	421,184
	Receivables (Note 1)				
	Real Estate & Transfer	73,585	0	73,585	55,632
	Local Service & Earned Income Tax	433,111	0	433,111	681,408
	Due From Other Funds (Note 4)	454,148	16,358	470,506	393,221
	Other	72,653	0	72,653	161,598
	Sewer	0	719,012	719,012	633,897
	Grant (Note 11)	0	0	0	96,500
	Total Current Assets	11,243,978	1,384,816	12,628,794	13,643,790
NONCURRENT ASSETS (NOTES 1 and 3)	Land	11,532,389	0	11,532,389	11,532,389
	Building & Improvements	1,245,390	0	1,245,390	1,135,326
	Park and Land Improvements	434,230	0	434,230	434,230
	Automobiles	834,701	0	834,701	798,172
	Machinery and Equipment	661,482	0	661,482	634,825
	Office Equipment	275,753	0	275,753	271,537
	Sewer Collection System	0	4,429,300	4,429,300	3,044,586
		14,983,945	4,429,300	19,413,245	17,851,065
	Less: Accumulated Depreciation	(1,363,872)	(774,303)	(2,138,175)	(1,758,086)
	Net Property, Plant & Equipment	13,620,073	3,654,997	17,275,070	16,092,979
	Other Post Employment Benefits Excess Contributions (Note 8)	0	0	0	26,472
	Debt Financing Costs - Net	190,819	8,667	199,486	207,055
	Total Noncurrent Assets	13,810,892	3,663,664	17,474,556	16,326,506
TOTAL ASSETS		\$ 25,054,870	\$ 5,048,480	\$ 30,103,350	\$ 29,970,296
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	Accounts Payable	\$ 155,815	\$ 50,602	\$ 206,417	\$ 170,128
	Accrued Interest Payable	17,302	0	17,302	17,606
	Due to Other Funds (Note 4)	200,664	226,263	426,927	382,937
	Capital Lease (Note 6)	22,090	0	22,090	22,090
	Bonds and Notes Payable (Note 5)	231,900	198,022	429,922	415,962
	Total Current Liabilities	627,771	474,887	1,102,658	1,008,723
LONG-TERM LIABILITIES	Deferred Revenue	18,378	0	18,378	13,504
	Capital Lease (Note 6)	47,377	0	47,377	47,377
	Bonds and Notes Payable (Note 5)	9,213,800	1,375,587	10,589,387	11,022,030
	Other Post Employment Benefits Accrual (Note 8)	228,701	0	228,701	142,365
	Deferral on Current Refunding (Note 5)	14,132	0	14,132	14,656
	Total Long-Term Liabilities	9,522,388	1,375,587	10,897,975	11,239,932
TOTAL LIABILITIES		10,150,159	1,850,474	12,000,633	12,248,655
NET ASSETS	Invested in Capital Assets, Net of Related Debt	4,104,906	2,081,388	6,186,294	4,585,520
	Restricted for:				
	State Highways and Streets	357,295	0	357,295	435,654
	Open Space Acquisitions	2,584,953	0	2,584,953	2,668,286
	Unrestricted	7,857,557	1,116,618	8,974,175	10,032,181
	Total Net Assets	14,904,711	3,198,006	18,102,717	17,721,641
TOTAL LIABILITIES AND NET ASSETS		\$ 25,054,870	\$ 5,048,480	\$ 30,103,350	\$ 29,970,296

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

WILLISTOWN TOWNSHIP
STATEMENT OF ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2009)

<i>For the Years Ended December 31</i>	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	2010	2009
GOVERNMENTAL ACTIVITIES								
General Government	\$ 2,290,496	\$ 21,956	\$ 214,475	\$ 0	\$ (2,054,065)	\$ 0	\$ (2,054,065)	\$ (850,479)
Public Safety	3,056,130	159,796	147,521	0	(2,748,813)	0	(2,748,813)	(3,636,806)
Public Works	919,504	29,823	254,815	0	(634,866)	0	(634,866)	(1,197,334)
Health and Welfare	8,800	0	0	0	(8,800)	0	(8,800)	(8,800)
Parks and Recreation	365,894	0	37,312	0	(328,582)	0	(328,582)	(474,889)
Interest Expense	403,766	0	0	0	(403,766)	0	(403,766)	(416,687)
<i>Total Governmental Activities</i>	7,044,590	211,575	654,123	0	(6,178,892)	0	(6,178,892)	(6,584,995)
BUSINESS TYPE ACTIVITIES								
Sewer	<u>1,121,604</u>	<u>1,720,110</u>	<u>0</u>	<u>5,450</u>	<u>0</u>	<u>603,956</u>	<u>603,956</u>	<u>401,337</u>
<i>Total Business Type Activities</i>	1,121,604	1,720,110	0	5,450	0	603,956	603,956	401,337
TOTAL PRIMARY GOVERNMENT	\$ <u>8,166,194</u>	\$ <u>1,931,685</u>	\$ <u>654,123</u>	\$ <u>5,450</u>	(6,178,892)	603,956	(5,574,936)	(6,183,658)
GENERAL REVENUES								
Taxes:								
Real Estate					352,793	0	352,793	340,063
Local Service Tax					240,413	0	240,413	174,839
Transfer Taxes					501,786	0	501,786	424,481
Earned Income					4,760,939	0	4,760,939	5,749,934
Franchise Fees					200,488	0	200,488	281,756
Fines and Forfeits					43,465	0	43,465	60,120
Investment Earnings					116,930	4,641	121,571	103,848
Miscellaneous					34,788	0	34,788	68,756
Transfers - Net					(623,251)	323,020	(300,231)	(289,539)
Total General Revenues and Transfers					5,628,351	327,661	5,956,012	6,914,258
CHANGE IN NET ASSETS					(550,541)	931,617	381,076	730,600
NET ASSETS, BEGINNING OF YEAR					15,455,252	2,266,389	17,721,641	16,991,041
NET ASSETS, END OF YEAR					\$ <u>14,904,711</u>	\$ <u>3,198,006</u>	\$ <u>18,102,717</u>	\$ <u>17,721,641</u>

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

WILLISTOWN TOWNSHIP
BALANCE SHEETS - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2009)
DECEMBER 31

	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds	Totals	
					2010	2009
ASSETS						
Cash	\$ 3,973,039	\$ 2,521,887	\$ 2,297,106	\$ 828,396	\$ 9,620,428	\$ 10,188,738
Investments	0	0	0	590,053	590,053	421,184
Taxes Receivable	441,514	65,183	0	0	506,697	737,040
Other Accounts Receivable	91,101	0	0	0	91,101	162,811
Due From Other Funds	448,148	0	6,000	0	454,148	373,671
TOTAL ASSETS	\$ 4,953,802	\$ 2,587,070	\$ 2,303,106	\$ 1,418,449	\$ 11,262,427	\$ 11,883,444
LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Accounts Payable	\$ 124,429	\$ 2,117	\$ 24,840	\$ 4,429	\$ 155,815	\$ 150,840
Due to Other Funds	1,600	0	0	199,064	200,664	243,176
Deferred Revenue	18,378	0	0	0	18,378	13,504
<i>Total Liabilities</i>	144,407	2,117	24,840	203,493	374,857	407,520
<i>Fund Balances</i>						
Restricted For:						
State Highways and Streets	0	0	0	357,295	357,295	435,654
Open Space Acquisition	0	2,584,953	0	0	2,584,953	2,668,286
Assigned For:						
General Government	0	0	0	265,350	265,350	280,272
Other Post Employment Benefits	0	0	0	590,053	590,053	421,184
Capital Purchases	0	0	2,278,266	0	2,278,266	2,399,643
Park and Recreation	0	0	0	2,258	2,258	5,242
Unassigned	4,809,395	0	0	0	4,809,395	5,265,643
<i>Total Fund Balances</i>	4,809,395	2,584,953	2,278,266	1,214,956	10,887,570	11,475,924
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,953,802	\$ 2,587,070	\$ 2,303,106	\$ 1,418,449	\$ 11,262,427	\$ 11,883,444

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 2009)

	December 31	
	2010	2009
TOTAL GOVERNMENTAL FUND BALANCES (Page 6)	\$ 10,887,570	\$ 11,475,924
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.	13,620,069	13,688,307
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.	190,819	197,888
Allowance for Doubtful Accounts is not a financial resource and is not reported in the Fund Statements.	(18,445)	(18,445)
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	(9,445,700)	(9,670,800)
Capital Lease Obligations	(69,467)	(69,467)
Other Post Employment Benefits Liability (Net)	(228,701)	(115,893)
Deferral on Bond Refunding	(14,132)	(14,656)
Accrued Interest Payable	(17,302)	(17,606)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (Page 4)	\$ <u>14,904,711</u>	\$ <u>15,455,252</u>

WILLISTOWN TOWNSHIP
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2009)

						TOTALS	
		General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds	2010	2009
<i>For the Years Ended December 31</i>							
REVENUES	Real Estate Taxes	\$ 352,793	\$ 0	\$ 0	\$ 0	\$ 352,793	\$ 340,063
	Local Service Tax	240,413	0	0	0	240,413	174,839
	Real Estate Transfer Tax	501,786	0	0	0	501,786	424,481
	Earned Income Tax	4,239,460	521,479	0	0	4,760,939	5,749,933
	Fines, Forfeitures, and Other Costs	43,465	0	0	0	43,465	60,120
	Cable Franchise Fees	200,488	0	0	0	200,488	281,756
	Interest, Dividends, and Rents	25,392	10,707	9,257	15,680	61,036	101,686
	Intergovernmental Revenues	361,996	0	0	255,315	617,311	659,353
	Park and Recreation Fees	36,812	0	0	0	36,812	0
	Charges for Services	211,575	0	0	0	211,575	165,968
	Miscellaneous	34,146	447	0	200	34,793	25,026
	Total Revenues	6,248,326	532,633	9,257	271,195	7,061,411	7,983,225
EXPENDITURES	General Government	2,117,459	29,823	71	20,616	2,167,969	1,024,286
	Public Safety	2,864,635	0	0	0	2,864,635	3,579,939
	Health and Welfare	8,800	0	0	0	8,800	8,800
	Public Works	696,632	0	20,000	136,685	853,317	1,381,164
	Culture and Recreation	306,676	0	0	4,203	310,879	480,020
	Capital Outlay	137,050	0	110,063	0	247,113	868,908
	Debt Service						
	Principal Payment	35,100	190,000	0	0	225,100	219,200
	Interest and Other Charges	8,451	396,143	0	0	404,594	413,253
	Total Expenditures	6,174,803	615,966	130,134	161,504	7,082,407	7,975,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		73,523	(83,333)	(120,877)	109,691	(20,996)	7,655
OTHER FINANCING SOURCES (USES)	Transfers In	207,325	0	0	114,344	321,669	969,212
	Transfers Out	(737,095)	0	(500)	(207,325)	(944,920)	(1,262,831)
	Realized and Unrealized Gain (Loss) on Investments	0	0	0	55,893	55,893	45,322
	Total Other Financing Sources (Uses)	(529,770)	0	(500)	(37,088)	(567,358)	(248,297)
NET CHANGE IN FUND BALANCES		(456,247)	(83,333)	(121,377)	72,603	(588,354)	(240,642)
FUND BALANCES, BEGINNING OF YEAR		5,259,227	2,668,286	2,399,643	1,148,768	11,475,924	11,716,566
	Merging of Park and Recreation Fund into General Fund	6,415	0	0	(6,415)	0	0
FUND BALANCES, END OF YEAR		\$ 4,809,395	\$ 2,584,953	\$ 2,278,266	\$ 1,214,956	\$ 10,887,570	\$ 11,475,924

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 2009)

<i>For the Years Ended December 31</i>	2010	2009
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (Page 8)	\$ (588,354)	\$ (240,642)
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	177,461	610,690
Depreciation Expense	(245,699)	(256,395)
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	225,100	219,200
Capital Lease Principal Payments	0	110,902
Other Post Employment Benefits (Net)	(112,808)	(115,893)
Amortization of Deferral Charges	524	523
Amortization of Debt Issuance Costs	(7,069)	(7,067)
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:		
Accrued Interest Expense - Prior Year	17,606	17,902
Accrued Interest Expense - Current Year	(17,302)	(17,606)
CHANGE IN NET ASSETS - GOVERNMENTAL FUNDS (Page 5)	\$ <u>(550,541)</u>	\$ <u>321,614</u>

WILLISTOWN TOWNSHIP
STATEMENTS OF NET ASSETS - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2009)

		December 31	
		2010	2009
ASSETS			
CURRENT ASSETS	Cash and Cash Equivalents (Notes 1 & 2)	\$ 649,446	\$ 1,011,612
	Due from Other Funds (Note 4)	16,358	19,550
	Accounts Receivable (Note 1)	719,012	633,897
	Other Receivable (Note 9)	0	17,232
	Grant Receivable (Note 11)	0	96,500
	Total Current Assets	1,384,816	1,778,791
PROPERTY, PLANT & EQUIPMENT	Sewer Collection System (Note 3)	4,429,300	3,044,586
	Less: Accumulated Depreciation	(774,303)	(639,914)
	Net Property, Plant & Equipment	3,654,997	2,404,672
OTHER NONCURRENT ASSETS	Debt Financing Costs - Net (Note 1)	8,667	9,167
	Total NonCurrent Assets	8,667	9,167
TOTAL ASSETS		\$ 5,048,480	\$ 4,192,630
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES	Accounts Payable	\$ 50,602	\$ 19,288
	Notes Payable (Note 5)	198,022	190,862
	Due to Other Funds (Note 4)	226,263	139,761
	Total Current Liabilities	474,887	349,911
NONCURRENT LIABILITIES	Notes Payable (Note 5)	1,375,587	1,576,330
	Total Noncurrent Liabilities	1,375,587	1,576,330
TOTAL LIABILITIES		1,850,474	1,926,241
NET ASSETS	Invested in Capital Assets, Net of Related Debt	2,081,388	637,480
	Unrestricted	1,116,618	1,628,909
	Total Net Assets	3,198,006	2,266,389
TOTAL LIABILITIES AND NET ASSETS		\$ 5,048,480	\$ 4,192,630

WILLISTOWN TOWNSHIP
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
(WITH COMPARATIVE TOTALS FOR 2009)

<i>For the Years Ended December 31</i>		2010	%	2009	%	Variance Over (Under)	%
OPERATING REVENUES	Sewer Charges	\$ 1,720,110	100.0	\$ 1,509,483	100.0	210,627	14.0
	<i>Total Operating Revenues</i>	1,720,110	100.0	1,509,483	100.0	210,627	14.0
OPERATING EXPENSES BEFORE DEPRECIATION	Sewage Treatment	377,590	22.0	563,063	37.3	185,473	(32.9)
	Operations & Maintenance	514,808	29.9	584,112	38.7	69,304	(11.9)
	General and Administrative	9,133	0.5	33,277	2.2	24,144	(72.6)
	<i>Total Operating Expenses</i>	901,531	52.4	1,180,452	78.2	278,921	(23.6)
NET OPERATING INCOME BEFORE DEPRECIATION		818,579	47.6	329,031	21.8	489,548	148.8
Depreciation & Amortization (Note 1)		134,889	7.8	76,614	5.1	58,275	0.8
NET INCOME FROM OPERATIONS		683,690	39.8	252,417	16.7	431,273	170.9
NON-OPERATING INCOME (EXPENSE)	Investment Income	4,641	0.3	3,569	0.2	1,072	30.0
	Interest Expense	(85,184)	(5.0)	(89,450)	(5.9)	4,266	4.8
	<i>Total Non-Operating Income (Expense) - Net</i>	(80,543)	(4.7)	(85,881)	(5.7)	5,338	(6.2)
INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS		603,147	35.1	166,536	11.0	436,611	262.2
CAPITAL CONTRIBUTIONS AND TRANSFERS	Tapping Fee Income	5,450	0.3	141,870	9.4	(136,420)	(96.2)
	Grant Award (Note 11)	0	0.0	96,500	6.4	(96,500)	(100.0)
	Transfers - Net	323,020	18.8	4,080	0.3	318,940	N/A
	<i>Total Capital Contributions and Transfers</i>	328,470	19.1	242,450	16.1	86,020	(35.5)
CHANGE IN NET ASSETS		931,617	54.2	408,986	27.1	522,631	127.8
NET ASSETS, BEGINNING OF YEAR		2,266,389		1,857,403			
NET ASSETS, END OF YEAR		\$ 3,198,006		\$ 2,266,389			

WILLISTOWN TOWNSHIP
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2009)

<i>Cash Flows From:</i>		<i>December 31</i>	
		<i>2010</i>	<i>2009</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$ 1,634,995	\$ 1,283,780
	Cash Payments to Employees for Services	(132,523)	(126,338)
	Cash Payments to Vendors for Goods and Services	(720,462)	(1,001,690)
	<i>Net Cash Provided by Operating Activities</i>	782,010	155,752
NONCAPITAL AND RELATED FINANCING ACTIVITIES	Interfund Transfers - Transfer In	412,713	71,002
	Interfund Transfers - Transfer Out	0	(25,470)
	<i>Net Cash Provided by Noncapital and Related Financing Activities</i>	412,713	45,532
CAPITAL AND RELATED FINANCING ACTIVITIES	Tapping Fee Income	5,450	141,870
	Grant Proceeds Received	96,500	0
	Purchases of Capital Assets	(1,384,713)	0
	Debt Principal Payments	(193,583)	(185,268)
	Interest Paid	(85,184)	(89,450)
<i>Net Cash Used by Capital and Related Financing Activities</i>	(1,561,530)	(132,848)	
INVESTING ACTIVITIES	Investment Earnings	4,641	3,569
	<i>Net Cash Provided by Investing Activities</i>	4,641	3,569
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		(362,166)	72,005
<i>Cash and Cash Equivalents-Beginning</i>		1,011,612	939,607
<i>Cash and Cash Equivalents-Ending</i>		\$ 649,446	\$ 1,011,612
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
	Operating Income	\$ 683,690	\$ 252,417
	Adjustment for Noncash Charges to Operations:		
	Depreciation and Amortization	134,889	76,614
	Changes in Assets and Liabilities		
	Increase in Accounts Receivable	(67,883)	(168,063)
	Increase (Decrease) in Accounts Payable	31,314	(5,216)
	<i>Net Cash Provided by Operating Activities</i>	\$ 782,010	\$ 155,752

WILLISTOWN TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2010

		Pension Trust Funds	Agency Funds
ASSETS	Cash and Cash Equivalents	\$ 35,696	\$ 29,947
	Accounts Receivable	0	153,243
	Due From Other Funds	0	9,600
	Investments - Drop Plan	429,475	0
	Investments	8,083,718	0
TOTAL ASSETS		<u>8,548,889</u>	<u>192,790</u>
LIABILITIES	Accounts Payable	0	18,706
	Due to Employees - Drop Plan Balances	429,475	0
	Due to Other Funds	0	53,179
	Funds Held for Others	0	120,905
TOTAL LIABILITIES		<u>429,475</u>	<u>\$ 192,790</u>
NET ASSETS	Net Assets Held in Trust for Pension Benefits	<u>\$ 8,119,414</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	2010 Total
ADDITIONS	<i>Contributions:</i>			
	Employer	\$ 139,549	\$ 65,416	\$ 204,965
	Commonwealth of Pennsylvania	155,272	0	155,272
	Plan Members	68,513	14,464	82,977
	<i>Total Contributions</i>	363,334	79,880	443,214
	<i>Investments:</i>			
	Investment Earnings	185,402	14	185,416
	Realized and Unrealized Gain on Sale of Investments	690,888	83,551	774,439
	<i>Net Investment Income</i>	876,290	83,565	959,855
	Total Additions	1,239,624	163,445	1,403,069
DEDUCTIONS	Benefits	372,839	109,768	482,607
	Administrative Expenses	26,211	5,410	31,621
	Total Deductions	399,050	115,178	514,228
CHANGE IN NET ASSETS		840,574	48,267	888,841
NET ASSETS, BEGINNING OF YEAR		6,530,628	699,945	7,230,573
NET ASSETS, END OF YEAR		\$ 7,371,202	\$ 748,212	\$ 8,119,414

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 2009 comparative total information was derived from the Township's 2009 Audit Report dated September 13, 2010 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, all governmental funds are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet.

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 effect 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.

During 2010, the Township decided to merge its Park and Recreation Fund into the General Fund since the purpose of the Fund was to only track expenses related to its parks.

Proprietary Funds – Accounts 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.

1. Summary of Significant Accounting Policies
(Continued)

Fiduciary Funds – Accounts 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.

GASB 54 Implementation. The Township has early adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Township to classify and report amounts in the appropriate fund balance classifications. The Township's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. During this early implementation phase, the Township permits funds to be expended in the following order: Committed, Assigned, and Unassigned.

The Township reports the following 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, 2010, 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, 2010, there were no committed balances.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

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.

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.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

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. All property tax, earned income tax, sewer, and other receivables are shown net of an allowance for uncollectible accounts which amounted to \$18,445 as of December 31, 2010. The Township files a lien with the county against any property for which current real estate taxes are not paid by December 31.

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 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.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

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.

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, 2010, the Township's liability for compensated absences amounted to \$28,973.

Real Estate Tax. Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2010 assessment amounted to 0.28 mills. The tax calendar follows:

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

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. Comcast remits 5% of their gross revenue to Willistown, while Verizon remits 4% of gross revenue. Total franchise fee income received for 2010 amounted to \$200,488.

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".

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

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.

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”). In 2007, the Township commenced a purchasing card program offered by the Pennsylvania Local Government Investment Trust (“PLGIT”) designed to assist the Township to increase response time with respect to fulfillment of orders, to add greater flexibility, and to reduce paperwork since P-Cards reduce reliance on requisitions, purchase orders, and paper checks.

The Township provides a card, similar to a credit card, to its employees with certain credit limits, allowing employees to make purchases using this card. 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.

Continued on next page.

2. Deposits and Investments (Continued) At December 31, 2010, the carrying amount and the bank balance of all Township funds on deposit with both financial institutions, excluding Trust and Fiduciary Funds totaled \$10,269,870 and \$10,679,228, respectively, of which, \$250,000 was covered by FDIC and \$10,394,290 was covered under Pennsylvania Act 72. The \$34,939 balance in the PLGIT money market account at December 31, 2010 was not covered by FDIC or PA Act 72. At December 31, 2010, the carrying amount and the bank balance of all Township Trust and Fiduciary funds on deposit with financial institutions, totaled \$72,347 and \$96,106, respectively, all of which was covered by Act 72.

Custodial credit risk is defined as the risk that in the event of a bank failure, the government's deposits may not be recovered. The Township does not have a formal policy for custodial credit risk.

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.

Investments held as of December 31, 2010 follow:

	Governmental	Fiduciary
Cash	\$ 93,154	\$ 3,081
Certificates of Deposit	32,448	0
Fixed Income Mutual Funds	0	1,982,021
Stocks and Stock Mutual Funds	464,451	6,098,616
Total	\$ 590,053	\$ 8,083,718

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.

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.

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, 2010, 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, 2010 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets - Not Depreciated				
Land	\$11,532,389	\$0	\$0	\$11,532,389
Total Capital Assets - Not Depreciated	11,532,389	0	0	11,532,389
Capital Assets - Depreciated				
Buildings & Improvements	1,135,326	110,064	0	1,245,390
Park and Land Improvements	434,230	0	0	434,230
Automobiles	798,172	36,529	0	834,701
Machinery and Equipment	634,825	26,657	0	661,482
Office Equipment	271,537	4,216	0	275,753
Total Capital Assets - Depreciated	3,274,090	177,466	0	3,451,556
Less: Accumulated Depreciation For:				
Buildings & Improvements	175,199	29,919	0	205,118
Park and Land Improvements	58,739	14,914	0	73,653
Automobiles	390,243	112,039	0	502,282
Machinery and Equipment	285,163	67,674	0	352,837
Office Equipment	208,828	21,154	0	229,982
Total Accumulated Depreciation	1,118,172	245,700	0	1,363,872
Total Net Capital Assets - Depreciated	2,155,918	(68,234)	0	2,087,684
Total Net Capital Assets - Governmental Activities	\$13,688,307	(\$68,234)	\$0	\$13,620,073
Business-Type Activities:				
Capital Assets - Depreciated				
Sewer Collection System	\$3,044,586	\$1,384,714	\$0	\$4,429,300
Total Capital Assets - Depreciated	3,044,586	1,384,714	0	4,429,300
Less: Accumulated Depreciation	639,914	134,389	0	774,303
Total Net Capital Assets - Business-Type Activities	\$2,404,672	\$1,250,325	\$0	\$3,654,997

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

Governmental Activities	Amount
General Government	62,853
Public Works	98,316
Police	84,531
Total Depreciation Expense - Governmental Activities	\$245,700

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, 2010 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	\$448,148	\$1,600
Liquid Fuel Fund	0	199,064
Capital Reserve Fund	6,000	0
Enterprise Fund (Sewer)	16,358	226,263
Fiduciary Funds	9,600	53,179
Total	\$480,106	\$480,106

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	\$207,325	\$737,095
Liquid Fuel Fund	0	199,064
Bartram's Bridge Fund	500	0
Capital Reserve Fund	0	500
Police Hospitalization Fund	113,844	8,261
Enterprise Fund (Sewer)	323,020	0
Fiduciary Funds	680,400	380,169
Total	\$1,325,089	\$1,325,089

**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, 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, 2010

5. Long-Term Debt
(Continued)

General Obligation Notes and Bonds outstanding at December 31, 2010 and a summary of the activity for the year ended December 31, 2010 follow:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOB - Series of 2001	\$1,060,000	\$0	(\$195,000)	\$865,000	\$205,000
GOB - Series of 2007	9,480,000	0	(190,000)	9,290,000	195,000
GON - Series of 2008	897,992	0	(30,962)	867,030	29,922
	<u>11,437,992</u>	<u>0</u>	<u>(415,962)</u>	<u>11,022,030</u>	<u>\$429,922</u>
Less: Current Portion	(415,962)	(429,922)	415,962	(429,922)	
Bonds Payable - Long Term	11,022,030	(429,922)	0	10,592,108	
Add: Unamortized Deferred Amount on Refunding	14,656	0	(524)	14,132	
Bonds Payable - Net of Current Portion	<u>\$11,036,686</u>	<u>(\$429,922)</u>	<u>(\$524)</u>	<u>\$10,606,240</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
2011	\$205,000	4.30%	\$195,000	3.60%	\$29,922	4.80%
2012	\$210,000	4.40%	\$205,000	3.625%	\$34,006	4.80%
2013	\$220,000	4.55%	\$210,000	3.65%	\$35,813	4.80%
2014	\$230,000	4.65%	\$220,000	3.70%	\$37,596	4.80%
2015	\$0		\$225,000	3.75%	\$39,467	4.80%
2016 - 2020	\$0		\$1,275,000	3.850% - 4.125%	\$228,640	4.80%
2021 - 2025	\$0		\$1,565,000	4.125% - 4.20%	\$291,629	4.80%
2026 - 2030	\$0		\$1,920,000	4.20% - 4.30%	\$169,957	4.80%
2031 - 2035	\$0		\$2,375,000	4.30% - 4.40%	\$0	
2036 - 2037	\$0		\$1,100,000	4.40%	\$0	
Total	\$865,000		\$9,290,000		\$867,030	

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, 2010 follow:

Year	Principal	Interest	Total Debt Service Requirements
2011	\$429,922	\$469,591	\$899,513
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 - 2020	\$1,503,640	\$1,806,855	\$3,310,495
2021 - 2025	\$1,856,629	\$1,461,769	\$3,318,398
2026 - 2030	\$2,089,957	\$1,033,648	\$3,123,605
2031 - 2035	\$2,375,000	\$562,955	\$2,937,955
2036 - 2037	\$1,100,000	\$73,040	\$1,173,040
Total	\$11,022,030	\$7,101,813	\$18,123,843

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, 2010, machinery and equipment and vehicles owned by way of capital leases and included within the balance sheet caption "Automobiles" is accounted for as follows:

	2010
Capitalized Cost	\$ 273,175
Less: Accumulated Amortization	132,029
Capitalized Cost - Net	\$ 141,146
Lease Amortization Included in Depreciation Expense	\$ 39,025

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
2011	\$ 25,389
2012	25,389
2013	25,389
Total Minimum Lease Payments	76,167
Less: Amount Representing Interest	6,700
Present Value of Future Minimum Rental	69,467
Less: Current Portion	22,090
Total Noncurrent	\$ 47,377

Continued on next page.

**6. Leases
(Continued)**

Operating Leases. For the year ended December 31, 2010, rent expense for the Township’s operating leases is as follows:

	2010
Office Space for the Parks and Recreation Department located at 40 Lloyd Avenue, Malvern, PA, commencing March 2008 for six months with monthly rent payments of \$1,005. On August 28, 2008, the lease was renewed for two years with base monthly rent remaining the same. The lease is currently month to month.	\$ 12,060
Copier lease; thirty-six month term commencing December 2009 with monthly payments of \$277.	\$ 3,324
Three Auto Leases; thirty-six and sixty month terms beginning February 2008 and March 2009 with monthly payments of \$472, \$535, and \$535, respectively.	\$ 18,499

Aggregate future minimum lease payments under the aforementioned leases follow:

Years Ending December 31	Amount
2011	\$ 13,310
2012	12,838
2013	12,838
2014	3,210
Total	\$ 42,196

**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. 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.

Continued on next page.

7. Pension Plans (Continued)

	Police	Non-Uniform
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 in which the requirement was 3% for 2009 and 4.5% for 2010.	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.

Annual Pension Cost and Net Pension Obligation. The Township's annual required contribution for 2010 was determined as part of the December 31, 2009 valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions include (1) 8% 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 38 of these financial statements.

Year	Uniform		Non-Uniform	
	Annual Pension Cost	Percentage Contribution	Annual Pension Cost	Percentage Contribution
2010	\$ 294,821	100%	\$ 67,877	100%
2009	\$ 286,341	100%	\$ 67,877	100%
2008	\$ 286,622	100%	\$ 66,385	100%

Continued on next page.

7. Pension Plans (Continued)

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the actuarial value of plan assets amounted to \$5,378,982, the actuarial accrued liability for benefits amounted to \$8,534,586, and the actuarial value of assets as a percentage of that actuarial accrued liability was 63%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,504,015, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 210%.

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 actuarial value of plan assets amounted to \$7,768,466 and the actuarial accrued liability for benefits amounted to \$10,368,453 resulting in an unfunded liability of \$2,599,987. The actuarial value of assets as a percentage of that actuarial accrued liability is 75%.

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, 2010, the Township contributed \$90,750 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 \$58,132 for the year ended December 31, 2010.

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.

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	(50,092)	(8,040)	(58,132)
Increase in Net OPEB Obligation	100,534	12,274	112,808
Net OPEB Obligation - Beginning of Year	142,365	(26,472)	115,893
Adjustment to Allocation	(38,525)	38,525	0
Net OPEB Obligation - End of Year	\$ 204,374	\$ 24,327	\$ 228,701

Continued on next page.

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

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 are as follows:

Year	Annual OPEB Cost	Actual Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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%.

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 second 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.

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.

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

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 \$402,325 for the year ended December 31, 2010.

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. During 2010, VFSA assessed the Township \$573,494 for capital contributions.

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.

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. During 2010, Valley Creek reconciled the estimated payments with actual costs for several prior years. As a result, the Township received a refund of \$161,030 for operating costs and \$48,685 for capital contributions. Net treatment costs to Valley Creek totaled (\$35,381) for the year ended December 31, 2010.

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, 2010.

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. Grant
Revenue**

During 2009, The Pennsylvania Department of Community and Economic Development awarded the Township a grant in the amount of \$96,500, to be used for the upgrade of the sewer collection system. The Township received the grant proceeds in 2010.

Required Supplementary Information

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Taxes			
	Real Estate	\$ 407,000	\$ 352,793	\$ (54,207)
	Transfer Taxes	400,000	501,786	101,786
	Earned Income	4,400,000	4,239,460	(160,540)
	Local Service Tax	185,000	240,413	55,413
	Cable Franchise Fees	160,000	200,488	40,488
	Fines and Forfeits	38,700	43,465	4,765
	Investment Income / Rental Income	45,500	25,392	(20,108)
	Intergovernmental Revenues	338,614	361,996	23,382
	Park and Recreation Fees	0	36,812	36,812
	Charges for Services	195,777	211,575	15,798
	Miscellaneous	101,270	34,146	(67,124)
	Total Revenues	6,271,861	6,248,326	(23,535)
EXPENDITURES				
	Current:			
	General Government	1,801,742	2,170,261	(368,519)
	Public Safety	2,827,634	2,652,864	174,770
	Planning and Zoning	144,459	292,361	(147,902)
	Health and Welfare	8,800	8,800	0
	Public Works	488,403	700,290	(211,887)
	Library/Parks/Recreation	253,795	306,676	(52,881)
	Debt Service	41,351	43,551	(2,200)
	Total Expenditures	5,566,184	6,174,803	(608,619)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES		705,677	73,523	(632,154)
OTHER FINANCING SOURCES (USES)				
	Proceeds from Sale of Fixed Assets	4,000	0	(4,000)
	Transfers In	10,182	207,325	197,143
	Transfers Out	(411,458)	(737,095)	(325,637)
	Total Other Financing (Uses), Net	(397,276)	(529,770)	(132,494)
NET CHANGE IN FUND BALANCE		\$ 308,401	(456,247)	\$ (764,648)
FUND BALANCE, BEGINNING OF YEAR			5,259,227	
Add: Inclusion of Park and Recreation Fund Balance			6,415	
FUND BALANCE, END OF YEAR			\$ 4,809,395	

**WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPEN SPACE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Earned Income Tax	\$ 525,000	\$ 521,479	\$ (3,521)
Investment Income	20,000	10,707	(9,293)
Miscellaneous	0	447	447
<i>Total Revenues</i>	545,000	532,633	(12,367)
EXPENDITURES			
General Government	19,138	29,823	(10,685)
Debt Service:			
Principal Retirement	190,000	190,000	0
Interest	396,143	396,143	0
<i>Total Expenditures</i>	605,281	615,966	(10,685)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(60,281)	(83,333)	(23,052)
OTHER FINANCING SOURCES (USES)			
Transfers Out	0	0	0
<i>Total Other Financing (Uses)</i>	0	0	0
NET CHANGE IN FUND BALANCE	\$ (60,281)	(83,333)	\$ (23,052)
FUND BALANCE, BEGINNING OF YEAR		2,668,286	
FUND BALANCE, END OF YEAR		\$ 2,584,953	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Investment Income	\$ 8,600	\$ 9,257	\$ 657
	Total Revenues	8,600	9,257	657
EXPENDITURES				
	General Government	0	71	(71)
	Fire Protection	20,000	20,000	0
	Capital Purchases	0	110,063	(110,063)
	Total Expenditures	20,000	130,134	(110,134)
	(DEFICIT) OF REVENUES OVER EXPENDITURES	(11,400)	(120,877)	(109,477)
OTHER FINANCING SOURCES (USES)				
	Transfers In (Out)	20,000	(500)	(20,500)
	Total Other Financing (Uses), Net	20,000	(500)	(20,500)
NET CHANGE IN FUND BALANCE		\$ 8,600	(121,377)	\$ (129,977)
FUND BALANCE, BEGINNING OF YEAR			2,399,643	
FUND BALANCE, END OF YEAR			\$ 2,278,266	

WILLISTOWN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2010

The budgets presented in the required supplementary information are presented on the budgetary basis which is the modified accrual basis of accounting. During 2010, actual expenditures were in excess of appropriations for the individual funds listed below. None of the excess amounts were deemed to be material violations.

		Original and Final		Actual Amounts		Variance Over	
		Appropriated		(Budgetary Basis)		(Under)	
		Budget					
GENERAL FUND							
	General Government	\$	1,801,742	\$	2,170,261	\$	(368,519)
	Planning and Zoning	\$	144,459	\$	292,361	\$	(147,902)
	Public Works	\$	488,403	\$	700,290	\$	(211,887)
	Library/Parks/Recreation	\$	253,795	\$	306,676	\$	(52,881)
	Debt Service	\$	41,351	\$	43,551	\$	(2,200)
During 2010, the Township no longer allocates certain expenses (i.e. payroll and insurance) to various departments and records all amounts to General Government.							
<hr/>							
OPEN SPACE FUND							
	General Government	\$	19,138	\$	29,823	\$	(10,685)
<hr/>							
CAPITAL RESERVE FUND							
	Capital Purchases	\$	0	\$	110,063	\$	(110,063)

The excess for capital purchases was due to the office move and police building renovation.

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS - UNIFORM AND NON-UNIFORM PLANS
EIGHT YEARS ENDED DECEMBER 31, 2009

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%
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%

Other Supplementary Information

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - VALLEY FORGE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,190,826	\$ 1,536,623	\$ 345,797
	Total Revenues	1,190,826	1,536,623	345,797
OPERATING EXPENSES	Sewage Treatment	779,814	377,590	402,224
	Operations and Maintenance	137,000	240,397	(103,397)
	General and Administrative	12,765	9,133	3,632
	Total Operating Expenses	929,579	627,120	302,459
NET OPERATING INCOME BEFORE DEPRECIATION		261,247	909,503	648,256
	Depreciation & Amortization	0	134,889	(134,889)
NET INCOME FROM OPERATIONS		261,247	774,614	513,367
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	5,450	5,450
	Investment Income	1,640	3,725	2,085
	Interfund Transfers - Net	0	374,879	374,879
	Interest Expense	(95,620)	(85,184)	10,436
	Total Non-Operating Income (Expense), Net	(93,980)	298,870	392,850
CHANGE IN NET ASSETS		\$ 167,267	\$ 1,073,484	\$ 906,217
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS				
	Capital Expenditures	\$ 0	\$ (1,384,713)	\$ (1,384,713)
	Grant Awards	96,500	96,500	0
	Principal Retirement	(166,262)	(193,583)	(27,321)
	Total Other Budgeted Items	(69,762)	(1,481,796)	(1,412,034)
NET CHANGE IN FUND BALANCE		\$ 97,505		

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - PENNS PRESERVE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 104,995	\$ 116,159	\$ 11,164
	Total Revenues	104,995	116,159	11,164
OPERATING EXPENSES	Operations and Maintenance	105,520	147,521	(42,001)
	General and Administrative	382	0	382
	Total Operating Expenses	105,902	147,521	(41,619)
NET OPERATING LOSS BEFORE DEPRECIATION		(907)	(31,362)	(30,455)
	Depreciation	0	0	0
NET LOSS FROM OPERATIONS		(907)	(31,362)	(30,455)
NON-OPERATING INCOME (EXPENSE)	Investment Income	908	798	(110)
	Interfund Transfers - Net	0	0	0
	Total Non-Operating Income (Expense), Net	908	798	(110)
CHANGE IN NET ASSETS		\$ 1	\$ (30,564)	\$ (30,565)

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - LOW PRESSURE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 69,865	\$ 67,328	\$ (2,537)
	<i>Total Revenues</i>	69,865	67,328	(2,537)
OPERATING EXPENSES	Operations and Maintenance	70,000	126,890	(56,890)
	<i>Total Operating Expenses</i>	70,000	126,890	(56,890)
NET OPERATING LOSS BEFORE DEPRECIATION		(135)	(59,562)	(59,427)
	Depreciation	0	0	0
NET LOSS FROM OPERATIONS		(135)	(59,562)	(59,427)
NON-OPERATING INCOME (EXPENSE)	Investment Income	135	39	(96)
	Interfund Transfers - Net	0	(22,203)	(22,203)
	<i>Total Non-Operating Income (Expense), Net</i>	135	(22,164)	(22,299)
CHANGE IN NET ASSETS		\$ <u>0</u>	\$ <u>(81,726)</u>	\$ <u>(81,726)</u>

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - COMBINED SEWER FUND
(EXCLUDING SEWER MAINTENANCE FUND)
FOR THE YEAR ENDED DECEMBER 31, 2010

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,365,686	\$ 1,720,110	\$ 354,424
	Total Revenues	<u>1,365,686</u>	<u>1,720,110</u>	<u>354,424</u>
OPERATING EXPENSES	Sewage Treatment	779,814	377,590	402,224
	Operations and Maintenance	312,520	514,808	(202,288)
	General and Administrative	13,147	9,133	4,014
	Total Operating Expenses	<u>1,105,481</u>	<u>901,531</u>	<u>203,950</u>
NET OPERATING INCOME BEFORE DEPRECIATION		<u>260,205</u>	<u>818,579</u>	<u>558,374</u>
	Depreciation & Amortization	0	134,889	(134,889)
NET INCOME FROM OPERATIONS		<u>260,205</u>	<u>683,690</u>	<u>423,485</u>
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	5,450	5,450
	Investment Income	2,683	4,562	1,879
	Interest Expense	(95,620)	(85,184)	10,436
	Interfund Transfers - Net	0	352,676	352,676
	Total Non-Operating Income (Expense), Net	<u>(92,937)</u>	<u>277,504</u>	<u>370,441</u>
CHANGE IN NET ASSETS		\$ <u>167,268</u>	\$ <u>961,194</u>	\$ <u>793,926</u>
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS				
	Capital Expenditures	\$ 0	\$ (1,384,713)	\$ (1,384,713)
	Grant Awards	96,500	96,500	0
	Principal Retirement	(166,262)	(193,583)	(27,321)
	Total Other Budgeted Items	<u>(69,762)</u>	<u>(1,481,796)</u>	<u>(1,412,034)</u>
NET CHANGE IN FUND BALANCE		\$ <u>97,506</u>		

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).