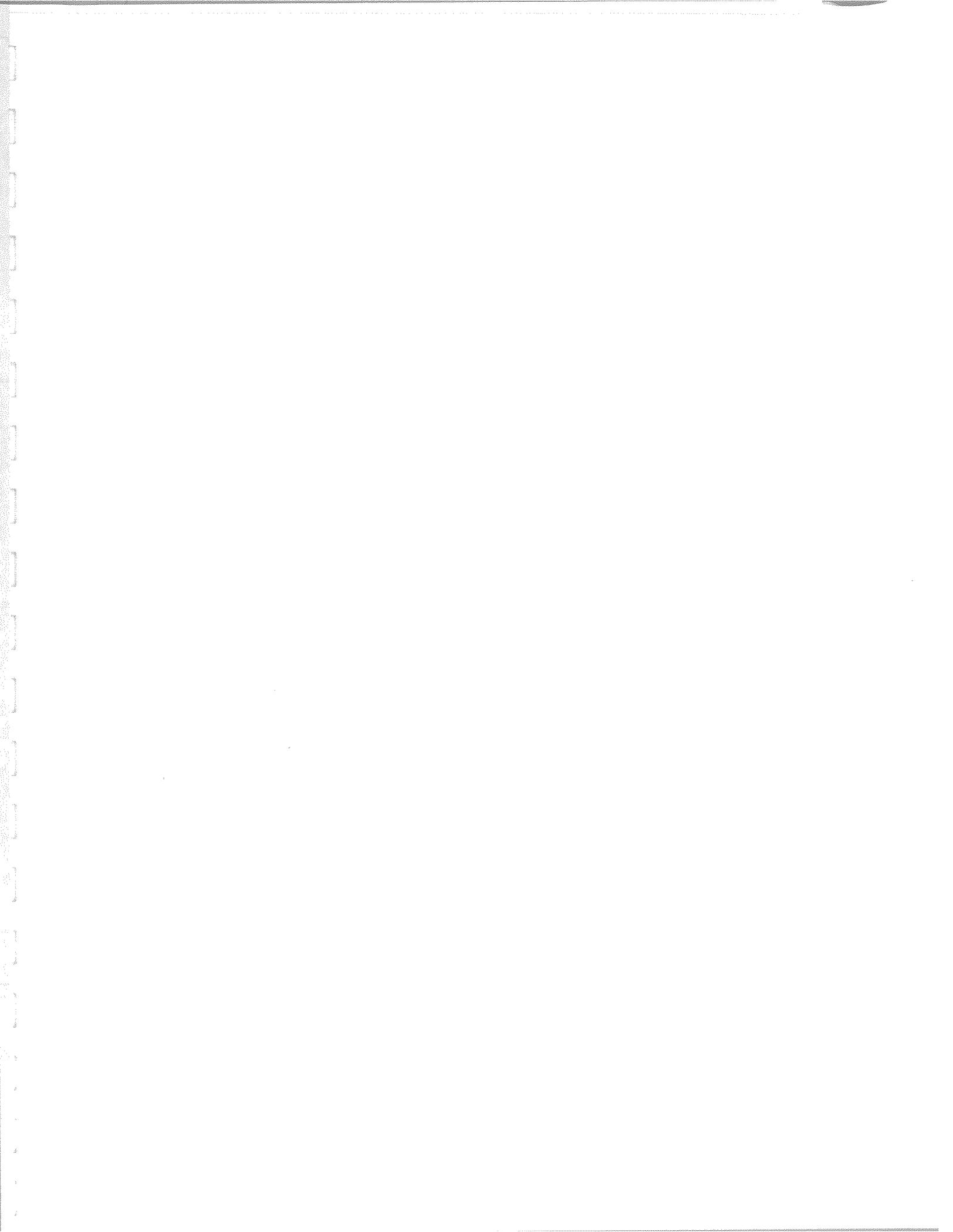


WHITPAIN TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2007



WHITPAIN TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-15
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Open Space Fund	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	29
Notes to Financial Statements	30-50
Required Supplemental Information:	
Schedule of Funding Progress – Police Pension Plan	52
Schedule of Funding Progress – Non Uniform Pension Plan	53
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet Nonmajor Governmental Funds	54-55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	56-57
Combining Balance Sheet – Fiduciary Funds	58-59
Combining Statement of Revenues, Expenditures, and Changes in Net Assets – Fiduciary Funds	60-61
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	62

BEE, BERGVALL & CO

A PROFESSIONAL CORPORATION

Certified Public Accountants

936 Easton Road, PO Box 754, Warrington, PA 18976

(215) 343-2727 Fax (215) 343-8080

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Whitpain Township
Blue Bell, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Whitpain Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Township's nonmajor governmental, nonmajor enterprise, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of Whitpain Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Whitpain Township, Pennsylvania, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 15 and the historical trend information on pages 51 through 52 are not a required part of the basic financial statements but are supplemental information required by the 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitpain Township, Montgomery County, Pennsylvania basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bee, Bergvall & Co.
Bee, Bergvall and Company, P.C.
Certified Public Accountants

April 7, 2008

WHITPAIN TOWNSHIP

Management's Discussion and Analysis

For the Year Ended December 31, 2007

Within this section of Whitpain Township's annual financial report, the Township's management provides narrative discussion and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007. The Township's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section.

Financial Highlights

- The Township's assets exceeded its liabilities by \$53,878,669 (Total Net Assets) for the fiscal year reported. This total includes both governmental and business-type (Sewer) activities.
- Total Net Assets are comprised of the following:
 - 1) Capital Assets, net of related debt of \$38,215,156. These assets include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Net Assets of \$5,858,611, which are restricted as a result of debt covenants, grantor constraints or laws and regulations.
 - 3) Unrestricted Net Assets of \$9,804,902, which are available to fund the continued operations of the Township.
- The Township's governmental funds fund balance at the end of 2007 was \$10,726,639. This compares to the fund balance at the end of 2006 of \$11,908,850. The decrease of \$1,182,211 was primarily due to decreases in investments due to the progress of the curb replacement program.
- The Township's sewer fund net assets increased from \$4,671,377 at the end of 2006 to 5,287,586 at the end of 2007. The increase of \$616,209 was attributed to increased revenues from fees.
- Long-term debt decreased during 2007 by \$561,338.

Overview of the Financial Statements

Management's Discussion and Analysis provides an introduction to the Township's basic financial statements. The basic financial statements include:

- 1) Township-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes To The Financial Statements

Additional information is also provided to supplement the basic financial statements.

Township-Wide Financial Statements

The Township's annual report contains two Township-Wide Financial Statements. They are the *Statement of Net Assets* and the *Statement of Activities*. These statements provide both long-term and short-term information about the Township's overall financial status. Financial reporting at this level is similar to that found in the private sector with its basis in full accrual accounting and the elimination or reclassification of internal activities.

The *Statement of Net Assets* provides information on all of the Township's assets and liabilities, with the difference reported as *Net Assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the Township's financial position is improving or deteriorating. Evaluation of the overall economic health of the Township would include other non-financial factors such as changes in the taxpayer base or the condition of the Township's infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities* reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenditures are included in this report regardless of when cash is received or paid. An important purpose of the Statement of Activities is to show the financial reliance of the Township's various activities or services on revenues provided by the Township's taxpayers.

Both Township-Wide Financial Statements are divided into two categories.

- 1) **Governmental Activities:** Most of the Township's basic services are included here, such as general government, public safety, public works and recreation. These activities are principally supported by taxes and intergovernmental revenues.
- 2) **Business-Type Activities:** Services which are intended to recover all or most of their costs through user fees and charges. The Township's sewer system is the only business-type activity.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Township's Funds, focusing on its most significant or "Major Funds" – not the Township as a whole. A fund is an accountability unit used to maintain control over resources segregated by specific sources of funding or spending on particular programs.

- Some funds are required by state law or bond covenants.
- The Township establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The Township has three kinds of Funds:

- **Governmental Funds:** Most of the Township's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds' statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the Township-Wide statements, additional information at the bottom of the Governmental Funds statements explain the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the Township charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the Township-Wide statements. The Township's Enterprise Funds (one type of Proprietary Fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds:** The Township is the trustee, or fiduciary, for assets that belong to others, such as the pension plans. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Township excludes these activities from the Township-Wide financial statements because it cannot use these assets to finance its operations.

ORGANIZATION OF WHITPAIN TOWNSHIP'S ANNUAL FINANCIAL REPORT

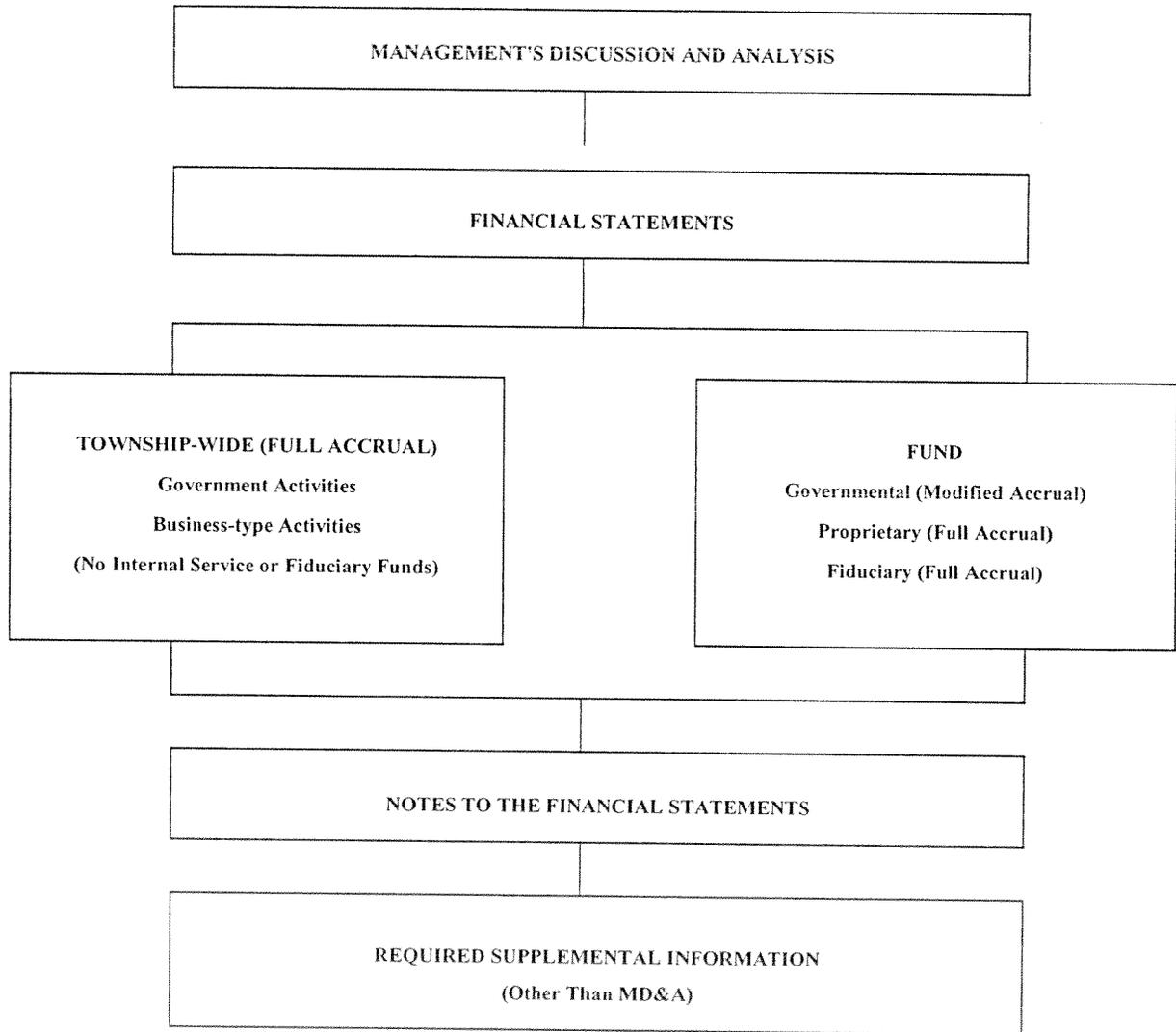


Figure I-1

Financial Analysis of the Township as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets can be used to explain the changing financial position of the Township as a whole.

The Township's net assets at fiscal year-end were \$53,878,669. This is an increase of \$2,559,100 or 5% over 2006's net assets of \$51,319,569. Net assets for governmental activities increased \$1,942,891, while net assets for business-type activities (Sewer) increased \$616,209.

WHITPAIN TOWNSHIP Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Township	
	2007	2006	2007	2006	2007	2006
Current & Other Assets	\$ 12,635	\$ 13,596	\$ 2,657	\$ 2,366	\$ 15,292	\$ 15,962
Capital Assets, Net	51,126	48,717	2,942	2,672	54,068	51,389
TOTAL ASSETS	63,761	62,312	5,599	5,038	69,360	67,351
Long Term Debt	14,269	14,887	4	5	14,273	14,892
Other Liabilities	901	777	308	362	1,209	1,139
TOTAL LIABILITIES	15,170	15,664	312	367	15,482	16,031
NET ASSETS:						
Invested in Capital Assets						
Net of Related Debt	35,273	33,314	2,942	2,672	38,215	35,986
Restricted	5,599	5,941	260	418	5,859	6,359
Unrestricted	7,719	7,393	2,086	1,581	9,805	8,974
TOTAL NET ASSETS	\$ 48,591	\$ 46,648	\$ 5,288	\$ 4,671	\$ 53,879	\$ 51,319

Figure I-2

WHITPAIN TOWNSHIP
Condensed Statement of Activities
(in thousands of dollars)

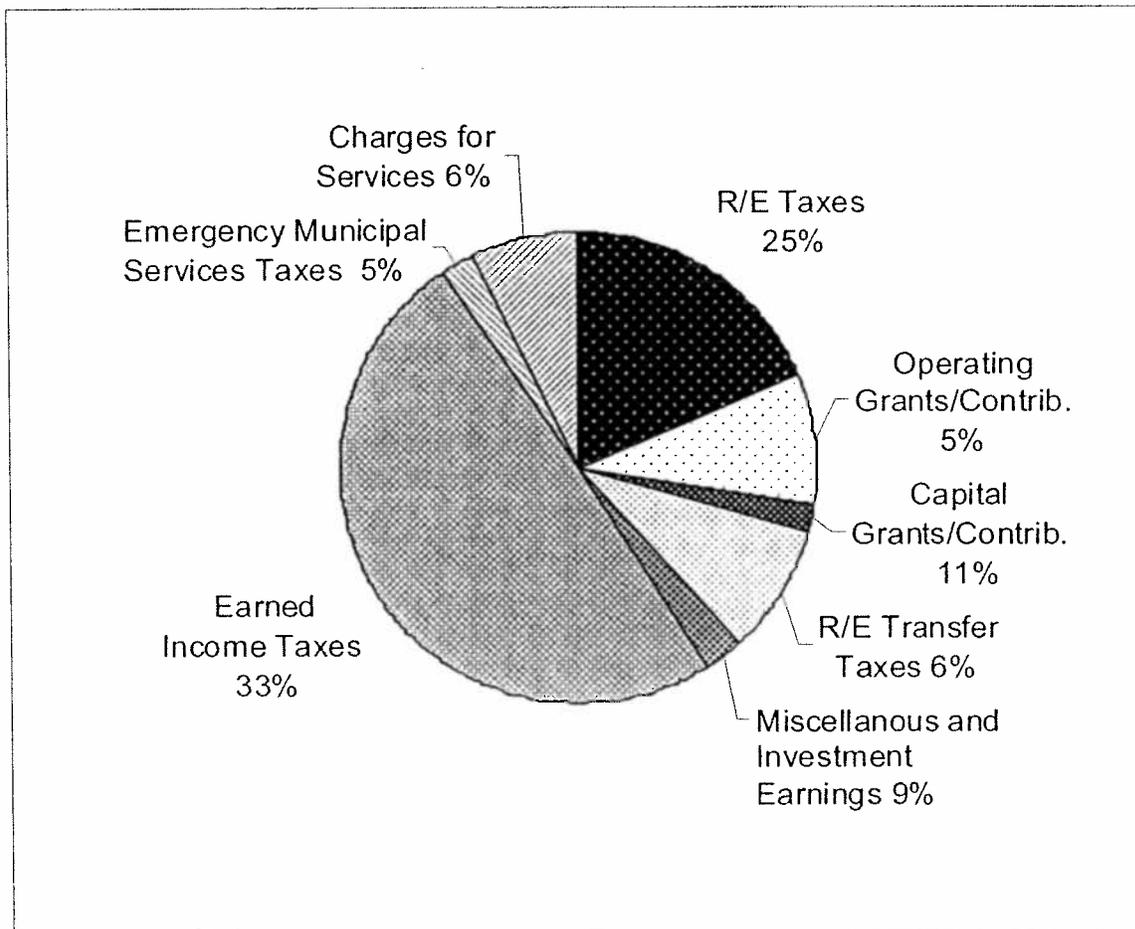
	Governmental Activities		Business-Type Activities		Total Township	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 882	\$ 871	\$ 3,599	\$ 2,737	\$ 4,481	\$ 3,608
Operating Grants and Contributions	783	972	-	-	783	972
Capital Grants and Contributions	1,707	1,274	137	226	1,844	1,500
General Revenues:						
Real Estate Taxes	3,925	2,878	-	-	3,925	2,878
Other Taxes	7,071	7,103	-	-	7,071	7,103
Investment Earnings	596	439	137	124	733	563
Miscellaneous	775	367	42	47	817	414
Total Revenue	15,739	13,904	3,915	3,134	19,654	17,038
<u>Expenses</u>						
General Government	2,369	2,416	-	-	2,369	2,416
Public Safety						
Police	4,141	4,036	-	-	4,141	4,036
Fire	1,071	1,177	-	-	1,071	1,177
Code Enforcement	441	448	-	-	441	448
Zoning	90	81	-	-	90	81
Public Works	3,782	2,865	-	-	3,782	2,865
Culture and Recreation	857	826	-	-	857	826
Interest on Long Term Debt	745	680	-	-	745	680
Sewer	-	-	3,598	3,282	3,598	3,282
Total Expenses	13,496	12,529	3,598	3,282	17,094	15,811
Change in Net Assets before Transfers	2,243	1,375	317	(148)	2,560	1,227
Transfers	(300)	-	300	-	-	-
Change in Net Assets	1,943	1,375	617	(148)	2,560	1,227
Beginning Net Assets	46,648	45,273	4,671	4,819	51,319	50,092
Ending Net Assets	\$ 48,591	\$ 46,648	\$ 5,288	\$ 4,671	\$ 53,879	\$ 51,319

Figure I-3

As indicated in the Summary of Net Assets (Figure I-3) and graphically displayed in (Figure I-4), the Township is heavily dependent upon Other Tax revenues, which include Earned Income Taxes, Emergency & Municipal Services Taxes, and Real Estate Transfer Taxes. These Other Taxes comprised 44% of governmental revenues in fiscal year 2007. This is a decrease of \$31,697 from 2006. Other Tax revenues of \$7,071,417 decreased primarily due to the decline in receipts of the Emergency & Municipal Services Tax due to the exemption allowed for earnings less than \$12,000. Revenues from the Earned Income Tax continue to decline.

Real estate taxes increased....to meet the increasing demands of providing public safety and to increase reserves for the future.

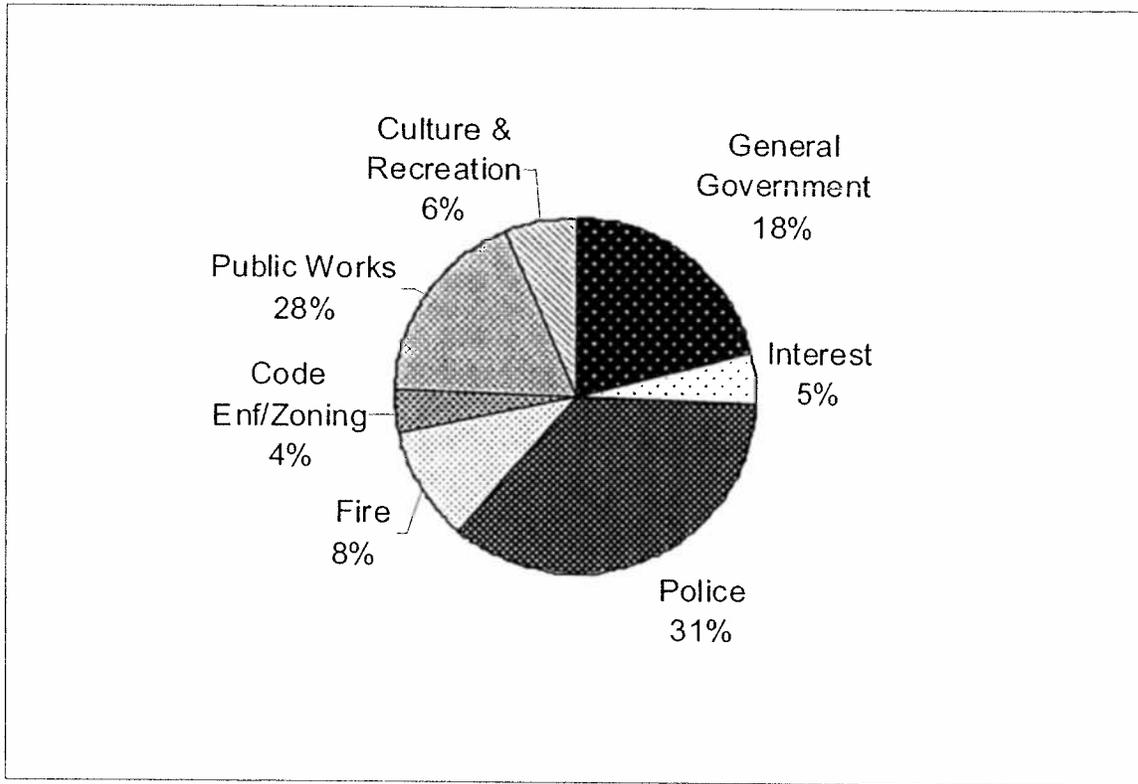
**GOVERNMENTAL REVENUE
2007**



TOTAL - \$15,738
(in thousands of dollars)

Figure I-4

**GOVERNMENTAL FUNCTIONAL EXPENSES
2007**



**TOTAL - \$13,496
(in thousands of dollars)**

Figure I-5

Figure I-5, shows the percentage of governmental expenses by functional services in 2007. Police protection accounted for 31% or \$4,140,664 of governmental expenses of \$13,497,166. Public works accounted for 28% or \$3,782,349 of governmental expenses and general government accounted for 18% or \$2,368,564 of governmental expenses in fiscal year 2007.

Charges for services revenues of \$882,325 reduced the net cost to taxpayers for governmental services expenses by 7%. It should be noted that Code Enforcement recovered 85% of its expenses of \$441,079 through charges for services of \$374,970 in fiscal year 2007. In addition, Culture and Recreation (frequently referred to as Parks and Rec) recovered in excess of 34% of its expenses through charges for services. This is an increase from 32% in fiscal year 2006. Police protection continues to increase due to increases in police personnel.

Business-Type Activities

The Township's only business-type activity is its sewer operation. Charges for services in fiscal year 2007 were \$3,599,067 or \$862,165 higher than charges for services in fiscal year 2006. However, the sewer operation reported an increase in net assets of \$616,209. The increase was planned and deemed necessary to provide for ongoing maintenance and inspection of sewer lines and to increase reserves.

Financial Analysis of the Township's Funds

Governmental Funds

Governmental funds are reported in the Fund Statements with a short term focus on the inflow and outflow of financial resources. This information is valuable in assessing resources available for upcoming financial requirements. Governmental funds reported ending fund balances of \$10,726,639. Of this year-end total, \$10,200,676 is unreserved and available for continuing operations. Restricted fund balances of \$525,963 include: \$502,614 for open space acquisition and development, \$23,349 for public safety.

Major Governmental Funds

The General Fund is the Township's primary operating fund. The fund balance of the General Fund at fiscal year-end was \$5,653,545. The General Fund balance decreased by \$817,833 from 2006's ending General Fund balance. Key factors contributing to this decrease were decreases in revenues from EMS taxes and increases in public safety and roads as discussed previously with the increases in police protection and ongoing road maintenance.

The Capital Projects Fund is a reserve fund for various capital purchases and improvements. The ending fund balance at fiscal year-end, for the Capital Projects Fund was \$804,872. This is a decrease of \$3,004,746 over the ending fund balance for 2006. The decrease was the result of expenditures for the curb replacement program.

Proprietary Funds

The only Township Proprietary Funds are the Sewer Fund and Sewer Capital Fund, which were discussed previously under business-type activities.

General Fund Budgetary Highlights

- General Fund actual revenues were higher than General Fund budgeted revenues by \$697,406. Interest and Rent revenues exceeded budget by \$156,693. The EMS was lower than budgeted due to more individuals than anticipated, earning less than \$12,000 and thus, being exempt from paying the \$52 EMS tax. The Real Estate Transfer Taxes were less due to the slow down in the real estate market. The increase in real estate tax millage made up for the decrease in collections of the EMS and transfer taxes.
- Actual Revenues for building permits, plumbing permits/registrations, and other construction related permits and fees exceeded the 2007 budgeted revenues by \$106,095. This is a difficult item to budget and involves forecasting the amount of renovations undertaken by property owners within the township.
- General Fund functional services' actual expenses were lower than budgeted expenses by \$607,181. The services that had favorable variances were as follows:

General Government	\$ 339,606
Public Safety	84,241
Highways and Roads	61,045
Culture & Rec	86,135

Capital Assets - Net of Depreciation

Capital Assets, net of depreciation increased in 2007 due to increases in Construction in Progress and Conservation Easements.

The schedule (Figure I-6) below details Capital Assets, net of depreciation.

WHITPAIN TOWNSHIP CAPITAL ASSETS-NET OF DEPRECIATION (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 16,108	\$ 16,108	\$ -	\$ -	\$ 16,108	\$ 16,108
Conservation Easements	1,005	-	-	-	1,005	-
Construction in Progress	284	195	-	-	284	195
Land Improvements	1,551	1,598	-	-	1,551	1,598
Buildings & Improvements	3,269	3,028	32	47	3,301	3,075
Machinery & Equipment	1,069	1,127	363	276	1,432	1,403
Infrastructure	27,840	26,661	2,547	2,349	30,387	29,010
TOTAL	\$ 51,126	\$ 48,717	\$ 2,942	\$ 2,672	\$ 54,068	\$ 51,389

Figure I-6

Long Term Debt

Long Term Debt consists of debt incurred for the purchase and development of open space for active and passive recreation, and for the recording of compensated absences payable to employees.

WHITPAIN TOWNSHIP OUTSTANDING LONG TERM DEBT (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
DVRFA Notes	\$ 14,848	\$ 15,403	\$ -	\$ -	\$ 14,848	\$ 15,403
Compensated Absences	33	39	4	5	37	44
Total	<u>\$ 14,881</u>	<u>\$ 15,442</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 14,885</u>	<u>\$ 15,447</u>

Figure I-7

Economic Environment and Next Year's Budgets and Rates

The general outlook for the economy of Whitpain Township is sound. Moderate growth may stall in 2008 and decrease slightly over the next few years. Capital contributions for traffic improvement projects and sewer projects will slow due to the slowing of new development. Real Estate tax revenues will stagnate due to the outdated assessments. Earned Income taxes may decrease over the next few years, particularly if the current major employers in the township continue to pursue their stated outsourcing and relocation intentions. Local Services (formerly EMS) taxes will most likely remain flat in 2008 and Deed Transfer Tax will decrease slightly over the next year.

The operating expenses will, probably, increase only slightly over the next year or so. Real estate tax increases will need to be considered.

Increases in sewer treatment costs and capital costs to the four sewer treatment plants that service Whitpain Township will continue to impact sewer fund finances. The continued thought of changing the billing process to a combination of flat fee and usage should prevent additional increases over the next several years.

Contacting the Township's Financial Management

This financial report is designed to provide a general overview of the Township's finances, comply with finance related laws and regulations and demonstrate the Township's commitment to accountability. If you have any questions about this report or need additional information, please contact the Finance office at 960 Wentz Road, Blue Bell, PA 19422.

WHITPAIN TOWNSHIP

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,388,330	\$ 2,553,445	\$ 11,941,775
Investments	850,000	-	850,000
Receivables	2,342,757	101,136	2,443,893
Deposits	-	350	350
Prepaid expenses	16,614	2,449	19,063
Debt issuance costs (net of accumulated amortization)	37,269	-	37,269
Land	16,108,463	-	16,108,463
Conservation easement	1,005,009	-	1,005,009
Construction in progress	283,693	-	283,693
Other capital assets (net of accumulated depreciation)	33,728,948	2,942,052	36,671,000
Total Assets	63,761,083	5,599,432	69,360,515
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	192,772	16,365	209,137
Interest payable	101,659	-	101,659
Due to other governments	-	285,900	285,900
Internal balances	(5,495)	5,495	-
Non-current liabilities:			
Due within one year	612,000	-	612,000
Due after one year	14,269,064	4,086	14,273,150
Total Liabilities	15,170,000	311,846	15,481,846
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	35,273,104	2,942,052	38,215,156
Restricted for:			
Public safety	529,578	-	529,578
Public works	1,202,856	-	1,202,856
Culture and recreation	2,619,868	-	2,619,868
Capital projects	804,872	-	804,872
Debt service	441,883	-	441,883
Sewer system capital improvements	-	259,554	259,554
Unrestricted	7,718,922	2,085,980	9,804,902
Total Net Assets	\$ 48,591,083	\$ 5,287,586	\$ 53,878,669

The notes to the financial statements are an integral part of this statement

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,953,445)	\$ -	\$ (1,953,445)
(4,020,678)	-	(4,020,678)
(860,612)	-	(860,612)
(66,109)	-	(66,109)
(25,816)	-	(25,816)
(2,805,274)	-	(2,805,274)
352,403	-	352,403
(744,884)	-	(744,884)
<u>(10,124,415)</u>	<u>-</u>	<u>(10,124,415)</u>
-	137,939	137,939
-	137,939	137,939
<u>(10,124,415)</u>	<u>137,939</u>	<u>(9,986,476)</u>
3,924,634	-	3,924,634
943,259	-	943,259
5,266,248	-	5,266,248
861,910	-	861,910
-	-	-
596,402	136,735	733,137
342,246	-	342,246
432,607	41,535	474,142
(300,000)	300,000	-
<u>12,067,306</u>	<u>478,270</u>	<u>12,545,576</u>
1,942,891	616,209	2,559,100
<u>46,648,192</u>	<u>4,671,377</u>	<u>51,319,569</u>
<u>\$ 48,591,083</u>	<u>\$ 5,287,586</u>	<u>\$ 53,878,669</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Open Space</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 4,922,585	\$ 146,328	\$ 2,133,967	\$ 2,185,450	\$ 9,388,330
Investments	-	850,000	-	-	850,000
Receivables	673,518	-	-	22,431	695,949
Prepaid expenses	16,614	-	-	-	16,614
Due from other funds	193,584	-	-	-	193,584
Total Current Assets	<u>5,806,301</u>	<u>996,328</u>	<u>2,133,967</u>	<u>2,207,881</u>	<u>11,144,477</u>
 TOTAL ASSETS	 <u>\$ 5,806,301</u>	 <u>\$ 996,328</u>	 <u>\$ 2,133,967</u>	 <u>\$ 2,207,881</u>	 <u>\$ 11,144,477</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable and accrued wages	\$ 130,744	\$ 3,367	\$ 16,713	\$ 41,948	\$ 192,772
Due to other funds	-	188,089	-	-	188,089
Deferred revenue	22,012	-	-	14,965	36,977
Total Liabilities	<u>152,756</u>	<u>191,456</u>	<u>16,713</u>	<u>56,913</u>	<u>417,838</u>
Fund Balances					
Reserved:					
Open space	502,614	-	-	-	502,614
Public safety	23,349	-	-	-	23,349
Unreserved, reported in:					
General fund	5,127,582	-	-	-	5,127,582
Debt service	-	-	-	441,883	441,883
Special revenue funds	-	-	2,117,254	1,709,085	3,826,339
Capital project funds	-	804,872	-	-	804,872
Total Fund Balances	<u>5,653,545</u>	<u>804,872</u>	<u>2,117,254</u>	<u>2,150,968</u>	<u>10,726,639</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 5,806,301</u>	 <u>\$ 996,328</u>	 <u>\$ 2,133,967</u>	 <u>\$ 2,207,881</u>	 <u>\$ 11,144,477</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2007

Amounts reported for governmental activities in the statement of net assets (page 16)
are different because:

Total fund balances--total governmental funds (page 19). \$ 10,726,639

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	\$ 80,615,709	
Accumulated depreciation	<u>(29,489,596)</u>	51,126,113

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 1,646,808

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred revenues
in the governmental funds and thus are not included in fund balance. 36,977

Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Bonds and notes payable	(14,848,000)	
Interest payable	(101,659)	
Unamortized debt issuance costs	37,269	
Compensated absences	<u>(33,064)</u>	<u>(14,945,454)</u>

Net Assets of governmental activities (page 16) \$ 48,591,083

WHITPAIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Open Space</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property	\$ 2,250,338	\$ -	\$ -	\$ 1,659,535	\$ 3,909,873
Transfer	943,259	-	-	-	943,259
Earned income tax	5,113,501	-	-	-	5,113,501
Emergency and municipal services	861,910	-	-	-	861,910
Fees, licenses and permits	138,320	-	-	-	138,320
Investment income and rent	396,693	133,865	63,954	112,455	706,967
Intergovernmental revenues	624,347	100,000	820,000	369,814	1,914,161
Fines and forfeitures	110,378	-	-	-	110,378
Charges for services	771,947	-	-	-	771,947
Other	161,733	29,727	98,385	477,880	767,725
Total Revenues	<u>11,372,426</u>	<u>263,592</u>	<u>982,339</u>	<u>2,619,684</u>	<u>15,238,041</u>
Expenditures					
Current:					
General government	2,279,161	-	-	-	2,279,161
Public safety	5,255,130	-	-	315,749	5,570,879
Highways and roads	1,505,658	-	-	453,074	1,958,732
Culture and recreation	740,200	-	1,178,889	-	1,919,089
Debt service:					
Principal	-	-	-	555,000	555,000
Interest	-	-	-	739,697	739,697
Capital projects	129,356	3,318,338	-	-	3,447,694
Total Expenditures	<u>9,909,505</u>	<u>3,318,338</u>	<u>1,178,889</u>	<u>2,063,520</u>	<u>16,470,252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,462,921</u>	<u>(3,054,746)</u>	<u>(196,550)</u>	<u>556,164</u>	<u>(1,232,211)</u>
Other Financing Sources (Uses)					
Proceeds from sale of fixed assets	-	-	350,000	-	350,000
Operating transfers in	76	50,000	1,830,830	100,000	1,980,906
Operating transfers out	<u>(2,280,830)</u>	<u>-</u>	<u>-</u>	<u>(76)</u>	<u>(2,280,906)</u>
Total Other Financing Sources (Uses)	<u>(2,280,754)</u>	<u>50,000</u>	<u>2,180,830</u>	<u>99,924</u>	<u>50,000</u>
Net Change in Fund Balances	(817,833)	(3,004,746)	1,984,280	656,088	(1,182,211)
Fund Balance - Beginning	<u>6,471,378</u>	<u>3,809,618</u>	<u>132,974</u>	<u>1,494,880</u>	<u>11,908,850</u>
Fund Balance - Ending	<u>\$ 5,653,545</u>	<u>\$ 804,872</u>	<u>\$ 2,117,254</u>	<u>\$ 2,150,968</u>	<u>\$ 10,726,639</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

Changes in Net Assets

Amounts reported for governmental activities in the statement of activities (page 17-18) are different because:

Net change in fund balances--total governmental funds (page 21). \$ (1,182,211)

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 and reported as depreciation expense.

Capital outlay	\$ 4,487,196	
Depreciation expense	<u>(2,069,837)</u>	2,417,359

The effect of sales of capital assets is to decrease net assets. (7,754)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 159,770

The issuance of long-term debt (e.g. bonds, leases) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of debt issuance costs	(2,071)	
Interest payable	(3,116)	
Repayment of debt	<u>555,000</u>	549,813

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 governmental funds.

Compensated absences	<u>5,914</u>
----------------------	--------------

Change in net assets of governmental activities (pages 18) \$ 1,942,891

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended December 31, 2007

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes	\$ 8,905,000	\$ 8,905,000	\$ 9,169,008	\$ 264,008
Fees, licenses and permits	190,000	190,000	138,320	(51,680)
Interest and rent	240,000	240,000	396,693	156,693
Intergovernmental revenues	378,350	378,350	624,347	245,997
Fines and forfeitures	105,000	105,000	110,378	5,378
Charges for services	717,670	717,670	771,947	54,277
Other	139,000	139,000	161,733	22,733
Total Revenues	10,675,020	10,675,020	11,372,426	697,406
Expenditures				
Current:				
General government	2,618,767	2,618,767	2,279,161	(339,606)
Public safety	5,339,371	5,339,371	5,255,130	(84,241)
Highways and roads	1,566,703	1,566,703	1,505,658	(61,045)
Culture and recreation	826,335	826,335	740,200	(86,135)
Capital projects	165,510	165,510	129,356	(36,154)
Total Expenditures	10,516,686	10,516,686	9,909,505	(607,181)
Excess (Deficiency) of Revenues Over Expenditures	158,334	158,334	1,462,921	1,304,587
Other Financing Sources (Uses)				
Operating transfers in	-	-	76	76
Operating transfers out	(1,450,000)	(1,450,000)	(2,280,830)	(830,830)
Total Other Financing Sources (Uses)	(1,450,000)	(1,450,000)	(2,280,754)	(830,754)
Net Change in Fund Balances	(1,291,666)	(1,291,666)	(817,833)	473,833
Fund Balance, Beginning of Year	6,471,378	6,471,378	6,471,378	
Fund Balance, End of Year	\$ 5,179,712	\$ 5,179,712	\$ 5,653,545	

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended December 31, 2007

	OPEN SPACE FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Interest	\$ 2,500	\$ 2,500	\$ 63,954	\$ 61,454
Intergovernmental revenues	270,000	270,000	820,000	550,000
Other	4,000	4,000	98,385	94,385
Total Revenues	<u>276,500</u>	<u>276,500</u>	<u>982,339</u>	<u>705,839</u>
Expenditures				
Culture and recreation	<u>882,200</u>	<u>882,200</u>	<u>1,178,889</u>	<u>296,689</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(605,700)</u>	<u>(605,700)</u>	<u>(196,550)</u>	<u>409,150</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	-	-	350,000	350,000
Operating transfers in	<u>600,000</u>	<u>600,000</u>	<u>1,830,830</u>	<u>1,230,830</u>
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>600,000</u>	<u>2,180,830</u>	<u>1,580,830</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(5,700)</u>	<u>(5,700)</u>	<u>1,984,280</u>	<u>1,989,980</u>
Fund Balance - Beginning	<u>132,974</u>	<u>132,974</u>	<u>132,974</u>	
Fund Balance - Ending	<u>\$ 127,274</u>	<u>\$ 127,274</u>	<u>\$ 2,117,254</u>	

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2007

	<u>Business-Type Activities - Proprietary Funds</u>		
	<u>Sewer</u>	<u>Sewer Capital</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 2,191,591	\$ 361,854	\$ 2,553,445
Receivables	101,136	-	101,136
Deposits	350	-	350
Prepaid expenses	2,449	-	2,449
Total Current Assets	<u>2,295,526</u>	<u>361,854</u>	<u>2,657,380</u>
Noncurrent Assets			
Capital Assets:			
Sewer system and improvements	11,565,632	-	11,565,632
Other capital assets	929,571	-	929,571
Less accumulated depreciation	<u>(9,553,151)</u>	<u>-</u>	<u>(9,553,151)</u>
Total Noncurrent Assets	<u>2,942,052</u>	<u>-</u>	<u>2,942,052</u>
Total Assets	<u>\$ 5,237,578</u>	<u>\$ 361,854</u>	<u>\$ 5,599,432</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable and accrued wages	\$ 16,365	\$ -	\$ 16,365
Due to other governments	183,600	102,300	285,900
Due to other funds	<u>5,495</u>	<u>-</u>	<u>5,495</u>
Total Current Liabilities	<u>205,460</u>	<u>102,300</u>	<u>307,760</u>
Noncurrent Liabilities			
Compensated absences	<u>4,086</u>	<u>-</u>	<u>4,086</u>
Total Noncurrent Liabilities	<u>4,086</u>	<u>-</u>	<u>4,086</u>
Total Liabilities	<u>209,546</u>	<u>102,300</u>	<u>311,846</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,942,052	-	2,942,052
Restricted for capital improvements (Expendable)	-	259,554	259,554
Unrestricted	<u>2,085,980</u>	<u>-</u>	<u>2,085,980</u>
Total Net Assets	<u>\$ 5,028,032</u>	<u>\$ 259,554</u>	<u>\$ 5,287,586</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended December 31, 2007

	<u>Business-Type Activities - Proprietary Funds</u>		
	<u>Sewer</u>	<u>Sewer Capital</u>	<u>Total</u>
Operating Revenues			
Sewer service	\$ 3,594,117	\$ -	\$ 3,594,117
Connection fees	4,950	-	4,950
Other revenues	19,319	22,216	41,535
Total Operating Revenues	<u>3,618,386</u>	<u>22,216</u>	<u>3,640,602</u>
Operating Expenses			
Salaries, wages and benefits	1,170,531	-	1,170,531
Contracted services	1,205,678	-	1,205,678
Maintenance	212,394	-	212,394
Other	85,519	73,440	158,959
Depreciation	377,138	-	377,138
Total Operating Expenses	<u>3,051,260</u>	<u>73,440</u>	<u>3,124,700</u>
Operating Income (Loss)	<u>567,126</u>	<u>(51,224)</u>	<u>515,902</u>
Nonoperating Revenues (Expense)			
Net earnings on investments	99,234	37,501	136,735
Total Nonoperating Revenues (Expense)	<u>99,234</u>	<u>37,501</u>	<u>136,735</u>
Net Income (Loss)	<u>666,360</u>	<u>(13,723)</u>	<u>652,637</u>
Other Financing Sources (Uses)			
Interfund transfers in	946,207	500,000	1,446,207
Interfund transfers out	(500,000)	(646,207)	(1,146,207)
Total Other Financing Sources (Uses)	<u>446,207</u>	<u>(146,207)</u>	<u>300,000</u>
Capital contributions from developers	-	137,096	137,096
Capital contributions to others	-	(473,524)	(473,524)
Change in Net Assets	1,112,567	(496,358)	616,209
Net Assets - Beginning	<u>3,915,465</u>	<u>755,912</u>	<u>4,671,377</u>
Net Assets - Ending	<u>\$ 5,028,032</u>	<u>\$ 259,554</u>	<u>\$ 5,287,586</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2007

	Proprietary Fund Types		
	Sewer	Capital Sewer	Total
Cash flows from operating activities			
Cash received from customers	\$ 3,607,095	\$ -	\$ 3,607,095
Cash paid to employees	(774,142)	-	(774,142)
Cash paid to suppliers	(1,552,588)	(73,440)	(1,626,028)
Cash paid for employee benefits	(394,777)	-	(394,777)
Refunds	-	22,216	22,216
Net cash provided by (used in) operating activities	<u>885,588</u>	<u>(51,224)</u>	<u>834,364</u>
Cash flows from capital and related financing activities			
Capital contributions from developers	-	137,096	137,096
Capital contributions to others	-	(480,052)	(480,052)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(342,956)</u>	<u>(342,956)</u>
Cash flows from investing activities			
Proceeds from sale of propert, plant and equipment, net	4,625	-	4,625
Purchase of property, plant and equipment	(651,972)	-	(651,972)
Investment income	99,234	37,501	136,735
Net cash provided by (used in) investing activities	<u>(548,113)</u>	<u>37,501</u>	<u>(510,612)</u>
Cash flows from non-capital financing activities			
Operating transfers to/from other funds, net	446,207	(146,207)	300,000
Net cash provided by (used in) non-capital financing activities	<u>446,207</u>	<u>(146,207)</u>	<u>300,000</u>
Net increase (decrease) in cash and cash equivalents	783,682	(502,886)	280,796
Beginning cash and cash equivalents	1,407,909	864,740	2,272,649
Ending cash and cash equivalents	<u>\$ 2,191,591</u>	<u>\$ 361,854</u>	<u>\$ 2,553,445</u>

Reconciliation of Net Operating Income (Loss)
to Net Cash Provided By (Used In) Operating Activities

Net operating income (loss)	\$ 567,126	\$ (51,224)	\$ 515,902
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	377,138	-	377,138
Changes in assets and liabilities:			
(Increase) decrease in receivables	(11,291)	-	(11,291)
(Increase) decrease in prepaids	1,164	-	1,164
Increase (decrease) in payables	(432)	-	(432)
Increase (decrease) in accrued wages	1,612	-	1,612
Increase (decrease) in due to other funds	(49,729)	-	(49,729)
Net adjustments	<u>318,462</u>	<u>-</u>	<u>318,462</u>
Cash provided by (used in) operating activities	<u>\$ 885,588</u>	<u>\$ (51,224)</u>	<u>\$ 834,364</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2007

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 535,830	\$ 282,733	\$ 238,722	\$ 1,057,285
Receivables	3,350	-	-	3,350
Prepaid expenses	-	1,667	-	1,667
Investments				
Mutual Funds	<u>16,135,775</u>	<u>-</u>	<u>-</u>	<u>16,135,775</u>
TOTAL ASSETS	<u>\$ 16,674,955</u>	<u>\$ 284,400</u>	<u>\$ 238,722</u>	<u>\$ 17,198,077</u>
 <u>LIABILITIES</u>				
Due to broker	\$ 20,234	\$ -	\$ -	\$ 20,234
Escrow deposits	<u>-</u>	<u>-</u>	<u>238,722</u>	<u>238,722</u>
TOTAL LIABILITIES	<u>20,234</u>	<u>-</u>	<u>238,722</u>	<u>258,956</u>
 <u>NET ASSETS</u>				
Held in trust for				
Pension benefits	16,654,721	-	-	16,654,721
Post-retirement medical benefits	<u>-</u>	<u>284,400</u>	<u>-</u>	<u>284,400</u>
TOTAL NET ASSETS	<u>\$ 16,654,721</u>	<u>\$ 284,400</u>	<u>\$ -</u>	<u>\$ 16,939,121</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2007

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
Additions			
Contributions			
Member contributions	\$ 204,352	\$ -	\$ 204,352
Employer contributions	368,154	27,000	395,154
State contributions	362,322	-	362,322
Total Contributions	<u>934,828</u>	<u>27,000</u>	<u>961,828</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	(542,292)	-	(542,292)
Dividends	1,013,081	-	1,013,081
Investment income	30,493	12,270	42,763
Total Investment Earnings	501,282	12,270	513,552
Less investment expense	(113,763)	-	(113,763)
Net Investment Earnings	<u>387,519</u>	<u>12,270</u>	<u>399,789</u>
 Total Additions	 <u>1,322,347</u>	 <u>39,270</u>	 <u>1,361,617</u>
Deductions			
Benefits	430,017	-	430,017
Miscellaneous expense	8,378	20,138	28,516
Actuary fees	13,190	-	13,190
Total Deductions	<u>451,585</u>	<u>20,138</u>	<u>471,723</u>
 Change in Net Assets	 870,762	 19,132	 889,894
Net Assets Held in Trust:			
Beginning of Year	<u>15,783,959</u>	<u>265,268</u>	<u>16,049,227</u>
 End of Year	 <u>\$ 16,654,721</u>	 <u>\$ 284,400</u>	 <u>\$ 16,939,121</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies

A. Reporting Entity

Whitpain Township is a municipal corporation existing and operating under the Second Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government only. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. Based upon the application of these criteria, the following is an analysis of the potential component unit addressed in defining the Township's reporting entity.

Centre Square Fire Company – This potential component unit has a separately elected and/or appointed governing body and the Township does not have a controlling influence over daily operations, the establishment of a budget, or appointment of management staff or officers. Therefore, based on the criteria above, this entity is excluded from the reporting entity of the Township.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds on the governmental fund financial statements:

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 *Open Space Fund* accounts for purchases and maintenance of open space.

The *Capital Projects Fund* accounts for various capital projects within the Township.

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sewer and wastewater treatment services.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*
(continued)

Additionally, the government reports the following fiduciary fund types:

The *Pension Trust Fund* accounts for the activities of the Police and Non Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Private Purpose Trust Fund* accounts for the self-insured post-retirement medical benefits program offered to retirees.

The *Agency Fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-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 (GASB). 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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government, if existing. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*
(continued)

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund and sewer capital fund are charges to customers for services. The funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

D. *Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. *Assets, liabilities, and net assets or equity*

1. *Deposits and investments*

The government'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.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

1. *Deposits and investments (continued)*

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of collateralized mortgage obligations, U.S. Treasury obligation, and money market mutual funds. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area saving's accounts rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2007, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

2. *Receivables and payables (continued)*

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) for all capital assets, with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-45
Land and Building improvements	10-45
Roads, curbs, walks and bridges	30-40
Storm sewer pipes	25
Sewers pipes	20
Machinery and equipment	5-20
Traffic signals and intersection improvements	25

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

I. Summary of significant accounting policies (Continued)

4. *Compensated absences*

The Township allows full-time permanent employees to carry over vacation pay (maximum of one week), and compensates for it at retirement. Limited sick leave benefits may be carried forward, however, the Township does not compensate for them at retirement.

5. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, when applicable. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. *Fund equity*

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.

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (continued)

During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Supervisors. There were no budget revisions made during the year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

B. Excess of expenditures over appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the culture and recreation category of the open space fund by \$296,689. This overexpenditure was funded by greater than anticipated revenues.

III. Detailed notes on all funds

A. Deposits and investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end, the government's carrying amount of deposits was \$11,941,775 and the bank balance was \$12,418,386. Of the bank balance, \$200,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, E, 1.

The government has deposits of \$3,633,913 in external investment pools and certificates of deposit of \$500,000. These deposits and certificates are considered cash equivalents because of their short maturity dates and are included in the deposits figure above.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

A. Deposits and investments (continued)

At year-end investment balances were as follows:

	<u>Maturity Dates</u>	<u>Fair Value</u>
GOVERNMENTAL FUNDS		
Externally Pooled Investments	2008	\$ 3,633,913
Certificates of Deposit	2008	<u>1,350,000</u>
Total Governmental Funds		<u>\$ 4,983,913</u>
FIDUCIARY FUNDS		
Cash and short term investments	---	\$ 1,057,285
Mutual Funds - Other	---	433,145
Mutual Funds - Fixed Taxable	---	6,982,501
Mutual Funds - Equity	---	5,828,920
Mutual Funds - International Equity	---	<u>2,891,209</u>
Total Fiduciary Funds		<u>\$ 17,193,060</u>

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, E, 1.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. Currently, the government's formal investment policy does not address interest rate risk.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government's investment in the external investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were seven certificates of deposit that each exceeded 5% of the total investments reported in the governmental funds that would be considered a concentration of credit risk.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

B. Receivables

Receivables as of year end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 664,291	\$ -	\$ 22,431	\$ -	\$ 686,722
Accounts	9,227	-	-	-	9,227
Special assessments	-	101,136	-	-	101,136
Interest	-	-	-	3,350	3,350
Total Receivables	<u>\$ 673,518</u>	<u>\$ 101,136</u>	<u>\$ 22,431</u>	<u>\$ 3,350</u>	<u>\$ 800,435</u>

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government-type activities:				
Capital assets, not being depreciated:				
Land	\$ 16,108,463	\$ -	\$ -	\$ 16,108,463
Conservation easement	-	1,005,009	-	1,005,009
Construction in progress	194,895	390,653	(301,855)	283,693
Total capital assets, not being depreciated	<u>16,303,358</u>	<u>1,395,662</u>	<u>(301,855)</u>	<u>17,397,165</u>
Capital assets, being depreciated:				
Land improvements	2,071,517	-	-	2,071,517
Buildings and improvements	4,580,446	353,685	-	4,934,131
Machinery and equipment	3,124,428	214,200	(80,147)	3,258,481
Infrastructure	50,128,911	2,825,504	-	52,954,415
Total capital assets, being depreciated	<u>59,905,302</u>	<u>3,393,389</u>	<u>(80,147)</u>	<u>63,218,544</u>
Less accumulated depreciation for:				
Land improvements	473,957	46,846	-	520,803
Buildings and improvements	1,552,552	112,695	-	1,665,247
Machinery and equipment	1,997,521	264,565	(72,393)	2,189,693
Infrastructure	23,468,122	1,645,731	-	25,113,853
Total accumulated depreciation	<u>27,492,152</u>	<u>2,069,837</u>	<u>(72,393)</u>	<u>29,489,596</u>
Total capital assets, being depreciated, net	<u>32,413,150</u>	<u>1,323,552</u>	<u>(7,754)</u>	<u>33,728,948</u>
Business-type activities capital assets, net	<u>\$ 48,716,508</u>	<u>\$ 2,719,214</u>	<u>\$ (309,609)</u>	<u>\$ 51,126,113</u>
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 180,684	\$ -	\$ -	\$ 180,684
Machinery and equipment	618,512	165,164	(34,790)	748,886
Infrastructure	11,078,824	486,808	-	11,565,632
Total capital assets, being depreciated	<u>11,878,020</u>	<u>651,972</u>	<u>(34,790)</u>	<u>12,495,202</u>
Less accumulated depreciation for:				
Buildings and improvements	133,888	14,910	-	148,798
Machinery and equipment	342,399	74,146	(30,165)	386,380
Infrastructure	8,729,890	288,082	-	9,017,972
Total accumulated depreciation	<u>9,206,177</u>	<u>377,138</u>	<u>(30,165)</u>	<u>9,553,150</u>
Total capital assets, being depreciated, net	<u>2,671,843</u>	<u>274,834</u>	<u>(4,625)</u>	<u>2,942,052</u>
Business-type activities capital assets, net	<u>\$ 2,671,843</u>	<u>\$ 274,834</u>	<u>\$ (4,625)</u>	<u>\$ 2,942,052</u>

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

C. *Capital assets (continued)*

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

Governmental activities:

Administrative	\$ 56,671
Codes	7,545
Police and emergency services	144,152
Public works, including depreciation of general infrastructure except park systems	1,770,490
Parks, including depreciation related to park systems	<u>90,979</u>
Total depreciation expense - governmental activities	<u>\$ 2,069,837</u>

Business-type activities:

Sewer	<u>\$ 377,138</u>
Total depreciation expense - business-type activities	<u>\$ 377,138</u>

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

Interfund balances:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General	\$ 193,584	\$ -
Capital Projects	-	188,089
Sewer	-	5,495
Total	<u>\$ 193,584</u>	<u>\$ 193,584</u>

(1) Reimbursement of Expenses

Interfund transfers:

	Transfers <u>In</u>	Transfer <u>Out</u>
General	\$ 76	\$ 2,280,830
Capital Projects	50,000	-
Open Space	1,830,830	-
Nonmajor Funds	100,000	76
Sewer	946,207	500,000
Sewer Capital	<u>500,000</u>	<u>646,207</u>
Total	<u>\$ 3,427,113</u>	<u>\$ 3,427,113</u>

(1) Reimbursement of expenses

(2) Saving for future capital projects

E. Long-term debt

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes have been issued for the governmental activities only. The original amount of notes issued was \$17,570,000.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes generally issued as 15-28 year serial notes with varying amounts of principal maturing each year.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

III. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1% to 5.36%	\$ <u>14,848,000</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2007, are as follows. The interest rate in effect at December 31, 2007 for variable rate debt was 3.654%. The terms by which the variable rates change are based on interest rate swap agreements between Delaware Valley Regional Finance Authority and Merrill Lynch Capital Service, which are guaranteed by a third party.

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 612,000	\$ 649,680
2009	640,000	624,109
2010	670,000	597,348
2011	699,000	569,307
2012	731,000	540,021
2013-2017	4,195,000	2,210,408
2018-2022	3,314,000	1,379,705
2023-2027	<u>3,987,000</u>	<u>544,321</u>
	<u>\$ 14,848,000</u>	<u>\$ 7,114,899</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 15,403,000	\$ -	\$ (555,000)	\$ 14,848,000	\$ 612,000
Compensated absences	<u>38,978</u>	<u>-</u>	<u>(5,914)</u>	<u>33,064</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 15,441,978</u>	<u>\$ -</u>	<u>\$ (560,914)</u>	<u>\$ 14,881,064</u>	<u>\$ 612,000</u>
Business-type activities:					
Compensated absences	\$ 4,510	\$ -	\$ (425)	4,085	\$ -
Business-type activity					
Long-term liabilities	<u>\$ 4,510</u>	<u>\$ -</u>	<u>\$ (425)</u>	<u>\$ 4,085</u>	<u>\$ -</u>

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2007 was \$177,585. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2007 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Whitpain Township's share was \$68,585.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2007 was \$259,052. The Trust declared a dividend in 2007. Whitpain Township's share of the dividend distribution was \$22,058. At December 31, 2007, there were no additional assessments due or anticipated. Instead, an audit of the reported 2007 payroll will be performed during the first quarter of 2008.

The Township is one of twenty-four municipalities participating in an inter-municipal agreement with Montgomery County to support the operations of the Montenay Waste-to-Energy facility in Plymouth Township. The Township, along with other participating municipalities, may be liable for the future deficiency of revenues over expenses and debt service requirements, if ever applicable.

B. Post-retirement healthcare benefit plans

Through Board Resolution, effective January 1, 2000, the Township implemented a post-retirement healthcare benefit plan for nonuniform employees who retire from the Township. Under the terms of the Plan the Township pays \$1,200 per year for retirees and their dependants medical insurance premium and/or medical expenses up to a maximum lifetime benefit of \$15,000. Retirees are not required to make contributions to this plan. The Township is accounting for these expenditures on a "pay-as-you-go" basis. There are currently six retirees eligible for these benefits, with an annual cost in 2007 of \$12,000.

In accordance with the Police Labor Contract effective January 1, 1993, the Township implemented a post-retirement healthcare benefit plan for police employees who retire from the Township. Under the terms of the plan the Township pays up to \$1,500 per year for retirees and their dependents medical insurance premiums for a maximum of ten years. Retirees are not required to make contributions to this plan. The Township is accounting for these expenditures on a "pay-as-you-go" basis. There are currently four retirees eligible for these benefits, with an annual cost in 2007 of \$8,138.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

B. Post-retirement healthcare benefit plans (continued)

An actuarial study was performed for the post-retirement healthcare benefit plans, effective January 1, 2001, with the following results:

	<u>Non-Uniform</u>	<u>Police</u>
Active employees	49	28
Retirees	3	6
Cost method	Entry Age Normal	Entry Age Normal
Amortization period	18	13
Actuarial Accrued Liability	\$ 121,069	\$ 167,733
Annual Cost		
Normal Cost	\$ 5,368	\$ 2,827
Amortization of AAL	<u>11,248</u>	<u>18,756</u>
Total Annual Cost	<u>\$ 16,616</u>	<u>\$ 21,583</u>

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially effect the financial position of the Township. At the present time, there are no significant litigation matters pending.

D. Employee retirement systems and pension plans

Defined Benefit Pension Plan

The Township sponsors two single-employer defined benefit pension plans, the Police Pension Plan and the Employee's Pension Plan. All full time police and non uniform employees participate in the plans. Following are details of these two plans. The most recent valuation was as of January 1, 2007. Details below are from the valuation.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

Plan Description

Whitpain Township sponsors a public employee retirement system (PERS) to provide pension benefits for employees of the Township.

At January 1, 2007, Whitpain Township Pension Plan consisted of the following:

	<u>Non Uniform</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits not yet receiving them	22	13
Active employees	<u>57</u>	<u>26</u>
Total membership	<u>79</u>	<u>39</u>

Description of Non Uniform Pension Plan

The Pension Plan provides retirement benefits as well as death and disability benefits. All benefits vest at 100% after 7 years of credited service. Employees who retire at or after age 62 with twenty years of service, are entitled to an annual retirement benefit, payable monthly, for life. Final average salary is 50% of the employee's average monthly earnings over the highest 3 consecutive years out of the last 10 years divided by a fraction representing total credited service. If a member continues working after his normal retirement date, his normal retirement pension increases by .75% per month, provided the participant had at least 20 years of service at normal retirement. If the participant has less than 20 years at normal retirement but more than 20 years at termination, his pension on the date he completes 20 years of service shall be increased by .75% for each month after completion of 20 years.

Covered employees are required to contribute 3% of their compensation to the Pension Fund. Contributions are not required after attainment of age 62 and completion of 20 years of service. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

Description of the Police Pension Plan

The Pension Fund provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final-average salary. Final-average salary is the employee's average compensation over the last thirty-six months of credit services. Compensation is defined as base pay, holiday pay, and longevity pay only. Normal retirement is age 50 with at least twenty-five years of service.

If an employee leaves covered employment or dies before 12 years of credited service, accumulated employee contributions of the Pension Fund (not the Association) plus related investment earnings are refunded to the employee or designated beneficiary. Covered employees are required by statute to contribute 5% of their salary to the Pension Fund. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report.

1. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

2. Contributions Required and Contributions Made

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

3. Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	<u>NonUniform</u>	<u>Police</u>
Annual required contribution	\$ 464,591	\$ 258,036
Interest on net pension obligation	(509)	(12)
Adjustments to annual required contribution	<u>1,347</u>	<u>35</u>
Annual pension cost	465,429	258,059
Contributions made	<u>(464,591)</u>	<u>(258,036)</u>
Increase (decrease) in net pension obligation	838	23
Net pension obligation (asset) at beginning of year	<u>(6,124)</u>	<u>(168)</u>
Net pension obligation (asset) at end of year	<u>\$ (5,286)</u>	<u>\$ (145)</u>

The annual required contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the following assumptions:

	<u>NonUniform</u>	<u>Police</u>
Date of Actuarial valuation	1/1/2007	1/1/2007
Investment rate of return	7.0%	7.0%
Projected salary increases due to inflation	5%	5.5%
Cost method	Entry Age	Entry Age
Amortization method	Level Dollar - Closed	Level Dollar - Closed
Remaining amortization period	7	6

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

Three Year Trend Information

NON-UNIFORM

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2005	\$ 435,801	100.0%	\$ (6,691)
12/31/2006	441,660	100.0%	(6,124)
12/31/2007	465,429	100.0%	(5,286)

POLICE

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2005	\$ 355,988	100.0%	\$ (168)
12/31/2006	281,109	100.0%	(168)
12/31/2007	258,059	100.0%	(145)

E. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2007, \$238,722 represents the balance of these monies held in escrow.

WHITPAIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

IV. Other information (Continued)

F. Joint ventures

East Norriton – Plymouth – Whitpain Joint Sewer Authority

Under a joint resolution authorized by state statutes, the Township joined East Norriton and Plymouth Township to establish and operate the East Norriton – Plymouth – Whitpain Joint Sewer Authority. The governing board is appointed by each of the three member government's governing body. The rates for user charges are approved by each of the member government's governing body. The legal liability for the general obligation portion of the Sewer Authority's debt remains with the Joint Sewer Authority.

A complete financial statement is available upon request.

The Township's treatment cost provided by the Joint Sewer Authority amounted to \$856,807 during 2007. Additionally during 2007, the Township incurred capital contributions of \$161,574 for sewer connections and paid \$367,109 to the Capital Improvement Program of the Joint Sewer Authority.

Ambler Jointure

Under a joint resolution authorized by state statutes, the Township joined Lower Gwynedd and Whitemarsh, with the Borough of Ambler to provide for treatment and disposal of sewage received from the aforementioned Townships at a joint treatment facility constructed in the Borough of Ambler. The governing board is appointed by each of the member government's governing body. The rates for user charges are approved by each of the member government's governing body. The legal liability for the general obligation portion of the Sewer Authority's debt remains with the Joint Sewer Authority.

A complete financial statement is available upon request.

The Township's treatment cost provided by the Joint Sewer Authority amounted to \$211,512 during 2007. Additionally during 2007, the Township paid \$106,415 to the Capital Improvement Program of the Joint Sewer Authority.

REQUIRED SUPPLEMENTAL INFORMATION

WHITPAIN TOWNSHIP

Required Supplemental Information - Police Pension Plan

December 31, 2007

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued	Liability as a Percentage of Payroll
					Projected Annual Covered Payroll	
1/1/2003	\$ 6,258,749	\$ 7,425,161	84%	\$ 1,166,412	\$ 1,962,332	59%
1/1/2005	8,231,872	8,316,813	99%	84,941	2,023,482	4%
1/1/2007	10,025,558	9,757,959	103%	(267,599)	1,861,340	-14%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions		Percentage Contributed
		From Employer	Percentage	
2002	\$ 107,838	\$ 107,838	100%	
2003	147,611	147,611	100%	
2004	163,647	163,815	100%	
2005	355,988	355,988	100%	
2006	281,109	281,109	100%	
2007	258,036	258,036	100%	

WHITPAIN TOWNSHIP

Required Supplemental Information – Non Uniform Pension Plan

December 31, 2007

SCHEDULE OF FUNDING PROGRESS

<u>Valuation</u>	<u>Actuarial</u>	<u>Actuarial</u>	<u>Percentage</u>	<u>Unfunded</u>	<u>Accrued</u>	<u>Liability</u>
<u>Date</u>	<u>Value of</u>	<u>Liability</u>	<u>Funded</u>	<u>Actuarial</u>	<u>Projected</u>	<u>as a</u>
	<u>Net Assets</u>	<u>Obligation</u>		<u>Accrued</u>	<u>Covered</u>	<u>Percentage</u>
				<u>Liability</u>	<u>Payroll</u>	<u>of Payroll</u>
1/1/2003	\$ 3,180,756	\$ 4,763,046	67%	\$ 1,582,290	\$ 2,540,283	62%
1/1/2005	4,379,620	5,592,436	78%	1,212,816	2,653,804	46%
1/1/2007	5,762,108	6,669,472	86%	907,364	2,977,052	30%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

<u>Calendar</u>	<u>Annual</u>	<u>Contributions</u>	<u>Percentage</u>
<u>Year</u>	<u>Required</u>	<u>From</u>	<u>Contributed</u>
	<u>Contribution</u>	<u>Employer</u>	
2002	\$ 279,763	\$ 279,763	100%
2003	301,344	301,344	100%
2004	313,790	313,790	100%
2005	435,234	435,234	100%
2006	441,093	441,093	100%
2007	464,591	464,591	100%

Special Revenue Funds					
Highway Aid	Police Special Equipment	Special Account #1	Total	Debt Service	Total Nonmajor Governmental Funds
\$ 48,686	\$ 953	\$ -	\$ 1,749,417	\$ 436,033	\$ 2,185,450
-	-	-	4,819	17,612	22,431
<u>\$ 48,686</u>	<u>\$ 953</u>	<u>\$ -</u>	<u>\$ 1,754,236</u>	<u>\$ 453,645</u>	<u>\$ 2,207,881</u>
\$ -	\$ -	\$ -	\$ 41,948	\$ -	\$ 41,948
-	-	-	3,203	11,762	14,965
-	-	-	45,151	11,762	56,913
-	-	-	-	441,883	441,883
48,686	953	-	1,709,085	-	1,709,085
48,686	953	-	1,709,085	441,883	2,150,968
<u>\$ 48,686</u>	<u>\$ 953</u>	<u>\$ -</u>	<u>\$ 1,754,236</u>	<u>\$ 453,645</u>	<u>\$ 2,207,881</u>

The notes to the financial statements are an integral part of this statement

Special Revenue Funds

Highway Aid	Police Special Equipment	Special Account #1	Total	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 355,195	\$ 1,304,340	\$ 1,659,535
9,962	36	-	73,611	38,844	112,455
369,814	-	-	369,814	-	369,814
-	250	-	477,880	-	477,880
<u>379,776</u>	<u>286</u>	<u>-</u>	<u>1,276,500</u>	<u>1,343,184</u>	<u>2,619,684</u>
-	-	-	315,749	-	315,749
430,472	-	-	453,074	-	453,074
-	-	-	-	555,000	555,000
-	-	-	-	739,697	739,697
<u>430,472</u>	<u>-</u>	<u>-</u>	<u>768,823</u>	<u>1,294,697</u>	<u>2,063,520</u>
(50,696)	286	-	507,677	48,487	556,164
-	-	-	100,000	-	100,000
-	-	(76)	(76)	-	(76)
-	-	(76)	99,924	-	99,924
(50,696)	286	(76)	607,601	48,487	656,088
99,382	667	76	1,101,484	393,396	1,494,880
<u>\$ 48,686</u>	<u>\$ 953</u>	<u>\$ -</u>	<u>\$ 1,709,085</u>	<u>\$ 441,883</u>	<u>\$ 2,150,968</u>

The notes to the financial statements are an integral part of this statement

Private Purpose Trust Funds				
Nonuniform Post-Retirement Medical Insurance	Police Post-Retirement Medical Insurance	Total	Agency Funds General Escrow	Total Fiduciary Funds
\$ 58,334	\$ 224,399	\$ 282,733	\$ 238,722	\$ 1,057,285
-	-	-	-	3,350
1,000	667	1,667	-	1,667
-	-	-	-	16,135,775
<u>\$ 59,334</u>	<u>\$ 225,066</u>	<u>\$ 284,400</u>	<u>\$ 238,722</u>	<u>\$ 17,198,077</u>
\$ -	\$ -	\$ -	\$ -	\$ 20,234
-	-	-	238,722	238,722
-	-	-	238,722	258,956
-	-	-	-	16,654,721
<u>59,334</u>	<u>225,066</u>	<u>284,400</u>	<u>-</u>	<u>284,400</u>
<u>\$ 59,334</u>	<u>\$ 225,066</u>	<u>\$ 284,400</u>	<u>\$ -</u>	<u>\$ 16,939,121</u>

The notes to the financial statements are an integral part of this statement

Private Purpose Trust Funds			
Nonuniform Post-Retirement Medical Insurance	Police Post-Retirement Medical Insurance	Total	Total Fiduciary Funds
\$ -	\$ -	\$ -	\$ 204,352
12,000	15,000	27,000	395,154
-	-	-	362,322
<u>12,000</u>	<u>15,000</u>	<u>27,000</u>	<u>961,828</u>
-	-	-	(542,292)
-	-	-	1,013,081
<u>2,482</u>	<u>9,788</u>	<u>12,270</u>	<u>42,763</u>
<u>2,482</u>	<u>9,788</u>	<u>12,270</u>	<u>513,552</u>
-	-	-	(113,763)
<u>2,482</u>	<u>9,788</u>	<u>12,270</u>	<u>399,789</u>
<u>14,482</u>	<u>24,788</u>	<u>39,270</u>	<u>1,361,617</u>
-	-	-	430,017
12,000	8,138	20,138	28,516
-	-	-	13,190
<u>12,000</u>	<u>8,138</u>	<u>20,138</u>	<u>471,723</u>
2,482	16,650	19,132	889,894
<u>56,852</u>	<u>208,416</u>	<u>265,268</u>	<u>16,049,227</u>
<u>\$ 59,334</u>	<u>\$ 225,066</u>	<u>\$ 284,400</u>	<u>\$ 16,939,121</u>

The notes to the financial statements are an integral part of this statement

WHITPAIN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – ALL AGENCY FUNDS

December 31, 2007

	<u>Balance</u> <u>January 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2007</u>
<u>ESCROWS</u>				
ASSETS				
Cash	<u>\$ 227,894</u>	<u>\$ 11,766</u>	<u>\$ (938)</u>	<u>\$ 238,722</u>
LIABILITIES				
Deposits payable	<u>\$ 227,894</u>	<u>\$ 11,766</u>	<u>\$ (938)</u>	<u>\$ 238,722</u>

The notes to the financial statements are an integral part of this statement



***WHITPAIN TOWNSHIP
MANAGEMENT LETTER
DECEMBER 31, 2007***

BEE, BERGVALL & CO

A PROFESSIONAL CORPORATION

Certified Public Accountants

936 Easton Road

PO Box 754

Warrington, PA 18976



BEE, BERGVALL & CO
A PROFESSIONAL CORPORATION

Certified Public Accountants
936 Easton Road, PO Box 754, Warrington, PA 18976
(215) 343-2727 Fax (215) 343-8080

Board Members
Whitpain Township
Bucks County, Pennsylvania

Dear Board Members:

In planning and performing our audit of the financial statements of Whitpain Township as of and for the period ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Whitpain Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We do not consider finding #1 to be a significant deficiency in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We do not believe that the significant deficiency identified above constitutes a material weakness.

We have already discussed our comments and suggestions with various personnel of the Township. We will be pleased to discuss them with you further.

Very truly yours,

Bee Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

April 7, 2008



FINDING #1

Disbursement over \$10,000

Article 31 "Contracts" of the 2nd Class Township Code requires that certain specific procedures are followed when making purchases in excess of \$10,000. The Code sets out guidelines for the bidding process; such as when bids are to be advertised, what should be included in the advertisement, and which purchases may be excluded from these requirements.

We found one disbursement exceeding \$10,000 that was not put out to bid. The purchase was for paving materials.

Township Response: Whitpain Township accepted an offer from a contractor to repave a parking lot near a Township sporting facility. The offer provided labor and the Township agreed to pay the cost of materials. In the end, the cost of materials amounted to \$10,152. There was no intent to violate the bidding process and due to the offer of free labor, the Township recognized significant savings.

