

TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

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Independent Auditor's Report

Members of Council
Township of College
Centre County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of College, Pennsylvania, as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic 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 basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of College, Centre County, Pennsylvania as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 12, and the budgetary comparison schedule for the general fund on page 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Township's basic financial statements. The supplementary combining financial statements and other schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Eric R. Snyder, CPA

State College, Pennsylvania
March 6, 2011

TOWNSHIP OF COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTAL INFORMATION)
DECEMBER 31, 2010

To the Members of Council
Township of College
State College, Pennsylvania

As management of the Township of College (the "Township"), we offer readers of our basic financial statements this narrative introduction, overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2010.

This discussion and analysis is divided into the following sections: 1) Financial highlights for 2010, 2) Description of the required financial statements, 3) Financial Analysis of the Township, 4) An Overview of the Township's Capital Assets and Long-term Debt, and 5) Potentially Significant Matters.

The reader should use the information contained here in conjunction with the additional information contained in the Township's audited financial statements which begin immediately following this narrative.

FINANCIAL HIGHLIGHTS FOR 2010

1. Issued General Obligation Bonds, Series of 2010 in the maximum principal amount of \$6,275,000 to provide funds to refund the outstanding 2003 General Obligation Bonds and 2009 General Obligation Note. The present value savings totaled \$361,931 or 5.97% of refunded principal.
2. Expenditures for personnel, police services, and Centre Region Council of Governments program funding totaled 69.6% of total General Fund Expenditures, a .3% increase from last year's figure of 69.3%.
3. Net assets decreased by \$435,000.

DESCRIPTION OF THE REQUIRED FINANCIAL STATEMENTS

This section is intended to serve as a narrative explanation of the Township's financial statements, not the numbers themselves, but the purpose of each statement and what each is designed to accomplish for the readers of our statements.

Primary Objectives of Governmental Financial Reporting

We believe an understanding of the primary objectives of governmental financial reporting is essential to fully grasping the financial statements contained in the report.

The Governmental Accounting Standards Board (GASB) has identified both operational and fiscal accountability as the paramount objectives of financial reporting:

Operational accountability requires that a government demonstrates the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. This is accomplished by the use of government-wide financial statements. These statements are reported using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of when the revenue is received or the expense is paid.

Fiscal accountability requires that a government demonstrates compliance with 1) finance-related legal requirements and 2) public decisions concerning the raising and spending of public monies in the short term (the annual budget cycle). This is accomplished by the use of fund-based financial statements, similar to what readers have grown accustomed to prior to the adoption of GASB 34. Fund-based statements are reported using the modified accrual basis whereby revenues are recognized when earned provided they are collectible within the current period or soon enough afterwards to be used to pay current period liabilities. Expenditures are generally recorded when the liability is incurred.

Overview of the Township's Required Financial Reporting Format

The Township's basic (required) financial statements consist of the following three components: 1) government-wide financial statements (operational accountability), 2) fund-based financial statements (fiscal accountability), and 3) notes to the basic financial statements. This report also includes both required and optional supplementary information schedules which are intended to enhance the reader's understanding of the financial condition of the Township.

The following narratives further describe each of these important components:

1) Government-wide financial statements

As stated earlier, the objective of government-wide financial reporting is to demonstrate operational accountability. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. These statements provide the reader with a broad overview of the government by consolidating the Township's general, special revenue (other governmental), debt service, and capital projects funds. Because the resources of the fiduciary funds (pension trust funds and tax collection agency funds) are not available to support government programs, they are excluded from these statements.

The statement of net assets represents the Township's basic government-wide statement of position. The reader should note the following essential characteristics of this statement:

- All the Township's assets and liabilities (except those of the fiduciary funds) are presented, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The assets and liabilities are presented in order of liquidity.
- Inter-fund payables and receivables are eliminated and do not appear in the total column.
- Net assets is subdivided into three categories: net assets invested in capital assets, net of accumulated depreciation and related debt; restricted net assets; and unrestricted net assets.

The statement of activities is used to report changes in net assets. In this statement, expenses are presented before revenues to emphasize that the Township does not seek to maximize revenues but instead, identifies the needs of its citizens and then raises the resources needed to meet these needs. Other items to note are as follows:

- The first column presents the direct expenses associated with each of the Township's major functions which include general government, public safety, highways and streets, public works, and culture and recreation.
- Net expense for each function is arrived at by deducting revenues (referred to as program revenues) used to finance each individual function. All non-program revenues are reported as general revenues and are reported immediately following the total net expense of the Township's functions.
- All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is commonly referred to as the accrual basis of accounting. For example, an electric bill for usage during the month of December 2010 is recorded as an expense in 2010 although it may not have been paid until January 2011.

Both the statement of net assets and the statement of activities focus the reader on governmental activities (functions) that are principally supported by taxes and intergovernmental revenues.

2) Fund-based Financial Statements

The Township, like other state and local governments, uses fund accounting to demonstrate fiscal accountability. A fund is a self-balancing set of accounts established for the purpose of maintaining control over resources that have been segregated for specific activities or objectives. The Township follows the principal of limiting the number of funds to those required by law and sound financial administration. All of the Township's funds can be divided into 2 classifications: governmental funds and fiduciary funds. There is a third classification, proprietary funds, but the Township has no funds that fall within that classification. The following paragraphs further describe the Township's governmental funds and fiduciary funds.

Governmental funds. These fund types are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The Township maintains the following eight governmental funds: 1) general fund, 2) five special revenue (or "other governmental") funds, 3) one debt service fund, and 4) one capital projects fund.

Governmental fund statements are presented following the government-wide statement as a governmental fund balance sheet and a governmental fund statement of revenues, expenditures, and changes in fund balances. Data is presented separately for the general fund, debt service fund and the capital projects fund, all of which are deemed to be major funds. Data from the other five governmental non-major funds are combined into a single, aggregated presentation. However, individual fund data for these non-major governmental funds is provided as supplemental schedules following the footnotes in the form of a combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance.

It is important to note that the governmental fund statements are prepared using the modified accrual basis of accounting, where the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements. This differs from the government-wide financial statements which are prepared using the accrual basis of accounting. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances are followed by a reconciliation or "bridge" to facilitate comparison of the governmental fund statements and the government-wide statements.

Finally, the Township adopts an annual budget for all its funds. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget and is presented immediately following the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

Fiduciary funds. Fiduciary funds are used to report assets held in a trust or agency capacity for others.

Fiduciary funds are not reported in the government-wide financial statements (as are the governmental funds) because the resources of these funds are not available to support the Township's own programs. The fiduciary fund statements are prepared using the accrual basis of accounting.

The Township's fiduciary funds consist of two pension trust funds for the benefit of its employees and two agency funds for taxes collected by the Township's tax office for other taxing jurisdictions.

The pension trust funds statements are presented following the governmental fund statements as a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

The agency funds are included in this presentation solely as assets offset by a liability to the parties on whose behalf they are held. Consequently, net assets are not reported. Instead, agency fund information can be found in the schedules following the notes to the financial statements.

2) Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements such as the Township's accounting methods and policies.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Overall Financial Analysis

We believe that the overall financial position of the Township is sound and will continue to improve.

Operational Accountability: Analysis of Government-wide Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the Township's financial position.

The Township's overall financial position as of December 31, 2010 is demonstrated by the following condensed government-wide statement of net assets which shows that total assets exceeded total liabilities by \$10.91 million; a decrease of \$435,000 from 2009:

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,233,008	\$ 2,263,825
Capital assets - net	<u>14,109,666</u>	<u>13,195,317</u>
Total Assets	<u>17,342,674</u>	<u>15,459,142</u>
Current and other liabilities	350,104	173,390
Long-term liabilities	<u>6,080,000</u>	<u>3,938,519</u>
Total Liabilities	<u>6,430,104</u>	<u>4,111,909</u>
Net Assets:		
Invested in capital assets, net of related debt	7,709,149	9,281,039
Restricted	1,217,421	1,020,453
Unrestricted	<u>1,986,000</u>	<u>1,045,741</u>
Total Net Assets	<u>\$ 10,912,570</u>	<u>\$ 11,347,233</u>

\$7.7 million of net assets totaling \$10.91 million (70.6%) reflects the Township's investment in capital assets, net of related debt still outstanding that was used to acquire those assets. Capital assets are needed to provide services to citizens; consequently they are not available for future spending.

At the end of 2010, net assets of the Township totaling \$1.22 million (11.2%) are subject to restrictions on how they may be used. Accordingly, the remaining net assets (\$1.99 million or 18.2%) are unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.

Operational Accountability: Analysis of Government-wide Operating Results

The Township's results of operations are demonstrated by the following condensed government-wide statement of changes in net assets for the year ended December 31, 2010:

	<u>Governmental</u> <u>2010</u>	<u>Activities</u> <u>2009</u>
Program revenues:		
Charges for services	\$ 1,007,734	\$ 1,106,272
Operating grants and contributions	446,024	837,954
General revenues:		
Taxes and other revenue	<u>3,903,108</u>	<u>3,718,280</u>
Total Revenues	5,356,866	5,662,506
Expenses:		
General government	1,543,677	1,423,437
Public safety	1,867,247	1,799,234
Highways and streets	1,163,180	1,142,270
Public works	54,227	68,684
Culture and recreation	558,034	579,788
Retirement of bond issuance costs	116,400	--
Depreciation (unallocated by function)	<u>488,764</u>	<u>464,514</u>
Total Expenses	<u>5,791,529</u>	<u>5,477,927</u>
Excess before contributions	(434,663)	184,579
Contribution of infrastructure	<u>--</u>	<u>881,298</u>
	(434,663)	1,065,877
NET ASSETS - beginning	<u>11,347,233</u>	<u>10,281,356</u>
NET ASSETS - ending	<u>\$10,912,570</u>	<u>\$11,347,233</u>

Overall operating results from the Township's governmental activities resulted in an decrease of \$434,663 in net assets (3.98% of ending net assets).

Fiscal Accountability: Analysis of the Township's Funds

Transactions and Balances of Individual Major Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and with public decisions on the use of the Township's resources.

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.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2.93 million, an increase of \$.92 million from the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance was \$.87 million. As a measure of the general fund's liquidity, it may be useful to compare its unreserved fund balance to total governmental fund expenditures. Unreserved general fund balance represents 21.1% of 2010 general fund expenditures and 6.7% of total governmental fund expenditures. Fund balance decreased by \$.122 million during the current fiscal year.

The debt service fund has a total fund balance of \$390,184, all of which is reserved for future debt service. The \$203,360 increase in the fund balance from the prior year was due to the excess of fund revenues over the debt service expenditures for the fiscal year.

The capital projects fund has a total fund balance of \$.847 million, all of which is reserved for future capital project expenditures. During 2010, the Township funded the completion of the Alpha Substation and the reconstruction of the Trout Road bridge.

General Fund Budgetary Highlights

Actual ending fund balance was greater than budgeted ending fund balance by \$.584 million. This variance is attributed in part to the following:

- 1) Fund balance at the beginning of 2010 was \$500,000 higher than expected.
- 2) Street takeover projects have been deferred to later years.

These variances are not expected to significantly impact future Township services or liquidity.

CAPITAL ASSETS AND LONG-TERM DEBT OVERVIEW

Capital Assets

At December 31, 2010, the Township had invested \$14.1 million in capital assets for its governmental activities net of \$3.8 million accumulated depreciation. These assets include land, buildings, vehicles, machinery and equipment, park facilities, infrastructure acquired after January 1, 1999, and construction in progress. This amount represents a net increase (including additions and dispositions, net of depreciation) of \$.91 million over the prior year. Completion of the Alpha Substation and Trout Road Bridge projects account for 97% of the additions. The Township also added vehicles and equipment valued at \$45,702.

Additional information on the Township's investment in capital assets (including infrastructure) is contained in the notes to the financial statements.

Long-term Debt

During 2003, the Township issued its General Obligation Bonds; Series of 2003 in the aggregate amount of \$3,510,000 to pay off existing debt and provide funds for capital projects. After paying costs and repaying outstanding debt, \$2,112,871 was available for capital projects and was deposited into the Capital Projects Fund. The bonds are insured and are secured by the Township's tax and other general revenues.

At December 31, 2009, \$2,705,000 of the Bonds remained outstanding following a principal payment of \$135,000 made in 2010. Interest payments on these bonds totaled \$111,119.

In May 2009, the Township issued a General Obligation Note to provide funds for various capital projects. The note was structured as a draw down loan whereby the township has until November 15, 2011 to draw down \$3,360,000.

In August 2010, the Township issued its General Obligation Bonds; Series of 2010 in the aggregate amount of \$6,275,000 to pay off existing debt. The bonds are issued and are secured by the Township's tax and other general revenue.

The non-electoral debt limit of the Township as of December 31, 2010 amounted to \$16,005,920, an increase of \$1,854,492 from the prior year.

Additional information on the Township's long-term debt can be found in the Notes to the Basic Financial Statements.

POTENTIALLY SIGNIFICANT MATTERS

2011 Budget Highlights

1. The real estate tax millage for 2011 remains at 4.4.
2. Medical insurance premiums have increased by 27%.
3. A maximum merit of 2.5% and a cost of living adjustment of 1.0% is reflected in the payroll budgeted amounts.
4. \$81,165 will be set aside to provide supplemental monies for COG regional parkland in addition to the \$66,589 COG allocation payment.
5. Provides for additional major expenditures for 1) Zoning software replacement, 2) Branch Road realignment and rehabilitation, 3) Acquisition of a new dump truck, and 4) New traffic signal at Squirrel Drive.

Request for Information

This financial report is designed to provide an overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township's Finance Director at 1481 East College Avenue, State College, PA 16801.

TOWNSHIP OF COLLEGE
YEAR ENDED DECEMBER 31, 2010
GOVERNMENT-WIDE
FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,401,508
Accounts receivable & other assets	207,381
Taxes receivable	429,543
Prepaid expenses	12,531
Due from water authority	566
Inventory	33,491
Prepaid bond costs, net	147,988
Capital assets, net of accumulated depreciation	<u>14,109,666</u>
Total assets	<u>17,342,674</u>
LIABILITIES	
Accounts payable and other current liabilities	116,141
Deferred revenue	20,048
Due to water authority	1,551
Compensated absences	42,364
Bonds payable - current	170,000
- non current	<u>6,080,000</u>
Total liabilities	<u>6,430,104</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,709,149
Restricted for:	
Debt service	390,184
Special governmental purposes	826,658
Acquisition of parkland	579
Unrestricted	<u>1,986,000</u>
Total net assets	<u>\$ 10,912,570</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
<u>Functions/Programs</u>			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
			<u>Governmental Activities</u>	<u>Governmental Activities</u>
General government	\$ 874,407	\$ 791,968	\$ 22,355	\$ (60,084)
Public Safety	1,867,247	184,774	98,750	(1,583,723)
Highway and streets	1,163,180	30,992	228,733	(903,455)
Public works	54,227	--	5,610	(48,617)
Culture and recreation	558,034	--	--	(558,034)
Insurance and benefits	475,179	--	90,576	(384,603)
Interest expense	194,091	--	--	(194,091)
Retirement of bond issuance costs	116,400	--	--	(116,400)
Depreciation (unallocated)	<u>488,764</u>	<u>--</u>	<u>--</u>	<u>(488,764)</u>
Total governmental activities	\$5,791,529	\$1,007,734	\$446,024	(4,337,771)
			<u>General Revenues:</u>	
			Taxes	3,890,766
			Interest	6,842
			Other	<u>5,500</u>
			Total General Revenues	<u>3,903,108</u>
			Change in net assets	(434,663)
			Net assets, beginning	<u>11,347,233</u>
			Net assets, ending	<u>\$ 10,912,570</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
YEAR ENDED DECEMBER 31, 2010
FUND FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 388,367	\$382,765	\$ 819,036	\$811,340	\$2,401,508
Accounts receivable	179,472	--	27,909	--	207,381
Due from water authority	566	--	--	--	566
Prepaid assets	6,009	--	--	--	6,009
Taxes receivable	<u>406,227</u>	<u>7,419</u>	<u>--</u>	<u>15,897</u>	<u>429,543</u>
Total assets	<u>\$ 980,641</u>	<u>\$390,184</u>	<u>\$ 846,945</u>	<u>\$827,237</u>	<u>\$3,045,007</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 91,537				\$ 91,537
Due to water authority	1,551				1,551
Deferred revenue	<u>20,048</u>				<u>20,048</u>
Total liabilities	<u>113,136</u>				<u>113,136</u>
FUND BALANCES					
Reserved	--	\$390,184	\$ 846,945	\$827,237	2,064,366
Unreserved	<u>867,505</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>867,505</u>
Total fund balances	<u>867,505</u>	<u>390,184</u>	<u>846,945</u>	<u>827,237</u>	<u>2,931,871</u>
Total liabilities and fund balances	<u>\$ 980,641</u>	<u>\$390,184</u>	<u>\$ 846,945</u>	<u>\$827,237</u>	<u>\$3,045,007</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENT-WIDE NET ASSETS
YEAR ENDED DECEMBER 31, 2010

Total fund balances	\$ 2,931,871
Capital assets used in governmental activities excluded from funds because they do not represent financial resources	14,109,666
Other non-financial assets such as inventory and prepaid expenses	40,015
Bond/note issue costs, expenses upon issuance are deferred charges subject to amortization over the term of the bond/note issue	147,988
Accrued interest expense	(24,606)
Liability for compensated absences (vacation pay)	(42,364)
Long-term bonds payable due:	
In 2011	(170,000)
Thereafter	<u>(6,080,000)</u>
Net assets, government-wide	\$ <u>10,912,570</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 2,741,417	\$ 359,125		\$ 790,224	\$ 3,890,766
Impact fees	265,088	--		--	265,088
Licenses, permits & user fees	374,137	--		--	374,137
Intergovernmental	230,556	--		215,470	446,026
Proceeds from debt	--	6,214,019	\$ 2,126,481	--	8,340,500
Fines and forfeits	162,979	--	--	--	162,979
Other	150,275	--	74,880	4,000	229,155
Interest and Rents	59,883	445	711	2,558	63,597
Total revenues	<u>3,984,335</u>	<u>6,573,589</u>	<u>2,202,072</u>	<u>1,012,252</u>	<u>\$ 13,772,248</u>
EXPENDITURES					
Current:					
General government	946,270	500	--	--	946,770
Public safety	1,688,294	--	--	178,953	1,867,247
Highways and streets	722,116	--	--	100,333	822,449
Public works	129,107	--	--	--	129,107
Culture and recreation	125,395	--	--	432,638	558,033
Insurance and benefits	475,179	--	--	--	475,179
Debt Service:					
Principal payments	--	6,090,000	--	--	6,090,000
Interest charges	--	189,796	--	--	189,796
Debt issuance costs	--	89,933	--	--	89,933
Capital outlays	20,023	--	1,357,411	306,720	1,684,154
Total expenditures	<u>4,106,384</u>	<u>6,370,229</u>	<u>1,357,411</u>	<u>1,018,644</u>	<u>12,852,668</u>
Excess/(deficiency) of revenues over expenditures	(122,049)	203,360	844,661	(6,392)	919,580
FUND BALANCES, beginning	989,554	186,824	2,284	833,629	2,012,291
FUND BALANCES, ending	<u>\$ 867,505</u>	<u>\$ 390,184</u>	<u>\$ 846,945</u>	<u>\$ 827,237</u>	<u>\$ 2,931,871</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

Net changes in fund balances - total governmental	\$ 919,580
Expenses, reported on the statement of activities, that (required)/did not require the use of current financial resources:	
Vacation expense accrued to employees	11,429
Insurance expense	(11)
Interest expense	(11,177)
Changes in inventory	1,255
Capital outlays, net of depreciation expense of \$488,764	914,349
Proceeds from note issuance, net of prepaid costs	(8,250,567)
Effect of bond repayments that utilize current financial resources net of the effect of the amortization of the deferred costs included in the statement of activities of \$109,521	<u>5,980,479</u>
Change in net assets of governmental activities	\$(<u>434,663</u>)

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
REQUIRED SUPPLEMENTARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (CASH BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	Budget - Both Original and Final	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 2,761,109	\$ 2,741,417	\$(19,692)
Impact fees	305,234	265,088	(40,146)
Licenses, permits and user fees	354,719	374,137	19,418
Intergovernmental	211,746	230,556	18,810
Fines and forfeits	137,700	162,979	25,279
Interest and rents	63,850	59,883	(3,967)
Proceeds from LT debt	300,000	--	(300,000)
Other	<u>84,070</u>	<u>150,275</u>	<u>66,205</u>
Total revenues	<u>4,218,428</u>	<u>3,984,335</u>	<u>(234,093)</u>
EXPENDITURES			
General Government	980,626	946,270	34,356
Public Safety	1,713,020	1,688,294	24,726
Highways and streets	1,045,764	722,116	323,648
Public works	60,025	129,107	(69,082)
Culture and recreation	139,642	125,395	14,247
Insurance and benefits	459,063	475,179	(16,116)
Capital outlays	<u>26,200</u>	<u>20,023</u>	<u>6,177</u>
Total expenditures	<u>4,424,340</u>	<u>4,106,384</u>	<u>317,956</u>
Excess of revenues over expenditures	(205,912)	(122,049)	83,863
FUND BALANCE, beginning	<u>489,663</u>	<u>989,554</u>	<u>499,891</u>
FUND BALANCE, ending	\$ <u>283,751</u>	\$ <u>867,505</u>	\$ <u>583,754</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	<u>Trust Funds</u>		
	<u>Deferred</u>	<u>Pension</u>	<u>Agency</u>
	<u>Compensation</u>	<u>Plan</u>	<u>Funds</u>
	<u>Plan</u>	<u>Plan</u>	<u>Funds</u>
ASSETS			
Cash			\$ 149,391
Investments at market value	\$ <u>393,556</u>	\$ <u>1,195,612</u>	<u> --</u>
Total assets	\$ <u>393,556</u>	\$ <u>1,195,612</u>	\$ <u>149,391</u>
LIABILITIES			
Due to other governments and taxpayers			\$ <u>149,391</u>
Total liabilities			\$ <u>149,391</u>
NET ASSETS			
Held in trust for employees' retirement benefits	\$ <u>393,556</u>	\$ <u>1,195,612</u>	
Total net assets	\$ <u>393,556</u>	\$ <u>1,195,612</u>	

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Deferred Compensation <u>Plan</u>	Pension <u>Plan</u>
ADDITIONS		
Contributions	\$ 38,815	\$ 92,092
Investment gains including realized and unrealized gains and net losses	<u>32,552</u>	<u>81,067</u>
Total additions	71,367	173,159
DEDUCTIONS		
Distributions to beneficiaries	<u>--</u>	<u>135,189</u>
Total deductions	<u>--</u>	<u>135,189</u>
Changes in net assets	71,367	37,970
NET ASSETS, beginning	<u>322,189</u>	<u>1,157,642</u>
NET ASSETS, ending	<u>\$393,556</u>	<u>\$1,195,612</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

A. BASIS OF PRESENTATION

The Township of College is located in Central Pennsylvania. It is a Township of the second class and is operated under a Home Rule Option with an elected five member Township Council. Under the administration of an appointed Township Manager, the Township provides a variety of services to its residents. These services include, but are not limited to: public safety, recreation, street repair and maintenance, planning and zoning and general administrative services.

The accompanying financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The perspective of accountability provides the basis for defining the financial reporting entity. The definition of the financial reporting entity is primarily based on the concept of financial accountability. In defining the Township for financial reporting purposes, the Township evaluated the possible inclusion of related organizations consistent with the provisions of the Government Accounting Standards Board.

Financial accountability for legally separate organizations exists if the Township, as a primary government, appoints a voting majority of an organization's governing body, and is either able to impose its will on that organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the township, or if an organization is fiscally dependent on the township.

Based upon these criteria, the financial reporting entity has been defined to include all of the funds, accounts, departments and offices that comprise the legal entity of the Township of College.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

A. BASIS OF PRESENTATION (continued)

Reporting Entity (continued)

A description of the potential component units considered and excluded from the Township's financial statements is presented below and includes a consideration of the following:

College Township Water Authority
College Township Industrial Development Authority
University Area Joint Authority
Centre Area Transportation Authority
Centre Regional Recreation Authority
Centre Region Council of Governments
Schlow Centre Region Library

Separate financial statements of each of the entities are available for review at the Township's offices or at the office of the respective entity.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of changes of net assets) report information on all the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenues are reported as general revenues.

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

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if collected within sixty (60) days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due.

Taxes, grants, fees, interest income and various intergovernmental revenues associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenue related to expenditure driven grants is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following funds are used by the Township:

Governmental Fund Types

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

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types (continued)

Capital Projects Fund - Used to account for major capital expenditures. It holds the unexpended proceeds of debt issues to finance capital projects.

Debt Service Fund - To account for the accumulation of financial resources through real estate tax levies or transfers from the general fund and the payment of long-term debt, principal and interest.

Special Revenue Funds Reported as Other Government Funds- To account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted for specified purposes.

The Township recognizes the following special revenue funds:

- State Highway Aid - liquid fuels tax monies provided by the State for building and improving roads and bridges.

Real estate taxes are levied for particular purposes, each of which is accounted for in its own non-major governmental fund, as the name indicates.

-- Fire Protection -- Parks and Recreation

-- Road Machinery -- Library

Fiduciary Fund Types

Trust Funds - To account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and funds. The Pension Trust Fund is used to account for the activity of the defined contribution retirement plan and the deferred compensation plan established under Section 457 of the Internal Revenue Code.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Types (continued)

Agency Funds - custodial in nature; that is, assets equal liabilities and they do not involve measurement of operations. These funds include those administered by the Township as:

Tax Collector. Funds paid by individuals, property owners and/or employers on account of the various tax assessments levied by the Township, the School District and other local municipalities are held by the township as an agent of itself and others until accountings and disbursements are made.

(3) Assets, Liabilities and Net Assets or Equity

(a) Private-Sector Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not contradict the guidance of the GASB.

(b) Program Revenues

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

(c) Investments

Investments are reflected at market which approximates cost. Investment income is recorded as earned.

(d) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in government-wide financial statements.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Assets, Liabilities and Net Assets or Equity (continued)

(e) Capital Assets

Capital assets are land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other assets that are used in operations and have an initial useful life extending beyond a single reporting period.

Under GAAP, management establishes the dollar value ("capitalization threshold") at which the township will capitalize assets that are used in operations.

Management has established the following capitalization thresholds: 1) Land - \$1, 2) Infrastructure - \$25,000, and 3) All other capital assets - \$5,000.

Such assets are recorded at historical cost if purchased or constructed or at estimated historical cost if the original cost is not determinable.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	20 - 40 years
Machinery and equipment and vehicles	5 - 20 years
Land improvement, buildings and building improvements	15 - 40 years

(f) Inventories

Parts and supplies purchased by the various funds are recorded by the Township as an expenditure when purchased in the governmental funds and as assets in the statement of net assets.

(g) Accumulated Unpaid Vacation

In accordance with guidelines established by the Financial Accounting Standards Board, unpaid vacation was accrued. This liability, not expected to be paid from available resources, is recorded only in the statement of net assets.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Assets, Liabilities and Net Assets or Equity (continued)

(h) Deferred Revenue

The Township reports deferred revenue. Deferred revenue arises when a potential revenue does not meet both the "measurable and available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

(i) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as general government expenditures.

(j) Fund Balance

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

(k) Insurance

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Insurance settlements have not exceeded insurance coverage during the past three years.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Budgets

Formal budgetary accounting is employed as a management control in all funds of the Township. The Township adheres to the following procedures in establishing the budget reflected in the financial statements:

- A. Annual operating budgets are adopted each year on a basis consistent with the Commonwealth of Pennsylvania's Second Class Township Code.
- B. Throughout the year the finance director and manager use current financial status reports and established Township objectives to develop financial projections for the ensuing year.
- C. This information is then assembled and presented to the Council for approval or revision.
- D. The Council adopts a tentative budget in November of each year which is available for public scrutiny and comment for a period of 20 days.
- E. The final budget is approved in December. Budget revisions are approved at Council meetings.

The budget amounts presented in the financial statements reflect the original budget amounts. There were no significant Council resolutions to modify the original budget.

The Township does not use encumbrance accounting.

(5) Subsequent Events

Subsequent events have been evaluated through March 6, 2011, which is the date the financial statements were available to be issued.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of various estimates of amounts and disclosures by management. There will likely be differences between estimated and actual results.

C. CASH AND INVESTMENTS

Cash

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. The deposit and investment policy of the Township adheres to state statutes and prudent business practice.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 640,101
Collateralized -	
Collateral held by pledging bank's trust department not in the Township's name	2,045,909
Total deposits	\$ <u>2,686,010</u>

The Township's carrying amount for bank balances was \$825,469 at December 31, 2010.

In addition to the carrying amount is \$1,725,330 invested in the Pennsylvania Local Government Investment Trust ("PLGIT") and \$100 petty cash.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

C. CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Commonwealth of Pennsylvania recognizes this risk. Under its Act 72, deposits of public funds (in excess of FDIC insurance) held by banks must be collateralized. Banks must place on deposit with a third-party (usually a Federal Reserve Bank) securities with an aggregate market value in excess of all of its uninsured balances. The Township requires this protection for its funds. PLGIT follows similar practices.

Investments

Restricted investments in the pension and deferred compensation funds amounted to \$1,589,168 at December 31, 2010. This includes various mutual funds, all of which is uninsured. Collateral is held by the plan custodian.

D. TAXES

The Township's revenues are derived primarily from taxes on real estate, earned income and local services.

Real Estate Taxes

For 2010, total Township real estate taxes were levied at the rate of 4.40 mills on every dollar of taxable assessed valuation.

Current period revenues derived from 2010 levies were as follows:

	<u>Rate</u>	<u>Revenue</u>
General fund	1.61	\$ 653,747
Debt service for the purpose of acquiring or constructing Township facilities	0.87	353,539
Parks and recreation	0.77	312,690
Library	0.32	129,990
Road machinery	0.35	142,128
Fire protection	<u>0.48</u>	<u>194,982</u>
	<u>4.40</u>	<u>\$ 1,787,076</u>

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

(Continued)

D. TAXES (continued)

Real estate taxes attach as an enforceable lien on property as of January 1st and are generally levied on March 1st. During 2010 taxes were levied on March 1. The Township tax office bills and collects these taxes. Taxpayers making payments within two months of the levy are given a 2% discount. Amounts paid after four months are assessed at a 10% penalty. Centre County collects delinquent real estate taxes on behalf of the Township.

The Township's property tax is levied by resolution of the Township's Council on real property located within the Township. Assessed values are generally 50% of market value as of the date of the last reassessment by the Centre County Board of Property Assessment, Appeals and Review. The total assessed valuation of property in the Township as of March 1, 2010 was \$568,151,890 of which an estimated \$148,504,740 was exempt from taxation.

Earned Income Taxes

Each resident of the Township with earned income is required to file an annual earned income tax return. The Township's levy on such income is .5%. The Township collects the State College Area School District's levy on earned income at a rate of .95%.

Throughout the year, the Township receives earned income taxes collected at the source and remitted by employers located within its geographic limits. Initially, deposits are made into the Agency Fund until the proper jurisdiction is determined. Then, the Township's tax collector--its appointed finance director--distributes the collections to the general fund, the School District and other municipalities.

During 2010, individual taxpayers reported gross earned income (for 2009, the latest information available) of \$212,976,047.

The Township recognized \$1,182,230 in earned income tax revenue during 2010.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

D. TAXES (continued)

Taxes Receivable; Deferred Revenue

At December 31, 2010, taxes receivable and deferred revenue for taxes were as follows:

<u>Type of Tax</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Real estate	\$ 27,361	\$ 24,340	\$ 11,252	\$ 62,953
Earned income	300,000			300,000
Occupational privilege	55,715			55,715
Realty transfer	30,227			30,227
Allowance for uncollectible taxes	(<u>7,076</u>)	(<u>8,443</u>)	(<u>3,833</u>)	(<u>19,352</u>)
	\$ <u>406,227</u>	\$ <u>15,897</u>	\$ <u>7,419</u>	\$ <u>429,543</u>
Deferred Revenue	\$ <u>7,050</u>			\$ <u>7,050</u>

Included in taxes receivable is \$7,050 of delinquent taxes. During 2010, \$27,267 was collected for delinquent taxes, and penalty and interest.

Included in deferred revenue is \$12,998 which may be refundable for earned income taxes collected in advance.

E. CAPITAL ASSETS

The Township records its capital assets in the government-wide financial statements, net of accumulated depreciation. The Township includes equipment, vehicles, road machinery, land and buildings as well as infrastructure assets such as roads, traffic signals, parkland, etc.

Current year capital outlays include the conversion of the ground floor of the municipal building into a fire station, reconstruction of the Trout Road bridge and the purchase of a zero turn mower and brush chipper.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

E. CAPITAL ASSETS

Changes in the capital assets during 2010 are presented below:

	Balance - January 1, 2010	Additions	Transfers	Balance - December 31, 2010
Buildings and improvements	\$ 4,246,348	\$ 1,063,086	\$ 1,374,191	\$ 6,683,625
Equipment	2,173,855	45,702	--	2,219,557
Infrastructure	<u>6,475,977</u>	<u>268,031</u>	<u>87,405</u>	<u>6,831,413</u>
Total	<u>12,896,180</u>	<u>1,376,819</u>	<u>1,461,596</u>	<u>15,734,595</u>
Less: Accumulated depreciation:				
Buildings and improvements	(1,286,068)	(127,009)		(1,413,077)
Equipment	(1,014,041)	(158,374)		(1,172,415)
Infrastructure	<u>(996,239)</u>	<u>(203,381)</u>		<u>(1,199,620)</u>
Total	<u>(3,296,348)</u>	<u>(488,764)</u>		<u>(3,785,112)</u>
Land	<u>2,076,928</u>	<u>--</u>		<u>2,076,928</u>
Construction in progress	<u>1,518,557</u>	<u>26,294</u>	<u>(1,461,596)</u>	<u>83,255</u>
Net Assets	<u>\$ 13,195,317</u>	<u>\$ 914,349</u>	<u>\$ --</u>	<u>\$ 14,109,666</u>

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

F. LONG-TERM DEBT

Long-term debt consists of:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
2003 General Obligation Bond	\$ 2,705,000		\$(2,705,000)	
2009 General Obligation Note	1,233,519	\$ 2,126,481	(3,360,000)	
2010 General Obligation Bond	--	6,275,000	(25,000)	\$ 6,250,000
Compensated absences	<u>53,792</u>	<u>--</u>	<u>(11,428)</u>	<u>42,364</u>
	<u>\$ 3,992,311</u>	<u>\$ 8,401,481</u>	<u>\$(6,101,428)</u>	<u>\$ 6,292,364</u>

General Obligation Bonds, Series of 2003

On May 6, 2003, pursuant to its Ordinance 03-11, the Township settled on its General Obligation Bonds, Series of 2003 in the aggregate amount of \$3,510,000. Proceeds served to repay the 1998 and 2001 General Obligation Notes and provided approximately \$2,112,871 for additional capital projects/expenditures.

The average interest rate on the bonds is 3.92%. Costs associated with the issue were approximately \$96,934. The Township repaid the then outstanding mortgage loan and credit line to reduce its total debt service payments (on that portion of the new bond issue) over the next ten years by approximately \$63,840, resulting in an economic gain (present value) of approximately \$52,755.

The bonds were retired in August 2010 using proceeds from the issuance of the General Obligation Bonds, Series of 2010. The related bond issuance costs were also retired realizing a gain of \$56,147.

General Obligation Note, Series A of 2009

On May 20, 2009, pursuant to its Ordinance O-09-10, the Township settled on its General Obligation Notes, Series A of 2009 in the maximum principal amount of \$3,360,000. Proceeds will provide funds for capital projects including improvements to the Township municipal building, bridge reconstruction, road realignment and traffic signal construction. The Township will draw down funds as construction costs are incurred and is responsible for interest only payments until the Note's draw down period ends on November 15, 2011, or earlier if the maximum principal amount is reached.

The interest rate on the Note is 4.6%. Costs associated with the issue of were approximately \$42,977. Interest payments on the Note are due on November 15th and May 15th of each year.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

F. LONG-TERM DEBT (continued)

General Obligation Note, Series A of 2009 (continued)

During 2009 and 2010 the Township had drawn down the maximum amount of \$3,360,000 against the Note. The Note was fully repaid in August 2010 using proceeds from the issuance of the General Obligation Bonds, Series of 2010. The issuance costs related to the note were also retired realizing a gain of \$57,327.

General Obligation Note, Series of 2010

On August 17, 2010, pursuant to its Ordinance 10-07, the Township settled on its General Obligation Bonds, Series of 2010 in the aggregate amount of \$6,275,000. Proceeds served to repay the General Obligation Bonds, Series of 2003 and the General Obligation Note, Series A of 2009.

The weighted average maturity of the bonds is 11.3331 years and the yield calculates to 3.532% with a final maturity on November 15, 2029. Costs associated with the issue were approximately \$150,914.

The following table summarizes the bond maturity schedule:

<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Coupon</u> <u>Interest</u> <u>Rate</u>	<u>Coupon</u> <u>Interest</u> <u>Expense</u>	<u>Total</u> <u>Debt</u> <u>Service</u>
2011	\$ 170,000	2.00%	\$ 196,838	\$ 366,838
2012	175,000	2.00%	193,438	368,438
2013	280,000	2.00%	189,938	469,938
2014	280,000	2.00%	184,338	464,338
2015	290,000	2.00%	178,738	468,738
2016	295,000	2.25%	172,938	467,938
2017	300,000	2.50%	166,300	466,300
2018	310,000	2.75%	158,800	468,800
2019	315,000	3.00%	150,275	465,275
2020	330,000	3.13%	140,825	470,825
2021	340,000	3.25%	130,513	470,513
2022	350,000	3.38%	119,463	469,463
2023	360,000	3.50%	107,650	467,650
2024	370,000	3.63%	95,050	465,050
2025	385,000	3.75%	81,638	466,638
2026	400,000	2.80%	67,200	467,200
2027	415,000	4.00%	52,000	467,000
2028	435,000	4.00%	35,400	470,400
2029	450,000	4.00%	18,000	468,000
	<u>\$6,250,000</u>		<u>\$2,439,342</u>	<u>\$8,689,342</u>

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

F. LONG-TERM DEBT (continued)

General Obligation Bonds, Series of 2010 (continued)

Bonds maturing are subject to mandatory sinking fund installments required to be made annually.

Interest payments on the bonds are payable to bondholders on May 15th and November 15th of each year.

As of December 31, 2010, the borrowing base, computed under the provisions of Pennsylvania Act 185, was \$5,335,473. Net non-electoral debt may be 250% of such base amount.

Other Long-Term Liabilities

The vacation liability is calculated using employees' current rate of pay.

G. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan adopted under Section 457 of the Internal Revenue Code. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and beneficiaries.

The Township has no liability for losses under the plan but does have the duty of due care that would be required for an ordinary prudent investor.

H. POLICE SERVICES AND OTHER OPERATIONS

The Township does not maintain its own police force but provides police services under a contract with the Borough of State College. The annual contract provides for hours of service and types of coverage. The total cost for the year ended December 31, 2010 was \$1,148,293.

The Township also pays the Borough for the efforts of the health and dog enforcement officers and for the Borough's collection of the Township's Local Services tax (LST).

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

H. POLICE SERVICES AND OTHER OPERATIONS (continued)

The Township is entitled to receive funds under The Foreign Fire Insurance Premium Tax under (Act No. 205) to provide, among other things, retirement and death benefits for firefighters. The Township received \$98,750 of such funds and paid \$89,270 to the Alpha Fire Company, State College, Pennsylvania and \$9,480 to the Boalsburg Fire Company. This is recorded as revenue and expense in the general fund.

I. PENSION

The Township has adopted a single employer Nonuniform Defined Contribution Pension Plan. These funds are administered by the ICMA Retirement Corporation. All funds are currently invested by ICMA in mutual funds. The Nonuniform Pension Plan was originally adopted by the Township Council on July 7, 1970.

Contributions: College Township contributes 7.5% of all full-time participating employees' wages to the Nonuniform Pension Plan. Employee contributions are voluntary.

Benefits: Employees who have attained the age of 20 are eligible to participate in the plan after completing one year of service with the Township. Vesting occurs at a rate of 20 percent after three years and an additional 20 percent each year thereafter. Participants are fully vested after seven years. At age 65 they may elect to withdraw their pension monies in one lump sum or in regular monthly installments.

If a participant who has been employed with the Township for at least three years, but less than seven, terminates employment, he is eligible to receive his vested percentage of his pension benefits equal to the percentage of vesting he has attained. At the time of termination, the employee must elect to receive the monies in one lump sum or in regular monthly installments.

Total payroll expense for 2010	\$ 1,362,182
Covered payroll of participating employees	\$ 1,279,557
Township contribution to plan during 2010	\$ 92,092

The Township received a state pension grant from the Commonwealth of Pennsylvania, provided under The Municipal Pension Plan Funding Standard Recovery Act (Act No. 205) in the amount of \$90,576.

Contributions to the plan are fully funded as payroll expenditures are made on a bi-weekly basis.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

I. PENSION (continued)

The Township acts as common paymaster for the Township and the College Township Water Authority. During 2010 the Authority reimbursed the Township \$232,119 for payroll expense and paid \$11,931 for pension contributions. The Authority also reimburses its share of payroll taxes, insurance and other benefits.

J. FUND BALANCES; BUDGET AND ACTUAL

Net assets and fund balances are held for the following:

In trust for Employees' Retirement Benefits \$ 1,589,168

Reserved fund balances in special revenue funds are generally required to be expended for the purpose indicated by the original tax levy. In addition, the Township has received from developers and holds \$137,522 for the acquisition of parkland.

The Township's budget is prepared on a cash basis, which approximates accrual basis results.

A difference between the general fund balance budgeted at the beginning of the year and the actual balance is due to December activity of the prior year, which is estimated due to the timing of the budget process, and year-end adjustments to accounts receivable and payable, net of those balances at the beginning of the year.

K. POTENTIAL COMPONENT UNITS/RELATED PARTY TRANSACTIONS

A summary of potential component units considered and excluded from the Township's financial statements follows.

College Township Water Authority

The College Township Water Authority (the Authority) was established in May, 1996 under the Pennsylvania Municipality Authorities Act of 1945 to supply water to residential and business customers in and around the Township.

College Township Council appoints all five members of the Authority's board. Council has no further involvement in the affairs of the Authority, no responsibility for its debt and provides no substantial financial operating assistance. The Authority sets its own rates, adopts its budget and issues debt without the approval of the Township.

During 2010, the Township received \$74,820 from the Authority for the oversight of its administrative, financial and operational activities. College Township also serves as the paymaster for all Authority employees. Costs of the employees hired for, or assigned to Authority operations are billed at actual costs and reimbursed by the Authority.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

K. POTENTIAL COMPONENT UNITS/RELATED PARTY TRANSACTIONS (continued)

College Township Industrial Development Authority

The College Township Industrial Development Authority (the "IDA") was established in October, 1972 under the Economic Development Financing Law (Act No. 102) to provide financing for industrial and commercial developments and other economic activities.

College Township Council appoints all five members of the IDA's board. Council has no further involvement in the affairs of the IDA, no responsibility for its debt and provides no operating assistance, although the IDA's issuance of tax-exempt debt for projects within the Township requires Council approval under provisions of the Internal Revenue Code. Such approval, by the municipality in which a project to be funded with tax-exempt debt is located, is generally required under the Code.

During 2010, the Township received \$1,500 from the IDA for the oversight of its financial activities.

University Area Joint Authority

The University Area Joint Authority (UAJA) was formed in August, 1964 under the Municipality Authorities Act of 1945 (Act No. 164) for the purposes of financing, constructing and operating a sanitary sewage collection system and waste water treatment and disposal facility.

College Township Council appoints certain members of the UAJA board. However, Council has no further involvement in the affairs of the authority which sets its own rates, adopts its budget and issues debt without the approval of the Township.

Centre Area Transportation Authority

Centre Area Transportation Authority (CATA) was created in May, 1974 under the Pennsylvania Municipality Authorities Act of 1945. In February, 1984 the Authority was reorganized as a joint authority with College Township participating and appointing one of five members of CATA's board.

During 2010, the Township contributed \$46,094 to assist CATA's operations and \$6,690 to assist with CATA's capital acquisitions. With substantial equity, operating revenues and expenses, CATA is not deemed to be fiscally dependent on the Township.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

K. POTENTIAL COMPONENT UNITS/RELATED PARTY TRANSACTIONS (continued)

Centre Region Council of Governments

The Centre Region Council of Governments (COG) was formed between and among the governments of the Townships of College, Ferguson, Halfmoon, Harris, Patton and the Borough of State College on December 2, 1969 under the provisions of the Intergovernmental Cooperation Act of 1972 (Act No. 180) as amended. It operates under Articles of Agreement adopted in October, 1989. COG is a voluntary organization of local governments which fosters a cooperative effort to resolve problems, determine policies and formulate plans and programs to meet regional needs.

Each municipality's elected officials are members of COG. Each municipality has one "unit vote" if such procedure is invoked by any member on any issue or resolution. Otherwise, a majority of members present is sufficient to conduct ordinary business once a quorum is established.

During 2010, College Township contributed an aggregate of \$707,952 to fund the following activities and programs:

Centre Region Parks and Recreation	\$186,407
Alpha Fire Company	178,953
Planning Commission	149,850
Administration	54,499
Senior Citizens	28,621
Regional Parks Funding	75,292
Other	<u>34,330</u>
	<u>\$707,952</u>

Pursuant to Inter-Municipal Agreement 2001-1, the member municipalities of COG own COG's building in proportion to their contribution to the construction costs. Rents from COG and operating expenses will be similarly apportioned. See Note L.

COG is not deemed to be fiscally dependent on the Township.

Centre Regional Recreation Authority

The Centre Regional Recreation Authority (CRRA) was created under the provisions of the Pennsylvania Municipality Authorities Act of 1945 as a financing medium for the construction of and operation of recreation facilities. It operates the Park Forest and Welch swimming pools in State College, Pennsylvania.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

K. POTENTIAL COMPONENT UNITS/RELATED PARTY TRANSACTIONS (continued)

Centre Regional Recreation Authority (continued)

College Township Council appoints one of five members to the Authority's board, which sets its own rates and adopts its own budget.

During 2010, the Township contributed \$10,385 and \$73,564 to the operations and capital budget of the Authority, respectively. CRRA is not deemed to be fiscally dependent on the Township.

In 2008, the Township, along with four other local municipalities as part of the COG, agreed to share the cost and debt service associated with the CRRA's "Pool Project". The project, to expand and improve the Park Forest and Welch pools, is being financed by revenue bonds with a total principal amount of \$7,900,000. The Township's share of the payments due on the Bonds is 17.44% and it is the guarantor of \$1,377,760 of the total principal. Payments to COG for debt service totaled \$134,061 during 2010.

Schlow Centre Region Library

The Schlow Centre Region Library Board was originally formed in 1957 by the Borough of State College. In April, 1991 it was regionalized by the Townships of College, Harris, Ferguson and Patton, together with the Borough of State College under the Intergovernmental Cooperation Act of 1972.

The purpose of the Board is to promote the health, safety and general welfare of the Centre region by providing public library service to serve the educational, recreational, cultural and informational needs of the region.

College Township appoints two of nine members of the Board.

During 2010, the Township contributed \$121,430 to the operations of the library. The Library is not deemed to be fiscally dependent on the Township.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

L. CONTINGENT LIABILITIES

The Township is contingently liable to make contributions to the entities funded by its participation, as described above, whether for the operations or the debt of the organization, so long as it participates in those organizations.

The Township receives grants of federal, state and local aid in connection with certain projects and programs. Such grants are subject to periodic audits whereby costs claimed may be questioned by local auditors, the Auditor General of the Commonwealth of Pennsylvania and/or Federal Inspectors General. To the extent such costs are disallowed by the provider, repayment from non-grant sources would be required of the Township.

The Township is involved in other disputes in the ordinary course of operation; the outcome of these is not expected to have a material effect on the financial statements.

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TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

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SUPPLEMENTARY INFORMATION

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YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF COLLEGE
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

	Highway Aid Fund	Fire Protection Fund	Road Machinery Fund	Parks & Recreation Fund	Library Fund	Total
ASSETS						
Cash and cash equivalents	\$ 439,311	\$ 29,402	\$ 147,618	\$ 175,284	\$ 19,725	\$ 811,340
Taxes receivable	--	4,022	2,869	6,324	2,682	15,897
Total assets	<u>\$ 439,311</u>	<u>\$ 33,424</u>	<u>\$ 150,487</u>	<u>\$ 181,608</u>	<u>\$ 22,407</u>	<u>\$ 827,237</u>
FUND BALANCES, RESERVED						
Total liabilities and fund balances	<u>\$ 439,311</u>	<u>\$ 33,424</u>	<u>\$ 150,487</u>	<u>\$ 181,608</u>	<u>\$ 22,407</u>	<u>\$ 827,237</u>

TOWNSHIP OF COLLEGE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2010

	Highway Aid Fund	Fire Protection Fund	Road Machinery Fund	Parks & Recreation Fund	Library Fund	Total
REVENUES						
Taxes		\$ 197,917	\$ 143,832	\$ 316,541	\$ 131,934	\$ 790,224
Intergovernmental	\$ 209,860	--	--	5,610	--	215,470
Interest	507	24	102	1,909	16	2,558
Sale of capital asset	--	--	4,000	--	--	4,000
Total revenues	<u>210,367</u>	<u>197,941</u>	<u>147,934</u>	<u>324,060</u>	<u>131,950</u>	<u>1,012,252</u>
EXPENDITURES						
Public safety	--	178,953	--	--	--	178,953
Highways and streets	100,333	--	--	--	--	100,333
Culture and recreation	--	--	--	311,208	121,430	432,638
Capital outlays:						
Equipment & fixtures	--	--	49,344	--	--	49,344
Infra-structure	<u>257,376</u>	--	--	--	--	<u>257,376</u>
Total expenditures	<u>357,709</u>	<u>178,953</u>	<u>49,344</u>	<u>311,208</u>	<u>121,430</u>	<u>1,018,644</u>
Excess/(deficiency) of revenues over expenses	(147,342)	18,988	98,590	12,852	10,520	(6,392)
FUND BALANCES, beginning	<u>586,653</u>	<u>14,436</u>	<u>51,897</u>	<u>168,756</u>	<u>11,887</u>	<u>833,629</u>
FUND BALANCES, ending	<u>\$ 439,311</u>	<u>\$ 33,424</u>	<u>\$ 150,487</u>	<u>\$ 181,608</u>	<u>\$ 22,407</u>	<u>\$ 827,237</u>

TOWNSHIP OF COLLEGE
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - AGENCY FUND - TAX COLLECTOR ACCOUNTS
YEAR ENDED DECEMBER 31, 2010

	<u>Balance, January 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, December 31, 2010</u>
<u>TAX COLLECTOR</u>				
<u>ASSETS</u>				
Cash - earned income taxes	\$ 162,392	\$ 8,866,787	\$ 8,935,345	\$ 93,834
Cash - real estate taxes	<u>112,796</u>	<u>16,137,017</u>	<u>16,194,256</u>	<u>55,557</u>
Total assets	<u>\$ 275,188</u>	<u>\$ 25,003,804</u>	<u>\$ 25,129,601</u>	<u>\$ 149,391</u>
<u>LIABILITIES</u>				
Due to other governments and taxpayers	<u>\$ 275,188</u>	<u>\$ 25,003,804</u>	<u>\$ 25,129,601</u>	<u>\$ 149,391</u>

TOWNSHIP OF COLLEGE
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
AGENCY FUND - TAX COLLECTOR ACCOUNTS
YEAR ENDED DECEMBER 31, 2010

	<u>Earned Income Taxes</u>	<u>Real Estate Taxes</u>
CASH RECEIPTS:		
Tax collections	\$8,866,261	\$ 16,136,860
Interest income	<u>526</u>	<u>157</u>
Total Receipts	8,866,787	16,137,017
CASH DISBURSEMENTS:		
Distributions as tax collector		
State College Area School District	2,282,772	14,413,009
Township of College:		
General Fund	1,183,216	650,480
Special Revenue Funds	--	1,130,767
Borough of State College	499,222	--
Township of Ferguson	922,993	--
Township of Patton	563,583	--
Township of Harris	336,102	--
Township of Halfmoon	104,062	--
Other Tax Collectors	2,910,524	--
Refunds to individual taxpayers	<u>132,871</u>	<u>--</u>
Total Disbursements	8,935,345	16,194,256
Net Change in cash balance	(68,558)	(57,239)
CASH BALANCES, beginning	<u>162,392</u>	<u>112,796</u>
CASH BALANCES, ending	<u>\$ 93,834</u>	<u>\$ 55,557</u>
Supplemental information -		
Cash balance held as agent for:		
State College Area School District	\$ 30	\$ 129,243
Township of College	59	38,975
Other governments and taxpayers	<u>93,745</u>	<u>(112,661)</u>
Balance, December 31, 2010	<u>\$ 93,834</u>	<u>\$ 55,557</u>