

TREDYFFRIN TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

TREDYFFRIN TOWNSHIP
BERWYN, PENNSYLVANIA

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INDEPENDENT AUDITORS' REPORT

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August 23, 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, 2010, 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. The prior year summarized comparative information has been derived from the Township's 2009 financial statements and, in our report dated January 5, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2010, and 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 August 23, 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.

Board of Supervisors
Tredyffrin Township

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.

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. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the 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. Such information has 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, 2010

This discussion and analysis of Tredyffrin Township, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2010. Please read it in conjunction with the Township's financial statements, which begin 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 \$87,050,399 (representing its net assets). Of this amount, \$34,048,293 (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 increased by \$2,372,550 in 2010.
- As of December 31, 2010, the Township's governmental funds reported a combined ending funds balance of \$24,619,428, an increase of \$481,189 as compared to the prior year. Approximately 44 percent of the total fund balance, or \$10,845,485, 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 better or worse off financially 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.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

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 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,

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

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.

Proprietary Funds: When the Township charges customers for the services it provides, these services generally are 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 and the agency fund) are reported in a separate Statement of Fiduciary Net Assets and Statement of 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 2010, the Township's assets exceeded its liabilities by \$87,050,399, which is a \$2,372,550 increase 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 2010, \$34,048,293, 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 2010 net assets increase of \$2,372,550 is the result of a \$406,150 increase in current and other assets, a \$2,272,237 increase in capital assets and other noncurrent assets, a \$115,372 decrease in long-term liabilities, and a \$421,209 increase in other liabilities.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

TABLE 1: TREDYFFRIN TOWNSHIP'S NET ASSETS
December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 25,610,631	\$ 31,326,985	\$ 56,937,616	\$ 25,511,919	\$ 31,019,547	\$ 56,531,466
Capital assets	57,826,749	8,891,786	66,718,535	56,585,952	7,860,346	64,446,298
Total Assets	83,437,380	40,218,771	123,656,151	82,097,871	38,879,893	120,977,764
Long-term liabilities	26,849,128	3,193,337	30,042,465	26,673,988	3,483,849	30,157,837
Other liabilities	2,669,389	3,893,898	6,563,287	3,003,249	3,138,829	6,142,078
Total Liabilities	29,518,517	7,087,235	36,605,752	29,677,237	6,622,678	36,299,915
Invested in capital assets, net of related debt	47,729,119	5,272,987	53,002,106	44,713,173	3,969,854	48,683,027
Unrestricted	6,189,744	27,858,549	34,048,293	7,707,461	28,287,361	35,994,822
Total Net Assets	\$ 53,918,863	\$ 33,131,536	\$ 87,050,399	\$ 52,420,634	\$ 32,257,215	\$ 84,677,849

As shown in Table 2, revenues exceeded expenses by \$2,372,550 in 2010 resulting in an overall increase in net assets. Revenue from the real estate transfer tax, local services tax and investment earnings decreased due to continued weakness in economic conditions; however, this decline was offset by a significant increase in building permit fees and operating and capital grant revenues.

TABLE 2: TREDYFFRIN TOWNSHIP'S CHANGES IN NET ASSETS
For the Year Ended December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program revenues:						
Charges for services	\$ 1,930,281	\$ 5,428,951	\$ 7,359,232	\$ 1,583,945	\$ 5,328,952	\$ 6,912,897
Operating grants/contributions	2,811,845	-	2,811,845	2,591,769	-	2,591,769
Capital grants/contributions	3,113,338	-	3,113,338	-	-	-
General revenues:						
Real estate taxes	8,457,289	-	8,457,289	8,334,086	-	8,334,086
Real estate transfer taxes	2,126,777	-	2,126,777	2,188,111	-	2,188,111
Local services tax	1,715,527	-	1,715,527	1,750,454	-	1,750,454
Investment earnings	295,912	52,493	348,405	387,976	579,804	967,780
Other	669,958	-	669,958	632,085	-	632,085
TOTAL REVENUES	21,120,927	5,481,444	26,602,371	17,468,426	5,908,756	23,377,182
EXPENSES						
General government	1,628,011	-	1,628,011	1,692,062	-	1,692,062
Public safety	11,125,729	-	11,125,729	13,602,383	-	13,602,383
Highway/Streets	3,123,834	-	3,123,834	2,457,077	-	2,457,077
Other public works	42,099	-	42,099	65,822	-	65,822
Library	1,538,238	-	1,538,238	1,375,211	-	1,375,211
Culture and recreation	1,164,228	-	1,164,228	1,125,893	-	1,125,893
Interest on bonds	1,000,559	-	1,000,559	1,230,690	-	1,230,690
Sewer operations	-	4,607,123	4,607,123	-	5,767,871	5,767,871
TOTAL EXPENSES	19,622,698	4,607,123	24,229,821	21,549,138	5,767,871	27,317,009
CHANGE IN NET ASSETS	1,498,229	874,321	2,372,550	(4,080,712)	140,885	(3,939,827)
NET ASSETS, BEGINNING	52,420,634	32,257,215	84,677,849	56,501,346	32,116,330	88,617,676
NET ASSETS, ENDING	\$ 53,918,863	\$ 33,131,536	\$ 87,050,399	\$ 52,420,634	\$ 32,257,215	\$ 84,677,849

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

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 40 percent of revenue. In 2010, the real estate millage of 2.23 remained the same as 2009. Real estate transfer taxes provided 10 percent of revenue. Operating grants and contributions and capital grants and contributions provided 13 percent and 15 percent of revenue.

As shown in Table 3, the cost of all governmental activities this year was \$19,622,698. Of this amount, taxes funded 63 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 (\$1,930,281) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$5,925,183).

Public safety programs are the largest spending commitment, accounting for approximately 57 percent of the Township's governmental activities expenditures. General administration and public works services account for approximately eight percent and 16 percent, respectively, of the expenditures.

TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST
For the Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>% of Total Cost</u>	<u>Program Revenue</u>	<u>Net Expense (Revenue)</u>
General	\$ 1,628,011	8%	\$ 1,246,221	\$ 381,790
Public safety	11,125,729	57%	2,551,458	8,574,271
Public works	3,165,933	16%	3,849,007	(683,074)
Library	1,538,238	8%	-	1,538,238
Culture/Recreation	1,164,228	6%	208,778	955,450
Interest on bonds	1,000,559	5%	-	1,000,559
Totals	<u>\$ 19,622,698</u>	<u>100%</u>	<u>\$ 7,855,464</u>	<u>\$ 11,767,234</u>

Business-type Activities

Business-type activities consist of the Township's sewer system. The Tredyffrin Township Municipal Authority (TTMA) 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.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

Sewer/utility expenditures totaled \$4,607,123 in 2010, a \$1,160,748 decrease 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 \$874,321 in 2010. As shown in Table 1, the net assets increase is reflected in a \$307,438 increase in current assets and other assets, a \$1,031,440 increase in capital assets, a \$755,069 increase in other liabilities and a \$290,512 decrease in long-term liabilities.

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, 2010, the Township's governmental funds reported combined ending balances of \$24,619,428, an increase of \$481,189 compared to the prior year. Approximately 44 percent, or \$10,845,485, 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 \$313,873 in fiscal year 2010. Key factors for this decrease are revenue impacts from the economic downturn, including reduced receipts from the real estate transfer tax and local services tax, 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, 2010, the combined fund balance was \$6,607,350.

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 TTMA Transportation District Fund. Revenue sources for these funds include state grants, a special assessment and interest earnings.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

- Liquid Fuels Fund - The Township received \$591,633 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.
- TTMA Transportation District Fund - The Township received \$510,363 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, 2010, the fund balance of this fund was \$185,115, an increase of \$19,312 versus 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, 2010, the combined fund balance was \$1,730,951.

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 \$27,858,549. The total increase in net assets was \$874,321. Factors contributing to the finances of this fund already have 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounts to \$66,413,787 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.

Long-term Debt

As of December 31, 2010, the Township had \$25,465,000 in bonds outstanding – a decrease of \$2,015,000 versus the prior year. Of that total, \$18,745,000 was non-electoral debt and \$6,720,000 was self-liquidating guaranteed revenue debt.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2010

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

During fiscal year 2010, the Township refinanced some of its existing debt to take advantage of favorable interest rates.

- Tredyffrin Township issued \$3,480,000 of Guaranteed Sewer Revenue Bonds Series 2010 in June 2010. The proceeds of these bonds were used for the current refunding of the Guaranteed Sewer Revenue Bonds Series 2003. The result is refunding resulted in a cash flow savings of \$248,351.

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 without raising real estate taxes through a combination of revenue increases, expense reductions and the limited use of specific general reserves earned from prior years' large real estate transfer taxes. The revenue increases resulted from increases in fee revenues while the cost reductions were a direct result of the efforts and recommendations of the citizens' budget advisory group, which was authorized by the Board of Supervisors.
- The large real estate transfer tax market continued to be very weak in 2010. It is expected to remain the same for 2011.
- The dramatic decline in real estate transfer tax revenue in 2009 was replaced with a modest increase in 2010. The results for 2011 are expected to be similar to 2010.
- The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts.
- There is little new development but the amount of renovations and additions increased substantially in 2010, accounting for the large increase in permit fee revenue. Real estate tax revenue and building permits are expected to remain static or slightly lower in 2011.
- In 2010, staff was reduced by 16 percent through layoffs and attrition.
- Increased costs of staff employee benefits continued to place a financial burden on the operations of the Township.
- The \$250/EDU sewer/utility fee for 2010 was the same as 2009. It is expected to remain unchanged for 2011.

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, 2010
(With Summarized Comparative Data for December 31, 2009)

	Governmental Activities	Business-type Activities	Totals	
			2010	2009
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 8,727,397	\$ 2,748,354	\$ 11,475,751	\$ 16,030,134
Investments	16,676,090	21,883,824	38,559,914	34,200,880
Accounts and other receivables	2,091,270	4,671,507	6,762,777	6,171,721
Taxes receivable	139,174	-	139,174	128,731
Internal balances	(2,023,300)	2,023,300	-	-
TOTAL CURRENT ASSETS	25,610,631	31,326,985	56,937,616	56,531,466
NONCURRENT ASSETS:				
Bond issuance costs, net of amortization	165,949	69,947	235,896	309,080
Deferred charges	-	68,852	68,852	-
Depreciable capital assets, net	50,246,526	7,639,194	57,885,720	55,340,406
Land	7,108,684	-	7,108,684	7,105,057
Construction-in-progress	305,590	1,113,793	1,419,383	1,691,755
TOTAL NONCURRENT ASSETS	57,826,749	8,891,786	66,718,535	64,446,298
TOTAL ASSETS	\$ 83,437,380	\$ 40,218,771	\$ 123,656,151	\$ 120,977,764
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and other current liabilities	\$ 841,284	\$ 1,747,407	\$ 2,588,691	\$ 2,379,986
Accrued interest	98,170	43,295	141,465	175,249
Deferred revenue	-	1,739,085	1,739,085	1,596,702
Current portion of long-term debt	1,745,000	355,000	2,100,000	2,010,000
Bond discounts	(47,100)	-	(47,100)	(47,230)
Bond premiums	8,910	9,111	18,021	8,910
Compensated absences	23,125	-	23,125	18,461
TOTAL CURRENT LIABILITIES	2,669,389	3,893,898	6,563,287	6,142,078
NONCURRENT LIABILITIES:				
Long-term portion of long-term debt	20,240,000	3,125,000	23,365,000	25,470,000
Bond discounts	(394,867)	-	(394,867)	(443,118)
Bond premiums	87,987	68,337	156,324	96,897
Compensated absences	208,122	-	208,122	166,150
OPEB obligation	6,707,886	-	6,707,886	4,867,908
TOTAL NONCURRENT LIABILITIES	26,849,128	3,193,337	30,042,465	30,157,837
TOTAL LIABILITIES	29,518,517	7,087,235	36,605,752	36,299,915
NET ASSETS:				
Invested in capital assets, net of related debt	47,729,119	5,272,987	53,002,106	48,683,027
Unrestricted	6,189,744	27,858,549	34,048,293	35,994,822
TOTAL NET ASSETS	53,918,863	33,131,536	87,050,399	84,677,849
TOTAL LIABILITIES AND NET ASSETS	\$ 83,437,380	\$ 40,218,771	\$ 123,656,151	\$ 120,977,764

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

TREDYFFRIN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2010	2009
GOVERNMENTAL ACTIVITIES:								
General government	\$ 1,628,011	\$ 276,850	\$ 969,371	\$ -	\$ (381,790)	\$ -	\$ (381,790)	\$ (853,183)
Public safety	11,125,729	1,444,653	1,106,805	-	(8,574,271)	-	(8,574,271)	(11,660,061)
Public works - highways and streets	3,123,834	-	485,669	3,113,338	475,173	-	475,173	(1,840,596)
Public works - sanitation	42,099	-	250,000	-	207,901	-	207,901	141,743
Library	1,538,238	-	-	-	(1,538,238)	-	(1,538,238)	(1,000,977)
Culture and recreation	1,164,228	208,778	-	-	(955,450)	-	(955,450)	(929,660)
Interest expense	1,000,559	-	-	-	(1,000,559)	-	(1,000,559)	(1,230,690)
TOTAL GOVERNMENTAL ACTIVITIES	19,622,698	1,930,281	2,811,845	3,113,338	(11,767,234)	-	(11,767,234)	(17,373,424)
BUSINESS-TYPE ACTIVITIES:								
Sewer	4,607,123	5,428,951	-	-	-	821,828	821,828	(438,919)
TOTAL BUSINESS-TYPE ACTIVITIES	4,607,123	5,428,951	-	-	-	821,828	821,828	(438,919)
TOTAL PRIMARY GOVERNMENT	\$ 24,229,821	\$ 7,359,232	\$ 2,811,845	\$ 3,113,338	(11,767,234)	821,828	(10,945,406)	(17,812,343)
GENERAL REVENUES								
Taxes:								
Real estate taxes					8,457,289	-	8,457,289	8,334,086
Real estate transfer taxes					2,126,777	-	2,126,777	2,188,111
Local services taxes					1,715,527	-	1,715,527	1,750,454
Franchise fees					625,763	-	625,763	572,166
Investment earnings					295,912	52,493	348,405	967,780
Grants and contributions not restricted to specific programs					16,287	-	16,287	16,776
Miscellaneous					27,908	-	27,908	39,446
Gain on sale of fixed assets					-	-	-	3,697
TOTAL GENERAL REVENUES					13,265,463	52,493	13,317,956	13,872,516
CHANGE IN NET ASSETS					1,498,229	874,321	2,372,550	(3,939,827)
NET ASSETS, BEGINNING OF YEAR					52,420,634	32,257,215	84,677,849	88,617,676
NET ASSETS, END OF YEAR					\$ 53,918,863	\$ 33,131,536	\$ 87,050,399	\$ 84,677,849

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

TREDYFFRIN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	General Fund	Capital Construction Fund	Other Governmental Funds	Totals	
				2010	2009
ASSETS					
Cash and cash equivalents	\$ 1,252,445	\$ 1,286,107	\$ 6,188,845	\$ 8,727,397	\$ 12,762,024
Investments	10,310,410	6,307,262	58,418	16,676,090	14,007,800
Taxes receivable, net	127,267	-	11,907	139,174	128,731
Accounts receivable, net	1,024,178	1,066,978	114	2,091,270	1,603,075
Due from other funds	10,559,898	2,850,795	69,919	13,480,612	6,091,394
TOTAL ASSETS	\$ 23,274,198	\$ 11,511,142	\$ 6,329,203	\$ 41,114,543	\$ 34,593,024
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 223,134	\$ 89,216	\$ -	\$ 312,350	\$ 724,142
Accrued liabilities	528,934	-	-	528,934	514,574
Due to other funds	10,585,313	4,814,576	104,023	15,503,912	9,081,105
Deferred revenue	138,260	-	11,659	149,919	134,964
TOTAL LIABILITIES	11,475,641	4,903,792	115,682	16,495,115	10,454,785
FUND BALANCE:					
Reserved for specific purposes	-	6,607,350	6,213,521	12,820,871	12,025,809
Designated for post-employment benefits	953,072	-	-	953,072	884,839
Unreserved	10,845,485	-	-	10,845,485	11,227,591
TOTAL FUND BALANCE	11,798,557	6,607,350	6,213,521	24,619,428	24,138,239
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,274,198	\$ 11,511,142	\$ 6,329,203	\$ 41,114,543	\$ 34,593,024

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, 2010**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 24,619,428
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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	\$ 50,246,526	
Land	7,108,684	
Construction-in-progress	<u>305,590</u>	57,660,800

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.	165,949
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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.	149,919
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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	(231,247)	
Net OPEB obligation	(6,707,886)	
Accrued interest payable	(98,170)	
Bond discounts	441,967	
Bond premiums	(96,897)	
General obligation bonds payable	<u>(21,985,000)</u>	<u>(28,677,233)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 53,918,863</u>
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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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	General Fund	Capital Construction Fund	Other Governmental Funds	Totals	
				2010	2009
REVENUES					
Taxes	\$ 11,774,275	\$ -	\$ 510,363	\$ 12,284,638	\$ 12,276,742
Licenses and permits	964,071	-	-	964,071	808,674
Fines, forfeits and costs	150,347	-	-	150,347	162,949
Interest, dividends and rents	206,385	105,831	11,918	324,134	477,462
Unrealized losses on investments	(16,821)	(6,675)	(143)	(23,639)	(76,367)
Realized losses on investments	-	(4,583)	-	(4,583)	(13,119)
Intergovernmental revenues	1,262,175	3,599,007	591,633	5,452,815	2,209,088
Charges for services/fees	1,930,281	-	-	1,930,281	1,583,945
Miscellaneous revenue/other	27,908	-	-	27,908	39,446
TOTAL REVENUES	16,298,621	3,693,580	1,113,771	21,105,972	17,468,820
EXPENDITURES					
Current:					
General government	1,145,758	1,951	25,126	1,172,835	1,202,769
Public safety	9,239,229	-	-	9,239,229	11,792,244
Public works - highways and streets	1,769,131	3,910,787	-	5,679,918	2,560,835
Public works - sanitation	40,330	-	-	40,330	63,443
Library	1,110,636	-	-	1,110,636	1,422,949
Culture and recreation	779,888	-	21,125	801,013	973,551
Debt service:					
Principal	1,330,000	-	350,000	1,680,000	1,750,000
Bond issue costs	-	-	-	-	30,800
Interest and other charges	783,336	-	117,486	900,822	1,103,611
TOTAL EXPENDITURES	16,198,308	3,912,738	513,737	20,624,783	20,900,202
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100,313	(219,158)	600,034	481,189	(3,431,382)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	-	-	2,800,000
Discount on refunding bonds	-	-	-	-	(16,740)
Payment to refunded bond escrow agent	-	-	-	-	(5,240,000)
Proceeds from the sale of capital assets	-	-	-	-	3,697
Transfers in	377,037	630,000	881,672	1,888,709	7,783,035
Transfers out	(791,223)	-	(1,097,486)	(1,888,709)	(7,783,035)
TOTAL OTHER FINANCING SOURCES (USES)	(414,186)	630,000	(215,814)	-	(2,453,043)
NET CHANGE IN FUND BALANCES	(313,873)	410,842	384,220	481,189	(5,884,425)
FUND BALANCES, BEGINNING OF YEAR	12,112,430	6,196,508	5,829,301	24,138,239	30,022,664
FUND BALANCES, END OF YEAR	\$ 11,798,557	\$ 6,607,350	\$ 6,213,521	\$ 24,619,428	\$ 24,138,239

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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 481,189
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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 (\$4,043,695) exceeded depreciation expense (\$2,735,259) in the current period.	1,308,436
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,955
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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.

Bond principal	\$ 1,680,000	
Accrued interest	6,092	
Amortization of bond issuance costs, premiums and discounts	(105,829)	1,580,263

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	(46,636)	
OPEB liability	(1,839,978)	(1,886,614)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,498,229
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2010	2009
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,504,953	\$ 243,401	\$ 2,748,354	\$ 3,268,110
Investments	21,883,824	-	21,883,824	20,193,080
Accounts receivable, net	392,049	-	392,049	279,609
Unbilled receivable	4,279,458	-	4,279,458	4,289,037
Due from other funds	5,881,670	-	5,881,670	4,538,660
Total current assets	<u>34,941,954</u>	<u>243,401</u>	<u>35,185,355</u>	<u>32,568,496</u>
NONCURRENT ASSETS:				
Bond issuance costs	-	69,947	69,947	-
Deferred charges	-	68,852	68,852	75,492
Depreciable capital assets, net	7,639,194	-	7,639,194	7,450,447
Construction-in-progress	1,113,793	-	1,113,793	334,407
Total noncurrent assets	<u>8,752,987</u>	<u>138,799</u>	<u>8,891,786</u>	<u>7,860,346</u>
TOTAL ASSETS	<u>\$ 43,694,941</u>	<u>\$ 382,200</u>	<u>\$ 44,077,141</u>	<u>\$ 40,428,842</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 1,747,407	\$ -	\$ 1,747,407	\$ 1,141,270
Accrued interest	-	43,295	43,295	70,987
Deferred revenue	1,739,085	-	1,739,085	1,596,702
Revenue bonds	-	355,000	355,000	330,000
Unamortized premium	-	9,111	9,111	-
Unamortized discount	-	-	-	(130)
Lease payable (receivable)	355,000	(355,000)	-	-
Due to other funds	3,715,513	142,857	3,858,370	1,548,949
Total Current Liabilities	<u>7,557,005</u>	<u>195,263</u>	<u>7,752,268</u>	<u>4,687,778</u>
NONCURRENT LIABILITIES:				
Lease payable (receivable)	3,125,000	(3,125,000)	-	-
Revenue bonds	-	3,125,000	3,125,000	3,485,000
Unamortized premium	-	68,337	68,337	-
Unamortized discount	-	-	-	(1,151)
Total Noncurrent Liabilities	<u>3,125,000</u>	<u>68,337</u>	<u>3,193,337</u>	<u>3,483,849</u>
TOTAL LIABILITIES	<u>10,682,005</u>	<u>263,600</u>	<u>10,945,605</u>	<u>8,171,627</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,272,987	-	5,272,987	3,969,854
Unrestricted	27,739,949	118,600	27,858,549	28,287,361
TOTAL NET ASSETS	<u>33,012,936</u>	<u>118,600</u>	<u>33,131,536</u>	<u>32,257,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,694,941</u>	<u>\$ 382,200</u>	<u>\$ 44,077,141</u>	<u>\$ 40,428,842</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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2010	2009
OPERATING REVENUES				
Sewer fees	\$ 4,526,909	\$ -	\$ 4,526,909	\$ 4,589,703
Sewer fees - other governments	887,264	-	887,264	739,030
Other fees	14,778	-	14,778	219
TOTAL OPERATING REVENUES	<u>5,428,951</u>	<u>-</u>	<u>5,428,951</u>	<u>5,328,952</u>
OPERATING EXPENSES				
Sewer disposal	1,988,463	-	1,988,463	2,586,553
Salaries and wages	370,828	-	370,828	388,722
Employee benefits	236,156	-	236,156	-
Administration	206,552	-	206,552	104,380
Engineering	40,017	-	40,017	43,108
Allocation of expenses	483,329	-	483,329	764,211
Supplies	56,875	-	56,875	14,509
Electric/Lighting	440,701	-	440,701	494,295
Repairs and maintenance	230,547	-	230,547	457,521
Depreciation	390,495	-	390,495	369,131
TOTAL OPERATING EXPENSES	<u>4,443,963</u>	<u>-</u>	<u>4,443,963</u>	<u>5,222,430</u>
OPERATING INCOME	<u>984,988</u>	<u>-</u>	<u>984,988</u>	<u>106,522</u>
NONOPERATING REVENUE (EXPENSES)				
Interest on lease rental payments	(147,737)	147,737	-	-
Interest and investment revenue	133,164	-	133,164	323,745
Unrealized gain (loss) on investments	(80,671)	-	(80,671)	256,059
Interest expense on bonds	-	(155,680)	(155,680)	(149,627)
Amortization expense	-	(7,480)	(7,480)	(7,612)
Other	-	-	-	(388,202)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(95,244)</u>	<u>(15,423)</u>	<u>(110,667)</u>	<u>34,363</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>889,744</u>	<u>(15,423)</u>	<u>874,321</u>	<u>140,885</u>
Transfers in	-	-	-	429,551
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,551)</u>
CHANGE IN NET ASSETS	<u>889,744</u>	<u>(15,423)</u>	<u>874,321</u>	<u>140,885</u>
NET ASSETS, BEGINNING OF YEAR	<u>32,123,192</u>	<u>134,023</u>	<u>32,257,215</u>	<u>32,116,330</u>
NET ASSETS, END OF YEAR	<u>\$ 33,012,936</u>	<u>\$ 118,600</u>	<u>\$ 33,131,536</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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 4,536,488	\$ -	\$ 4,536,488	\$ 3,705,596
Receipts from other governments	938,103	-	938,103	1,342,874
Payments to suppliers for goods and services	(3,453,449)	-	(3,453,449)	(4,028,305)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,021,142	-	2,021,142	1,020,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances to (from)	1,420,247	(453,836)	966,411	(3,195,267)
Transfers in	-	-	-	429,551
Transfers out	-	-	-	(429,551)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,420,247	(453,836)	966,411	(3,195,267)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest (paid) received on lease receivable	(147,737)	147,737	-	-
Principal (paid) received on lease receivable	(335,000)	335,000	-	-
Purchases of capital assets	(1,358,628)	-	(1,358,628)	(627,592)
Principal paid on capital debt	-	(335,000)	(335,000)	(590,000)
Interest paid on capital debt	-	(175,430)	(175,430)	(157,020)
Other payments	-	-	-	(39,612)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,841,365)	(27,693)	(1,869,058)	(1,414,224)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and investment revenues	133,164	-	133,164	344,841
Proceeds from sale (purchases) of investments	(1,771,415)	-	(1,771,415)	702,625
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,638,251)	-	(1,638,251)	1,047,466
NET CHANGE IN CASH AND CASH EQUIVALENTS	(38,227)	(481,529)	(519,756)	(2,541,860)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,543,180	724,930	3,268,110	5,809,970
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,504,953	\$ 243,401	\$ 2,748,354	\$ 3,268,110
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 984,988	\$ -	\$ 984,988	\$ 106,522
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	390,495	-	390,495	369,131
(Increase) Decrease in assets:				
Accounts receivable	(112,440)	-	(112,440)	(42,156)
Unbilled receivables	9,579	-	9,579	(879,227)
Increase (decrease) in liabilities:				
Accounts and other payables	606,137	-	606,137	824,993
Deferred revenue	142,383	-	142,383	640,902
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,021,142	\$ -	\$ 2,021,142	\$ 1,020,165
NONCASH INVESTING ACTIVITY:				
Unrealized gain (loss) on investments	\$ (80,671)	\$ -	\$ (80,671)	\$ 256,059
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:				
Amortization of bond premium	\$ -	\$ 7,480	\$ 7,480	\$ 7,612

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

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

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 661,100	\$ 43,493
Investments, at fair value	23,936,162	-
Due from employees	175,744	-
Due from employer	1,246	-
Accrued interest	<u>29,687</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 24,803,939</u>	<u>\$ 43,493</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 896	\$ 41,161
Due to Township	<u>-</u>	<u>2,332</u>
TOTAL LIABILITIES	896	43,493
NET ASSETS		
Held in trust for pension benefits and pool participants	<u>24,803,043</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,803,939</u>	<u>\$ 43,493</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, 2010
(With Comparative Data For the Year Ended December 31, 2009)

	Pension Trust Funds	
	2010	2009
ADDITIONS		
Contributions:		
State aid	\$ 304,076	\$ 312,801
Employer contributions	148,490	591,633
Employee contributions	198,347	186,433
Additional employee contributions from designated retirement medical account	167,966	-
Total contributions	<u>818,879</u>	<u>1,090,867</u>
Investment income (loss):		
Interest and dividends	577,119	623,376
Unrealized gain on investments	2,261,101	4,348,524
Realized gain (loss) on investments	248,305	(525,749)
Net investment income	<u>3,086,525</u>	<u>4,446,151</u>
TOTAL ADDITIONS	<u>3,905,404</u>	<u>5,537,018</u>
DEDUCTIONS		
Pension payments	1,052,154	1,330,642
Administrative expenses	<u>91,160</u>	<u>69,015</u>
TOTAL DEDUCTIONS	<u>1,143,314</u>	<u>1,399,657</u>
CHANGE IN NET ASSETS	2,762,090	4,137,361
NET ASSETS, BEGINNING OF YEAR	<u>22,040,953</u>	<u>17,903,592</u>
NET ASSETS, END OF YEAR	<u>\$ 24,803,043</u>	<u>\$ 22,040,953</u>

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 governmental 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.

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 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 amounts could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

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, 2010, the carrying amount of the Township's deposits (excluding the pension deposits) was \$11,475,751 and the bank balance was \$12,425,052. Of the bank balance, \$6,115,428 was covered by federal depository insurance; \$3,471,150 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 \$2,838,474 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, 2010, PLGIT and INVEST had credit ratings of AAA.

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, 2010, the Township had the following investments:

Investment Type	Fair Value	Investment Maturities in Years	
		Less Than One Year	One to Five Years
GOVERNMENTAL ACTIVITIES			
U.S. agencies:			
U.S. Treasury notes	\$ 8,299,152	\$ 8,299,152	\$ -
Federal National Mtg Assn (FNMA)s	1,000,000	1,000,000	-
Certificates of deposit	2,561,206	2,561,206	-
Vanguard money market account	951,619	951,619	-
PA INVEST	3,861,797	3,861,797	-
Cash held with U.S. bank	2,316	2,316	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 16,676,090	\$ 16,676,090	\$ -
BUSINESS-TYPE ACTIVITIES			
U.S. agencies:			
U.S. Treasury notes	\$ 18,957,604	\$ 18,957,604	\$ -
Wells Fargo money market account	1,923,879	1,923,879	-
Federal National Mtg Assn (FNMA)s	1,000,000	1,000,000	-
Cash held with U.S. bank	2,341	2,341	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 21,883,824	\$ 21,883,824	\$ -

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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, 2010, all of the Township's investments in U.S. Treasury notes, FNMAs 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, 2010, the Township did not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an insurer of another 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.

As of December 31, 2010, the Township's investments U.S. Treasury notes, and FNMAs 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.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2010 was as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 10,559,898	\$ 10,585,313
Capital construction fund	2,850,795	4,814,576
Nonmajor governmental funds	69,919	104,023
Sewer utility fund	5,881,670	3,715,513
TTMA sewer projects fund	<u>-</u>	<u>142,857</u>
	<u>\$ 19,362,282</u>	<u>\$ 19,362,282</u>

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

Interfund transfers:

<u>Transfers Out</u>		<u>Transfers In</u>	
General fund	\$ 791,223	General fund	\$ 377,037
Capital construction fund	-	Capital construction fund	630,000
Other governmental funds	<u>1,097,486</u>	Other governmental funds	<u>881,672</u>
Total	<u>\$ 1,888,709</u>	Total	<u>\$ 1,888,709</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.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance 01/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/10</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,105,057	\$ 3,627	\$ -	\$ 7,108,684
Construction-in-progress	<u>1,357,648</u>	<u>184,901</u>	<u>(1,236,659)</u>	<u>305,590</u>
Total Capital Assets Not Being Depreciated	<u>8,462,405</u>	<u>188,528</u>	<u>(1,236,659)</u>	<u>7,414,274</u>

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
<i>Governmental Activities (cont'd):</i>				
Capital assets being depreciated:				
Land improvements	21,820,514	-	-	21,820,514
Buildings and improvements	18,821,716	75,640	-	18,897,356
Vehicles	3,515,056	-	-	3,515,056
Machinery and equipment	2,631,003	20,503	-	2,651,506
Infrastructure	33,336,594	4,995,683	-	38,332,277
Total Capital Assets Being Depreciated	80,124,883	5,091,826	-	85,216,709
Accumulated depreciation	32,234,924	2,735,259	-	34,970,183
Total Capital Assets Being Depreciated, Net	47,889,959	2,356,567	-	50,246,526
Governmental Activities, Net	<u>\$ 56,352,364</u>	<u>\$ 2,545,096</u>	<u>\$(1,236,659)</u>	<u>\$ 57,660,800</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 334,407	\$ 779,386	\$ -	\$ 1,113,793
Total Capital Assets Not Being Depreciated	334,407	779,386	-	1,113,793
Capital assets being depreciated:				
Collection sewer system - infrastructure	1,212,051	130,683	-	1,342,734
Buildings and improvements	268,404	-	-	268,404
Vehicles	206,683	-	-	206,683
Machinery and equipment	237,899	448,559	-	686,458
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	19,352,648	579,242	-	19,931,890
Accumulated depreciation	11,902,201	390,495	-	12,292,696
Total Capital Assets Being Depreciated, Net	7,450,447	188,747	-	7,639,194
Business-type Activities, Net	<u>\$ 7,784,854</u>	<u>\$ 968,133</u>	<u>\$ -</u>	<u>\$ 8,752,987</u>

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	\$ 311,645
Public safety	370,660
Public works - highway and maintenance	588,952
Public works - infrastructure	732,048
Public works - sanitation	65
Library	322,713
Culture and recreation	<u>409,176</u>
Total Governmental Activities	<u>\$ 2,735,259</u>
Business-type Activities:	
Sewer	<u>\$ 390,495</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. \$ 9,565,000

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. 6,550,000

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. 2,630,000

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. 3,240,000

Total Governmental Activities 21,985,000

Series 2010 Guaranteed Sewer Revenue Bonds, issued \$3,480,000 in June 2010 at 2.00% to 4.00%, interest and principal payable semi-annually from January 2011 through July 2019. The purpose of this issue was for the current refunding of the Series 2003 Guaranteed Sewer Revenue Bonds and resulted in a cash flow savings of \$248,351. 3,480,000

TOTAL \$ 25,465,000

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

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>
2011	\$ 2,100,000	\$ 934,320
2012	2,150,000	871,198
2013	2,230,000	802,252
2014	2,305,000	730,453
2015	2,385,000	644,945
2016-2020	11,815,000	2,231,775
2021-2025	2,480,000	128,989
TOTAL	\$ 25,465,000	\$ 6,343,932

A schedule of changes in debt is as follows:

	<u>Outstanding 01/01/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 12/31/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
2004 G.O.B. - refunding	\$ 9,840,000	\$ -	\$ (275,000)	\$ 9,565,000	\$ 290,000
2006 G.O.B. - refunding	7,435,000	-	(885,000)	6,550,000	915,000
2009 G.O.B. - refunding	2,800,000	-	(170,000)	2,630,000	175,000
Subtotal	20,075,000	-	(1,330,000)	18,745,000	1,380,000
2008 Highway Bonds	3,590,000	-	(350,000)	3,240,000	365,000
General Obligation Bonds	23,665,000	-	(1,680,000)	21,985,000	1,745,000
Compensated Absences	184,611	46,636	-	231,247	23,125
Total Governmental Activities	<u>\$ 23,849,611</u>	<u>\$ 46,636</u>	<u>\$ (1,680,000)</u>	<u>\$ 22,216,247</u>	<u>\$ 1,768,125</u>
Business-type Activities:					
2003 Sewer Bonds	\$ 3,815,000	\$ -	\$ (3,815,000)	\$ -	\$ -
2010 Sewer Revenue Bonds	-	3,480,000	-	3,480,000	355,000
Total Business-type Activities	<u>\$ 3,815,000</u>	<u>\$ 3,480,000</u>	<u>\$ (3,815,000)</u>	<u>\$ 3,480,000</u>	<u>\$ 355,000</u>

NOTE 6 TAXES

For 2010, 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, 2010 was \$3,573,869,619.

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	-	January 15

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 TAXES (cont'd)

Other taxes levied in 2010:

Real Estate Transfer	-	1% of sale price
Local Service Tax	-	\$52 per person per calendar year for persons who work within the Township with annual earnings of at least \$12,000.

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, 2010 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.

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.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

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

1. Members with fewer 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 the 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.

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, 2010, the carrying amount of the Plan's money market accounts was \$530,379. The Plan's deposits are invested in First American Government Obligations which are fully collateralized by U.S. Government securities and are not 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.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

As of December 31, 2010, the Police Pension Plan had \$22,762,616 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 2010. 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 2010. 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, 2008 is as follows:

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)
1/1/08	*	*	*	*	*	*
1/1/09	\$ 21,796,109	\$ 23,162,097	94.1%	\$ 1,365,988	\$ 3,640,529	37.5%
1/1/10	*	*	*	*	*	*

* Not available due to biennially required Act 205 report.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 POLICE PENSION PLAN (cont'd)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	\$ 722,220	100%
2009	759,474	100%
2010	419,525	100%

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	8.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	3.0% maximum

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.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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:

	Money Purchase Plan	PMRS Plan
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, 2010 disclosed that pension plan membership consisted of the following:

	Money Purchase Plan	PMRS Plan
Active employees	57	60
Retirees and beneficiaries currently receiving benefits	38	38
Vested terminated employees	<u>15</u>	<u>10</u>
Total	<u>110</u>	<u>108</u>

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
2008	\$ 127,020	100.00%	\$ 263,631	100.00%
2009	\$ 144,960	100.00%	\$ 278,288	100.00%
2010	\$ 33,041	100.00%	\$ 285,855	100.00%

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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, 2010, the carrying amount of the Plan's deposits was \$130,721 and the bank balance was \$130,721. The Plan's deposits are invested in First American Government obligations which are fully collateralized by U.S. Government securities and are not 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, 2010, the Non-Uniformed Pension Plan had \$1,173,546 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.

NOTE 9 DEFERRED COMPENSATION PLAN

The Township offers all employees 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 2010, 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, 2010, the plan had net assets of \$3,041,476. The Township has adopted Government Accounting Standard No. 32 and removed the deferred compensation fund from the balance sheet and related statements.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL 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 2010, the Township appropriated and expensed \$1,110,636 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.

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.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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 Township Manager and Board of Supervisors 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.

Annual required contribution	\$ 2,783,299
Interest on net OPEB obligation	194,716
Adjustment to annual required contribution	<u>(199,391)</u>
Annual OPEB cost (expense)	2,778,624
Contributions made	<u>(938,646)</u>
Increase in net OPEB obligation	1,839,978
Net OPEB obligation - beginning of year	<u>4,867,908</u>
Net OPEB obligation - end of year	<u>\$ 6,707,886</u>

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$36,499,276 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$36,499,279. The covered payroll (annual payroll of active employees covered by the plan) was \$5,581,158, and the ratio of the UAAL to the covered payroll was 653.9 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, 2010, 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, 2010 was 26 years.

NOTE 15 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through August 23, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Building Construction Fund	Highway Projects Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 582,147	\$ -	\$ 184,867	\$ 213	\$ 3,645,429
Investments	58,393	-	5	-	20	-
Taxes receivable, net	-	-	-	11,907	-	-
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 58,393</u>	<u>\$ 582,147</u>	<u>\$ 5</u>	<u>\$ 196,774</u>	<u>\$ 233</u>	<u>\$ 3,645,429</u>
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Due to other funds	\$ 58,341	\$ -	\$ -	\$ -	\$ -	\$ 45,682
Deferred revenue	-	-	-	11,659	-	-
TOTAL LIABILITIES	<u>58,341</u>	<u>-</u>	<u>-</u>	<u>11,659</u>	<u>-</u>	<u>45,682</u>
FUND BALANCES						
Reserved for:						
Streets and highways	52	582,147	-	185,115	-	3,599,747
Recreation	-	-	5	-	-	-
Capital projects	-	-	-	-	233	-
Debt service	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>52</u>	<u>582,147</u>	<u>5</u>	<u>185,115</u>	<u>233</u>	<u>3,599,747</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,393</u>	<u>\$ 582,147</u>	<u>\$ 5</u>	<u>\$ 196,774</u>	<u>\$ 233</u>	<u>\$ 3,645,429</u>

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TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals	
					2010	2009
ASSETS						
Cash and cash equivalents	\$ -	\$ 45,352	\$ 1,295,996	\$ 434,841	\$ 6,188,845	\$ 6,247,342
Investments	-	-	-	-	58,418	79,479
Taxes receivable, net	-	-	-	-	11,907	1,464
Other receivables	-	-	114	-	114	-
Due from other funds	24,001	45,918	-	-	69,919	45,918
TOTAL ASSETS	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$ 1,296,110</u>	<u>\$ 434,841</u>	<u>\$ 6,329,203</u>	<u>\$ 6,374,203</u>
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 104,023	\$ 543,438
Deferred revenue	-	-	-	-	11,659	1,464
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,682</u>	<u>544,902</u>
FUND BALANCES						
Reserved for:						
Streets and highways	-	-	-	-	4,367,061	3,964,064
Recreation	-	-	-	-	5	21,125
Capital projects	24,001	91,270	-	-	115,504	115,504
Debt service	-	-	1,296,110	434,841	1,730,951	1,728,608
TOTAL FUND BALANCES	<u>24,001</u>	<u>91,270</u>	<u>1,296,110</u>	<u>434,841</u>	<u>6,213,521</u>	<u>5,829,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$ 1,296,110</u>	<u>\$ 434,841</u>	<u>\$ 6,329,203</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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Building Construction Fund	Highway Projects Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 510,363	\$ -	\$ -
Interest, dividends and rents	307	1,362	19	1,435	-	6,452
Unrealized losses on investments	(136)	-	(7)	-	-	-
Realized losses on investments	-	-	-	-	-	-
Intergovernmental revenues	-	591,633	-	-	-	-
TOTAL REVENUES	<u>171</u>	<u>592,995</u>	<u>12</u>	<u>511,798</u>	<u>-</u>	<u>6,452</u>
EXPENDITURES						
General government	119	-	7	25,000	-	-
Culture and recreation	-	-	21,125	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>119</u>	<u>-</u>	<u>21,132</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>52</u>	<u>592,995</u>	<u>(21,120)</u>	<u>486,798</u>	<u>-</u>	<u>6,452</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	414,186
Transfers out	-	(630,000)	-	(467,486)	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>(630,000)</u>	<u>-</u>	<u>(467,486)</u>	<u>-</u>	<u>414,186</u>
NET CHANGE IN FUND BALANCES	52	(37,005)	(21,120)	19,312	-	420,638
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>619,152</u>	<u>21,125</u>	<u>165,803</u>	<u>233</u>	<u>3,179,109</u>
FUND BALANCES, END OF YEAR	<u>\$ 52</u>	<u>\$ 582,147</u>	<u>\$ 5</u>	<u>\$ 185,115</u>	<u>\$ 233</u>	<u>\$3,599,747</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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals	
					2010	2009
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 510,363	\$ 527,768
Interest, dividends and rents	-	-	2,343	-	11,918	29,251
Unrealized losses on investments	-	-	-	-	(143)	(1,267)
Realized losses on investments	-	-	-	-	-	(18)
Intergovernmental revenues	-	-	-	-	591,633	616,481
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>2,343</u>	<u>-</u>	<u>1,113,771</u>	<u>1,172,215</u>
EXPENDITURES						
General government	-	-	-	-	25,126	25,027
Culture and recreation	-	-	-	-	21,125	-
Debt service:						
Principal	-	-	-	350,000	350,000	340,000
Interest and other charges	-	-	-	117,486	117,486	128,536
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,486</u>	<u>513,737</u>	<u>493,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,343</u>	<u>(467,486)</u>	<u>600,034</u>	<u>678,652</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	467,486	881,672	468,533
Transfers out	-	-	-	-	(1,097,486)	(543,228)
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,486</u>	<u>(215,814)</u>	<u>(74,695)</u>
NET CHANGE IN FUND BALANCES	-	-	2,343	-	384,220	603,957
FUND BALANCES, BEGINNING OF YEAR	<u>24,001</u>	<u>91,270</u>	<u>1,293,767</u>	<u>434,841</u>	<u>5,829,301</u>	<u>5,225,344</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,001</u>	<u>\$ 91,270</u>	<u>\$1,296,110</u>	<u>\$ 434,841</u>	<u>\$6,213,521</u>	<u>\$5,829,301</u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Police Pension Fund	Money Purchase Plan Fund	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 530,379	\$ 130,721	\$ 661,100	\$ 978,472
Investments, at fair value	22,762,616	1,173,546	23,936,162	21,040,318
Due from employees	175,744	-	175,744	7,512
Due from employer	-	1,246	1,246	14,651
Accrued interest	29,687	-	29,687	-
TOTAL ASSETS	<u><u>\$ 23,498,426</u></u>	<u><u>\$ 1,305,513</u></u>	<u><u>\$ 24,803,939</u></u>	<u><u>\$ 22,040,953</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 896	\$ -	\$ 896	\$ -
NET ASSETS				
Held in trust for pension benefits	<u>23,497,530</u>	<u>1,305,513</u>	<u>24,803,043</u>	<u>22,040,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,498,426</u></u>	<u><u>\$ 1,305,513</u></u>	<u><u>\$ 24,803,939</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, 2010
(With Summarized Comparative Data For the Year Ended December 31, 2009)

	Police Pension Fund	Money Purchase Plan Fund	Totals	
			2010	2009
ADDITIONS				
Contributions:				
State aid	\$ 304,076	\$ -	\$ 304,076	\$ 312,801
Employer contributions	115,449	33,041	148,490	591,633
Employee contributions	198,347	-	198,347	186,433
Transfer from terminated medical trust	167,966	-	167,966	-
Total Contributions	<u>785,838</u>	<u>33,041</u>	<u>818,879</u>	<u>1,090,867</u>
Investment income (loss):				
Interest and dividends	551,319	25,800	577,119	623,376
Unrealized gain on investments	2,141,638	119,463	2,261,101	4,348,524
Realized gain (loss) on investments	248,305	-	248,305	(525,749)
Net Investment Income	<u>2,941,262</u>	<u>145,263</u>	<u>3,086,525</u>	<u>4,446,151</u>
TOTAL ADDITIONS	<u>3,727,100</u>	<u>178,304</u>	<u>3,905,404</u>	<u>5,537,018</u>
DEDUCTIONS				
Pension payments	925,676	126,478	1,052,154	1,330,642
Administrative expenses	<u>80,090</u>	<u>11,070</u>	<u>91,160</u>	<u>69,015</u>
TOTAL DEDUCTIONS	<u>1,005,766</u>	<u>137,548</u>	<u>1,143,314</u>	<u>1,399,657</u>
CHANGE IN NET ASSETS	2,721,334	40,756	2,762,090	4,137,361
NET ASSETS, BEGINNING OF YEAR	<u>20,776,196</u>	<u>1,264,757</u>	<u>22,040,953</u>	<u>17,903,592</u>
NET ASSETS, END OF YEAR	<u>\$ 23,497,530</u>	<u>\$ 1,305,513</u>	<u>\$ 24,803,043</u>	<u>\$ 22,040,953</u>

SINGLE AUDIT

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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August 23, 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, 2010, which collectively comprise Tredyffrin Township's basic financial statements, and have issued our report thereon dated August 23, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 that we consider to be material weaknesses.

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 #09-1 and #09-2 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item #08-2.

Tredyffrin Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit Tredyffrin Township's responses and, accordingly, we express no opinion on them.

We also noted another matter that we have reported to management of Tredyffrin Township in a separate letter dated August 23, 2011.

This report is intended solely for the information and use of management, the Board of Supervisors, and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.


BARBACANE, THORNTON & COMPANY LLP

REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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August 23, 2011

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

Compliance

We have audited Tredyffrin Township's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tredyffrin Township's major federal programs for the year ended December 31, 2010. Tredyffrin Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tredyffrin Township's management. Our responsibility is to express an opinion on Tredyffrin Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tredyffrin Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Tredyffrin Township's compliance with those requirements.

In our opinion, Tredyffrin Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and recommendations as items #10-1 and #10-2.

Internal Control Over Compliance

Management of Tredyffrin Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tredyffrin Township's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tredyffrin Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and which are described in the accompanying schedule of findings and recommendations as items #10-1 and #10-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Tredyffrin Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit Tredyffrin Township's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Supervisors, and federal awarding agencies and pass-through entities; 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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>Source Code</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>GRANT AMOUNT</u>	<u>TOTAL RECEIVED FOR YEAR</u>	<u>ACCRUED (DEFERRED) REVENUE 01/01/2010</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 12/31/2010</u>
<u>U.S. Department of Transportation</u> <u>Passed through Delaware Dept of</u> <u>Transportation</u>										
Highway Planning and Construction*	I	20.205	PENNDOT	09/08/09 - 09/08/14	\$ 2,800,000	\$ 1,829,847	\$ -	\$ 2,437,364	\$ 2,437,364	\$ 607,517
Highway Planning and Construction	I	20.205	PENNDOT	09/01/09 - 12/31/10	120,000	88,697	-	120,000	120,000	31,303
Highway Planning and Construction	I	20.205	DVRPC	12/31/09 - 12/31/10	32,000	10,783	-	32,000	32,000	21,217
TOTAL U.S. DEPT OF TRANSPORTATION					<u>2,952,000</u>	<u>1,929,327</u>	<u>-</u>	<u>2,589,364</u>	<u>2,589,364</u>	<u>660,037</u>
<u>U.S. Environmental Protection Agency</u> <u>Passed through Pennsylvania Infrastructure</u> <u>Investment Authority</u>										
Capitalization Grants for Clean Water State Revolving Funds*	I	66.458	PENNVEST	10/14/09 - 08/31/10	523,974	483,276	-	523,974	523,974	40,698
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					<u>523,974</u>	<u>483,276</u>	<u>-</u>	<u>523,974</u>	<u>523,974</u>	<u>40,698</u>
<u>U.S. Department of Homeland Security</u> <u>Passed through PA Emergency Mgt Agency</u> <u>Disaster Grants - Public Assistance</u> <u>(Presidentially declared disasters)</u>	I	97.036	FEMA-1898- DR-PA	03/31/10 - 12/31/10	65,046	65,046	-	65,046	65,046	-
TOTAL U.S. DEPT OF HOMELAND SECURITY					<u>65,046</u>	<u>65,046</u>	<u>-</u>	<u>65,046</u>	<u>65,046</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 3,541,020</u>	<u>\$ 2,477,649</u>	<u>\$ -</u>	<u>\$ 3,178,384</u>	<u>\$ 3,178,384</u>	<u>\$ 700,735</u>

Source Codes

I- Indirect Funding
D- Direct Funding

* Federal award received through the American Recovery and Reinvestment Act.

TREDYFFRIN TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

The Township uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

SCHEDULE OF

FINDINGS AND RECOMMENDATIONS

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Financial Statements

Unqualified

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Unqualified

 X Yes No

Name of Federal Program or Cluster

Highway Planning and Construction
Capitalization Grants for Clean Water State
Revolving Funds

\$300,000

 Yes X No

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

TRANSFER OF FUNDS PER THE TRUST INDENTURE

08-2 Finding

According to provisions of the Trust Indenture for the Highway Improvement Revenue Bonds, Series of 2008, 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

During our current year audit, we noted that the Authority has not transferred the highway assessments to the Revenue Fund. This finding is still applicable for the current year.

Corrective Action Plan

The transfer of the highway assessments to the Revenue Fund will be completed by December 31, 2011. This corrective action plan was prepared by Tim Klarich, Finance Director.

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 prior year 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 recommended 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 (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Status

During our current year audit, we proposed and management posted journal entries that 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 repeated and again was the result of turnover within the accounting department. This finding is still applicable for the current year.

Corrective Action Plan

The large turnover of Finance Department personnel in both professional and clerical positions caused many of the adjustments. New personnel and a more stable personnel situation in the department should help to alleviate the finding for the 2011 and future year audits. This corrective action plan was prepared by Tim Klarich, Finance Director.

CAPITAL ASSETS

09-2 Finding

During our prior 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 recommended that the Township reconcile its capital asset supporting schedules to the Sewer Utility Fund and General Fixed Assets trial balances.

Status

During our current year audit, we noted that the Township did not reconcile fixed assets throughout the year. This was caused in part due to staff turnover. We continue to recommend that the Township reconcile its capital asset supporting schedules to the Sewer Utility Fund and General Fixed Assets trial balances throughout the year. This finding is still applicable for the current year.

Corrective Action Plan

The clerical accountant resigned suddenly in the fall of 2010 and a replacement was not found until January of 2011. This problem should not reappear in the 2011 audit since the clerical accountant hired will now reconcile the capital asset supporting schedules to the trial balances. This corrective action plan was prepared by Tim Klarich, Finance Director.

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

CAPITAL CONSTRUCTION FUND GRANTS (CFDAs #20.205 AND 66.458) PROCUREMENT, SUSPENSION AND DEBARMENT

10-1 Finding

We examined contracts awarded under two federal programs, the Highway Planning and Construction and the Capitalization Grant for Clean Water State Revolving Funds (CWSRFs). During our review of the contracts, we noted that the Township failed to perform a search of debarred parties.

According to CFR Part 180, nonfederal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Entities are required to perform a verification of parties by utilizing the Excluded Parties List System website.

Without verification of contractor eligibility, the Township cannot ensure federal funds are paid only to vendors who are eligible to participate in federal programs. Any payment made to an ineligible party is unallowable and would be subject to recovery by the funding agency.

The cause of the condition was management oversight which resulted in the Township not complying with the requirements of OMB Circular A-133. We were able to verify that the vendors were not suspended or debarred by utilizing the Excluded Parties List System website; therefore, we are not questioning these costs.

Recommendation

We recommend that the Township develop a procedure to ensure that there is verification from the Excluded Parties List Systems of the eligibility status of every contractor awarded a contract that is funded with federal dollars. This process will ensure that compliance with suspension and debarment requirements are met and that there are no questioned costs.

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Corrective Action Plan

The recommended procedure on the previous page will be implemented for all federal contracts. This corrective action plan was prepared by Tim Klarich, Finance Director.

CAPITAL CONSTRUCTION FUND GRANTS (CFDAs #20.205 AND 66.458) DAVIS-BACON ACT

10-2 Finding

During our current year audit, we examined two contracts for which the Davis-Bacon Act was applicable and noted the following:

- One instance for which the Township failed to collect certified payrolls to demonstrate that it monitored for compliance with the Davis-Bacon Act during the duration of the contract.
- Another instance wherein the Township collected certified payrolls but failed to collect them for the duration of the project.

According to the 2010 compliance requirements issued by the Office of Management and Budget(OMB), specifically 29 CFR sections 5.5 and 5.6, all nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Any payment made that is not in compliance with the requirements of the Davis-Bacon Act can be a questioned cost and could be subject to recovery by the funding agency.

This condition was the result of management oversight and resulted in the Township not complying with the requirements of the Davis-Bacon Act.

Recommendation

We recommend that the Township obtain and review certified payrolls for all contracts funded with federal grants. These payrolls should be obtained throughout the duration of the contract and obtained before any payment is made to the contractor.

Corrective Action Plan

The recommended procedure above will be implemented for all federal contracts. This corrective action plan was prepared by Tim Klarich, Finance Director.