

TREDYFFRIN TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

TREDYFFRIN TOWNSHIP
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Net Assets - Fiduciary Funds	20
Statement of Changes in Net Assets - Fiduciary Funds	21
Notes to Financial Statements	22 - 46

TREDYFFRIN TOWNSHIP
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	47 - 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	49 - 50
Combining Statement of Net Assets - Fiduciary Funds	51
Combining Statement of Changes in Net Assets - Fiduciary Funds	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53 - 54
Schedule of Findings and Recommendations	55 - 57

INDEPENDENT AUDITORS' REPORT

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January 5, 2011

Board of Supervisors
Tredyffrin Township
Berwyn, 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 Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tredyffrin Township, Berwyn, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2009, the respective changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2011 on our consideration of Tredyffrin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Board of Supervisors
Tredyffrin Township

The budgetary comparison statement for the General Fund is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The Tredyffrin Township has not presented the budgetary comparison statement for the General Fund that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tredyffrin Township, Berwyn, Pennsylvania's basic financial statements. The combining nonmajor governmental fund financial statements and the combining fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and the combining fiduciary fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2009

This discussion and analysis of Tredyffrin Township, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2009. Please read it in conjunction with the Township's financial statements, which begin with the statement of net assets.

FINANCIAL HIGHLIGHTS

- The assets of Tredyffrin Township exceeded its liabilities at the close of the most recent fiscal year by \$84,677,849 (representing its net assets). Of this amount, \$35,994,822 (or its unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$3,939,827 in 2009.
- As of December 31, 2009, the Township's governmental funds reported a combined ending funds balance of \$24,138,239, a decrease of \$5,884,425 as compared to the prior year. Approximately 47 percent of the total fund balance, or \$11,227,591, is available for spending at the Township's discretion (unreserved and undesignated fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The entity-wide statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements follow and explain how services were financed in the short term as well as what remains for future spending. Fund financial statements report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. Notes to the financial statements provide additional disclosures that will assist the reader in understanding the Township's financial condition. The report also includes supplementary information such as pension funding, budgetary comparisons and balance sheets for special revenue funds.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the Township as a whole begins with the statement of net assets and the statement of activities.

These statements provide information that will help the reader to determine if the Township is financially better off or worse off 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.

These two statements report the Township's net assets and changes in them 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

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall financial health of the Township.

In the statement of net assets and the statement of activities, the Township is divided into two kinds of activities:

- **Governmental activities** – Most of the Township's basic services are reported here, including police and fire, general administration, libraries, public works, and parks and recreation. Property taxes, the local services tax, intergovernmental revenues and franchise fees finance most of these activities.
- **Business-type activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer and utility fund is reported here. The Township also includes a separate legal entity in its report - the Tredyffrin Township Municipal Authority. The Municipal Authority is a public authority, which exists to finance facilities for use in the sanitary sewer operation of the Township Municipal Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government.

Reporting the Township's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds have been established to help control and manage money for particular purposes (Special Revenue Funds) or to demonstrate compliance with legal responsibilities for using certain taxes, grants and other money (Capital Projects Funds). The Township has three kinds of funds - governmental, proprietary and fiduciary.

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 the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds are described in the reconciliation at the end of the fund financial statements.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

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 funds (a component of proprietary funds) are the same as the business-type activities reported in the entity-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

Fiduciary Funds: 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. These activities are excluded 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 only for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Entity-wide

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of 2009, the Township's assets exceeded its liabilities by \$84,677,849, which is a \$3,939,827 decrease versus the prior year.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, highways and additions or improvements to the libraries, storm drainage and the sewer conveyance 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. The balance of unrestricted net assets at the close of 2009, \$35,994,822, may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains an "Aaa" rating from Moody's for its current debt issuances. This is Moody's 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 shown in Table 1, the 2009 net assets decrease of \$3,939,827 is the result of a \$5,626,292 decrease in current and other assets, a \$391,512 increase in capital assets and other noncurrent assets, a \$1,112,041 decrease in long-term liabilities, and a \$182,912 increase in other liabilities.

TABLE 1: TREDYFFRIN TOWNSHIP'S NET ASSETS
December 31, 2009 and 2008

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 25,511,919	\$ 31,019,547	\$ 56,531,466	\$ 31,896,749	\$ 30,261,009	\$ 62,157,758
Capital assets	<u>56,585,952</u>	<u>7,860,346</u>	<u>64,446,298</u>	<u>56,445,289</u>	<u>7,609,497</u>	<u>64,054,786</u>
Total Assets	<u>82,097,871</u>	<u>38,879,893</u>	<u>120,977,764</u>	<u>88,342,038</u>	<u>37,870,506</u>	<u>126,212,544</u>
Long-term liabilities	26,673,988	3,483,849	30,157,837	27,456,159	3,813,719	31,269,878
Other liabilities	<u>3,003,249</u>	<u>3,138,829</u>	<u>6,142,078</u>	<u>4,384,533</u>	<u>1,940,457</u>	<u>6,324,990</u>
Total Liabilities	<u>29,677,237</u>	<u>6,622,678</u>	<u>36,299,915</u>	<u>31,840,692</u>	<u>5,754,176</u>	<u>37,594,868</u>
Invested in capital assets, net	44,713,173	3,969,854	48,683,027	38,998,335	3,121,393	42,119,728
Restricted	-	-	-	2,760	-	2,760
Unrestricted	<u>7,707,461</u>	<u>28,287,361</u>	<u>35,994,822</u>	<u>17,500,251</u>	<u>28,994,937</u>	<u>46,495,188</u>
Total Net Assets	<u>\$ 52,420,634</u>	<u>\$ 32,257,215</u>	<u>\$ 84,677,849</u>	<u>\$ 56,501,346</u>	<u>\$ 32,116,330</u>	<u>\$ 88,617,676</u>

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

As shown in Table 2, expenses exceeded revenue by \$3,939,827 in 2009 resulting in an overall decrease in net assets. Revenue from the real estate transfer tax, local services tax and building permit fees decreased significantly due to the economic downturn.

TABLE 2: TREDYFFRIN TOWNSHIP'S CHANGES IN NET ASSETS
December 31, 2009 and 2008

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program revenues:						
Charges for services	\$ 1,583,945	\$ 5,328,952	\$ 6,912,897	\$ 2,859,393	\$ 4,718,167	\$ 7,577,560
Operating grants/contributions	2,591,769	-	2,591,769	2,400,564	-	2,400,564
Capital grants/contributions	-	-	-	2,382,081	36,696	2,418,777
General revenues:						
Real estate taxes	8,334,086	-	8,334,086	7,699,816	-	7,699,816
Real estate transfer taxes	2,188,111	-	2,188,111	2,566,751	-	2,566,751
Local services tax	1,750,454	-	1,750,454	1,694,958	-	1,694,958
Investment earnings	387,976	579,804	967,780	474,217	(1,813,847)	(1,339,630)
Other	632,085	-	632,085	37,852	238,012	275,864
TOTAL REVENUES	17,468,426	5,908,756	23,377,182	20,115,632	3,179,028	23,294,660
EXPENSES						
General government	1,692,062	-	1,692,062	1,443,711	-	1,443,711
Public safety	13,602,383	-	13,602,383	12,556,122	-	12,556,122
Highway/Streets	2,457,077	-	2,457,077	3,676,175	-	3,676,175
Other public works	65,822	-	65,822	74,348	-	74,348
Library	1,375,211	-	1,375,211	1,468,109	-	1,468,109
Culture and recreation	1,125,893	-	1,125,893	1,559,720	-	1,559,720
Interest on bonds	1,230,690	-	1,230,690	1,270,269	-	1,270,269
Sewer operations	-	5,767,871	5,767,871	-	4,820,116	4,820,116
TOTAL EXPENSES	21,549,138	5,767,871	27,317,009	22,048,454	4,820,116	26,868,570
CHANGE IN NET ASSETS	(4,080,712)	140,885	(3,939,827)	(1,932,822)	(1,641,088)	(3,573,910)
NET ASSETS, BEGINNING, RESTATED	56,501,346	32,116,330	88,617,676	58,434,168	33,757,418	92,191,586
NET ASSETS, ENDING	\$ 52,420,634	\$ 32,257,215	\$ 84,677,849	\$ 56,501,346	\$ 32,116,330	\$ 88,617,676

Governmental Activities

Real estate taxes and real estate transfer taxes provide the major funding for the Township's governmental activities. Real estate taxes are the largest revenue source, accounting for 48 percent of revenue. In 2009, the real estate millage increased from 2.18 to 2.23. Real estate transfer taxes provided nine percent of revenue.

As shown in Table 3, the cost of all governmental activities this year was \$21,549,138. Of this amount, taxes funded 57 percent, with the balance funded through program revenues and other general revenues. The program revenues were paid by those who directly benefited from the programs (\$1,583,945) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$2,591,769).

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

Public safety programs are the largest spending commitment, accounting for approximately 63 percent of the Township's governmental activities expenditures. General administration and public works services account for approximately eight percent and 12 percent, respectively, of the expenditures.

Net costs increased by \$2,967,008 versus the prior year.

**TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>% of Total Cost</u>	<u>Program Revenue</u>	<u>Total Net Cost of Services</u>
General government	\$ 1,692,062	8%	\$ 838,879	\$ 853,183
Public safety	12,602,383	63%	1,942,322	11,660,061
Public works	2,522,899	12%	824,046	1,698,853
Library	1,375,211	6%	374,234	1,000,977
Culture and	1,125,893	5%	196,233	929,660
Interest on bonds	1,230,690	6%	-	1,230,690
Totals	<u>\$ 21,549,138</u>	<u>100%</u>	<u>\$ 4,175,714</u>	<u>\$ 17,373,424</u>

Business-type Activities

Business-type activities consist of the Township's sewer system. The Tredyffrin Township Municipal Authority financed construction of the sewer system and owns and leases it to the Township.

The Board of Supervisors establishes and collects sewer/utility fees from users of the system, which pay for the Township's lease payment to the Municipal Authority, as well as operation and maintenance of the sewer system.

The sewer/utility fees also pay for operation and maintenance of the Township's traffic signals and street lights.

Sewer/utility expenditures totaled \$5,767,871 in 2009, a \$947,755 increase over the prior year.

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

As shown in Table 2, revenues exceeded expenses by \$140,855 in 2009, due in large part to an increase in the annual sewer fee. As shown in Table 1, the net assets increase is reflected in a \$758,538 increase in current assets and other assets and a \$674,890 decrease in long-term liabilities.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

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.

Governmental Funds

The Township maintains a General Fund which serves as the chief operating fund of the Township. 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, 2009, the Township's governmental funds reported combined ending balances of \$24,138,239, a decrease of \$5,884,425 compared to the prior year. Approximately 47 percent, or \$11,227,591, constitutes unreserved and undesignated fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved and/or designated, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service, 2) capital improvements or 3) a variety of other purposes.

The fund balance of the General Fund decreased by \$2,744,853 in fiscal year 2009. Key factors for this decrease are revenue impacts from the economic downturn, including reduced receipts from the real estate transfer tax, local services tax and building permit fees, as well as lower investment income.

The Township maintains Capital Construction Funds to account for major capital acquisitions and constructions separately from the ongoing operating activities. As of December 31, 2009, the combined fund balance was \$6,196,508.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The primary Special Revenue Funds include the Liquid Fuels Fund and the Transportation District Fund. Revenue sources for these funds include state grants, a special assessment and interest earnings.

- Liquid Fuels Fund - The Township received \$616,481 from the Commonwealth of Pennsylvania to pay for roadway resurfacing.
- Transportation District Fund - The Township received \$527,768 from the special assessment levied to businesses along the Route 202 corridor. The revenue funds the debt service for bonds issued for infrastructure improvements related to the widening of Section 400 of Route 202. As of December 31, 2009, the fund balance of the Special Revenue Fund was \$165,803, an increase of \$98,535 versus 2008.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

The Township maintains Debt Service Funds to set aside resources to meet current and future obligations of the Township, including but not limited to, debt service and general liabilities. As of December 31, 2009, the combined fund balance was \$1,728,608.

Proprietary Funds

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

Unrestricted net assets of the Sewer Utility Fund and the TTMA Sewer Projects Fund at the end of the year amounted to \$28,287,361. The total increase in net assets was \$140,855. Factors contributing to the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

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 pertain to the police defined benefit pension plan and money purchase defined contribution plan for non-uniformed staff. The Agency Funds are custodial in nature and account for escrow accounts held by the Township.

GENERAL FUND BUDGETARY HIGHLIGHTS

For 2009, there were no revisions to the General Fund budget.

In the 2009 fiscal year, actual revenue was less than budgeted by \$531,142. Actual expenditures were less than budgeted by \$6,464,900. Key factors for these results are as follows:

- The favorable expense variance to budget was primarily from various capital additions and/or improvement projects not materializing as planned, and strict oversight due to concerns about the economy's expected impact on revenue. Also, real estate tax, and license and revenues increased by \$163,111 and \$175,474, respectively.
- Other financing sources were less than budgeted by \$67,432 due to the capital addition and/or improvement projects being delayed.

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, 2009 amounts to \$64,137,218, net of accumulated depreciation. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure.

Additional information on the Township's capital assets can be found in Note 4 of this report.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2009

Long-term Debt

As of December 31, 2009, the Township had \$27,480,000 in bonds outstanding – a decrease of \$4,780,000 versus the prior year. Of that total, \$20,075,000 was non-electoral debt and \$7,405,000 was self-liquidating guaranteed revenue debt.

Tredyffrin Township maintains an "Aaa" rating from Moody's for its current debt issuances.

During fiscal year 2009, the Township refinanced some of its existing debt to take advantage of favorable interest rates.

- Tredyffrin Township issued \$2,800,000 of General Obligation Bonds in August 2009. The proceeds of these bonds plus a Township contribution of \$2,500,000 were used to refund the balance of the 2003 General Obligation Bonds. The result is to decrease future debt service payments and achieve a present value savings of \$2,911,700.

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 2010 annual budget for the general fund was balanced for the first time in many years, due to a firm commitment from the Board of Supervisors to do so without raising taxes.
- The Board of Supervisors formed a citizen's budget advisory group that worked throughout 2009 to assist the Township with efforts to reduce expenses during 2009 and balance the budget in 2010.
- In 2010, staff was reduced by 16 percent through layoffs and attrition.
- The Township continues to maintain a diversified (70 percent residential and 30 percent commercial) real estate revenue base should there be any short-term fluctuations in any one source.
- There is little new development occurring, and the pace of renovations and additions is slowing. Real estate tax revenue and building permits are expected to remain static.
- The precipitous decline in real estate transfer tax revenue appears to be leveling off and beginning a slow increase.
- Increases in the cost of staff benefits continue to place added financial burdens on the Township.
- The Sewer/Utility fee increased by \$50/EDU in 2010 to \$250/EDU, the first fee increase since 1989.

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 Tredyffrin 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: Finance Director, Tredyffrin Township, 1100 DuPortail Road, Berwyn, PA 19312. In addition, general information relating to Tredyffrin Township can be found via the web at www.tredyffrin.org.

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,762,024	\$ 3,268,110	\$ 16,030,134
Investments	14,007,800	20,193,080	34,200,880
Accounts and other receivables, net	1,603,075	4,568,646	6,171,721
Taxes receivable	128,731	-	128,731
Internal balances	(2,989,711)	2,989,711	-
TOTAL CURRENT ASSETS	<u>25,511,919</u>	<u>31,019,547</u>	<u>56,531,466</u>
NONCURRENT ASSETS:			
Bond issuance costs, net of amortization	233,588	75,492	309,080
Depreciable capital assets, net	47,889,959	7,450,447	55,340,406
Land	7,105,057	-	7,105,057
Construction-in-progress	1,357,348	334,407	1,691,755
TOTAL NONCURRENT ASSETS	<u>56,585,952</u>	<u>7,860,346</u>	<u>64,446,298</u>
TOTAL ASSETS	<u><u>\$ 82,097,871</u></u>	<u><u>\$ 38,879,893</u></u>	<u><u>\$ 120,977,764</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and other current liabilities	\$ 1,238,716	\$ 1,141,270	\$ 2,379,986
Accrued interest	104,262	70,987	175,249
Deferred revenue	-	1,596,702	1,596,702
Current portion of long-term debt	1,680,000	330,000	2,010,000
Bond discounts	(47,100)	(130)	(47,230)
Bond premiums	8,910	-	8,910
Compensated absences	18,461	-	18,461
TOTAL CURRENT LIABILITIES	<u>3,003,249</u>	<u>3,138,829</u>	<u>6,142,078</u>
NONCURRENT LIABILITIES:			
Long-term portion of long-term debt	21,985,000	3,485,000	25,470,000
Bond discounts	(441,967)	(1,151)	(443,118)
Bond premiums	96,897	-	96,897
Compensated absences	166,150	-	166,150
OPEB obligation	4,867,908	-	4,867,908
TOTAL NONCURRENT LIABILITIES	<u>26,673,988</u>	<u>3,483,849</u>	<u>30,157,837</u>
TOTAL LIABILITIES	<u>29,677,237</u>	<u>6,622,678</u>	<u>36,299,915</u>
NET ASSETS:			
Invested in capital assets, net of related debt	44,713,173	3,969,854	48,683,027
Unrestricted	7,707,461	28,287,361	35,994,822
TOTAL NET ASSETS	<u>52,420,634</u>	<u>32,257,215</u>	<u>84,677,849</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 82,097,871</u></u>	<u><u>\$ 38,879,893</u></u>	<u><u>\$ 120,977,764</u></u>

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

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES:						
General government	\$ 1,692,062	\$ 683,566	\$ -	\$ (853,183)	\$ -	\$ (853,183)
Public safety	13,602,383	1,084,157	-	(11,660,061)	-	(11,660,061)
Public works - highways and streets	2,457,077	616,481	-	(1,840,596)	-	(1,840,596)
Public works - sanitation	65,822	207,565	-	141,743	-	141,743
Library	1,375,211	374,234	-	(1,000,977)	-	(1,000,977)
Culture and recreation	1,125,893	-	-	(929,660)	-	(929,660)
Interest expense	1,230,690	-	-	(1,230,690)	-	(1,230,690)
TOTAL GOVERNMENTAL ACTIVITIES	<u>21,549,138</u>	<u>2,591,769</u>	<u>-</u>	<u>(17,373,424)</u>	<u>-</u>	<u>(17,373,424)</u>
BUSINESS-TYPE ACTIVITIES:						
Sewer	5,767,871	-	-	-	(438,919)	(438,919)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>5,767,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(438,919)</u>	<u>(438,919)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 27,317,009</u>	<u>\$ 2,591,769</u>	<u>\$ -</u>	<u>(17,373,424)</u>	<u>(438,919)</u>	<u>(17,812,343)</u>
COMPONENT UNITS:						
Sewer Authority						
				8,334,086	-	8,334,086
				2,188,111	-	2,188,111
				1,750,454	-	1,750,454
				572,166	-	572,166
				387,976	579,804	967,780
				16,776	-	16,776
				39,446	-	39,446
				3,697	-	3,697
				<u>13,292,712</u>	<u>579,804</u>	<u>13,872,516</u>
				(4,080,712)	140,885	(3,939,827)
				56,501,346	32,116,330	88,617,676
				<u>\$ 52,420,634</u>	<u>\$ 32,257,215</u>	<u>\$ 84,677,849</u>

-12-

**TREDYFFRIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General Fund	Capital Construction Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 3,990,251	\$ 2,524,431	\$ 6,247,342	\$ 12,762,024
Investments	7,787,253	6,141,068	79,479	14,007,800
Taxes receivable, net	127,267	-	1,464	128,731
Accounts receivable, net	1,522,257	80,818	-	1,603,075
Due from other funds	6,045,476	-	45,918	6,091,394
TOTAL ASSETS	<u><u>\$ 19,472,504</u></u>	<u><u>\$ 8,746,317</u></u>	<u><u>\$ 6,374,203</u></u>	<u><u>\$ 34,593,024</u></u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 724,142	\$ -	\$ -	\$ 724,142
Accrued liabilities	514,574	-	-	514,574
Due to other funds	5,987,858	2,549,809	543,438	9,081,105
Deferred revenue	133,500	-	1,464	134,964
TOTAL LIABILITIES	<u><u>7,360,074</u></u>	<u><u>2,549,809</u></u>	<u><u>544,902</u></u>	<u><u>10,454,785</u></u>
FUND BALANCE:				
Reserved for specific purposes	-	6,196,508	5,829,301	12,025,809
Designated for post-employment benefits	884,839	-	-	884,839
Unreserved	11,227,591	-	-	11,227,591
TOTAL FUND BALANCE	<u><u>12,112,430</u></u>	<u><u>6,196,508</u></u>	<u><u>5,829,301</u></u>	<u><u>24,138,239</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 19,472,504</u></u>	<u><u>\$ 8,746,317</u></u>	<u><u>\$ 6,374,203</u></u>	<u><u>\$ 34,593,024</u></u>

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

**TREDYFFRIN TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 24,138,239
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Depreciable capital assets, net	47,889,959
Land	7,105,057
Construction-in-progress	1,357,348

Bond issuance costs are recorded as an expenditure in the fund statements but recorded as an asset and amortized over the life of the bonds in the statement of net assets.	233,588
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Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	134,964
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(184,611)
Net OPEB obligation	(4,867,908)
Accrued Interest payable	(104,262)
Bond discounts	489,067
Bond premiums	(105,807)
General obligation bonds payable	(23,665,000)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 52,420,634
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Capital Construction Fund	Other Governmental Funds	Total
REVENUES				
Taxes	\$11,748,974	\$ -	\$ 527,768	\$12,276,742
Licenses and permits	808,674	-	-	808,674
Fines, forfeits and costs	162,949	-	-	162,949
Interest, dividends and rents	256,108	192,103	29,251	477,462
Unrealized losses on investments	(36,450)	(38,650)	(1,267)	(76,367)
Realized losses on investments	(7,790)	(5,311)	(18)	(13,119)
Intergovernmental revenues	1,592,607	-	616,481	2,209,088
Charges for services/fees	1,583,945	-	-	1,583,945
Miscellaneous revenue/other	39,446	-	-	39,446
TOTAL REVENUES	<u>16,148,463</u>	<u>148,142</u>	<u>1,172,215</u>	<u>17,468,820</u>
EXPENDITURES				
Current:				
General government	1,171,467	6,275	25,027	1,202,769
Public safety	11,792,244	-	-	11,792,244
Public works - highways and streets	2,560,835	-	-	2,560,835
Public works - sanitation	63,443	-	-	63,443
Library	1,422,949	-	-	1,422,949
Culture and recreation	973,551	-	-	973,551
Debt Service:				
Principal	1,410,000	-	340,000	1,750,000
Bond issue costs	30,800	-	-	30,800
Interest and other charges	975,075	-	128,536	1,103,611
TOTAL EXPENDITURES	<u>20,400,364</u>	<u>6,275</u>	<u>493,563</u>	<u>20,900,202</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,251,901)</u>	<u>141,867</u>	<u>678,652</u>	<u>(3,431,382)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	2,800,000	-	-	2,800,000
Discount on refunding bonds	(16,740)	-	-	(16,740)
Payment to refunded bond escrow agent	(5,240,000)	-	-	(5,240,000)
Proceeds from the sale of capital assets	3,697	-	-	3,697
Transfers in	7,309,706	4,796	468,533	7,783,035
Transfers out	(3,349,615)	(3,890,192)	(543,228)	(7,783,035)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,507,048</u>	<u>(3,885,396)</u>	<u>(74,695)</u>	<u>(2,453,043)</u>
NET CHANGE IN FUND BALANCES	<u>(2,744,853)</u>	<u>(3,743,529)</u>	<u>603,957</u>	<u>(5,884,425)</u>
FUND BALANCES, BEGINNING OF YEAR, RESTATED	<u>14,857,283</u>	<u>9,940,037</u>	<u>5,225,344</u>	<u>30,022,664</u>
FUND BALANCES, END OF YEAR	<u>\$12,112,430</u>	<u>\$6,196,508</u>	<u>\$5,829,301</u>	<u>\$24,138,239</u>

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

TREDYFFRIN TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (5,884,425)

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 (\$2,732,175) exceeded depreciation expense (\$2,554,673) in the current period.

177,502

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(4,091)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Refunding bonds issued	(2,800,000)
Payment to refunded bond escrow agent	5,240,000
Discount on refunding bonds to be amortized over the life of the bonds	16,740
Bond issue costs associated with the refunding bonds to be amortized over the life of the bonds	30,800
Bond principal	1,750,000
Accrued interest	18,048
Amortization of bond issuance costs and premiums	(145,127)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(17,139)
OPEB liability	(2,463,020)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (4,080,712)

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

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2009

	Enterprise Funds		
	Sewer Utility Fund	TTMA - Sewer Projects Fund	Totals
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,543,180	\$ 724,930	\$ 3,268,110
Investments	20,193,080	-	20,193,080
Accounts receivable, net	279,609	-	279,609
Unbilled receivable	4,289,037	-	4,289,037
Due from other funds	4,538,660	-	4,538,660
Total current assets	<u>31,843,566</u>	<u>724,930</u>	<u>32,568,496</u>
NONCURRENT ASSETS:			
Deferred charges	-	75,492	75,492
Capital assets, net	7,784,854	-	7,784,854
Total noncurrent assets	<u>7,784,854</u>	<u>75,492</u>	<u>7,860,346</u>
TOTAL ASSETS	<u><u>\$ 39,628,420</u></u>	<u><u>\$ 800,422</u></u>	<u><u>\$ 40,428,842</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 1,141,270	\$ -	\$ 1,141,270
Accrued interest	-	70,987	70,987
Deferred revenue	1,596,702	-	1,596,702
Revenue bonds	-	330,000	330,000
Unamortized discount	-	(130)	(130)
Lease payable (receivable)	330,000	(330,000)	-
Due to other funds	952,256	596,693	1,548,949
Total Current Liabilities	<u>4,020,228</u>	<u>667,550</u>	<u>4,687,778</u>
NONCURRENT LIABILITIES:			
Lease payable (receivable)	3,485,000	(3,485,000)	-
Revenue bonds	-	3,485,000	3,485,000
Unamortized discount	-	(1,151)	(1,151)
Total Noncurrent Liabilities	<u>3,485,000</u>	<u>(1,151)</u>	<u>3,483,849</u>
TOTAL LIABILITIES	<u><u>7,505,228</u></u>	<u><u>666,399</u></u>	<u><u>8,171,627</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	3,969,854	-	3,969,854
Unrestricted	28,153,338	134,023	28,287,361
TOTAL NET ASSETS	<u><u>32,123,192</u></u>	<u><u>134,023</u></u>	<u><u>32,257,215</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 39,628,420</u></u>	<u><u>\$ 800,422</u></u>	<u><u>\$ 40,428,842</u></u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds		
	Sewer Utility Fund	TTMA - Sewer Projects Fund	Total
OPERATING REVENUES			
Sewer fees	\$ 4,589,703	\$ -	\$ 4,589,703
Sewer fees - other governments	739,030	-	739,030
Other fees	219	-	219
TOTAL OPERATING REVENUES	<u>5,328,952</u>	<u>-</u>	<u>5,328,952</u>
OPERATING EXPENSES			
Sewer disposal	2,586,553	-	2,586,553
Salaries and wages	388,722	-	388,722
Administration	104,380	-	104,380
Engineering	43,108	-	43,108
Allocation of expenses	764,211	-	764,211
Supplies	14,509	-	14,509
Electric/Lighting	494,295	-	494,295
Repairs and maintenance	457,521	-	457,521
Depreciation	369,131	-	369,131
TOTAL OPERATING EXPENSES	<u>5,222,430</u>	<u>-</u>	<u>5,222,430</u>
OPERATING INCOME	<u>106,522</u>	<u>-</u>	<u>106,522</u>
NONOPERATING REVENUE (EXPENSES)			
Interest on lease rental payments	(149,486)	149,486	-
Interest and investment revenue	323,295	450	323,745
Unrealized gain on investments	256,059	-	256,059
Interest expense on bonds	-	(149,627)	(149,627)
Amortization expense	-	(7,612)	(7,612)
Other	(388,202)	-	(388,202)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>41,666</u>	<u>(7,303)</u>	<u>34,363</u>
INCOME (LOSS) BEFORE TRANSFERS	148,188	(7,303)	140,885
Transfers in	429,551	-	429,551
Transfers out	-	(429,551)	(429,551)
CHANGE IN NET ASSETS	577,739	(436,854)	140,885
NET ASSETS, BEGINNING OF YEAR	<u>31,545,453</u>	<u>570,877</u>	<u>32,116,330</u>
NET ASSETS, END OF YEAR	<u>\$ 32,123,192</u>	<u>\$ 134,023</u>	<u>\$ 32,257,215</u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds		
	Sewer Utility Fund	TTMA - Sewer Projects Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,705,596	\$ -	\$ 3,705,596
Receipts from other governments	1,342,874	-	1,342,874
Payments to suppliers for goods and services	(4,028,305)	-	(4,028,305)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,020,165</u>	<u>-</u>	<u>1,020,165</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to (from)	(3,553,830)	358,563	(3,195,267)
Transfers in	429,551	-	429,551
Transfers out	-	(429,551)	(429,551)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(3,124,279)</u>	<u>(70,988)</u>	<u>(3,195,267)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest (paid) received on lease receivable	(149,486)	149,486	-
Principal (paid) received on lease receivable	(590,000)	590,000	-
Purchases of capital assets	(627,592)	-	(627,592)
Principal paid on capital debt	-	(590,000)	(590,000)
Interest paid on capital debt	-	(157,020)	(157,020)
Other payments	(39,612)	-	(39,612)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,406,690)</u>	<u>(7,534)</u>	<u>(1,414,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and investment revenues	344,359	482	344,841
Proceeds from sale of investments	702,625	-	702,625
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,046,984</u>	<u>482</u>	<u>1,047,466</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(2,463,820)</u>	<u>(78,040)</u>	<u>(2,541,860)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,007,000</u>	<u>802,970</u>	<u>5,809,970</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,543,180</u></u>	<u><u>\$ 724,930</u></u>	<u><u>\$ 3,268,110</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 106,522	\$ -	\$ 106,522
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	369,131	-	369,131
(Increase) Decrease in assets:			
Accounts receivable	(42,156)	-	(42,156)
Unbilled receivables	(879,227)	-	(879,227)
Increase (decrease) in liabilities:			
Accounts and other payables	824,993	-	824,993
Deferred revenue	640,902	-	640,902
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,020,165</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,020,165</u></u>
NONCASH INVESTING ACTIVITY:			
Unrealized gain on investments	<u>\$ 256,059</u>	<u>\$ -</u>	<u>\$ 256,059</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:			
Amortization of bond premium	<u>\$ -</u>	<u>\$ 7,612</u>	<u>\$ 7,612</u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2009

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 978,472	\$ 12,443
Investments, at fair value	21,040,318	-
Due from employees	7,512	-
Due from employer	14,651	-
TOTAL ASSETS	<u>\$ 22,040,953</u>	<u>\$ 12,443</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 10,111
Due to Township	-	2,332
TOTAL LIABILITIES	<u>-</u>	<u>12,443</u>
NET ASSETS		
Held in trust for pension benefits and pool participants	<u>22,040,953</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,040,953</u>	<u>\$ 12,443</u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

ADDITIONS

Contributions:

State aid	\$ 312,801
Employer contributions	591,633
Employee contributions	186,433
Total contributions	<u>1,090,867</u>

Investment income:

Interest and dividends	623,376
Unrealized gain on investments	4,348,524
Realized loss on investments	<u>(525,749)</u>
Net investment income	<u>4,446,151</u>

TOTAL ADDITIONS	<u>5,537,018</u>
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DEDUCTIONS

Pension payments	1,330,642
Administrative expenses	<u>69,015</u>

TOTAL DEDUCTIONS	<u>1,399,657</u>
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CHANGE IN NET ASSETS	4,137,361
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NET ASSETS, BEGINNING OF YEAR	<u>17,903,592</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 22,040,953</u></u>
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township is located at the eastern edge of Chester County, Pennsylvania and is part of the Philadelphia Metropolitan Area. The Township was incorporated in 1707 and is a Home Rule Municipality. The Township is governed by a seven-member Board of Supervisors, four of whom are elected at large while three are elected from districts.

Tredyffrin Township complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

For financial reporting purposes, Tredyffrin Township's primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component units, which are legally separate organizations for which the Township's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity as amended by GASB No. 39." The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Blended Component Units

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. Tredyffrin Township has one blended component unit.

Tredyffrin Township Municipal Authority (TTMA) - The Authority was organized on June 30, 1959 as a separate legal entity under the laws of the Commonwealth of Pennsylvania. The Authority, whose purpose is to provide certain public programs and facilities, is administered by a seven-member Board appointed by the Tredyffrin Township Board of Supervisors. The Township uses the Authority as an instrument to raise debt to fund various capital projects and infrastructure improvements. The Authority's Construction Fund, Debt Service Fund and Transportation District Fund are presented as governmental fund types. The Authority's Sewer Projects Fund is presented as a proprietary fund type.

The Municipal Authority issues separately audited financial statements. Copies of this audit can be obtained at the Township Administration Building.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related Organizations:

The Township's Board of Supervisors is responsible for appointing some of the members of the board of these organizations, but the Township's accountability for these organizations does not extend beyond making the appointments. The organizations are the following:

Tredyffrin Township Library Foundation – The foundation was incorporated on May 24, 1993 under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania to raise funds and distribute funds to Tredyffrin Township public libraries. In 2004, the Foundation initiated a capital campaign for renovation and expansion of the Tredyffrin Public Library. The Foundation transfers to the Township its share of the costs associated with the renovation and expansion of the library building and property.

East Whiteland-Tredyffrin Joint Transportation Authority – The East Whiteland-Tredyffrin Joint Transportation Authority was created as a separate legal entity, pursuant to ordinances adopted by Tredyffrin Township on November 18, 1985, and by East Whiteland Township on December 9, 1985. The articles of Incorporation for the East Whiteland-Tredyffrin Joint Transportation Authority were issued on February 12, 1986. The East Whiteland-Tredyffrin Joint Transportation Authority is authorized to finance highway improvements within a Transportation Development and Business Improvement District surrounding Route 29 (Moreland Road) and U.S. Route 202 Interchange located in East Whiteland Township.

Basis of Presentation

Entity-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are associated specifically with a service or program and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Construction Fund is maintained to account for the accumulation of resources for acquisition of capital assets and the repayment of debt associated with capital assets.

All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the Highway Improvement Fund, the Liquid Fuels Fund, the Recreation and Open Space Fund, the TTMA Transportation District Fund, the Building Construction Fund, the Highway Projects Fund, the Library Construction Fund, the TTMA Bond Redemption Fund, the Debt Service Fund and the TTMA Debt Service Fund.

The Township reports the following proprietary funds:

- The Sewer Utility Fund accounts for the revenues and expenses of the Township's sewer utility system. This fund also includes the Valley Creek Trunk Sewer Fund.
- The TTMA Sewer Projects Fund accounts for the activities of the Municipal Authority, the blended component unit of the Township. The Authority is an instrument to raise debt to fund various capital projects and infrastructure improvements.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available. Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are the enterprise funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees and utilities. Operating expenses for the Township's enterprise funds include sewer disposal, recycling, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Trust and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund accounts for the escrow accounts held by the Township.

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- At least 45 days before the end of the fiscal year, the Manager, as assisted by the Finance Director, prepares and submits to the Township Board a proposed budget for the following fiscal year.
- At least 30 days before the end of the fiscal year, the Board must adopt a preliminary budget.
- The Board must advertise at least once in two or more newspapers, with general circulation in the Township, at least 10 days before the date set for final adoption, and hold at least one public hearing on the preliminary budget.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The Board must finally adopt a balanced budget before the start of the fiscal year to which it applies, except in a year immediately following a municipal election. The new Board may adopt a revised budget within 45 days after the start of the fiscal year.
- The Board may amend allocations within each appropriation, but changes in appropriations in any items on which budgetary controls are maintained shall be made only pursuant to an ordinance of the Board. All appropriations lapse at year end.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at fair value as determined by reference to quoted market prices. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Unbilled Receivables

Sewer rents are billed annually on April 1 of each year for the preceding fiscal year. Billings are \$250 per equivalent dwelling unit ("EDU").

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-20 years
Land improvements	10-30 years
Buildings and improvements	10-30 years
Infrastructure	10-70 years

Compensated Absences

The Township has two policies of accumulating sick and vacation time. For the unionized police employees, a total of 80 hours of accumulated free or leave time (including accumulated vacation days, holiday and/or personal days) may be carried over to the next calendar year. Any such time not used by September 1 of the next calendar year shall be forfeited unless, due to an unusual circumstance, an extension is approved in writing by the Superintendent of Police. Sick time can be carried forward and used without limit.

Non-uniformed and uniformed Township employees are able to carry over a maximum of five vacation days per year to be used at their discretion. There is no limit to the carry-over of sick days; however, the Township is not liable for payment of any unused sick time upon the termination of an employee.

There are no buy-back provisions for any employee of Tredyffrin Township.

Deferred Revenues

In the government fund financial statements, deferred revenues represent delinquent real estate taxes that are not considered to be available to liquidate liabilities of the current period.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the fund financial statements, governmental fund types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Highway Improvement Assessment

The Authority levies an annual highway improvement assessment against all properties zoned commercial, industrial, hotel or professional/office located within the Transportation District. The Transportation District is located in the Township and includes about 4.18 square miles of land surrounding U.S. Route 202. The amount of the annual installments of assessments is determined by multiplying the Township's annual cost of the highway improvement capital program for that year by the ratio of the assessed value of that individual property to the total assessment calculation of all assessable properties in the Transportation District. The Authority's annual cost of the highway improvement capital program consists primarily of debt service requirements for the highway improvement revenue bonds and administrative expenses.

Real Estate Taxes

Real estate taxes are levied February 1 and due May 31 of each year. A two percent discount is provided for taxes paid prior to April 1. A ten percent penalty is applied to taxes paid after May 31. Unpaid taxes are liened with Chester County by February 28 of the subsequent year.

Fund Balances

In the fund financial statements, 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.

Net Assets

Net assets represent the difference between assets and liabilities in the entity-wide financial statements and proprietary and fiduciary fund financial statements. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of the related debt exclude unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

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 the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting periods. Actual amount could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Legal and Contractual Restrictions - Township

The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Legal and Contractual Restrictions - Authority

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, and make deposits in savings accounts, time deposits or share amounts of institutions insured by federal deposit insurance, to the extent that such accounts are so insured, and for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository. The Authority also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities and shares of an investment company registered under the Investment Company Act of 1940 (mutual funds) whose shares are registered under the Securities Act of 1933, provided that the only investments of the company are in the authorized investments for Authority funds.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

At December 31, 2009, the carrying amount of the Township's deposits (excluding the pension deposits) was \$16,042,577 and the bank balance was \$16,173,001. Of the bank balance, \$621,858 was covered by federal depository insurance; \$3,717,282 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name; and \$11,833,861 was with the Pennsylvania Local Government Investment Trust (PLGIT) and the Commonwealth of Pennsylvania Investment Program ("INVEST"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT and INVEST act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2009, PLGIT and INVEST had credit ratings of AAA m.

Investments

Based on a legal opinion from the Township solicitor, as a home rule municipality, the Township has broader investment options than other municipalities in Pennsylvania and has the power to invest subject to the terms, conditions, limitations and restrictions imposed by laws upon fiduciaries.

The Police Pension and Non-Uniformed Trust Funds are administered by trustees assigned by the Township Board of Supervisors who have responsibility for the exclusive management of the funds and the power to invest the monies therein subject to the terms, conditions, limitations and restrictions imposed by law upon fiduciaries and as stated in a trust agreement between the Township and the trustees, including the Statement of Investment Objectives. See footnotes 7 and 8 for pension deposit and investment disclosures.

As of December 31, 2009, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>	
		<u>Less Than One Year</u>	<u>One to Five Years</u>
GOVERNMENTAL ACTIVITIES			
U.S. agencies:			
U.S. Treasury notes	\$ 4,172,713	\$ 4,172,713	\$ -
Federal Home Loan Bank (FHLBs)	1,600,000	1,600,000	-
Federal Home Loan Mtg Corp (FHLMCs)	3,499,710	3,499,710	-
Federal National Mtg Assn (FNMAs)	1,799,670	1,799,670	-
Certificates of deposit	2,400,000	2,400,000	-
Vanguard money market account	533,386	533,386	-
Cash held with U.S. bank	2,321	2,321	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,007,800	\$ 14,007,800	\$ -

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

(continued)		<u>Investment Maturities in Years</u>	
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>
BUSINESS-TYPE ACTIVITIES			
U.S. agencies:			
U.S. Treasury notes	\$ 9,249,183	\$ 9,249,183	\$ -
Evergreen money market account	2,144,702	2,144,702	-
Federal Home Loan Bank (FHLBs)	2,499,380	2,499,380	-
Federal Home Loan Mtg Corp (FHLMCs)	3,799,600	3,799,600	-
Federal National Mtg Assn (FNMA's)	1,499,950	1,499,950	-
Federal Agriculture Mtg Corp (FAMCs)	999,300	999,300	-
Cash held with U.S. bank	965	965	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 20,193,080</u>	<u>\$ 20,193,080</u>	<u>\$ -</u>

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2009, all of the Township's investments in U.S. Treasury notes, FHLBs, FHLMCs, FNMA's, FAMCs and certificates of deposit have maturities of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2009, the Township did not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Township's investment policy limits its investment choices to the following:

- Equity securities that are considered high quality, readily marketable securities of corporations listed on the NYSE, AMEX and NASDAQ.
- Bond and other securities of the U.S. Government and its agencies.
- Investment grade corporate issues rated A or better by Standard and Poors' and/or Moody's rating system.
- Mortgage-backed securities and other asset-backed securities having a rating of AAA or better.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

As of December 31, 2009, the Township's investments U.S. Treasury notes, FHLBs, FHLMCs, FNMA's and FAMCs were backed by the full faith and credit of the U.S. government and are not considered to have credit risk. The money market accounts with Evergreen and Vanguard and the certificate of deposits are not rated.

Concentration Risk

Excluding the Township's investments in obligations of the U.S. government, none of the Township's investments exceed more than five percent of the Township's total investments.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2009 was as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 6,045,476	\$ 5,987,858
Capital construction fund	-	2,549,809
Nonmajor governmental funds	45,918	543,438
Sewer utility fund	4,538,660	952,256
TTMA sewer projects fund	-	596,693
	<u>\$ 10,630,054</u>	<u>\$ 10,630,054</u>

Interfund balances represent temporary loans recorded at year end. The balances are repaid shortly after year end.

Interfund transfers:

Transfers In		Transfers Out	
General fund	\$ 7,309,706	General fund	\$ 3,349,615
Capital construction fund	4,796	Capital construction fund	3,890,192
Other governmental funds	468,533	Other governmental funds	543,228
Sewer utility fund	429,551	Sewer utility fund	-
TTMA sewer projects fund	-	TTMA sewer projects fund	429,551
Total	<u>\$ 8,212,586</u>	Total	<u>\$ 8,212,586</u>

Transfers represent funds set aside for the anticipation of future capital needs, for the payment of debt service expenditures as they become due and payable and for the payment of future other post-employment benefits.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 01/01/09	Increases	Decreases	Balance 12/31/09
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,105,057	\$ -	\$ -	\$ 7,105,057
Construction-in-progress	959,454	574,966	(177,072)	1,357,348
Total Capital Assets Not Being Depreciated	8,064,511	574,966	(177,072)	8,462,405
Capital assets being depreciated:				
Land improvements	20,313,096	1,507,418	-	21,820,514
Buildings and improvements	18,491,287	329,889	-	18,821,176
Vehicles	3,453,411	90,611	(28,966)	3,515,056
Machinery and equipment	2,224,640	406,363	-	2,631,003
Infrastructure	33,336,594	-	-	33,336,594
Total Capital Assets Being Depreciated	77,819,568	2,334,281	(28,966)	80,124,883
Accumulated depreciation	29,709,217	2,554,673	(28,966)	32,234,924
Total Capital Assets Being Depreciated, Net	48,110,351	(220,392)	-	47,889,959
Governmental Activities, Net	\$ 56,174,862	\$ 354,574	\$ (177,072)	\$ 56,352,364
Business-type Activities				
Capital assets not being depreciated:				
Construction-in-progress	\$ 139,242	\$ 248,386	\$ (53,221)	\$ 334,407
Total Capital Assets Not Being Depreciated	139,242	248,386	(53,221)	334,407
Capital assets being depreciated:				
Collection sewer system - infrastructure	788,028	424,023	-	1,212,051
Buildings and improvements	260,000	8,404	-	268,404
Vehicles	206,683	-	-	206,683
Machinery and equipment	237,899	-	-	237,899
Infrastructure - collection systems	13,297,611	-	-	13,297,611
Infrastructure - traffic signals and street lights	4,130,000	-	-	4,130,000
Total Capital Assets Being Depreciated	18,920,221	432,427	-	19,352,648
Accumulated depreciation	11,533,070	369,131	-	11,902,201
Total Capital Assets Being Depreciated, Net	7,387,151	63,296	-	7,450,447
Business-type Activities, Net	\$ 7,526,393	\$ 311,682	\$ (53,221)	\$ 7,784,854

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	\$ 325,759
Public safety	213,042
Public works - highway and maintenance	592,589
Public works - infrastructure	711,489
Public works - sanitation	96
Library	302,573
Culture and recreation	<u>409,125</u>
 Total Governmental Activities	 <u>\$ 2,554,673</u>
 Business-type Activities:	
Sewer	<u>\$ 369,131</u>

NOTE 5 LONG-TERM DEBT

Series 2004 General Obligation Revenue Bonds, issued \$11,070,000 in November 2004 at 3.00% to 4.50%, interest and principal payable semi-annually from May 2005 through November 2021. The purpose of the issue was to advance refund a portion of the General Obligation Bonds 1996 and to finance certain improvements. \$ 9,840,000

Series 2006 General Obligation Revenue Bonds, issued \$9,905,000 in August 2006 at 3.50% to 4.125%, interest and principal payable semi-annually from November 2006 through November 2017. The purpose of the issue was to advance refund the remaining portion of the 1996 General Obligation Bonds. 7,435,000

Series 2009 General Obligation Revenue Bonds, issued \$2,800,000 in August 2009 at 2.00% to 3.50%, interest and principal payable annually from December 2010 through December 2023. The purpose of this issue and a Township contribution of \$2,500,000 was to advance refund the remaining portion of the 2003 General Obligation Bonds. The advance refunding resulted in an economic gain of \$2,911,700 and a cash flow savings of \$3,610,478. 2,800,000

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Series 2008 Guaranteed Highway Improvement Revenue Bonds, issued \$4,320,000 in June 2008 at 2.875% to 3.650%, interest and principal payable semi-annually from December 2008 through December 2018. The purpose of the issue was to advance refund the remaining portion of the 2002 Highway Improvement Bonds.

3,590,000

Total Governmental Activities

23,665,000

Series 2003 Guaranteed Sewer Revenue Bonds, issued \$6,675,000 in November 2003 at 2.55% to 4.20%, interest and principal payable semi-annually from January 2004 through July 2019.

3,815,000

Total

\$27,480,000

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,010,000	\$ 1,042,798
2011	2,085,000	978,121
2012	2,140,000	909,204
2013	2,225,000	835,560
2014	2,305,000	758,125
2015-2019	12,305,000	2,425,300
2020-2023	4,410,000	317,452
TOTAL	\$ 27,480,000	\$ 7,266,560

A schedule of changes in debt is as follows:

	<u>Outstanding 01/01/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 12/31/09</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
2003 G.O.B.	\$ 5,525,000	\$ -	\$ (5,525,000)	\$ -	\$ -
2004 G.O.B. - refunding	10,115,000	-	(275,000)	9,840,000	275,000
2006 G.O.B. - refunding	8,285,000	-	(850,000)	7,435,000	885,000
2009 G.O.B. - refunding	-	2,800,000	-	2,800,000	170,000
Subtotal	23,925,000	2,800,000	(6,650,000)	20,075,000	1,330,000
2008 Highway Bonds	3,930,000	-	(340,000)	3,590,000	350,000
General Obligation Bonds	27,855,000	2,800,000	(6,990,000)	23,665,000	1,680,000
Compensated Absences	167,472	17,139	-	184,611	18,461
Total Governmental Activities	<u>\$ 28,022,472</u>	<u>\$ 2,817,139</u>	<u>\$ (6,990,000)</u>	<u>\$23,849,611</u>	<u>\$ 1,618,461</u>
Business-type Activities:					
2003 Sewer Bonds	\$ 4,405,000	\$ -	\$ (590,000)	\$ 3,815,000	\$ 330,000
Total Business-type Activities	<u>\$ 4,405,000</u>	<u>\$ -</u>	<u>\$ (590,000)</u>	<u>\$ 3,815,000</u>	<u>\$ 330,000</u>

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 TAXES

For 2009, the following tax was levied on assessed value of real estate:
2.23 mills for general purposes

The taxable assessed valuation of property as of December 31, 2009 was \$3,580,880,549.

The real estate tax collection calendar is as follows:

Initial Billing	-	February 1
Discount Period	-	February 1 - March 31
Face Period	-	April 1 - May 31
Penalty Period	-	June 1 and thereafter
Lien Date	-	February 28

Other taxes levied in 2009:

Real Estate Transfer	-	1% of sale price
Local Service Tax	-	\$52 per person per calendar year for persons who work within the Township

NOTE 7 POLICE PENSION PLAN

Plan description and provisions:

The Tredyffrin Township Police Pension Plan is a self-administered single-employer, contributory, defined benefit pension plan covering the Township's full-time police officers, as defined by the Plan document. The Township Board of Supervisors established a trust fund maintained by trustees as so designated by a trust agreement between the Township and the trustees. An annual actuarial report and complete financial statements for the plan can be obtained at the Township administrative building.

A review of the pension plan documents as of December 31, 2009 disclosed that pension plan membership consisted of the following:

Active employees	47
Retirees and beneficiaries currently receiving benefits	32
Vested terminated members	<u>3</u>
Total	<u>82</u>

Normal retirement date for members is the first day of the month coincident with or immediately following the earliest of the date the member reaches the age of 52 and completes 25 years of service or reaches the age of 60 and completes 20 years of service.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

The annual pension benefit for members who remain in service until their normal retirement date shall be equal to 50 percent of their average yearly compensation (base pay, shift differential and longevity pay) during the three years immediately preceding their retirement date, provided they completed 20 or more years of continuous service. This benefit will be reduced proportionately for members who have completed less than 20 years of continuous service. Benefits shall be increased up to three percent per year to reflect increases in the cost of living so long as the Plan is actuarially sound. Members hired after December 31, 2003 will be subject to the same pension eligibility requirements and shall receive the same pension benefits as those hired on or before that date, so long as the requirements and benefits are consistent with applicable law; otherwise, the eligibility requirements and benefits will be adjusted so as to be consistent with applicable law.

A member who terminates service before normal retirement date may elect one of the following options:

1. Members with less than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of five percent per year.
2. Members completing 12 years of continuous service are 100 percent vested in their accrued pension benefit and entitled to:
 - a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to their vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or
 - b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of five percent per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.
3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

The plan also contains a disability provision, death benefit provision and survivor provision.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2009, the carrying amount of the Plan's money market accounts was \$817,771. None of this balance was subject to custodial credit risk.

Investments

The Investment objective of the Tredyffrin Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2009, the Police Pension Plan had \$19,950,913 invested in fixed income and equity mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees hired before January 1, 1999 were required to contribute five percent of their compensation (base pay, shift differential and longevity pay) to the plan during 2009. Employees hired after January 1, 1999 were required to contribute two percent of their compensation (base pay, shift differential and longevity pay) to the plan during 2009. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Three-Year Trend Information

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The three-year historical information required to be disclosed, beginning as of January 1, 2007 is as follows:

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
1/1/07	\$22,414,811	\$24,102,327	93.0%	\$1,687,516	\$3,935,209	42.9%
1/1/08	*	*	*	*	*	*
1/1/09	\$21,796,109	\$23,162,097	94.1%	\$1,365,988	\$3,640,529	37.5%

* Not available due to biennially required Act 205 report.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	\$698,490	100.0%
2008	\$722,220	100.0%
2009	\$759,474	100.0%

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2009
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	3.0%

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 NON-UNIFORMED PENSION PLANS

The Township participates in two self-administered single-employer pension plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

Money Purchase Plan. Tredyffrin Township offers the plan to all full-time employees provided they are not an excluded employee. Excluded employees are those whose employment is governed by the terms of a collective bargaining agreement under which retirement benefits were the subject of good faith bargaining, unless such agreement expressly provides for the participation in this plan. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

Pennsylvania Municipal Retirement System (PMRS). Tredyffrin Township offers a defined benefit pension plan to all non-uniformed Township employees. The plan participates in the PMRS which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office at P.O. Box 1165, Harrisburg, PA 17108-1165 or (717) 787-2065.

Determination of contribution requirements:

	<u>Money Purchase Plan</u>	<u>PMRS Plan</u>
Employer	5% of total compensation up to social security wage base and 10% over the base	Based on actuarial study and minimum municipal obligation calculation
Plan members	None	4% of base and longevity pay
Period vested	3 years	8 years
Eligibility for distribution	After 3 years, age 60 or if becoming permanently disabled or deceased while employed	Age 60 or if becoming permanently disabled or deceased while employed

A review of the pension plan documents at December 31, 2009 disclosed that pension plan membership consisted of the following:

	<u>Money Purchase Plan</u>	<u>PMRS Plan</u>
Active employees	63	63
Retirees and beneficiaries		
currently receiving benefits	38	38
Vested terminated employees	<u>9</u>	<u>9</u>
Total	<u>110</u>	<u>110</u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 NON-UNIFORMED PENSION PLANS (cont'd)

Current year annual pension cost for the Money Purchase Plan and the PMRS Plan are shown below. There were no net pension obligations for either plan.

Fiscal Year	Money Purchase Plan		PMRS Plan	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2007	\$ 121,041	100.00%	\$ 95,548	100.00%
2008	\$ 127,020	100.00%	\$ 263,631	100.00%
2009	\$ 144,960	100.00%	\$ 278,288	100.00%

Valuation of Investments

The pension plan's assets with PMRS are valued at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB No. 3 for aggregate PMRS investments are included in PMRS's separately issued CAFR.

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2009, the carrying amount of the Plan's deposits was \$160,701 and the bank balance was \$160,701. None of the bank balance was subject to custodial credit risk.

Investments

The Investment objective of the Tredyffrin Township Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2009, the Non-Uniformed Pension Plan had \$1,089,405 invested in fixed income and equity mutual funds, all with maturities less than one year. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFERRED COMPENSATION PLAN

The Township offers all non-uniformed non-unionized employees, except as provided under a bargaining contract, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is optional, allows participants to defer salary until future years. In 2009, the maximum contribution into the plan was \$16,500 per employee. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Township has no legal access to the assets of the plan, which are held in a trust and no longer subject to the claims of the Township's general creditors. As of December 31, 2009, the plan had net assets of \$2,483,443. The Township has adopted Government Accounting Standard No. 32 and removed the deferred compensation fund from the balance sheet and related statements.

NOTE 10 RELATED PARTY

The Township participates in the operation of the Tredyffrin Public Library, which is a branch of the Chester County Library System. The library is administered by a Board of Trustees.

Under a 1965 agreement between the Township and the County of Chester, the Township must contribute one-half of the minimum amount necessary to qualify for maximum state aid for the library. During 1980, the Township executed an agreement with the Paoli Library Association which merged the Paoli Library with the Tredyffrin Public Library. In 2009, the Township appropriated and expensed \$1,422,949 for the support of the libraries. Additionally, the Township provides land and building facilities to the libraries rent-free.

NOTE 11 CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

The Township participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 12 LITIGATION

There is no litigation of any nature now pending or threatened, seeking to restrain or enjoin the issuance of sale of the Bonds, or contesting or affecting the validity of the Bonds or any proceedings of the Township with respect to the issuance or sale thereof, or the pledge of any security provided for the payment of the Bonds or existence or powers of the Township.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 13 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts, theft, damage or destruction of assets, errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Township. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 14 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

The Township adheres to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Township. This Statement allowed for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Mayor and Council have the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The Township is funding benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Annual required contribution	\$3,365,270
Interest on net OPEB obligation	96,196
Adjustment to annual required contribution	<u>(95,548)</u>
Annual OPEB cost (expense)	3,365,918
Contributions made	<u>(902,898)</u>
Increase in net OPEB obligation	2,463,020
Net OPEB obligation - beginning of year	<u>2,404,888</u>
Net OPEB obligation - end of year	<u>\$4,867,908</u>

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$37,833,709, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$37,833,709. The covered payroll (annual payroll of active employees covered by the plan) was \$5,803,876, and the ratio of the UAAL to the covered payroll was 640.8 percent.

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 healthcare cost trends. 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.

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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4.0 percent per annum, discount rate compounded annually, and an annual healthcare and prescription drug cost trend rate of 8.5 percent, initially. The UAAL is being amortized as a level dollar amount over a 30-year period on an open basis. The remaining amortization period at December 31, 2009 was 28 years.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 15 CHANGE IN PRESENTATION OF PRIOR YEAR FINANCIAL STATEMENTS

The beginning net assets of the governmental activities and the fund balance of the general fund have been restated to reflect a change in the presentation of the Medical Benefits Fund. In prior years, the Medical Benefits Fund was utilized by the Township to accumulate funds to pay for future other post-employment benefit ("OPEB") costs. In the December 31, 2008 financial statements, the Medical Benefits Fund was reported as a fiduciary fund. According to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," funds set aside by the Township to fund future OPEB costs should only be accounted for as contributions to the Plan if the funds were irrevocably transferred to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or plan administrator. Earmarking of employer assets or other means of financing that do not meet the conditions in the preceding sentence do not constitute contributions to the plan, and the assets earmarked or otherwise accumulated should be considered employer assets.

As of December 31, 2009, these assets had not been irrevocably transferred to a trust or equivalent arrangement. The result of this change on the current year presentation was to increase beginning net assets for the governmental activities and the fund balance of the general fund by \$513,371.

NOTE 16 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through January 5, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

ASSETS	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Building Construction Fund
Cash and cash equivalents	\$ -	\$ 619,152	\$ -	\$ 190,803	\$ 213
Investments	58,334	-	21,125	-	20
Taxes receivable, net	-	-	-	1,464	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 58,334	\$ 619,152	\$ 21,125	\$ 192,267	\$ 233
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Due to other funds	\$ 58,334	\$ -	\$ -	\$ 25,000	\$ -
Deferred revenue	-	-	-	1,464	-
TOTAL LIABILITIES	58,334	-	-	26,464	-
FUND BALANCES					
Reserved for:					
Streets and highways	-	619,152	-	165,803	-
Recreation	-	-	21,125	-	-
Capital projects	-	-	-	-	233
Debt service	-	-	-	-	-
Designated for post-employment benefits	-	-	-	-	-
TOTAL FUND BALANCES	-	619,152	21,125	165,803	233
TOTAL LIABILITIES AND FUND BALANCES	\$ 58,334	\$ 619,152	\$ 21,125	\$ 192,267	\$ 233

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Highway Projects Fund	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 3,639,213	\$ 24,001	\$ 45,352	\$ 1,293,767	\$ 434,841	\$ 6,247,342
Investments	-	-	-	-	-	79,479
Taxes receivable, net	-	-	-	-	-	1,464
Due from other funds	-	-	45,918	-	-	45,918
TOTAL ASSETS	<u>\$ 3,639,213</u>	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$ 1,293,767</u>	<u>\$ 434,841</u>	<u>\$ 6,374,203</u>
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Due to other funds	\$ 460,104	\$ -	\$ -	\$ -	\$ -	\$ 543,438
Deferred revenue	-	-	-	-	-	1,464
TOTAL LIABILITIES	<u>460,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>544,902</u>
FUND BALANCES						
Reserved for:						
Streets and highways	3,179,109	-	-	-	-	3,964,064
Recreation	-	-	-	-	-	21,125
Capital projects	-	24,001	91,270	-	-	115,504
Debt service	-	-	-	1,293,767	434,841	1,728,608
Designated for post-employment benefits	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>3,179,109</u>	<u>24,001</u>	<u>91,270</u>	<u>1,293,767</u>	<u>434,841</u>	<u>5,829,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,639,213</u>	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$ 1,293,767</u>	<u>\$ 434,841</u>	<u>\$ 6,374,203</u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Medical Benefits Fund	Building Construction Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 527,768	\$ -	\$ -
Interest, dividends and rents	1,965	1,449	195	35	-	-
Unrealized losses on investments	(1,150)	-	(117)	-	-	-
Realized losses on investments	(13)	-	(5)	-	-	-
Intergovernmental revenues	-	616,481	-	-	-	-
Other	-	-	-	-	-	-
TOTAL REVENUES	<u>802</u>	<u>617,930</u>	<u>73</u>	<u>527,803</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
General government	18	-	9	25,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>18</u>	<u>-</u>	<u>9</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>784</u>	<u>617,930</u>	<u>64</u>	<u>502,803</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(58,334)	-	-	(404,268)	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>(58,334)</u>	<u>-</u>	<u>-</u>	<u>(404,268)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(57,550)	617,930	64	98,535	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>57,550</u>	<u>1,222</u>	<u>21,061</u>	<u>67,268</u>	<u>-</u>	<u>233</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 619,152</u>	<u>\$ 21,125</u>	<u>\$ 165,803</u>	<u>\$ -</u>	<u>\$ 233</u>

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Highway Projects Fund	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,768
Interest, dividends and rents	19,165	-	20	6,338	84	29,251
Unrealized losses on investments	-	-	-	-	-	(1,267)
Realized losses on investments	-	-	-	-	-	(18)
Intergovernmental revenues	-	-	-	-	-	616,481
Other	-	-	-	-	-	-
TOTAL REVENUES	<u>19,165</u>	<u>-</u>	<u>20</u>	<u>6,338</u>	<u>84</u>	<u>1,172,215</u>
EXPENDITURES						
General government	-	-	-	-	-	25,027
Debt service:						
Principal	-	-	-	-	340,000	340,000
Interest and other charges	-	-	-	-	128,536	128,536
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,536</u>	<u>493,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>19,165</u>	<u>-</u>	<u>20</u>	<u>6,338</u>	<u>(468,452)</u>	<u>678,652</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	468,533	468,533
Transfers out	(16,361)	-	(64,265)	-	-	(543,228)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(16,361)</u>	<u>-</u>	<u>(64,265)</u>	<u>-</u>	<u>468,533</u>	<u>(74,695)</u>
NET CHANGE IN FUND BALANCES	<u>2,804</u>	<u>-</u>	<u>(64,245)</u>	<u>6,338</u>	<u>81</u>	<u>603,957</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,176,305</u>	<u>24,001</u>	<u>155,515</u>	<u>1,287,429</u>	<u>434,760</u>	<u>5,225,344</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,179,109</u>	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$ 1,293,767</u>	<u>\$ 434,841</u>	<u>\$ 5,829,301</u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2009

	Police Pension Fund	Money Purchase Plan Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 817,771	\$ 160,701	\$ 978,472
Investments, at fair value	19,950,913	1,089,405	21,040,318
Due from employees	7,512	-	7,512
Due from employer	-	14,651	14,651
TOTAL ASSETS	<u><u>\$ 20,776,196</u></u>	<u><u>\$ 1,264,757</u></u>	<u><u>\$ 22,040,953</u></u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
NET ASSETS			
Held in trust for pension benefits	<u>20,776,196</u>	<u>1,264,757</u>	<u>22,040,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,776,196</u></u>	<u><u>\$ 1,264,757</u></u>	<u><u>\$ 22,040,953</u></u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Police Pension Fund	Money Purchase Plan Fund	Totals
ADDITIONS			
Contributions:			
State aid	\$ 312,801	\$ -	\$ 312,801
Employer contributions	446,673	144,960	591,633
Employee contributions	186,433	-	186,433
Total Contributions	<u>945,907</u>	<u>144,960</u>	<u>1,090,867</u>
Investment income (loss):			
Interest and dividends	597,309	26,067	623,376
Unrealized gain on investments	4,138,931	209,593	4,348,524
Realized gain (loss) on investments	(528,128)	2,379	(525,749)
Net Investment Income	<u>4,208,112</u>	<u>238,039</u>	<u>4,446,151</u>
TOTAL ADDITIONS	<u>5,154,019</u>	<u>382,999</u>	<u>5,537,018</u>
DEDUCTIONS			
Pension payments	1,061,356	269,286	1,330,642
Administrative expenses	69,015	-	69,015
TOTAL DEDUCTIONS	<u>1,130,371</u>	<u>269,286</u>	<u>1,399,657</u>
CHANGE IN NET ASSETS	4,023,648	113,713	4,137,361
NET ASSETS, BEGINNING OF YEAR	<u>16,752,548</u>	<u>1,151,044</u>	<u>17,903,592</u>
NET ASSETS, END OF YEAR	<u><u>\$20,776,196</u></u>	<u><u>\$ 1,264,757</u></u>	<u><u>\$22,040,953</u></u>

REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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January 5, 2011

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania as of and for the year ended December 31, 2009, which collectively comprise Tredyffrin Township's basic financial statements, and have issued our report thereon dated January 5, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tredyffrin Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items #08-2, #09-1 and #09-2 to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control over financial reporting, all of which we consider to be material weaknesses.

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tredyffrin Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Supervisors of Tredyffrin Township, and is not intended to be and should not be used by anyone other than these specified parties.


BARBACANE, THORNTON & COMPANY LLP

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

EXTERNAL FINANCIAL REPORTING

08-1 Finding

Management of the Township is responsible for the preparation of financial statements in accordance with generally accepted accounting principles. The preparation of the financial statements in accordance with generally accepted accounting principles requires management to prepare analysis, reconciliations and financial statement supporting documentation. The 2008 audit was delayed due to a lack of resolution on certain issues involving participant balances in Valley Creek Trunk Sewer. Management of the Township determined that its calculations were in error going back to and including 1997. It was recommended by the prior year auditors that management evaluate the depth, strength and focus of the accounting department. The effect of this condition was that the issuance of the 2008 audited financial statements was significantly delayed.

Status

During our current year audit, we noted that the Township corrected the calculation methodology and allocation of participants' balances during fiscal year 2009 and made payments to the partner municipalities for amounts due in March 2010. This finding is no longer applicable.

TRANSFER OF FUNDS PER THE TRUST INDENTURE

08-2 Finding

Per provisions of the Trust Indenture for the Highway Improvement Revenue Bonds, Series of 2002, highway assessments received should be held by the Trustee in the Revenue Fund of Authority. In the prior year, the previous auditors noted that highway assessments totaling \$92,268 had been deposited into the Authority's checking account and had not been transferred to the Revenue Fund. The effect of this condition is noncompliance with the trust indenture. This condition was caused by management oversight.

Status

This finding is still applicable for the current year.

POLICE PENSION INVESTMENT RECONCILIATION

08-3 Finding

In the prior year, it was noted that the investment statements for the police pension investments were not being reconciled to the general ledger. As a result, the Township's Statement of Changes in Fiduciary Net Assets would have been misstated without the correcting proposed audit entry. This condition was the result of management oversight. The prior auditors recommended that management reconcile the investments to the general ledger on a monthly basis.

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

Status

During our current year audit, we noted that the investment statements were reconciled to the general ledger. This finding is no longer applicable.

VALLEY CREEK TRUNK SEWER

08-4 Finding

During the prior year audit, it was noted that from 1997 to 2006 that the calculation of each participant's cumulative balance was incorrect. At December 31, 2006, Valley Creek Trunk Sewer had approximately \$942,000 in cash, but had reported only \$235,029 in excess cumulative payments on its financial schedule. This condition was the result of management oversight.

Status

During our current year audit, we noted that the Township corrected the calculation methodology and allocation of participants' balances during fiscal year 2009 and made payments to the partner municipalities for amounts due in March 2010. This finding is no longer applicable.

CURRENT YEAR FINDINGS

JOURNAL ENTRIES

09-1 Finding

According to the SAS No. 115 requirement, "Communicating Internal Control-Related Matters Identified in an Audit," a control deficiency exists when the auditor identifies a material misstatement in the financial statements that was not initially identified by the Organization's internal control. During our audit, we noted that the journal entries that we proposed and management posted are material in the aggregate and represent a material misstatement in the financial statements for the period under audit that was not identified by the entity's internal control. This condition was caused by turnover within the accounting department.

Recommendation

We recommend that the Township properly record all of its transactions during the fiscal year in accordance with generally accepted accounting principles.

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

CAPITAL ASSETS

09-2 Finding

During our current year audit, we noted that the Township's capital asset supporting schedules did not reconcile to the trial balances of the Sewer Utility Fund or the General Fixed Assets Fund (Fund 70). As a result, the Township's capital asset balances in these trial balances were materially misstated. The Township should reconcile these schedules to the trial balances noted above in order to assure accurate financial reporting and to maintain accountability over its capital assets. This condition was caused by turnover within the accounting department.

Recommendation

We recommend that the Township reconcile its capital asset supporting schedules to the Sewer Utility Fund and General Fixed Assets trial balances.