TREDYFFRIN TOWNSHIP

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

TREDYFFRIN TOWNSHIP
BERWYN, PENNSYLVANIA

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BERWYN, PENNSYLVANIA

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INDEPENDENT AUDITORS' REPORT

August 20, 2012

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tredyffrin Township, Berwyn, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Township's 2010 financial statements and, in our report dated August 23, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2011, and the respective changes in its financial position and its cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012 on our consideration of Tredyffrin Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BARBACANE
THORNTON
&COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Supervisors
Tredyffrin Township

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedule of funding progress - police pension fund on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tredyffrin Township, Berwyn, Pennsylvania's financial statements as a whole. The combining nonmajor governmental fund financial statements and the combining fiduciary fund financial statements on pages 49 through 54 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental fund financial statements and the combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

TREDYFFRIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

DECEMBER 31, 2011

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

FINANCIAL HIGHLIGHTS

- The assets of Tredyffrin Township exceeded its liabilities at the close of the most recent fiscal year by $86,800,883 (representing its net assets). Of this amount, $35,296,210 (or its unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The Township's total net assets decreased by $249,516 in 2011.

- As of December 31, 2011, the Township's governmental funds reported a combined ending fund balance of $21,731,296, a decrease of $2,888,132 from the prior year's balance. Approximately 51 percent of the total fund balance, or $11,115,413, is available for spending at the Township's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

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

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

These two statements report the Township's net assets and changes in them during the year. The reader can think of the Township's net assets – the difference between assets and liabilities – as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall financial health of the Township.

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

- **Governmental activities** – Most of the Township's basic services are reported here, including police and fire, general administration, libraries, public works, and parks and recreation. Property taxes, the local services tax, intergovernmental revenues and franchise fees finance most of these activities.

- **Business-type activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's Sewer Utility Fund is reported here. The Township also includes a separate legal entity in its report - the Tredyffrin Township Municipal Authority. The Municipal Authority is a public authority, which exists to finance facilities for use in the sanitary sewer operation of the Township Municipal Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government.

Reporting the Township's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds: Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds are described in the reconciliation at the end of the fund financial statements.

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

Fiduciary Funds: The Township is the trustee, or fiduciary, responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as pension plans and the agency fund) are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Entity-wide

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of 2011, the Township's assets exceeded its liabilities by $86,800,883, which is a $249,516 decrease from the prior year.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, highways and additions or improvements to the libraries, storm drainage and the sewer conveyance system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net assets at the close of 2011, $35,296,210, may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains an "Aaa" rating from Moody's for its current debt issuances. This is Moody's highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As shown in Table 1, the 2011 net assets decrease of $249,516 is the result of a $3,987,260 decrease in current and other assets, a $1,582,067 increase in capital assets and other noncurrent assets, a $2,196,359 decrease in other liabilities, and a $40,682 increase in long-term liabilities.

TABLE 1: TREDYFFRIN TOWNSHIP'S NET ASSETS
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 22,866,503	$ 30,083,853	$ 52,950,356	$ 25,610,631	$ 31,326,985	$ 56,937,616
Capital and related assets	57,943,397	10,357,205	68,300,602	57,826,749	8,891,786	66,718,535
Total Assets	80,809,900	40,441,058	121,250,958	83,437,380	40,218,771	123,656,151
Long-term liabilities	27,258,921	2,824,226	30,083,147	26,849,128	3,193,337	30,042,465
Other liabilities	2,837,302	1,529,626	4,366,928	2,669,389	3,893,898	6,563,287
Total Liabilities	30,096,223	4,353,852	34,450,075	29,518,517	7,087,235	36,605,752
Invested in capital assets, net of related debt	44,402,523	7,102,150	51,504,673	47,729,119	5,272,987	53,002,106
Unrestricted	6,311,154	28,985,056	35,296,210	6,189,744	27,858,549	34,048,293
Total Net Assets	$ 50,713,677	$ 36,087,206	$ 86,800,883	$ 53,918,863	$ 33,131,536	$ 87,050,399

As shown in Table 2, expenses exceeded revenues by $249,516 in 2011, resulting in an overall decrease in net assets. Revenue from real estate taxes was stable; however, revenues from the real estate transfer tax, local services tax and investment earnings decreased due to continued weakness in economic conditions. This decline was offset by an increase in other service charge revenues.

TABLE 2: TREDYFFRIN TOWNSHIP'S CHANGES IN NET ASSETS
For the Year Ended December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program revenues:						
Charges for services	$ 1,624,578	$ 6,323,183	$ 7,947,761	$ 1,930,281	$ 5,428,951	$ 7,359,232
Operating grants/contributions	2,698,454	-	2,698,454	2,811,845	-	2,811,845
Capital grants/contributions	-	-	-	3,113,338	-	3,113,338
General revenues:						
Real estate taxes	8,476,700	-	8,476,700	8,457,289	-	8,457,289
Real estate transfer taxes	1,886,193	-	1,886,193	2,126,777	-	2,126,777
Local services tax	1,580,344	-	1,580,344	1,715,527	-	1,715,527
Investment earnings	194,246	38,545	232,791	295,912	52,493	348,405
Other	705,106	-	705,106	669,958	-	669,958
TOTAL REVENUES	17,165,621	6,361,728	23,527,349	21,120,927	5,481,444	26,602,371
EXPENSES						
General government	2,541,300	-	2,541,300	1,628,011	-	1,628,011
Public safety	10,877,922	-	10,877,922	11,125,729	-	11,125,729
Highway/streets	3,309,224	-	3,309,224	3,123,834	-	3,123,834
Other public works	25,446	-	25,446	42,099	-	42,099
Library	1,436,769	-	1,436,769	1,538,238	-	1,538,238
Culture and recreation	1,150,829	-	1,150,829	1,164,228	-	1,164,228
Interest on bonds	1,029,317	-	1,029,317	1,000,559	-	1,000,559
Sewer operations	-	3,406,058	3,406,058	-	4,607,123	4,607,123
TOTAL EXPENSES	20,370,807	3,406,058	23,776,865	19,622,698	4,607,123	24,229,821
CHANGE IN NET ASSETS	(3,205,186)	2,955,670	(249,516)	1,498,229	874,321	2,372,550
NET ASSETS, BEGINNING	53,918,863	33,131,536	87,050,399	52,420,634	32,257,215	84,677,849
NET ASSETS, ENDING	$ 50,713,677	$ 36,087,206	$ 86,800,883	$ 53,918,863	$ 33,131,536	$ 87,050,399

Governmental Activities

Real estate taxes and real estate transfer taxes provide the major funding for the Township's governmental activities. Real estate taxes are the largest revenue source, accounting for 49 percent of revenue. In 2011, the real estate millage rate was 2.308 which was an increase of 3.5 percent from the real estate millage rate of 2.23 in 2010. Real estate transfer taxes provided 11 percent of revenue. Operating grants and contributions provided 16 percent of revenue.

As shown in Table 3, the cost of all governmental activities this year was $20,370,807. Of this amount, taxes funded 59 percent, with the balance funded through program revenues and other general revenues. The program revenues were paid by those who directly benefited from the programs ($1,624,578) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions ($2,698,454).

Public safety programs are the largest spending commitment, accounting for approximately 53 percent of the Township's governmental activities expenditures. General administration and public works services account for approximately 12 percent and 17 percent, respectively, of the expenditures.

TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST
For the Year Ended December 31, 2011

Functions/Programs	Total Cost of Services	% of Total Cost	Program Revenue	Net Expense
General	$ 2,541,300	12%	$ 433,814	$ 2,107,486
Public safety	10,877,922	53%	2,892,326	7,985,596
Public works	3,334,670	17%	752,600	2,582,070
Library	1,436,769	7%	-	1,436,769
Culture/recreation	1,150,829	6%	244,292	906,537
Interest on bonds	1,029,317	5%	-	1,029,317
Totals	$ 20,370,807	100%	$4,323,032	$ 16,047,775

Business-type Activities

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

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

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

Sewer/utility expenditures totaled $3,406,058 in 2011, a $1,201,065 decrease over the prior year.

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

As shown in Table 2, revenues exceeded expenses by $2,955,670 in 2011. As shown in Table 1, the net assets increase is reflected in a $1,243,132 decrease in current assets and other assets, a $1,465,419 increase in capital assets, a $2,364,272 decrease in other liabilities and a $369,111 decrease in long-term liabilities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

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

Governmental Funds

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

As of December 31, 2011, the Township's governmental funds reported combined ending balances of $21,731,296, a decrease of $2,888,132 compared to the prior year. Approximately 51 percent, or $11,115,413, constitutes unassigned fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is restricted and/or assigned, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service; 2) capital improvements; or 3) a variety of other purposes.

The fund balance of the General Fund increased by $520,357 in fiscal year 2011. Key factors for this increase are the transfers of $1,591,789 from the Capital Construction Fund, which offset declines in tax revenue as well as reduced receipts from the real estate transfer tax and local services tax caused by a slow economic environment.

The Township maintains Capital Construction Funds to account for major capital acquisitions and construction separately from the ongoing operating activities. As of December 31, 2011, the combined fund balance was $3,335,988.

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

- Liquid Fuels Fund - The Township received $605,993 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.

- TTMA Transportation District Fund - The Township received $526,692 from the special assessment levied to businesses along the Route 202 corridor. The revenue funds the debt service for bonds issued for infrastructure improvements related to the widening of Section 400 of Route 202. As of December 31, 2011, the fund balance of this fund was $210,096, an increase of $24,981 from 2010.

The Township maintains Debt Service Funds to set aside resources to meet current and future obligations of the Township, including but not limited to, debt service and general liabilities. As of December 31, 2011, the combined fund balance was $1,822,902.

Proprietary Funds

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

Unrestricted net assets of the Sewer Utility Fund and the TTMA Sewer Projects Fund at the end of the year amounted to $28,977,471. The total increase in net assets was $2,955,670. Factors contributing to the finances of this fund already have been addressed in the discussion of the Township's business-type activities.

Fiduciary Funds

The Township maintains Pension Trust Funds and Agency Funds to account for assets held by the Township in a trustee capacity. The Pension Trust Funds' assets pertain to the police defined benefit pension plan and money purchase defined contribution plan for non-uniformed staff. The Agency Funds are custodial in nature and account for escrow accounts held by the Township.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to $68,002,264, net of accumulated depreciation. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure.

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

Long-term Debt

As of December 31, 2011, the Township had $23,240,000 in bonds outstanding – a decrease of $2,225,000 from the prior year. The non-electoral debt amount is $17,240,000 and the self-liquidating guaranteed revenue debt amount is $6,000,000 as of December 31, 2011.

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

During fiscal year 2011, the Township refinanced some of its existing debt to take advantage of favorable interest rates.

- Tredyffrin Township issued $5,510,000 of General Obligation Bonds Series 2011 in November 2011. The proceeds of these bonds were used for the current refunding of the General Obligation Bonds Series 2006. The result is refunding in a cash flow savings of $414,057.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The large real estate transfer tax market, similar to prior years, continued to be very weak in 2011. In fact, there were no large real estate transfer tax revenues in 2011. It is expected to remain weak in 2012.

- There was a large decline in real estate transfer tax, local service tax and investment earnings revenues in 2011 compared to 2010. The results for 2012 are expected to be similar to 2011.

- The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts. Also, the 2012 budget includes a 3.5 percent increase in the real estate tax millage rate.

- There is little new development but the amount of renovations and additions continued to be positive in 2011, but not as strong as the 2010 permit fee revenue. Real estate tax revenue is expected to be higher in 2012 due to the rate increase while building permits are expected to be slightly higher in 2012.

- In 2011, staff was not reduced but replacements for attrition were sometimes delayed or deferred.

- Increased costs of staff and retiree employee benefits continue to place a financial burden on the operations of the Township.

- The $250/EDU sewer/utility fee remained the same in 2011. It remained unchanged for 2012.

All of these factors were considered in preparing the Township's budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Tredyffrin Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, Tredyffrin Township, 1100 DuPortail Road, Berwyn, PA 19312. In addition, general information relating to Tredyffrin Township can be found via the web at www.tredyffrin.org.

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)

	Governmental Activities	Business-type Activities	Totals 2011	Totals 2010
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 7,276,112	$ 2,803,346	$ 10,079,458	$ 11,475,751
Investments	15,924,718	20,966,224	36,890,942	38,559,914
Taxes receivable	152,753	-	152,753	139,174
Accounts and other receivables	1,182,307	4,644,896	5,827,203	6,762,777
Internal balances	(1,669,387)	1,669,387	-	-
TOTAL CURRENT ASSETS	22,866,503	30,083,853	52,950,356	56,937,616
NONCURRENT ASSETS:				
Bond issuance costs, net of amortization	175,868	61,718	237,586	235,896
Deferred amount on refunding	-	60,752	60,752	68,852
Depreciable capital assets, net	48,858,097	10,010,900	58,868,997	57,885,720
Land	7,108,684	-	7,108,684	7,108,684
Construction-in-progress	1,800,748	223,835	2,024,583	1,419,383
TOTAL NONCURRENT ASSETS	57,943,397	10,357,205	68,300,602	66,718,535
TOTAL ASSETS	$ 80,809,900	$ 40,441,058	$ 121,250,958	$ 123,656,151
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and other current liabilities	$ 872,026	$ 253,825	$ 1,125,851	$ 2,588,691
Accrued interest	56,022	41,759	97,781	141,465
Deferred revenue	-	864,931	864,931	1,739,085
Bonds payable - current portion	1,830,000	360,000	2,190,000	2,100,000
Bond discounts	(29,947)	-	(29,947)	(47,100)
Bond premiums	47,755	9,111	56,866	18,021
Capital lease - current portion	38,741	-	38,741	-
Compensated absences	22,705	-	22,705	23,125
TOTAL CURRENT LIABILITIES	2,837,302	1,529,626	4,366,928	6,563,287
NONCURRENT LIABILITIES:				
Long-term portion of long-term debt	18,285,000	2,765,000	21,050,000	23,365,000
Bond discounts	(267,006)	-	(267,006)	(394,867)
Bond premiums	273,303	59,226	332,529	156,324
Capital lease	124,620	-	124,620	-
Compensated absences	204,345	-	204,345	208,122
OPEB obligation	8,638,659	-	8,638,659	6,707,886
TOTAL NONCURRENT LIABILITIES	27,258,921	2,824,226	30,083,147	30,042,465
TOTAL LIABILITIES	30,096,223	4,353,852	34,450,075	36,605,752
NET ASSETS:				
Invested in capital assets, net of related debt	44,402,523	7,102,150	51,504,673	53,002,106
Unrestricted	6,311,154	28,985,056	35,296,210	34,048,293
TOTAL NET ASSETS	50,713,677	36,087,206	86,800,883	87,050,399
TOTAL LIABILITIES AND NET ASSETS	$ 80,809,900	$ 40,441,058	$ 121,250,958	$ 123,656,151

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

TREDYFFRIN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
							Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2011	2010
GOVERNMENTAL ACTIVITIES:								
General government	$ 2,541,300	$ 154,626	$ 279,188	$ -	$ (2,107,486)	$ -	$ (2,107,486)	$ (381,790)
Public safety	10,877,922	1,225,660	1,666,666	-	(7,985,596)	-	(7,985,596)	(8,574,271)
Public works - highways and streets	3,309,224	-	625,276	-	(2,683,948)	-	(2,683,948)	475,173
Public works - sanitation	25,446	-	127,324	-	101,878	-	101,878	207,901
Library	1,436,769	-	-	-	(1,436,769)	-	(1,436,769)	(1,538,238)
Culture and recreation	1,150,829	244,292	-	-	(906,537)	-	(906,537)	(955,450)
Interest expense	1,029,317	-	-	-	(1,029,317)	-	(1,029,317)	(1,000,559)
TOTAL GOVERNMENTAL ACTIVITIES	20,370,807	1,624,578	2,698,454	-	(16,047,775)	-	(16,047,775)	(11,767,234)
BUSINESS-TYPE ACTIVITIES:								
Sewer	3,406,058	6,323,183	-	-	-	2,917,125	2,917,125	821,828
TOTAL BUSINESS-TYPE ACTIVITIES	3,406,058	6,323,183	-	-	-	2,917,125	2,917,125	821,828
TOTAL PRIMARY GOVERNMENT	$ 23,776,865	$7,947,761	$2,698,454	$ -	(16,047,775)	2,917,125	(13,130,650)	(10,945,406)
		GENERAL REVENUES						
		Taxes:						
		Real estate taxes			8,476,700	-	8,476,700	8,457,289
		Real estate transfer taxes			1,886,193	-	1,886,193	2,126,777
		Local services taxes			1,580,344	-	1,580,344	1,715,527
		Franchise fees			643,128	-	643,128	625,763
		Investment earnings			194,246	38,545	232,791	348,405
		Grants and contributions not restricted to specific programs			16,479	-	16,479	16,287
		Miscellaneous			45,499	-	45,499	27,908
		TOTAL GENERAL REVENUES			12,842,589	38,545	12,881,134	13,317,956
		CHANGE IN NET ASSETS			(3,205,186)	2,955,670	(249,516)	2,372,550
		NET ASSETS, BEGINNING OF YEAR			53,918,863	33,131,536	87,050,399	84,677,849
		NET ASSETS, END OF YEAR			$ 50,713,677	$ 36,087,206	$ 86,800,883	$ 87,050,399

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

TREDYFFRIN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Totals 2011	Totals 2010
ASSETS						
Cash and cash equivalents	$ 2,866,897	$ 2,305,699	$ 970,593	$ 1,132,923	$ 7,276,112	$ 8,727,397
Investments	8,146,209	3,746,681	2,676,683	1,355,145	15,924,718	16,676,090
Taxes receivable	127,267	-	-	25,486	152,753	139,174
Accounts receivable	1,181,458	-	114	735	1,182,307	2,091,270
Due from other funds	4,288,935	-	-	70,152	4,359,087	13,480,612
TOTAL ASSETS	$ 16,610,766	$ 6,052,380	$ 3,647,390	$ 2,584,441	$ 28,894,977	$ 41,114,543
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	$ 494,213	$ 352,157	$ -	$ -	$ 846,370	$ 312,350
Accrued liabilities	25,121	535	-	-	25,656	528,934
Due to other funds	3,529,924	2,363,700	45,918	88,932	6,028,474	15,503,912
Deferred revenue	242,594	-	-	20,587	263,181	149,919
TOTAL LIABILITIES	4,291,852	2,716,392	45,918	109,519	7,163,681	16,495,115
FUND BALANCE:						
Restricted for streets and highways	-	-	3,601,472	627,786	4,229,258	4,367,061
Restricted for capital projects	-	3,335,988	-	24,234	3,360,222	6,722,854
Restricted for debt service	-	-	-	1,822,902	1,822,902	1,730,951
Restricted for recreation	-	-	-	-	-	5
Assigned for OPEB	1,203,501	-	-	-	1,203,501	953,072
Unassigned	11,115,413	-	-	-	11,115,413	10,845,485
TOTAL FUND BALANCE	12,318,914	3,335,988	3,601,472	2,474,922	21,731,296	24,619,428
TOTAL LIABILITIES AND FUND BALANCE	$ 16,610,766	$ 6,052,380	$ 3,647,390	$ 2,584,441	$ 28,894,977	$ 41,114,543

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

TREDYFFRIN TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
DECEMBER 31, 2011

TOTAL GOVERNMENTAL FUND BALANCES		$ 21,731,296
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Depreciable capital assets, net	$ 48,858,097	
Land	7,108,684	
Construction-in-progress	1,800,748	57,767,529
Bond issuance costs are recorded as an expenditure in the fund statements but recorded as an asset and amortized over the life of the bonds in the statement of net assets.		175,868
Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		263,181
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	(227,050)	
Net OPEB obligation	(8,638,659)	
Accrued interest payable	(56,022)	
Capital lease obligation	(163,361)	
Bond discounts	296,953	
Bond premiums	(321,058)	
General obligation bonds payable	(20,115,000)	(29,224,197)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 50,713,677

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

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Totals 2011	Totals 2010
REVENUES						
Taxes	$ 11,303,283	$ -	$ -	$ 526,692	$ 11,829,975	$ 12,284,638
Licenses and permits	729,645	-	-	-	729,645	964,071
Fines, forfeits and costs	183,292	-	-	-	183,292	150,347
Interest, dividends and rents	167,833	72,360	1,725	1,068	242,986	324,134
Unrealized losses on investments	(12,981)	(7,955)	-	(128)	(21,064)	(23,639)
Realized losses on investments	(20,098)	(7,578)	-	-	(27,676)	(4,583)
Intergovernmental revenues	1,835,091	4,040	-	605,993	2,445,124	5,452,815
Charges for services/fees	1,624,578	-	-	-	1,624,578	1,930,281
Miscellaneous revenue/other	45,499	-	-	-	45,499	27,908
TOTAL REVENUES	15,856,142	60,867	1,725	1,133,625	17,052,359	21,105,972
EXPENDITURES						
Current:						
General government	2,040,536	6,076	-	30,639	2,077,251	1,172,835
Public safety	9,738,273	-	-	-	9,738,273	9,239,229
Public works - highways and streets	1,523,649	728,668	-	-	2,252,317	5,679,918
Public works - sanitation	23,715	-	-	-	23,715	40,330
Library	998,826	1,776,423	-	-	2,775,249	1,110,636
Culture and recreation	720,829	-	-	-	720,829	801,013
Debt service:						
Principal	1,380,000	-	-	365,000	1,745,000	1,680,000
Interest and other charges	761,611	-	-	106,111	867,722	900,822
TOTAL EXPENDITURES	17,187,439	2,511,167	-	501,750	20,200,356	20,624,783
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,331,297)	(2,450,300)	1,725	631,875	(3,147,997)	481,189
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued	5,510,000	-	-	-	5,510,000	-
Premium on refunding bonds	233,071	-	-	-	233,071	-
Bond issue costs on refunding bonds	(77,558)	-	-	-	(77,558)	
Payment to refund bonds	(5,635,000)	-	-	-	(5,635,000)	-
Capital lease proceeds	199,818	-	-	-	199,818	-
Proceeds from the sale of capital assets	29,534	-	-	-	29,534	-
Transfers in	1,591,789	770,722	-	562,381	2,924,892	1,888,709
Transfers out	-	(1,591,784)	-	(1,333,108)	(2,924,892)	(1,888,709)
TOTAL OTHER FINANCING SOURCES (USES)	1,851,654	(821,062)	-	(770,727)	259,865	-
NET CHANGE IN FUND BALANCES	520,357	(3,271,362)	1,725	(138,852)	(2,888,132)	481,189
FUND BALANCES, BEGINNING OF YEAR	11,798,557	6,607,350	3,599,747	2,613,774	24,619,428	24,138,239
FUND BALANCES, END OF YEAR	$ 12,318,914	$ 3,335,988	$ 3,601,472	$ 2,474,922	$ 21,731,296	$ 24,619,428

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

TREDYFFRIN TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (2,888,132)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($2,944,331) exceeded depreciation expense ($2,465,551) in the current period.		478,780
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		113,262
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Refunding bonds issued	$ (5,510,000)	
Payment to refunded bond escrow agent	5,635,000	
Premium on refunding bonds to be amortized over the life of the bonds	(233,071)	
Bond issue costs associated with the refunding bonds to be amortized over the life of the bonds	77,558	
Bond principal	1,745,000	
Capital lease proceeds	(199,818)	
Capital lease payments	36,457	
Accrued interest	42,148	
Amortization of bond issuance costs, premiums and discounts	(203,743)	1,389,531
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Loss on disposal of capital assets	$ (372,051)	
Compensated absences	4,197	
OPEB liability	(1,930,773)	(2,298,627)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ (3,205,186)

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

TREDYFFRIN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUE			
Taxes:			
Property taxes	$ 7,855,000	$ 7,836,746	$ (18,254)
Transfer taxes	2,550,000	1,886,193	(663,807)
Local services taxes	1,775,000	1,580,344	(194,656)
Licenses and permits	841,000	729,645	(111,355)
Fines, forfeits and costs	168,000	183,292	15,292
Interest, dividends and rents	174,000	167,833	(6,167)
Unrealized losses on investments	-	(12,981)	(12,981)
Realized losses on investments	-	(20,098)	(20,098)
Intergovernmental revenues	1,657,125	1,835,091	177,966
Charges for services/fees	1,643,000	1,624,578	(18,422)
Miscellaneous revenue/other	15,000	45,499	30,499
TOTAL REVENUE	16,678,125	15,856,142	(821,983)
EXPENDITURES			
Current:			
General government	1,715,956	2,040,536	324,580
Public safety	10,123,269	9,738,273	(384,996)
Public works - highways and streets	1,452,933	1,523,649	70,716
Public works - sanitation	16,750	23,715	6,965
Library	1,160,518	998,826	(161,692)
Culture and recreation	1,124,797	720,829	(403,968)
Debt service:			
Principal	1,337,800	1,380,000	42,200
Interest and other charges	716,325	761,611	45,286
TOTAL EXPENDITURES	17,648,348	17,187,439	(460,909)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(970,223)	(1,331,297)	(361,074)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	5,510,000	5,510,000
Premium on refunding bonds	-	233,071	233,071
Bond issuance costs on refunding bonds	-	(77,558)	(77,558)
Payment to refund bonds	-	(5,635,000)	(5,635,000)
Capital lease proceeds	-	199,818	199,818
Proceeds from sale of capital assets	45,000	29,534	(15,466)
Transfers in	280,600	1,591,789	1,311,189
TOTAL OTHER FINANCING SOURCES	325,600	1,851,654	1,526,054
NET CHANGES IN FUND BALANCE	(644,623)	520,357	1,164,980
FUND BALANCE, BEGINNING OF YEAR	11,798,557	11,798,557	-
FUND BALANCE, END OF YEAR	$ 11,153,934	$ 12,318,914	$ 1,164,980

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

TREDYFFRIN TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2011	2010
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,518,186	$ 285,160	$ 2,803,346	$ 2,748,354
Investments	20,966,224	-	20,966,224	21,883,824
Accounts receivable	350,759	-	350,759	392,049
Unbilled receivable	4,294,137	-	4,294,137	4,279,458
Due from other funds	2,419,281	-	2,419,281	5,881,670
Total current assets	30,548,587	285,160	30,833,747	35,185,355
NONCURRENT ASSETS:				
Bond isuance costs	-	61,718	61,718	69,947
Deferred amount on refunding	-	60,752	60,752	68,852
Depreciable capital assets, net	10,010,900	-	10,010,900	7,639,194
Construction-in-progress	223,835	-	223,835	1,113,793
Total noncurrent assets	10,234,735	122,470	10,357,205	8,891,786
TOTAL ASSETS	$ 40,783,322	$ 407,630	$ 41,190,952	$ 44,077,141
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 253,825	$ -	$ 253,825	$ 1,747,407
Accrued interest	-	41,759	41,759	43,295
Deferred revenue	864,931	-	864,931	1,739,085
Revenue bonds	-	360,000	360,000	355,000
Unamortized premium	-	9,111	9,111	9,111
Lease payable (receivable)	360,000	(360,000)	-	-
Due to other funds	607,037	142,857	749,894	3,858,370
Total Current Liabilities	2,085,793	193,727	2,279,520	7,752,268
NONCURRENT LIABILITIES:				
Lease payable (receivable)	2,765,000	(2,765,000)	-	-
Revenue bonds	-	2,765,000	2,765,000	3,125,000
Unamortized premium	-	59,226	59,226	68,337
Total Noncurrent Liabilities	2,765,000	59,226	2,824,226	3,193,337
TOTAL LIABILITIES	4,850,793	252,953	5,103,746	10,945,605
NET ASSETS				
Invested in capital assets, net of related debt	7,109,735	(7,585)	7,102,150	5,272,987
Unrestricted	28,822,794	162,262	28,985,056	27,858,549
TOTAL NET ASSETS	35,932,529	154,677	36,087,206	33,131,536
TOTAL LIABILITIES AND NET ASSETS	$ 40,783,322	$ 407,630	$ 41,190,952	$ 44,077,141

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

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2011	2010
OPERATING REVENUES				
Sewer fees	$ 4,404,934	$ -	$ 4,404,934	$ 4,526,909
Sewer fees - other governments	1,905,384	-	1,905,384	887,264
Other fees	12,865	-	12,865	14,778
TOTAL OPERATING REVENUES	6,323,183	-	6,323,183	5,428,951
OPERATING EXPENSES				
Sewer disposal	1,073,677	-	1,073,677	1,988,463
Salaries and wages	310,233	-	310,233	370,828
Employee benefits	143,131	-	143,131	236,156
Administration	174,668	-	174,668	206,552
Engineering	40,642	-	40,642	40,017
Allocation of expenses	377,500	-	377,500	483,329
Supplies	56,128	-	56,128	56,875
Electric/Lighting	421,991	-	421,991	440,701
Repairs and maintenance	336,309	-	336,309	230,547
Depreciation	420,789	-	420,789	390,495
TOTAL OPERATING EXPENSES	3,355,068	-	3,355,068	4,443,963
OPERATING INCOME	2,968,115	-	2,968,115	984,988
NONOPERATING REVENUE (EXPENSES)				
Interest on lease rental payments	(87,067)	87,067	-	-
Interest and investment revenue	135,046	-	135,046	133,164
Unrealized loss on investments	(96,501)	-	(96,501)	(80,671)
Interest expense on bonds	-	(43,772)	(43,772)	(155,680)
Amortization expense	-	(7,218)	(7,218)	(7,480)
TOTAL NONOPERATING REVENUE (EXPENSES)	(48,522)	36,077	(12,445)	(110,667)
CHANGE IN NET ASSETS	2,919,593	36,077	2,955,670	874,321
NET ASSETS, BEGINNING OF YEAR	33,012,936	118,600	33,131,536	32,257,215
NET ASSETS, END OF YEAR	$ 35,932,529	$ 154,677	$ 36,087,206	$ 33,131,536

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	$ 4,390,255	$ -	$ 4,390,255	$ 4,536,488
Receipts from other governments	1,085,385	-	1,085,385	938,103
Payments to suppliers for goods and services	(4,427,861)	-	(4,427,861)	(3,453,449)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,047,779	-	1,047,779	2,021,142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds	353,913	-	353,913	966,411
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	353,913	-	353,913	966,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest (paid) received on lease receivable	(87,067)	87,067	-	-
Principal (paid) received on lease receivable	(355,000)	355,000	-	-
Purchases of capital assets	(1,902,537)	-	(1,902,537)	(1,358,628)
Principal paid on capital debt	-	(355,000)	(355,000)	(335,000)
Interest paid on capital debt	-	(45,308)	(45,308)	(175,430)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,344,604)	41,759	(2,302,845)	(1,869,058)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and investment revenues	135,046	-	135,046	133,164
Proceeds from sale (purchases) of investments	821,099	-	821,099	(1,771,415)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	956,145	-	956,145	(1,638,251)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,233	41,759	54,992	(519,756)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,504,953	243,401	2,748,354	3,268,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,518,186	$ 285,160	$ 2,803,346	$ 2,748,354
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 2,968,115	$ -	$ 2,968,115	$ 984,988
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	420,789	-	420,789	390,495
(Increase) Decrease in assets:				
Accounts receivable	41,290	-	41,290	(112,440)
Unbilled receivables	(14,679)	-	(14,679)	9,579
Increase (decrease) in liabilities:				
Accounts and other payables	(1,493,582)	-	(1,493,582)	606,137
Deferred revenue	(874,154)	-	(874,154)	142,383
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,047,779	$ -	$ 1,047,779	$ 2,021,142
NONCASH INVESTING ACTIVITY:				
Unrealized (loss) on investments	$ (96,501)	$ -	$ (96,501)	$ (80,671)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:				
Amortization of bond premium	$ -	$ 7,218	$ 7,218	$ 7,480

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

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

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 741,546	$ 40,577
Investments, at fair value:		
Fixed income funds	7,545,288	-
Stock mutual funds	6,120,797	-
International mutual funds	3,712,551	-
Common stock	3,835,596	-
Real estate investment funds	1,516,680	-
Emerging market funds	463,106	-
Bond mutual funds	153,962	-
Due from employees	8,005	-
Due from employer	982	-
Accrued interest	42,342	-
TOTAL ASSETS	$ 24,140,855	$ 40,577
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 17,829	$ 40,577
TOTAL LIABILITIES	17,829	40,577
NET ASSETS		
Held in trust for pension benefits and pool participants	24,123,026	-
TOTAL LIABILITIES AND NET ASSETS	$ 24,140,855	$ 40,577

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Data For the Year Ended December 31, 2010)

	Pension Trust Funds	
	2011	2010
ADDITIONS		
Contributions:		
State aid	$ 500,507	$ 304,076
Employer contributions	30,190	148,490
Employee contributions	203,947	198,347
Additional employee contributions from designated retirement medical account	-	167,966
Total contributions	734,644	818,879
Investment income (loss):		
Interest and dividends	644,242	577,119
Unrealized gain (loss) on investments	(1,071,836)	2,261,101
Realized gain on investments	384,206	248,305
Net investment income (loss)	(43,388)	3,086,525
TOTAL ADDITIONS	691,256	3,905,404
DEDUCTIONS		
Pension payments	1,247,255	1,052,154
Administrative expenses	124,018	91,160
TOTAL DEDUCTIONS	1,371,273	1,143,314
CHANGE IN NET ASSETS	(680,017)	2,762,090
NET ASSETS, BEGINNING OF YEAR	24,803,043	22,040,953
NET ASSETS, END OF YEAR	$ 24,123,026	$ 24,803,043

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Blended Component Units

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

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

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

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

Related Organizations:

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

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

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

Basis of Presentation

Entity-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The Capital Construction Fund and Highway Projects Fund are maintained to account for the accumulation of resources for acquisition of capital assets and the repayment of debt associated with capital assets.

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

The Township reports the following proprietary funds:

- The Sewer Utility Fund accounts for the revenues and expenses of the Township's sewer utility system. This fund also includes the Valley Creek Trunk Sewer Fund.

- The TTMA Sewer Projects Fund accounts for the activities of the Municipal Authority, the blended component unit of the Township. The Authority is an instrument to raise debt to fund various capital projects and infrastructure improvements.

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

Governmental Funds

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Trust and Agency Funds

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

Budgets and Budgetary Accounting

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

- At least 45 days before the end of the fiscal year, the Manager, as assisted by the Finance Director, prepares and submits to the Township Board a proposed budget for the following fiscal year.

- At least 30 days before the end of the fiscal year, the Board must adopt a preliminary budget.

- The Board must advertise at least once in two or more newspapers, with general circulation in the Township, at least 10 days before the date set for final adoption, and hold at least one public hearing on the preliminary budget.

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

- The Board must finally adopt a balanced budget before the start of the fiscal year to which it applies, except in a year immediately following a municipal election. The new Board may adopt a revised budget within 45 days after the start of the fiscal year.

- The Board may amend allocations within each appropriation, but changes in appropriations in any items on which budgetary controls are maintained shall be made only pursuant to an ordinance of the Board. All appropriations lapse at year end.

Cash and Cash Equivalents

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

Investments

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

Receivables and Payables

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

Unbilled Receivables

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

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

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

Deferred Revenues

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

Long-term Obligations

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

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

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

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

Highway Improvement Assessment

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

Fund Balances

As of December 31, 2011, fund balances of the governmental funds are classified, as applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for the Tredyffrin Township. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned – amounts available for consumption or not restricted in any manner.

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

As of December 31, 2011, fund balances are composed of the following:

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:					
Streets and highways	$ -	$ -	$ 3,601,472	$ 627,786	$ 4,229,258
Capital projects	-	3,335,988	-	24,234	3,360,222
Debt service	-	-	-	1,822,902	1,822,902
Assigned for OPEB	1,203,501	-	-	-	1,203,501
Unassigned	11,115,413	-	-	-	11,115,413
	$12,318,914	$ 3,335,988	$ 3,601,472	$ 2,474,922	$ 21,731,296

Net Assets

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

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Legal and Contractual Restrictions - Township

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

Legal and Contractual Restrictions - Authority

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

At December 31, 2011, the carrying amount of the Township's deposits (excluding the pension deposits) was $10,120,035 and the bank balance was $10,532,515. Of the bank balance, $4,532,801 was covered by federal depository insurance; $2,306,487 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name; and $3,693,227 was with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2011, PLGIT had credit ratings of AAAm.

Investments

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

The Police Pension and Non-Uniformed Trust Funds are administered by trustees assigned by the Township Board of Supervisors who have responsibility for the exclusive management of the funds and the power to invest the monies therein subject to the terms, conditions, limitations and

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

restrictions imposed by law upon fiduciaries and as stated in a trust agreement between the Township and the trustees, including the Statement of Investment Objectives. See footnotes 8 and 9 for pension deposit and investment disclosures.

As of December 31, 2011, the Township had the following investments:

		Investment Maturities in Years	
Investment Type	Fair Value	Less Than One Year	One to Five Years
Governmental Activities:			
U.S. Treasury notes	$ 3,435,817	$ 3,435,817	$ -
U.S. Bank money market accounts	1,126,000	1,126,000	-
PA INVEST	7,837,421	7,837,421	-
Vanguard money market account	3,524,493	3,524,493	-
Wells Fargo money market account	987	987	-
Total Governmental Activities	$ 15,924,718	$ 15,924,718	$ -
Business-type Activities:			
U.S. Treasury notes	$ 11,142,086	$ 11,142,086	$ -
U.S. Bank money market accounts	9,186,006	9,186,006	-
Vanguard money market account	637,450	637,450	-
Wells Fargo money market account	682	682	-
Total Business-type Activities	$ 20,966,224	$ 20,966,224	$ -

Interest Rate Risk

As of December 31, 2011, all of the Township's investments in U.S. Treasury notes have maturities of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2011, the Township did not have any investments subject to custodial credit risk.

Credit Risk

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

- Equity securities that are considered high quality, readily marketable securities of corporations listed on the NYSE, AMEX and NASDAQ.
- Bond and other securities of the U.S. Government and its agencies.

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

- Investment grade corporate issues rated A or better by Standard and Poors' and/or Moody's rating system.
- Mortgage-backed securities and other asset-backed securities having a rating of AAA or better.

As of December 31, 2011, the Township's investments in U.S. Treasury notes were backed by the full faith and credit of the U.S. government and are not considered to have credit risk. The money market accounts with Wells Fargo and Vanguard and the repurchase agreements are not rated. The money market accounts with PA INVEST had a credit rating of AAAm.

Concentration Risk

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

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2011was as follows:

	Due From	Due To
General fund	$ 4,288,935	$ 3,529,924
Capital construction fund	-	2,363,700
Nonmajor governmental funds	70,152	88,932
Sewer utility fund	2,419,281	607,037
TTMA sewer projects fund	-	142,857
Highway projects fund	-	45,918
	$ 6,778,368	$ 6,778,368

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

Interfund transfers:

Transfers Out		Transfers In	
General fund	$ -	General fund	$ 1,591,789
Capital construction fund	1,591,784	Capital construction fund	770,722
Other governmental funds	1,333,108	Other governmental funds	562,381
Total	$ 2,924,892	Total	$ 2,924,892

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 7,108,684	$ -	$ -	$ 7,108,684
Construction-in-progress	305,590	1,776,423	(281,265)	1,800,748
Total Capital Assets Not Being Depreciated	7,414,274	1,776,423	(281,265)	8,909,432
Capital assets being depreciated:				
Land improvements	21,820,514	-	-	21,820,514
Buildings and improvements	18,897,356	-	-	18,897,356
Vehicles	3,515,056	179,860	(245,687)	3,449,229
Machinery and equipment	2,651,506	273,304	-	2,924,810
Infrastructure	38,332,277	996,009	(372,051)	38,956,235
Total Capital Assets Being Depreciated	85,216,709	1,449,173	(617,738)	86,048,144
Accumulated depreciation	34,970,183	2,465,551	(245,687)	37,190,047
Total Capital Assets Being Depreciated, Net	50,246,526	(1,016,378)	(372,051)	48,858,097
Governmental Activities, Net	$ 57,660,800	$ 760,045	$(653,316)	$ 57,767,529
Business-type Activities:				
Capital assets not being depreciated:				
Construction-in-progress	$ 1,113,793	$ 107,975	$ (997,933)	$ 223,835
Total Capital Assets Not Being Depreciated	1,113,793	107,975	(997,933)	223,835
Capital assets being depreciated:				
Collection sewer system - infrastructure	1,342,734	-	-	1,342,734
Buildings and improvements	268,404	-	-	268,404
Vehicles	206,683	-	-	206,683
Machinery and equipment	686,458	75,972	-	762,430
Infrastructure - collection systems	13,297,611	2,716,523	-	16,014,134
Infrastructure - traffic signals and street lights	4,130,000	-	-	4,130,000
Total Capital Assets Being Depreciated	19,931,890	2,792,495	-	22,724,385
Accumulated depreciation	12,292,696	420,789	-	12,713,485
Total Capital Assets Being Depreciated, Net	7,639,194	2,371,706	-	10,010,900
Business-type Activities, Net	$ 8,752,987	$ 2,479,681	$ (997,933)	$ 10,234,735

NOTE 4 CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	$ 316,078
Public safety	15,886
Public works - highway and maintenance	618,766
Public works - infrastructure	781,122
Library	320,839
Culture and recreation	412,860
Total Governmental Activities	$ 2,465,551
Business-type Activities:	
Sewer	$ 420,789

NOTE 5 LONG-TERM DEBT

Series 2004 General Obligation Revenue Bonds, issued $11,070,000 in November 2004 at 3.00% to 4.50%, interest and principal payable semi-annually from May 2005 through November 2021. The purpose of the issue was to advance refund a portion of the General Obligation Bonds 1996 and to finance certain improvements.	$ 9,275,000
Series 2009 General Obligation Revenue Bonds, issued $2,800,000 in August 2009 at 2.00% to 3.50%, interest and principal payable annually from December 2010 through December 2023. The purpose of this issue and a Township contribution of $2,500,000 was to advance refund the remaining portion of the 2003 General Obligation Bonds.	2,455,000
Series 2011 General Obligation Revenue Bonds, issued $5,510,000 in November 2011 at 1.00% to 3.00%, interest and principal payable annually from May 2012 through November 2017. The purpose of this issue was for the current refunding of the remaining portion of the 2006 General Obligation Bonds and resulted in a cash flows savings of $414,057.	5,510,000
Series 2008 Guaranteed Highway Improvement Revenue Bonds, issued $4,320,000 in June 2008 at 2.875% to 3.650%, interest and principal payable semi-annually from December 2008 through December 2018. The purpose of the issue was to advance refund the remaining portion of the 2002 Highway Improvement Bonds.	2,875,000
Total Governmental Activities	20,115,000
Series 2010 Guaranteed Sewer Revenue Bonds, issued $3,480,000 in June 2010 at 2.00% to 4.00%, interest and principal payable semi-annually from January 2011 through July 2019. The purpose of this issue was for the current refunding of the Series 2003 Guaranteed Sewer Revenue Bonds.	3,125,000
TOTAL	$ 23,240,000

NOTE 5 LONG-TERM DEBT (cont'd)

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

Year Ending December 31,	Principal	Interest
2012	$ 2,190,000	$ 760,350
2013	2,230,000	727,946
2014	2,280,000	683,097
2015	2,350,000	608,539
2016	2,435,000	532,005
2017-2021	11,285,000	1,403,391
2022-2023	470,000	24,735
TOTAL	$ 23,240,000	$ 4,740,063

A schedule of changes in debt is as follows:

	Outstanding 01/01/11	Additions	Retirements	Outstanding 12/31/11	Amounts Due Within One Year
Governmental Activities:					
2004 G.O.B. - refunding	$ 9,565,000	$ -	$ (290,000)	$ 9,275,000	$ 295,000
2006 G.O.B. - refunding	6,550,000	-	(6,550,000)	-	-
2009 G.O.B. - refunding	2,630,000	-	(175,000)	2,455,000	175,000
2011 G.O.B. - refunding	-	5,510,000	-	5,510,000	985,000
Subtotal	18,745,000	5,510,000	(7,015,000)	17,240,000	1,455,000
2008 Highway Bonds	3,240,000	-	(365,000)	2,875,000	385,000
General Obligation Bonds	21,985,000	5,510,000	(7,380,000)	20,115,000	1,830,000
Compensated Absences	231,247	-	(4,197)	227,050	22,705
Total Governmental Activities	$22,216,247	$ 5,510,000	$ (7,384,197)	$20,342,050	$ 1,852,705
Business-type Activities:					
2010 Sewer Revenue Bonds	$ 3,480,000	$ -	$ (355,000)	$ 3,125,000	$ 360,000
Total Business-type Activities	$ 3,480,000	$ -	$ (355,000)	$ 3,125,000	$ 360,000

NOTE 6 CAPITAL LEASES

The Township entered into a long-term lease arrangement for copiers. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The Township entered into a long-term lease arrangement for in-car video recording systems. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The assets acquired through the capital leases are as follows:

	Copiers	In-car Video Systems
Cost	$ 56,841	$ 142,977
Less accumulated depreciation	(5,684)	(28,595)
	$ 51,157	$ 114,382

NOTE 6 CAPITAL LEASES (cont'd)

Future minimum lease payments due under the lease obligations are as follows:

Year ending December 31,	
2012	$ 47,686
2013	47,686
2014	47,686
2015	42,493
Less amount representing interest	(22,190)
	$ 163,361

NOTE 7 TAXES

For 2011, the following tax was levied on assessed value of real estate:

2.23 mills for general purposes

The taxable assessed valuation of property as of December 31, 2011 was $3,554,300,604.

The real estate tax collection calendar is as follows:

Initial billing	-	February 1
Discount period	-	February 1 - March 31
Face period	-	April 1 - May 31
Penalty period	-	June 1 and thereafter
Lien date	-	January 15

Other taxes levied in 2011:

Real estate transfer	-	1% of sale price
Local service tax	-	$52 per person per calendar year for persons who work within the Township with annual earnings of at least $12,000.

NOTE 8 POLICE PENSION PLAN

Plan description and provisions:

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

NOTE 8 POLICE PENSION PLAN (cont'd)

A review of the pension plan documents as of December 31, 2011 disclosed that pension plan membership consisted of the following:

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

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

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

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

1. Members with fewer than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of five percent per year.

2. Members completing 12 years of continuous service are 100 percent vested in their accrued pension benefit and entitled to:

   a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to the vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or

   b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of five percent per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.

3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

NOTE 8 POLICE PENSION PLAN (cont'd)

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

Method Used to Value Investments

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2011, the carrying amount of the Plan's money market accounts was $661,985. The Plan's deposits are invested in First American Government Obligations which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

Investments

The Investment objective of the Tredyffrin Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. As of December 31, 2011, the Police Pension Plan had $22,383,027 invested in fixed income and equity mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Contributions

The Commonwealth of Pennsylvania Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent of their compensation (base pay, shift differential and longevity pay) to the plan during 2011. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Administrative Costs

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

NOTE 8 POLICE PENSION PLAN (cont'd)

Three-Year Trend Information

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2009	$ 759,474	100%	3,640,529
2010	419,525	100%	***
2011	500,507	116%	3,192,119

***Actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting.

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar closed
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% per annum, compounded annually
Projected salary increases	5.00% per annum, compounded annually
Cost of living adjustments	3.00% per year, maximum

Funded Status and Funding Progress

The funded status of the Plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2011	$23,485,030	$26,677,149	$3,192,119	88.0%	$3,966,892	80.5%

The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

NOTE 9 NON-UNIFORMED PENSION PLANS

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

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

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

Determination of contribution requirements:

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

A review of the pension plan documents at December 31, 2011 disclosed that pension plan membership consisted of the following:

	Money Purchase Plan	PMRS Plan
Active employees	29	58
Retirees and beneficiaries currently receiving benefits	-	41
Vested terminated employees	20	13
Total	49	112

NOTE 9 NON-UNIFORMED PENSION PLANS (cont'd)

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

	Money Purchase Plan		PMRS Plan	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2009	$ 144,960	100.00%	$ 278,288	100.00%
2010	$ 33,041	100.00%	$ 285,855	100.00%
2011	$ 30,190	100.00%	$ 332,224	100.00%

Valuation of Investments

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

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

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2011, the carrying amount of the Plan's deposits was $79,561 and the bank balance was $79,561. The Plan's deposits are invested in Vanguard funds, which are not subject to custodial credit risk.

Investments

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

As of December 31, 2011, the Non-Uniformed Pension Plan had $964,953 invested in fixed income and equity mutual funds, all with maturities less than one year. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

NOTE 10 DEFERRED COMPENSATION PLAN

The Township offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is optional, allows participants to defer salary until future years. In 2011, the maximum contribution into the plan was $16,500 per employee. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Township has no legal access to the assets of the plan, which are held in a trust and no longer subject to the claims of the Township's general creditors. As of December 31, 2011, the plan had net assets of $2,795,317.

NOTE 11 RELATED PARTY

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

Under a 1965 agreement between the Township and the County of Chester, the Township must contribute one-half of the minimum amount necessary to qualify for maximum state aid for the library. During 1980, the Township executed an agreement with the Paoli Library Association which merged the Paoli Library with the Tredyffrin Public Library. In 2011, the Township appropriated and expensed $998,826 for the support of the libraries. Additionally, the Township provides land and building facilities to the libraries rent-free.

NOTE 12 CONTINGENT LIABILITIES

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

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

NOTE 13 RISK MANAGEMENT

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

NOTE 14 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2011, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public safety	$ 384,996
Library	$ 161,692
Culture and recreation	$ 403,968

The excess public safety expenditures were covered by additional state aid received from the Commonwealth of Pennsylvania. The excess library and culture and recreation expenditures were covered by available fund balance.

NOTE 15 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan.

NOTE 15 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

	2011	2010	2009
Annual required contribution	$ 2,971,116	$ 2,783,299	$ 3,365,270
Interest on net OPEB obligation	268,315	194,716	96,196
Adjustment to annual required contribution	(283,621)	(199,391)	(95,548)
Annual OPEB cost (expense)	2,955,810	2,778,624	3,365,918
Contributions made	(1,025,037)	(938,646)	(902,898)
Increase in net OPEB obligation	1,930,773	1,839,978	2,463,020
Net OPEB obligation - beginning of year	6,707,886	4,867,908	2,404,888
Net OPEB obligation - end of year	$ 8,638,659	$ 6,707,886	$ 4,867,908

Funded Status and Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the January 1, 2010 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.0 percent per annum, discount rate compounded annually, and an annual healthcare and prescription drug cost trend rate of 9 percent, initially decreasing by 0.5 percent per year to an ultimate level of 5 percent. The UAAL is being amortized as a level dollar amount over a 30-year period on an open basis. The remaining amortization period at December 31, 2011 was 25 years.

NOTE 16 CAPITAL IMPROVEMENT COMMITMENTS

As of December 31, 2011, anticipated construction commitments are as follows:

	Contract Amount	Completed at 12/31/2011	Estimated Balance to Complete
Capital projects	$ 2,063,043	$ 2,024,583	$ 38,460

NOTE 17 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through August 20, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TREDYFFRIN TOWNSHIP
SCHEDULE OF FUNDING PROGRESS – POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION

Historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is as follows (for the last three biennial valuation dates):

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) -Entry Age (b)**	**Unfunded AAL (UAAL) (b)-(a)**	**Funded Ratio (a)/(b)**	**Covered Payroll (c)**	**UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)**
01/01/11	$23,485,030	$26,677,149	$ 3,192,119	88.0%	$ 3,966,892	80.5%
01/01/09	21,796,109	23,162,097	1,365,988	94.1%	3,640,529	37.5%
01/01/07	22,414,811	24,102,327	1,687,516	93.0%	3,935,209	42.9%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

SUPPLEMENTARY INFORMATION

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Building Construction Fund
ASSETS					
Cash and cash equivalents	$ -	$ 416,933	$ -	$ 235,797	$ -
Investments	58,409	-	-	-	-
Taxes receivable, net	-	-	-	25,486	-
Other receivables	-	680	-	-	-
Due from other funds	-	-	-	-	233
TOTAL ASSETS	$ 58,409	$ 417,613	$ -	$ 261,283	$ 233
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	$ 58,332	$ -	$ -	$ 30,600	$ -
Deferred revenue	-	-	-	20,587	-
TOTAL LIABILITIES	58,332	-	-	51,187	-
FUND BALANCES					
Restricted for:					
Streets and highways	77	417,613	-	210,096	-
Recreation	-	-	-	-	-
Capital projects	-	-	-	-	233
Debt service	-	-	-	-	-
TOTAL FUND BALANCES	77	417,613	-	210,096	233
TOTAL LIABILITIES AND FUND BALANCES	$ 58,409	$ 417,613	$ -	$ 261,283	$ 233

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

(continued)	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$480,193	$1,132,923
Investments	-	-	1,296,736	-	1,355,145
Taxes receivable, net	-	-	-	-	25,486
Other receivables	-	-	55	-	735
Due from other funds	24,001	-	-	45,918	70,152
TOTAL ASSETS	$ 24,001	$ -	$1,296,791	$526,111	$2,584,441
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	$ -	$ -	$ -	$ -	$ 88,932
Deferred revenue	-	-	-	-	20,587
TOTAL LIABILITIES	-	-	-	-	109,519
FUND BALANCES					
Restricted for:					
Streets and highways	-	-	-	-	627,786
Recreation	-	-	-	-	-
Capital projects	24,001	-	-	-	24,234
Debt service	-	-	1,296,791	526,111	1,822,902
TOTAL FUND BALANCES	24,001	-	1,296,791	526,111	2,474,922
TOTAL LIABILITIES AND FUND BALANCES	$ 24,001	$ -	$1,296,791	$526,111	$2,584,441

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Highway Improvement Fund	Liquid Fuels Fund	Recreation and Open Space Fund	TTMA Transportation District Fund	Building Construction Fund
REVENUES					
Taxes	$ -	$ -	$ -	$ 526,692	$ -
Interest, dividends and rents	192	195	-	-	-
Unrealized losses on investments	(128)	-	-	-	-
Intergovernmental revenues	-	605,993	-	-	-
TOTAL REVENUES	64	606,188	-	526,692	-
EXPENDITURES					
General government	39	-	-	30,600	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
TOTAL EXPENDITURES	39	-	-	30,600	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25	606,188	-	496,092	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(770,722)	(5)	(471,111)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(770,722)	(5)	(471,111)	-
NET CHANGE IN FUND BALANCES	25	(164,534)	(5)	24,981	-
FUND BALANCES, BEGINNING OF YEAR	52	582,147	5	185,115	233
FUND BALANCES, END OF YEAR	$ 77	$ 417,613	$ -	$ 210,096	$ 233

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

(continued)	Library Construction Fund	TTMA Bond Redemption Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ 526,692
Interest, dividends and rents	-	-	681	-	1,068
Unrealized losses on investments	-	-	-	-	(128)
Intergovernmental revenues	-	-	-	-	605,993
TOTAL REVENUES	-	-	681	-	1,133,625
EXPENDITURES					
General government	-	-	-	-	30,639
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	365,000	365,000
Interest and other charges	-	-	-	106,111	106,111
TOTAL EXPENDITURES	-	-	-	471,111	501,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	681	(471,111)	631,875
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	562,381	562,381
Transfers out	-	(91,270)	-	-	(1,333,108)
TOTAL OTHER FINANCING SOURCES (USES)	-	(91,270)	-	562,381	(770,727)
NET CHANGE IN FUND BALANCES	-	(91,270)	681	91,270	(138,852)
FUND BALANCES, BEGINNING OF YEAR	24,001	91,270	1,296,110	434,841	2,613,774
FUND BALANCES, END OF YEAR	$ 24,001	$ -	$1,296,791	$ 526,111	$2,474,922

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)

	Police Pension Fund	Money Purchase Plan Fund	Totals 2011	Totals 2010
ASSETS				
Cash and cash equivalents	$ 661,985	$ 79,561	$ 741,546	$ 661,100
Investments, at fair value:				
Fixed income funds	7,545,288	-	7,545,288	7,011,415
Stock mutual funds	5,309,806	810,991	6,120,797	6,755,892
International mutual funds	3,712,551	-	3,712,551	4,686,917
Common stock	3,835,596	-	3,835,596	3,776,970
Real estate investment funds	1,516,680	-	1,516,680	1,427,482
Emerging market funds	463,106	-	463,106	-
Bond mutual funds	-	153,962	153,962	277,486
Due from employees	8,005	-	8,005	175,744
Due from employer	-	982	982	1,246
Accrued interest	42,342	-	42,342	29,687
TOTAL ASSETS	$ 23,095,359	$ 1,045,496	$ 24,140,855	$ 24,803,939
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 17,829	$ -	$ 17,829	$ 896
NET ASSETS				
Held in trust for pension benefits	23,077,530	1,045,496	24,123,026	24,803,043
TOTAL LIABILITIES AND NET ASSETS	$ 23,095,359	$ 1,045,496	$ 24,140,855	$ 24,803,939

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data For the Year Ended December 31, 2010)

	Police Pension Fund	Money Purchase Plan Fund	Totals 2011	Totals 2010
ADDITIONS				
Contributions:				
State aid	$ 500,507	$ -	$ 500,507	$ 304,076
Employer contributions	-	30,190	30,190	148,490
Employee contributions	203,947	-	203,947	198,347
Transfer from terminated medical trust	-	-	-	167,966
Total Contributions	704,454	30,190	734,644	818,879
Investment income (loss):				
Interest and dividends	622,350	21,892	644,242	577,119
Unrealized gain (loss) on investments	(1,035,607)	(36,229)	(1,071,836)	2,261,101
Realized gain (loss) on investments	384,944	(738)	384,206	248,305
Net Investment Income (Loss)	(28,313)	(15,075)	(43,388)	3,086,525
TOTAL ADDITIONS	676,141	15,115	691,256	3,905,404
DEDUCTIONS				
Pension payments	976,132	271,123	1,247,255	1,052,154
Administrative expenses	120,009	4,009	124,018	91,160
TOTAL DEDUCTIONS	1,096,141	275,132	1,371,273	1,143,314
CHANGE IN NET ASSETS	(420,000)	(260,017)	(680,017)	2,762,090
NET ASSETS, BEGINNING OF YEAR	23,497,530	1,305,513	24,803,043	22,040,953
NET ASSETS, END OF YEAR	$ 23,077,530	$ 1,045,496	$ 24,123,026	$ 24,803,043

OTHER REPORTS

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

August 20, 2012

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania as of and for the year ended December 31, 2011, which collectively comprise Tredyffrin Township's basic financial statements, and have issued our report thereon dated August 20, 2012.

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

Internal Control Over Financial Reporting

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

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

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

BARBACANE
THORNTON
&COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

Compliance and Other Matters

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

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

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

We also noted other matters that we have reported to management of Tredyffrin Township in a separate letter dated August 20, 2012.

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

TRANSFER OF FUNDS PER THE TRUST INDENTURE

08-2 Finding

According to provisions of the Trust Indenture for the Highway Improvement Revenue Bonds, Series of 2008, highway assessments received should be held by the Trustee in the Revenue Fund of Authority. In the prior year, the previous auditors noted that highway assessments totaling $92,268 had been deposited into the Authority's checking account and had not been transferred to the Revenue Fund. The effect of this condition is noncompliance with the Trust Indenture. This condition was caused by management oversight.

Status

During our current year audit, we noted that the Authority has transferred the funds referenced above to the Township. This finding is no longer applicable.

JOURNAL ENTRIES

09-1 Finding

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

Recommendation

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

Status

During our current year audit, we proposed and management posted adjusting journal entries that are material in the aggregate and represent a material misstatement in the financial statements for the period under audit that was not identified by the entity's internal control. This finding is still applicable for the current year.

STATUS OF PRIOR YEAR FINDINGS

CAPITAL ASSETS

09-2 Finding

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

Recommendation

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

Status

During our current year audit, we noted that the Township reconciled fixed assets throughout the year. This finding is no longer applicable.

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

10-1 Finding

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

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

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

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

STATUS OF PRIOR YEAR FINDINGS

Recommendation

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

Status

During our current year audit, we noted that the Township did not enter into any new contracts. We further noted that the grant is expiring and funding is no longer available. This finding is no longer applicable.

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

10-2 Finding

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

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

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

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

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

Recommendation

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

Status

During our current year audit, we noted that the Township did not enter into any new contracts. We further noted that the grant is expiring and funding is no longer available. This finding is no longer applicable.