

UNION TOWNSHIP

FINLEYVILLE, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
AS OF DECEMBER 31, 2007

Cypher Cypher

Accountants | Auditors | Advisors

UNION TOWNSHIP

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Independent Auditor's Report

Union Township
Finleyville, Pennsylvania

Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the 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.

As discussed in Note 1.E, Union Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township as of December 31, 2007, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.E.

The management's discussion and analysis on Pages i through iv is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Township's basic financial statements. The accompanying balance sheet on Page 17 and the statement of revenues, expenditures, and changes in fund balances on Page 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The balance sheet and the statement of revenues, expenditures, and changes in fund balances have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2008
Canonsburg, Pennsylvania



Management's Discussion & Analysis

UNION TOWNSHIP
FINLEYVILLE, PENNSYLVANIA

Management's Discussion and Analysis (MD&A)

December 31, 2007

Our discussion and analysis of Union Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2007. The MD&A should be read in conjunction with the financial statements and footnotes.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

Comparative financial data is not presented due to the first year of presenting our MD&A.

The Township

The Township is organized under laws of the Commonwealth of Pennsylvania. (the "Commonwealth").

The governing body of the Township is an elected Board of five supervisors.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations. The General Fund and Capital Reserve Fund are our major funds that receive and spend most of our resources:

- The General fund reported an increase in fund balance of \$298,254.
- The Capital Reserve fund reported a decrease in fund balance of \$(3,404).
- The Non-major funds reported a net decrease in fund balance of \$(16,884).

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and its activities. These statements include all assets and liabilities that reflect the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

These two statements report the Township's net assets and changes in them. The change in net assets provides the reader with a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, and facility conditions in arriving at a conclusion regarding the overall health of the Township.

The following table reflects the condensed Statement of Net Assets:

Statement of Net Assets
As of December 31, 2007

	Governmental Activities	Total
Current and Other Assets	\$ 885,954	\$ 885,954
Non Current Assets	-	-
 Total Assets	885,954	885,954
 Current and Other Liabilities	44,696	44,696
Non Current Liabilities	-	-
 Total Liabilities	44,696	44,696
 Invested in Capital Assets	-	-
Restricted	106,742	106,742
Unrestricted	734,516	734,516
 Total Net Assets	\$ 841,258	\$ 841,258

Assets, Liabilities & Net Assets

As of December 31, 2007 the Township had total assets of \$886 thousand. This amount represents principally cash and investments at year end.

Total liabilities as of December 31, 2007 totaled \$44,696. This amount consists mainly of escrow account deposits.

The resulting \$841,258 in net assets include \$107 thousand reserved for various designated purposes and \$734 thousand of undesignated amounts not reserved for specific purposes.

The following table reflects Changes in Net Assets:

Fiscal year ended December 31, 2007
Changes in Net Assets

	Governmental Activities	Total
Program Revenues:		
Charges for Services	\$ 41,647	\$ 41,647
Operating Grants and Contributions	139,708	139,708
General Revenues:		
Property Taxes	381,097	381,097
Other Taxes	569,312	569,312
Grants Subsidies and Contributions	69,576	69,576
Other	151,040	151,040
	1,352,380	1,352,380
Expenditures:		
General Government	221,871	221,871
Public Safety	155,417	155,417
Health and Sanitation	4,942	4,942
Highways and Streets	606,855	606,855
Culture and Recreation	3,183	3,183
Employee Benefits, Insurance and Miscellaneous	80,490	80,490
Debt Service	1,656	1,656
	1,074,414	1,074,414
Change in Net Assets	\$ 277,966	\$ 277,966

Revenues

The General Fund accounts for the general operations of the Township. This Fund received 70% of its funding from taxes. Revenue from property and earned income taxes is the primary source of revenue for the general fund.

Expenditures

General Fund spending for 2007 totaled \$905 thousand. Highways and streets expenditures amounted to \$437 thousand or 48% of all General Fund spending. General government totaled \$221 thousand or 24%, public safety totaled \$155 thousand or 17%, employee benefits, insurance and miscellaneous totaled \$80 thousand or 9%. The remaining 2% is composed of health and sanitation, culture and recreation, and debt service expenditures.

Financial Analysis of Governmental Funds

The following table reflects changes in fund balance:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Non-Major Funds</u>	<u>Combined Total</u>
December 31, 2006	\$ 436,262	\$ 98,061	\$ 28,969	\$ 563,292
Increase (Decrease)	298,254	(3,404)	(16,884)	277,966
December 31, 2007	<u>\$ 734,516</u>	<u>\$ 94,657</u>	<u>\$ 12,085</u>	<u>\$ 841,258</u>

The increase in the General Fund is due to revenues exceeding expenditures during the year.

Debt Administration

The following table reflects the Township's long term debt obligations:

<u>Notes Payable</u>	<u>Sick Days</u>	<u>Total</u>
\$ 165,552	\$ 87,633	\$ 253,185

The note payable above is a PennVest note which was used to cover engineering costs related to the Elrama Sewerage Project.

General Fund Budgetary Highlights

For the year ended December 31, 2007, General Fund revenues were \$80 thousand above budgeted revenues, while expenditures were \$129 thousand below budgeted expenditures.

Contacting the Township's Financial Management

Our financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to illustrate the Township's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to Union Township, 3904 Finley Elrama Road, Finleyville, PA 15332, telephone (724) 348-4250.



Basic Financial Statements

UNION TOWNSHIP
STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Deposits	\$ 478,659
Investments	406,026
Prepaid Expenses/Expenditures	1,269
Total Current Assets	<u>885,954</u>
Noncurrent Assets:	
Capital Assets (net)	
Total Noncurrent Assets	<u> </u>
TOTAL ASSETS	<u><u>\$ 885,954</u></u>
LIABILITIES	
Current Liabilities:	
Deposits	\$ 44,696
Total Current Liabilities	<u>44,696</u>
Total Liabilities	44,696
NET ASSETS	
Invested in Capital Assets, Net of Related Debt and Inclusive of Long-Term Receivables	
Restricted for:	
Capital Reserve	94,657
Other Reserves	12,085
Unrestricted	734,516
TOTAL NET ASSETS	<u><u>841,258</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 885,954</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 221,871	\$ 9,916	\$ (211,955)
Public Safety	155,417	31,646	(123,771)
Health and Sanitation	4,942	85	(4,857)
Highways and Streets	606,855	139,708	(467,147)
Culture and Recreation	3,183		(3,183)
Employee Benefits, Insurance, and Miscellaneous	80,490		(80,490)
Debt Service	1,656		(1,656)
Total Governmental Activities	1,074,414	139,708	(893,059)
Total Government	1,074,414	139,708	(893,059)
General Revenues, Special and Extraordinary Items and Transfers			
Taxes			
Property Taxes			381,097
Other Taxes			569,312
Grants, Subsidies and Contributions, Unrestricted			69,576
Investment Earnings			35,522
Fees and Charges for Services			74,307
Miscellaneous Income			41,211
Total General Revenues, Special and Extraordinary Items and Transfers			1,171,025
Change in Net Assets			277,966
Net Assets - Beginning of Fiscal Year			563,292
Net Assets - End of Fiscal Year			\$ 841,258

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

OFFICE OF THE COMPTROLLER
 FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2007

	Governmental Funds			
	General Fund	Capital Reserve Fund	Non Major Funds	Totals
ASSETS				
Cash and Deposits	\$ 371,371	\$ 83,433	\$ 23,855	\$ 478,659
Investments (At Fair Value)	406,026			406,026
Interfund Receivable	13,039	11,224		24,263
Prepaid Expenditures			1,269	1,269
TOTAL ASSETS	\$ 790,436	\$ 94,657	25,124	\$ 910,217
 LIABILITIES AND FUND BALANCES				
Interfund Payable	\$ 11,224		\$ 13,039	\$ 24,263
Deposits	44,696			44,696
Total Liabilities	55,920		13,039	68,959
 FUND BALANCES				
Fund Balances -				
Reserved for Highways			15,141	15,141
Reserved for Capital Reserve		94,657		94,657
Reserved for Street Lighting and Fire Protection			(3,056)	(3,056)
Unreserved -				
Undesignated	734,516			734,516
Total Fund Balances	734,516	94,657	12,085	841,258
TOTAL LIABILITIES AND FUND BALANCES	\$ 790,436	\$ 94,657	\$ 25,124	\$ 910,217

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BASIS NET ASSETS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	Governmental Funds			Totals
	General	Capital Reserve Fund	Non-Major Funds	
Revenues				
Real Estate Taxes	\$ 381,097	\$	\$	\$ 381,097
Local Enabling Taxes	501,501			501,501
Licenses and Permits	47,946			47,946
Fines and Forfeits	19,865			19,865
Interest and Rents	27,168	4,103	4,251	35,522
Intergovernmental Revenues	69,576		139,708	209,284
Departmental Earnings	116,289			116,289
Miscellaneous	20,435		8,873	29,308
Total Revenues	1,183,877	4,103	152,832	1,340,812
Expenditures				
Current:				
General Government	221,646		225	221,871
Public Safety	155,417			155,417
Health and Sanitation	4,942			4,942
Highways and Streets	437,364		169,491	606,855
Culture and Recreation	3,518			3,518
Employee Benefits, Insurance, and Miscellaneous Debt Service	80,490			80,490
Principal and Interest	1,656			1,656
Total Expenditures	905,033		169,716	1,074,749
Revenues Over (Under) Expenditures	278,844	4,103	(16,884)	266,063
Other Financing Sources (Uses)				
Sale of Fixed Assets	11,903			11,903
Interfund Transfers In	7,507			7,507
Interfund Transfers (Out)		(7,507)		(7,507)
Total Other Financing Sources	19,410	(7,507)		11,903
Net Change in Fund Balances	298,254	(3,404)	(16,884)	277,966
Fund Balances - January 1, 2007	436,262	98,061	28,969	563,292
Fund Balances - December 31, 2007	\$ 734,516	\$ 94,657	\$ 12,085	\$ 841,258

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BASIS NET ASSETS
BUDGET VS ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under) Budget - Final
Revenues				
Real Estate Taxes	\$ 384,000	\$ 384,000	\$ 381,097	\$ (2,903)
Local Enabling Taxes	484,000	484,000	501,501	17,501
Licenses and Permits	45,450	45,450	47,946	2,496
Fines and Forfeits	5,250	5,250	19,865	14,615
Interest and Rents	6,500	6,500	27,168	20,668
Intergovernmental Revenues	63,950	63,950	69,576	5,626
Departmental Earnings	99,025	99,025	116,289	17,264
Miscellaneous	15,600	15,600	20,435	4,835
Total Revenues	<u>1,103,775</u>	<u>1,103,775</u>	<u>1,183,877</u>	<u>80,102</u>
Expenditures				
General Government	209,917	209,917	221,646	11,729
Public Safety	180,050	180,050	155,417	(24,633)
Health and Sanitation			4,942	4,942
Highways and Streets	517,400	517,400	437,364	(80,036)
Culture and Recreation	12,000	12,000	3,518	(8,482)
Employee Benefits, Insurance, and Miscellaneous	111,008	111,008	80,490	(30,518)
Debt Service				
Principal and Interest	2,400	2,400	1,656	(744)
Total Expenditures	<u>1,034,775</u>	<u>1,034,775</u>	<u>905,033</u>	<u>(129,742)</u>
Revenues Over (Under) Expenditures	69,000	69,000	278,844	209,844
Other Financing Sources (Uses)				
Sales of Assets	1,000	1,000	11,903	10,903
Interfund Transfers In			7,507	7,507
Interfund Transfers (Out)	(70,000)	(70,000)		70,000
Total Other Financing Sources & (Uses)	<u>(69,000)</u>	<u>(69,000)</u>	<u>19,410</u>	<u>88,410</u>
Net Change in Fund Balances			298,254	298,254
Fund Equity - January 1, 2007	<u>436,262</u>	<u>436,262</u>	<u>436,262</u>	
Fund Equity - December 31, 2007	<u>\$ 436,262</u>	<u>\$ 436,262</u>	<u>\$ 734,516</u>	<u>\$ 298,254</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
AS OF DECEMBER 31, 2007

	Pension Trust Funds
ASSETS	
Current Assets:	
Investments	\$ 822,206
Total Current Assets	822,206
 TOTAL ASSETS	 \$ 822,206
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$
Total Current Liabilities	_____
 NET ASSETS	
Unrestricted	822,206
Total Net Assets	822,206
 TOTAL LIABILITIES AND NET ASSETS	 \$ 822,206

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
 STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
 AS OF DECEMBER 31, 2007

	<u>Pension Trust Funds</u>
Additions	
Investment Earnings	<u>\$ 62,375</u>
Total Additions	62,375
Deductions	
Other Deductions	<u>\$ 6,458</u>
Total Deductions	<u>6,458</u>
Changes in Net Assets	55,917
Net Assets-Beginning of Year	<u>766,289</u>
Net Assets-End of Year	<u><u>\$ 822,206</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP

Notes to the Basic Financial Statements

Year Ended December 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Union Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Township is a primary government organized within the laws of the Commonwealth of Pennsylvania. The Township is governed by an elected Board of Supervisors. The Township has the power of taxation and the ability to incur long term debt. As such, it is an independent governmental unit.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and 1) the Township is able to significantly influence the programs or services performed or provided by the organization; or 2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes. There are no component units of Union Township.

B. Basis of Presentation

As discussed in Note 1.E, these financial statements are presented on a cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

Following are the more significant of the Township's accounting policies:

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Township at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Capital Reserve Fund are the Township's major governmental funds.

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Capital Reserve Fund - The Capital Reserve Fund is used to account for major capital facilities and repairs. The major source of revenues for this fund is derived from transfers from the General Fund.

The other governmental funds of the Township are used to account for other resources. These include the Liquid Fuels Fund and the Street Lighting Fund. The Liquid Fuels Fund and the Street Lighting Fund account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are not available to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains one pension trust fund.

Trust Fund

Pension Trust Fund – Police Pension Fund – This is a trust fund established to account for revenues and pension expenditures of the Township's police pension fund. Pension trust funds are accounted for in essentially the same manner as governmental funds.

D. Measurement Focus:

In the government-wide Statement of Net Assets, and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below.

In the fund financial statements, all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statement present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

E. Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a cash basis of accounting. This basis involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions in the government-wide statements.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Budgetary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

F. Budgets and Budgetary Accounting:

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

Prior to December 31, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

The original budget was passed on December 18, 2006. The Township is permitted to amend the budget during the month of January next following any township election. The control level at which the budget must report is function and object.

The General Fund is the only fund for which a budget is required to be adopted.

At December 31st of each year, appropriations lapse and may not be carried forward.

Encumbrances are utilized to the extent necessary for the Township to maintain proper control over the budget. Open encumbrances at year-end lapse and are reappropriated in the next year's budget.

G. Cash and Investments:

The Township is permitted to invest funds consistent with sound business practices in the following types of investments and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation 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.

Deposits

Below is a summary of the Township's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the Township's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<u>FDIC Insured</u>	<u>Pooled Collateral</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Deposits	<u>\$ 144,571</u>	<u>\$ 485,147</u>	<u>\$ 629,718</u>	<u>\$ 478,659</u>

Investments

The investments of the Township have been categorized to indicate the level of risk assumed by the Township. All investments are either investments, signifying that all are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name; or pooled investment funds which cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Investments are stated at fair value.

The Township's investments at December 31, 2007 consist of:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Pennsylvania Local Government Investment Trust	\$ 406,026	\$ 406,026
PNC Trust – Police Pension Plan	<u>822,206</u>	<u>822,206</u>
Total	<u>\$ 1,228,232</u>	<u>\$ 1,228,232</u>

The Pennsylvania Local Government Investment Trust is an investment pool. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pool seeks to maintain the net assets value of \$1 per share, there can be no guarantee that the net asset values will not vary for this price. Regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

Note 2 – Property Taxes

Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on March 15 and are payable in one installment. The Township bills and collects its own property taxes through a locally elected tax collector. The tax levy for 2007 was based on assessed values on January 1, 2007 of \$33,292,994. The Township tax rate for the year ended December 31, 2007 is 12 mills as levied by the Township.

Taxes may be paid at a 2% discount until May 15, at face until July 15, and at a 10% penalty until the second Monday in January of the following year. At that time, they will be lienied with the County, who then are responsible for their collections.

Note 3 – Changes in Capital Assets

The Township does not maintain a register of general fixed assets in accordance with generally accepted accounting principles.

Note 4 – General Long-Term Debt

Long-term debt is not accounted for in the Township's financial statements due to the use of the cash basis of accounting. The following is a summary of debt transactions of the Township for the year ended December 31, 2007.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, Loans & Leases Payable					
General Obligation Notes	\$ 165,552	\$ -	\$ -	\$ 165,552	\$ 165,552
Lease Purchase Agreements				-	
	<u>165,552</u>	<u>-</u>	<u>-</u>	<u>165,552</u>	<u>165,552</u>
Other Liabilities:					
Post Retirement Benefits & Compensated Absences	85,963	4,485	(2,815)	87,633	
Total other Liabilities	<u>85,963</u>	<u>4,485</u>	<u>(2,815)</u>	<u>87,633</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 251,515</u>	<u>\$ 4,485</u>	<u>\$ (2,815)</u>	<u>\$ 253,185</u>	<u>\$ 165,552</u>

The amounts above include a liability for unused employee sick days upon retirement. Per employment contracts, accumulated sick days will be paid at 80%-100% of the employee base salary up to a maximum of one hundred twenty (120) days.

The amount needed to amortize all notes payable outstanding as of December 31, 2007 is as follows:

	Principal	Interest	Total
2008	<u>\$ 165,552</u>	<u>\$ 1,656</u>	<u>\$ 167,208</u>
	<u>\$ 165,552</u>	<u>\$ 1,656</u>	<u>\$ 167,208</u>

Note 5 – Pension Plans

Agent Single-Employer Defined Benefit Pension Plan Disclosure

The Township maintains one pension fund covering the police department. The Combined Balance Sheet for the Pension Trust Fund includes year 2007 net assets held in trust for pension benefits of \$822,206.

Plan Description. The Union Township Police Pension Plan (UTPPP) is a single employer defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). UTPPP provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the Union Township Supervisors. The Plan was established under authority of the Union Township Supervisors and is subject to funding and reporting requirements of Commonwealth Act 205 of 1984 and Act 600. A separate financial report is issued by the Plan through the Plan actuary. That report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165 or by calling 800-622-7968.

Funding Policy. The contribution requirements of plan members and the Township are established and may be amended by the Union Township Board of Supervisors. Plan members are not required to contribute to the Plan. The Commonwealth of Pennsylvania provides an allocation of funds that must be used for police pension funding. Any excess of this funding may be used to fund other plans of the Township.

Annual Pension Costs. For 2007, the Township's annual pension cost of \$-0- for the UTPPP was equal to the Township's required and actual contributions. The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 5.0%.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 18,374	100.0%	\$-0-
12/31/05	\$ 27,176	100.0%	\$-0-
12/31/06	\$ -0-	100.0%	\$-0-
12/31/07	\$ -0-	100.0%	\$-0-

Required Supplementary Information

Schedule of Funding Progress for UTPPP – (Most recent available information)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Covered Payroll</u>	<u>UAAL as percentage of Covered Payroll ((b-a)/c)</u>
<u>1/1/2005</u>	<u>\$1,531,526</u>	<u>\$ 872,192</u>	<u>\$(659,334)</u>	<u>\$413,420</u>	<u>(159.5%)</u>

Summary financial information as of December 31, 2007 follows:

Total Assets	\$ 822,206
Total Liabilities	-0-
Net Assets Held in Trust for Pension Benefits	<u>\$ 822,206</u>
Total Additions	\$ 62,375
Total Expenditures and Other Uses	<u>(6,458)</u>
Change in Net Assets Held in Trust for Pension Benefits	<u>\$ 55,917</u>

Road Workers Pension Description

The Township Road Workers are employed under the collective bargaining unit of the Teamsters Local No. 205 Road Workers. The contract included a provision for the Township's contribution to the Western Pennsylvania Teamsters and Employers Pension Fund of \$67 per week per full time employee. The weekly contribution is increased each year as stated in the contract. The amount of covered payroll included in the Road Workers Pension Plan was \$131,214 during 2007. The employer contributed \$14,338 to the Plan during 2007.

Note 6 – Compensated Absences & Other Post-Employment Benefits

The Township has made retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement. Since the dollar amount shown here is for employees who are eligible to retire at December 31, 2007, the total amount due would be considered long term because none of the employees had declared their retirement at December 31, 2007. With respect to other employees that do not meet the criteria established by the Township for retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to accumulate funds to provide for the payment of these liabilities. The dollar amounts of the benefits are as follows:

	<u>Sick Day Liability</u>	<u>Total</u>
December 31, 2006 Balance	\$ 85,963	\$ 85,963
Increases	4,485	4,485
Decreases	<u>(2,815)</u>	<u>(2,815)</u>
December 31, 2007 Balance	<u>\$ 87,633</u>	<u>\$ 87,633</u>

Note 7 - Contingent Liabilities

Union Township participates in grant programs sponsored by other governments. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended December 31, 2007 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts to be immaterial.

Note 8 – Interfund Balances

Individual fund interfund receivable and payable balances at December 31, 2007 were:

<u>Interfund Receivable</u>	<u>Amount</u>	<u>Interfund Payable</u>	<u>Amount</u>
Capital Reserve	\$ 11,224	General Fund	\$ 11,224
General Fund	<u>13,039</u>	Street Lighting Fund	<u>13,039</u>
	<u>\$ 24,263</u>		<u>\$ 24,263</u>

During the year ended December 31, 2007, the following fund level transfer was made:

<u>Expending Fund</u>	<u>Amount</u>	<u>Receiving Fund</u>	<u>Amount</u>
Capital Reserve	\$ 7,507	General Fund	\$ 7,507
	<u>\$ 7,507</u>		<u>\$ 7,507</u>

Note 9 – Risk Management and Litigation

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages most risk through the general fund with the purchase of commercial insurance coverage.

The Township estimates that the amount of actual or potential claims against the Township as of December 31, 2007 will not materially affect the financial condition of the Township and will be covered under the present insurance coverage.

CITY OF DAVENPORT
 MUNICIPAL GOVERNMENTAL BOARD - GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2007

	Governmental Funds		Totals
	General Fund	Capital Reserve Fund	Non-Major Funds
ASSETS			
Cash and Deposits	\$ 371,371	\$ 83,433	\$ 478,659
Investments (At Fair Value)	406,026		406,026
Taxes Receivable (Net)	32,621		32,621
Accounts Receivable (Net of Allowances)	20,006		20,006
Interfund Receivable	13,039	11,224	24,263
Prepaid Expenditures			1,269
TOTAL ASSETS	\$ 843,063	\$ 94,657	\$ 962,844
LIABILITIES AND FUND BALANCES			
Interfund Payable	\$ 11,224		\$ 24,263
Accounts Payable	45,525		45,525
Payroll Deductions and Withholdings	3,649		3,649
Deposits	44,697		44,697
Total Liabilities	105,095		118,134
FUND BALANCES			
Fund Balances -			
Reserved for Highways			15,141
Reserved for Capital Reserve		94,657	94,657
Reserved for Street Lighting and Fire Protection			(3,056)
Unreserved -			
Undesignated	737,968		737,968
Total Fund Balances	737,968	94,657	844,710
TOTAL LIABILITIES AND FUND BALANCES	\$ 843,063	\$ 94,657	\$ 962,844

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED ACCRUAL BASIS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	Governmental Funds			Totals
	General	Capital Reserve Fund	Non-Major Funds	
Revenues				
Real Estate Taxes	\$ 391,359	\$		\$ 391,359
Local Enabling Taxes	507,115			507,115
Licenses and Permits	47,946			47,946
Fines and Forfeits	14,696			14,696
Interest and Rents	27,293	4,103	4,251	35,647
Intergovernmental Revenues	69,576		139,708	209,284
Departmental Earnings	117,725			117,725
Miscellaneous	20,435		8,873	29,308
Total Revenues	<u>1,196,145</u>	<u>4,103</u>	<u>152,832</u>	<u>1,353,080</u>
Expenditures				
Current:				
General Government	216,092		225	216,317
Public Safety	161,213			161,213
Health and Sanitation	4,942			4,942
Highways and Streets	457,220		169,491	626,711
Culture and Recreation	3,518			3,518
Employee Benefits, Insurance, and Miscellaneous	81,947			81,947
Debt Service				
Principal and Interest	1,656			1,656
Total Expenditures	<u>926,588</u>		<u>169,716</u>	<u>1,096,304</u>
Revenues Over (Under) Expenditures	269,557	4,103	(16,884)	256,776
Other Financing Sources (Uses)				
Sale of Fixed Assets	11,903			11,903
Interfund Transfers In	7,507			7,507
Interfund Transfers (Out)		(7,507)		(7,507)
Total Other Financing Sources	<u>19,410</u>	<u>(7,507)</u>		<u>11,903</u>
Net Change in Fund Balances	288,967	(3,404)	(16,884)	268,679
Fund Balances - January 1, 2007	449,001	98,061	28,969	576,031
Fund Balances - December 31, 2007	<u>\$ 737,968</u>	<u>\$ 94,657</u>	<u>\$ 12,085</u>	<u>\$ 844,710</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.