

**UPPER UWCHLAN TOWNSHIP
ANNUAL AUDIT
AND
FINANCIAL REPORT
DECEMBER 31, 2010**



Annual Audit and Financial Report

City of: _____, _____ County

Borough of: _____, _____ County

Township of: Upper Uwchlan, Chester County

Municipality of: _____, _____ County

for the year 2010__

Return to:

PA Department of Community and Economic Development
Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120-0225

Commonwealth of Pennsylvania
Edward G. Rendell, Governor
www.state.pa.us

PA Department of Community and Economic Development
Dennis Yablonsky, Secretary
www.newPA.com



INDEPENDENT AUDITORS' REPORT

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April 8, 2011

To the Board of Supervisors
Upper Uwchlan Township
Chester Springs, Pennsylvania

We have audited the accompanying annual audit and financial report of Upper Uwchlan Township, Chester Springs, Pennsylvania as of December 31, 2010 and for the year then ended. This financial report is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial report based on our audit.

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

The annual audit and financial report was prepared in conformity with the accounting practices prescribed or permitted by the Department of Community and Economic Development (DCED) of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Upper Uwchlan Township, Chester Springs, Pennsylvania prepares its annual audit and financial report on the modified accrual basis of accounting. Under this basis, revenues primarily are recorded when measurable and available. Expenditures are recorded when the liability is incurred. Additionally, in accordance with the prescribed accounting practices permitted by DCED, the Township does not include footnote disclosures.

This audited financial report does not include the financial activities of the Non-Uniformed Pension Fund and Police Pension Fund. The effect on this financial report cannot be determined.

In our opinion, except for the effects of not including all required funds as indicated above, the annual audit and financial report referred to in the first paragraph presents fairly, in all material respects, the financial position of each of the various funds of Upper Uwchlan Township, Chester Springs, Pennsylvania as of December 31, 2010 and the results of its operations for the year then ended, on the basis of accounting described above.

This report is intended solely for the information and use of the governing body and management of Upper Uwchlan Township, Chester Springs, Pennsylvania; for the use of lending institutions; and for filing with the Department of Community and Economic Development and the County Courthouse; and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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Balance Sheet
 December 31, 2010

Assets and Other Debits		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
100-120	Cash and Investments	2,714,881	719,835		
140-144	Tax Receivable	54,176			
121-129					
145-149	Accounts Receivable (excluding taxes)	190,132			
130	Due From Other Funds		44,942		
131-139					
150-159	Other Current Assets	346,376			
160-169	Fixed Assets				
180-189	Other Debits				
Total Assets and Other Debits		3,305,566	764,777		

Liabilities and Other Credits					
210-229	Payroll Taxes and Other Payroll Withholdings				
200-209					
231-239	All Other Current Liabilities	555,423			
230	Due To Other Funds	44,942			
260-269	Long-Term-Liabilities				
240-259	Current Portion of Long-Term Debt & Other Credits				
Total Liabilities and Other Credits		600,365			

Fund and Account Group Equity					
281-284	Contributed Capital				
290	Investment in General Fixed Assets				
270-289	Fund Balance / Retained Earnings on 12/31	2,705,200	764,777		
291-299	Other Equity				
Total Fund and Account Group Equity		2,705,200	764,777		

Total Assets and Other Debits minus Total Liabilities and Other Credits must Equal the Total Fund and Account Group Equity.

Assets and Other Debits		Enterprise Funds		Trust & Agency		Account Groups	
		Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
100-120	Cash and Investments						3,434,716
140-144	Tax Receivable						54,176
121-129							
145-149	Accounts Receivable (excluding taxes)						190,132
130	Due From Other Funds						44,942
131-139							
150-159	Other Current Assets						346,376
160-169	Fixed Assets						-
180-189	Other Debits						-
Total Assets and Other Debits		\$	\$	\$	\$	\$	\$ 4,070,342

Liabilities and Other Credits		Enterprise Funds	Internal Service	Trust & Agency	Account Groups	Memorandum Only
210-229	Payroll Taxes and Other Payroll Withholdings					-
200-209						
231-239	All Other Current Liabilities					555,423
230	Due To Other Funds					44,942
260-269	Long-Term-Liabilities					-
240-259	Current Portion of Long-Term Debt & Other Credits					-
Total Liabilities and Other Credits		\$	\$	\$	\$	\$ 600,365

Fund and Account Group Equity		Enterprise Funds	Internal Service	Trust & Agency	Account Groups	Memorandum Only
281-284	Contributed Capital					-
290	Investment in General Fixed Assets					-
270-289	Fund Balance / Retained Earnings on 12/31					3,469,977
291-299	Other Equity					-
Total Fund and Account Group Equity		\$	\$	\$	\$	\$ 3,469,977

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$	\$	\$	\$	\$	\$ 4,070,342
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Statement of Revenues and Expenditures

December 31, 2010

Taxes		General Fund	Special Revenue (including State Liquid Fuels)	Capital Projects	Debt Service
301.00	Real Estate Taxes	1,014,463			
305.00	Occupation Taxes (levied under municipal code)				
308.00	Residence Taxes (levied by cities of the 3rd class)				
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)				
310.00	Per Capita Taxes				
310.10	Real Estate Transfer Taxes	365,727			
310.20	Earned Income Taxes/Wage Taxes	2,535,103			
310.30	Business Gross Receipts Taxes				
310.40	Occupation Taxes (levied under Act 511)				
310.50	Local Services Tax**				
310.60	Amusement/Admission Taxes				
310.70	Mechanical Device Taxes				
310.90	Other Local Tax Enabling Act/Act511 Taxes (Please List)				
Total Taxes		\$3,915,256			

Licenses and Permits					
320-322	All Other Licenses and Permits	126,197			
321.80	Cable Television Franchise Fees	162,535			
Total Licenses & Permits		\$288,732			

Fines & Forfeits					
330-332	Fines and Forfeits	81,848			
Total Fines & Forfeits		\$81,848			

Interest, Rents & Royalties					
341.00	Interest Earnings	10,414	1,318		
342.00	Rents and Royalties	4,800			
Total Interest, Rents & Royalties		\$15,214	\$1,318		

** This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

		ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	MEMORANDUM ONLY
Taxes		Enterprise	Internal Service	Trust and Agency	Memorandum Only
301.00	Real Estate Taxes				1,014,463
305.00	Occupation Taxes (levied under municipal code)				-
308.00	Residence Taxes (levied by cities of the 3rd class)				-
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)				-
310.00	Per Capita Taxes				-
310.10	Real Estate Transfer Taxes				365,727
310.20	Earned Income Taxes/Wage Taxes				2,535,103
310.30	Business Gross Receipts Taxes				-
310.40	Occupation Taxes (levied under Act 511)				-
310.50	Local Services Tax**				-
310.60	Amusement/Admission Taxes				-
310.70	Mechanical Device Taxes				-
310.90	Other Local Tax Enabling Act/Act511/Taxes (Please List)				-
Total Taxes					3,818,293

Licenses and Permits		ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	MEMORANDUM ONLY
320-322	All Other Licenses and Permits				126,197
321.80	Cable Television Franchise Fees				162,535
Total Licenses & Permits					288,732

Fines & Forfeits		ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	MEMORANDUM ONLY
330-332	Fines and Forfeits				81,848
Total Fines & Forfeits					81,848

Interest, Rents & Royalties		ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	MEMORANDUM ONLY
341.00	Interest Earnings				11,732
342.00	Rents and Royalties				4,800
Total Interest, Rents & Royalties					16,532

** This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

DCED-CLGS-30 (9-10)
 2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

Federal		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
351.03	Highways and Streets				
351.09	Community Development				
351.00	All Other Federal Capital and Operating Grants				
352.01	National Forest				
352.00	All Other Federal Shared Revenue & Entitlements				
353.00	Federal Payments in Lieu of Taxes				
Total Federal					

State					
354.03	Highway and Streets		44,942		
354.09	Community Development				
354.15	Recycling/Act 101				
354.00	All Other State Capital and Operating Grants	1,469			
355.01	Public Utility Realty Tax (PURTA)	5,301			
355.02- 355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		192,440		
355.04	Alcoholic Beverage Licenses	200			
355.05	General Municipal Pension System State Aid	100,280			
355.07	Foreign Fire Insurance Tax Distribution**	96,179			
355.08	Local Share Assessment/Gaming Proceeds**				
355.00	All Other State Shared Revenues & Entitlements				
356.00	State Payments in Lieu of Taxes				
Total State			243,423		

Local Governmental Units					
357.03	Highways and Streets				
357.00	All Other Local Governmental Units Capital and Operating Grants				
358.00	Local Governmental Unit Shared Payments for Contracted Intergovernmental Services				
359.00	Local Governmental Units, Authorities Payments and Payments in Lieu of Taxes				
Total					

** New line items in 2010

		FIDUCIARY FUND			TOTAL
Federal		Enterprise	Internal Service	Trust and Agency	Memorandum Only
351.03	Highways and Streets				-
351.09	Community Development				-
351.00	All Other Federal Capital and Operating Grants				-
352.01	National Forest				-
352.00	All Other Federal Shared Revenue & Entitlements				-
353.00	Federal Payments in Lieu of Taxes				-
Total Federal					

State					
354.03	Highway and Streets				44,942
354.09	Community Development				-
354.15	Recycling/Act 101				-
354.00	All Other State Capital and Operating Grants				1,469
355.01	Public Utility Realty Tax (PURTA)				5,301
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback				192,440
355.04	Alcoholic Beverage Licenses				200
355.05	General Municipal Pension System State Aid				100,280
355.07	Foreign Fire Insurance Tax Distribution**				96,179
355.08	Local Share Assessment/Gaming Proceeds**				-
355.00	All Other State Shared Revenues & Entitlements				-
356.00	State Payments in Lieu of Taxes				-
Total State					440,811

Local Governmental Units					
357.03	Highways and Streets				-
357.00	All Other Local Governmental Units Capital and Operating Grants				-
358.00	Local Governmental Unit Shared Payments for Contracted Intergovernmental Services				-
359.00	Local Governmental Units, Authorities Payments and Payments in Lieu of Taxes				-
Total Local Governmental Units					

TOTAL INTERGOVERNMENTAL REVENUES					440,811
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** New line items in 2010

Charges For Service		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
361.00	General Government	433,529			
362.00	Public Safety	2,163			
363.20	Parking				
363.00	All Other Charges for Highway & Streets Services				
364.10	Wastewater/Sewage Charges				
364.30	Solid Waste Collection & Disposal Charge (trash)	994,390			
364.60	Host Municipality Benefit Fee for Solid Waste Facility				
364.00	All Other Charges for Sanitation Services				
365.00	Health				
366.00	Human Services				
367.00	Culture and Recreation	19,745			
368.00	Airports				
369.00	Bars				
370.00	Cemeteries				
372.00	Electric System				
373.00	Gas System				
374.00	Housing System				
375.00	Markets				
377.00	Transit Systems				
378.00	Water System				
379.00	All Other Charges for Service				
Total Charges for Service		1,449,827			

Unclassified Operating Revenues					
383.00	Assessments				
386.00	Escheats (sale of personal property)				
387.00	Contributions & Donations from Private Sectors	126,281			
388.00	Fiduciary Fund Pension Contributions				
389.00	All Other Unclassified Operating Revenues***	5,749			
Total Unclassified Operating Revenues		132,030			

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Disposition				
392.00	Interfund Operating Transfers**				
393.00	Proceeds of General Long-Term Debt	654,250			
394.00	Proceeds of Short-Term Debt				
395.00	Refunds of Prior Year Expenditures	45,234			
Total Other Financing Sources		704,484			

TOTAL REVENUE	2,156,341
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**The total of line 392.00 must match the total on line 492.00
 *** This amount cannot be greater than 1% of the total revenue within the same fund

DCED-CLGS-30 (9-10)
 2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

Charges For Service		Enterprise	Internal Service	Trust and Agency	Memorandum Only
361.00	General Government				433,529
362.00	Public Safety				2,163
363.20	Parking				-
363.00	All Other Charges for Highway & Streets Services				-
364.10	Wastewater/Sewage Charges				-
364.30	Solid Waste Collection & Disposal Charge (trash)				994,390
364.60	Host Municipality Benefit Fee for Solid Waste Facility				-
364.00	All Other Charges for Sanitation Services				-
365.00	Health				-
366.00	Human Services				-
367.00	Culture and Recreation				19,745
368.00	Airports				-
369.00	Bars				-
370.00	Cemeteries				-
372.00	Electric System				-
373.00	Gas System				-
374.00	Housing System				-
375.00	Markets				-
377.00	Transit Systems				-
378.00	Water System				-
379.00	All Other Charges for Service				-
Total Charges for Service					1,448,827

Unclassified Operating Revenues					
383.00	Assessments				-
386.00	Escheats (sale of personal property)				-
387.00	Contributions & Donations from Private Sectors				126,281
388.00	Fiduciary Fund Pension Contributions				-
389.00	All Other Unclassified Operating Revenues***				5,749
Total Unclassified Operating Revenues					132,030

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Disposition				-
392.00	Interfund Operating Transfers**				-
393.00	Proceeds of General Long-Term Debt				654,250
394.00	Proceeds of Short-Term Debt				-
395.00	Refunds of Prior Year Expenditures				45,234
Total Other Financing Sources					699,484

TOTAL REVENUE					
					2,186,141

**The total of line 392.00 must match the total of line 492.00
 *** This amount cannot be greater the 1% of the total revenue within the same fund

General Government		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
400.00	Legislative (Governing) Body	69,664			
401.00	Executive (Manager or Mayor)	465,878			
402.00	Auditing Services/Financial Administration	16,235			
403.00	Tax Collection	84,898			
404.00	Solicitor/Legal Services	28,199			
405.00	Secretary/Clerk				
406.00	Other General Government Administration				
407.00	IT-Networking Services-Data Processing	40,789			
408.00	Engineering Services	314,855			
409.00	General Government Buildings and Plant	62,975			
Total General Government		1,063,493			

Public Safety					
410.00	Police	1,571,994			
411.00	Fire	346,934			
412.00	Ambulance/Rescue	13,125			
413.00	UCC and Code Enforcement	226,046			
414.00	Planning and Zoning	19,850			
415.00	Emergency Management & Communications	4,183			
416.00	Militia and Armories				
417.00	Examination of Licensed Occupations				
418.00	Public Scales (weights and measures)				
419.00	Other Public Safety	26,615			
Total Public Safety		2,208,747			

Health and Human Services					
420.00-425.00	Health and Human Services				

Public Works - Sanitation					
426.00	Recycling Collection and Disposal				
427.00	Solid Waste Collection and Disposal (trash)	1,128,530			
428.00	Weed Control				
429.00	Wastewater/Sewage Collection & Treatment				
Total Public Works - Sanitation		1,128,530			

DCED-CLGS-30 (9-10)
 2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURE		FUND			TOTAL
General Government		Enterprise	Internal Service	Trust and Agency	Memorandum Only
400.00	Legislative (Governing) Body				69,664
401.00	Executive (Manager or Mayor)				465,878
402.00	Auditing Services/Financial Administration				16,235
403.00	Tax Collection				84,898
404.00	Solicitor/Legal Services				28,199
405.00	Secretary/Clerk				-
406.00	Other General Government Administration				-
407.00	IT-Networking Services-Data Processing				40,789
408.00	Engineering Services				314,855
409.00	General Government Buildings and Plant				62,975
Total General Government					1,023,493

Public Safety		FUND			TOTAL
410.00	Police				1,571,994
411.00	Fire				346,934
412.00	Ambulance/Rescue				13,125
413.00	UCC and Code Enforcement				226,046
414.00	Planning and Zoning				19,850
415.00	Emergency Management & Communications				4,183
416.00	Militia and Armories				-
417.00	Examination of Licensed Occupations				-
418.00	Public Scales (weights and measures)				-
419.00	Other Public Safety				26,615
Total Public Safety					2,208,747

Health and Human Services		FUND			TOTAL
420.00-425.00	Health and Human Services				-

Public Works - Sanitation		FUND			TOTAL
426.00	Recycling Collection and Disposal				-
427.00	Solid Waste Collection and Disposal (trash)				1,128,530
428.00	Weed Control				-
429.00	Wastewater/Sewage Collection & Treatment				-
Total Public Works - Sanitation					1,128,530

		General Fund	Special Revenue (including State Liquid Fuels)	Capital Projects	Debt Service
Public Works - Highways & Streets					
430.00	General Services - Administration	657,783			
431.00	Cleaning of Streets and Gutters				
432.00	Winter Maintenance - Snow Removal		124,747		
433.00	Traffic Control Devices	3,233			
434.00	Street Lighting	15,104			
435.00	Sidewalks and Crosswalks				
436.00	Storm Sewers and Drains				
437.00	Repairs of Tools and Machinery				
438.00	Maintenance & Repairs of Roads & Bridges	60,026			
439.00	Highway Construction and Rebuilding Projects	11,825			
Total Public Works - Highways & Streets		747,971	124,747		

		General Fund	Special Revenue (including State Liquid Fuels)	Capital Projects	Debt Service
Public Works - Other Services					
440.00	Airports				
441.00	Cemeteries				
442.00	Electric System				
443.00	Gas System				
444.00	Markets				
445.00	Parking				
446.00	Storm Water and Flood Control				
447.00	Transit System				
448.00	Water System				
449.00	Water Transport and Terminals				
Total Public Works - Other Services					

		General Fund	Special Revenue (including State Liquid Fuels)	Capital Projects	Debt Service
Culture and Recreation					
451.00	Culture-Recreation Administration				
452.00	Participant Recreation				
453.00	Spectator Recreation				
454.00	Parks	573,644			
455.00	Shade Trees				
456.00	Libraries	5,000			
457.00	Civil and Military Celebrations				
458.00	Senior Citizens' Centers				
459.00	All Other Culture and Recreation	9,168			
Total Culture and Recreation		587,812			

		General Fund	Special Revenue (including State Liquid Fuels)	Capital Projects	Debt Service
Community Development					
461.00	Conservation of Natural Resources				
462.00	Community Development and Housing				
463.00	Economic Development				
464.00	Economic Opportunity				
465.00					
469.00	All Other Community Development				
Total Community Development					

					TOTAL
Public Works - Highways & Streets		Enterprise	Internal Service	Trust and Agency	Memorandum Only
430.00	General Services - Administration				657,783
431.00	Cleaning of Streets and Gutters				-
432.00	Winter Maintenance - Snow Removal				124,747
433.00	Traffic Control Devices				3,233
434.00	Street Lighting				15,104
435.00	Sidewalks and Crosswalks				-
436.00	Storm Sewers and Drains				-
437.00	Repairs of Tools and Machinery				-
438.00	Maintenance & Repairs of Roads & Bridges				60,026
439.00	Highway Construction and Rebuilding Projects				11,825
Total Public Works - Highways & Streets		\$	\$	\$	\$ 872,718

Public Works - Other Services					
440.00	Airports				-
441.00	Cemeteries				-
442.00	Electric System				-
443.00	Gas System				-
444.00	Markets				-
445.00	Parking				-
446.00	Storm Water and Flood Control				-
447.00	Transit System				-
448.00	Water System				-
449.00	Water Transport and Terminals				-
Total Public Works - Other Services		\$	\$	\$	\$ -

Culture and Recreation					
451.00	Culture-Recreation Administration				-
452.00	Participant Recreation				-
453.00	Spectator Recreation				-
454.00	Parks				573,644
455.00	Shade Trees				-
456.00	Libraries				5,000
457.00	Civil and Military Celebrations				-
458.00	Senior Citizens' Centers				-
459.00	All Other Culture and Recreation				9,168
Total Culture and Recreation		\$	\$	\$	\$ 587,812

Community Development					
461.00	Conservation of Natural Resources				-
462.00	Community Development and Housing				-
463.00	Economic Development				-
464.00	Economic Opportunity				-
465.00-					-
469.00	All Other Community Development				-
Total Community Development		\$	\$	\$	\$ -

DCED-CLGS-30 (9-10)
 2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

		EXPENDITURE FUNDS			
Debt Service		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
471.00	Debt Principal (short-term and long-term)	117,349			
472.00	Debt Interest (short-term and long-term)	40,830			
475.00	Fiscal Agent Fees				
Total Debt Service		158,179	\$	\$	\$

Employer Paid Benefits & Withholding Items					
481.00	Employer Paid Withholding Taxes and Unemployment Compensation				
482.00	Judgments and Losses				
483.00	Pension/Retirement Fund Contributions				
484.00	Worker Compensation Insurance	13,052			
487.00	Group Insurance and Other Benefits				
Total Miscellaneous Expenditures		13,052	\$	\$	\$

Insurance					
486.00	Insurance, Casualty, and Surety	613			

Unclassified Operating Expenditures					
488.00	Fiduciary Fund Benefits and Refunds Paid				
489.00	All Other Unclassified Expenditures***	1,150			
Total Unclassified Operating Expenditures		1,150	\$	\$	\$

Other Financing Uses					
491.00	Refund of Prior Year Revenues	322,334			
492.00	Interfund Operating Transfers**				
493.00	All Other Financing Uses				
Total Other Financing Uses		322,334	\$	\$	\$

TOTAL EXPENDITURES	\$ 6,211,587	\$ 124,747	\$	\$
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EXCESS / DEFICIT OF REVENUES OVER (UNDER) EXPENDITURES	\$ 471,078	\$	\$	\$
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** The total of line 492.00 must match the total of line 392.00

*** This amount cannot be greater than 1% of the total expenditures within the same fund

DCED-CLGS-30 (9-10)
 2010 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT | STATEMENT OF REVENUES AND EXPENDITURES

		PROPRIETARY FUNDS			TOTAL
Debt Service		Enterprise	Internal Service	Trust and Agency	Memorandum Only
471.00	Debt Principal (short-term and long-term)				117,349
472.00	Debt Interest (short-term and long-term)				40,830
475.00	Fiscal Agent Fees				-
Total Debt Service		\$	\$	\$	\$ 158,179

Employer Paid Benefits & Withholding Items					
481.00	Employer Paid Withholding Taxes and Unemployment Compensation				-
482.00	Judgments and Losses				-
483.00	Pension/Retirement Fund Contributions				-
484.00	Worker Compensation Insurance				13,052
487.00	Group Insurance and Other Benefits				-
Total Miscellaneous Expenditures		\$	\$	\$	\$ 13,052

Insurance					
486.00	Insurance, Casualty, and Surety				613

Unclassified Operating Expenditures					
488.00	Fiduciary Fund Benefits and Refunds Paid				-
489.00	All Other Unclassified Expenditures***				1,150
Total Unclassified Operating Expenditures		\$	\$	\$	\$ 1,150

Other Financing Uses					
491.00	Refund of Prior Year Revenues				322,334
492.00	Interfund Operating Transfers**				-
493.00	All Other Financing Uses				-
Total Other Financing Uses		\$	\$	\$	\$ 322,334

TOTAL EXPENDITURES	\$	\$	\$	\$	\$ 6,371,528
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EXCESS/DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	\$	\$	\$ 542,926
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** The total of line 492.00 must match the total of line 392.00

*** This amount cannot be greater than 1% of the total expenditures within the same fund

April 8, 2011

To the Board of Supervisors
Upper Uwchlan Township
Chester Springs, Pennsylvania

In planning and performing our audit of the annual audit and financial report (financial statements) of Upper Uwchlan Township for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Upper Uwchlan Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and; therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in the Township's internal control described below as item #09-7 to be a material weakness.

A significant deficiency is a deficiency, or a combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as items #09-3, #09-6 and #10-1 to be significant deficiencies in the Township's internal control.

STATUS OF PRIOR YEAR FINDINGS

JOURNAL ENTRY CONTROLS

09-1 Finding

According to the Statement on Auditing Standards No. 115 requirement, "Communicating Internal Control-Related Matters Identified in an Audit," a control deficiency exists when the auditor identifies a material misstatement in the financial statements that was not initially identified by the Township's internal control.

We noted that the journal entries that we proposed and management posted are material in the aggregate and represent a material misstatement in the financial statements for the period under audit that was not identified by the Township's internal control.

During our prior year audit, we noted there were several journal entries that were inaccurate and/or lacked supporting documentation.

Recommendation

We recommended that the Township implement procedures requiring journal entries to be reviewed as part of the monthly reconciliation of transaction activity by management. This will help to identify problems or errors as they occur, reducing the amount of time and effort required to research issues at year end.

Status

During our current year audit, we noted the Township implemented procedures requiring journal entries to be reviewed as part of the monthly reconciliation. This recommendation is no longer applicable.

BANK RECONCILIATION PROCEDURES

09-2 Finding

During our prior year audit, we noted four instances in which the reconciled book balance did not agree to the general ledger balance. During our review of the general ledger and bank reconciliations, we noted transactions which were recorded in the general ledger as of December 31, 2009 that did not appear on the reconciliation as cleared or outstanding transactions. Upon further investigation, we noted these transactions occurred in January and February 2010 but were backdated to December 2009 because they were for costs incurred and services provided during 2009. We further noted that the bank reconciliations are prepared by an employee responsible for entries in the receipts and disbursements records and the reconciliations are not reviewed by another employee of the Township.

Recommendation

We recommended that the employee preparing the bank reconciliations not have related cash receipts or disbursements duties if bank reconciliations are to serve as an effective control over cash accounts. We further recommended that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by someone who has the necessary skills to perform oversight to the accounting function of the Township.

Status

During our current year audit, we noted the bank reconciliations are reviewed for accuracy and completeness. This recommendation is no longer applicable.

INVESTIGATE OLD OUTSTANDING CHECKS

09-3 Finding

During our prior year audit, we noted that several old outstanding checks and other uncleared reconciling items, dating back to May 31, 2006, are being carried on monthly bank reconcillations. This causes additional time to be spent by personnel to reconcile the bank accounts each month and results in inaccurate cash balances reported in the financial statements. We further noted that the Township does not have a formal, clearly defined policy for disposition of uncashed checks.

Recommendation

We recommended that management establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions.

Status

During our current year audit, we did not note any old outstanding checks, but the Township has not established a formal policy in conjunction with our recommendation. This recommendation is still applicable for the current year.

IMPROVE CONTROLS OVER NONROUTINE TRANSACTIONS

09-4 Finding

During our prior year audit, we noted that the Township did not have adequate controls over the initiating, authorizing, recording and processing of nonroutine journal entries in the general ledger. There was no schedule of nonroutine journal entries that should be recorded, and many of the entries recorded lacked sufficient supporting documentation. This lack of controls over nonroutine transactions resulted in transactions incorrectly recorded throughout the year.

Recommendation

We recommended the Township establish policies and procedures to ensure that all nonroutine transactions are properly recorded, reviewed and reported in its monthly financial statements. We further recommended that the Township avoid posting general journal entries to cash.

Status

During our current year audit, we noted the Township has established the policies mentioned above. This recommendation is no longer applicable.

IMPROVE SEGREGATION OF DUTIES OF CASH RECEIPTS FUNCTION

09-5 Finding

During our prior year audit, we noted that a single employee was responsible for preparing the deposit slip, posting payments to the general ledger and preparing the monthly bank reconciliations. Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

Recommendation

Internal controls are designed to safeguard assets and help or detect losses from error or misappropriation. A fundamental concept in a strong system of internal control is the segregation of duties. Although the size of the Township's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee not responsible for accounting, such as the receptionist. Cash receipts could be recorded and the deposit slip prepared by this person. The cash receipts journal, supplemented by remittances, could be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the Township to loss.
- Bank statements, canceled checks and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.

Status

During our current year audit, we noted the Township has implemented the appropriate controls described above. This recommendation is no longer applicable.

LIQUID FUEL REPORTING

09-6 Finding

During our prior year audit, we noted that the Township has not been properly reporting expenditures on the liquid fuels report. This process can lead to inaccurate liquid fuel reporting. Furthermore, Department of Transportation Regulation 449.12 requires the timely filing of particular documents and information, including a report indicating the manner in which Liquid Fuels Tax Funds were expended in the preceding year, by January 31.

Recommendation

We recommended that the Township review liquid fuels account activity to ensure all checks issued during the year are properly reported on the liquid fuels report. We further recommended that the Township comply with Department of Transportation Regulation 449.12 and file the required documents and information as outlined above.

Status

During our current year audit, we noted the Township did not file the required documents and information as outlined above. We further noted that the Township did not file in accordance with Department of Transportation Regulation 449.12. This recommendation is still applicable for the current year.

TAX COLLECTOR REPORTING

09-7 Finding

During our prior year audit, we noted that the Tax Collector is not submitting monthly financial reports to the Township. All reports must be made on the form approved by the Department of Community and Economic Development (DCED), which includes a reconciled Tax Collector's report. The reconciled report must include each type of tax collected for the Township, reconciled from the tax duplicate to the amount of taxes remaining to be collected. It also must include the amount of real estate taxes collected at discount, face and penalty.

Recommendation

We recommended that the Township require the Tax Collector to use the form approved by the DCED and to submit this form to the Township on a monthly basis.

Status

During our current year audit, we noted the Tax Collector does not use the form approved by the DCED. This recommendation is still applicable for the current year.

CAPITAL LEASE

09-8 Finding

During our prior year audit, we noted that the Township did not properly record capital leases it entered into in prior years.

Recommendation

We recommended that the Township record another source of funds and an expenditure for the net present value of all lease payments.

Status

During our current year audit, we noted the Township did not enter into any new lease agreements. This recommendation is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

CAPITAL EXPENDITURE TRACKING

10-1 Finding

During our current year audit, we noted that the Township does not properly track all capital expenditures associated with borrowed funds. We were able to track the majority of capital expenditures to specific general ledger accounts. However, there were other amounts which had been recorded to noncapital expenditure accounts, which were not readily determinable.

Recommendation

We recommend that the Township create a capital fund in order to efficiently track all transactions associated with borrowed funds.

The preceding comments and recommendations are intended solely for the information and use of the Board of Supervisors, management and others within the Township, and should not be used by anyone other than these specified parties.

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April 8, 2011

To the Board of Supervisors
Upper Uwchian Township
Chester Springs, Pennsylvania

In planning and performing our audit of the annual audit and financial report (financial statements) of Upper Uwchian Township for the year ended December 31, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. However, we noted certain matters that provide opportunities for strengthening internal controls and operating efficiencies.

This letter does not affect our report dated April 8, 2011 on the basic financial statements of Upper Uwchian Township, Chester Springs, Pennsylvania. Our comments are summarized as follows:

STATUS OF PRIOR YEAR RECOMMENDATIONS

ACCOUNTING POLICIES MANUAL

During our prior year audit, we noted that the Township did not have an accounting procedures manual. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual also can help to ensure that all similar transactions are treated consistently, that accounting principles used are proper and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

We recommended that the Township develop an accounting policies manual that is accessible to everyone in the accounting office.

Status

During our current year audit, we noted that the Township has developed an accounting policy manual. This recommendation is no longer applicable.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

FRAUD RISK ASSESSMENT

In light of the spate of notorious frauds involving large organizations in the last decade, there may be a misperception that fraud affects only large organizations. However, fraud occurs in organizations of all sizes, and almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances. In fact, fraud may be a more significant problem for small organizations.

We noted during our audit that the Township has recognized the importance of oversight and has hired a part-time individual to assist in risk assessment and monitoring of certain activities. However, we further noted that there was no clear documentation of the responsibilities of this position and the relationship between other employees and the Board of Supervisors.

For small organizations, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud.

We recommended that the Township perform a risk assessment to identify, analyze and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Township's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Township that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Township, its environment (including industry and country-specific characteristics) and its processes. The fraud risk assessment process should consider the Township's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- *What Individuals in the Township Have the Opportunity to Misappropriate Assets?* These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- *Are There Any Known Pressures That Would Motivate Employees with the Opportunity to Misappropriate Assets?* Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.
- *What Assets of the Township Are Susceptible to Misappropriation?*
- *Are There Any Known Internal Control Weaknesses That Would Allow Misappropriation of Assets to Occur and Remain Undetected?*
- *How Could Assets Be Stolen?* Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use. Inventory or other assets can be stolen through sales to fictitious customers. Assets also can be stolen by unauthorized trading in securities.

- *How Could Potential Misappropriation of Assets Be Concealed?* Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored (for example, fixed assets, inventory and consulting expenses).
- *What Factors Might Indicate That the Township Has a Culture or Environment That Would Enable Management or Employees to Rationalize Committing Fraud?*

Status

During our current year audit, we noted that the Township has implemented many policies associated with risk. By doing so, the Township believes it has sufficiently **assessed** risk. This recommendation is no longer applicable.

CODE OF CONDUCT/CONFLICT-OF-INTEREST POLICY

During our prior year audit, we noted that the Township did not have a written code of conduct or conflict-of-interest policy.

We recommended that it is in management's best interests to establish a formal, written policy and procedures covering unethical conduct or transactions and relationships that may involve potential conflicts of interest. Among other matters, the policy should provide the following:

- Employees should avoid situations in which their personal interests could conflict with the interests of the Township.
- The use of Township assets for any unlawful or improper purpose is strictly prohibited.
- No undisclosed or unrecorded asset is to be established for any purpose.
- No false entries are to be made in the books for any reason and no employees shall engage in any arrangement that results in such prohibited act.
- No payments are to be approved or made with the intention that any part is to be used for any purpose other than that described in the supporting documents.
- Any employee who knows of any unrecorded assets or any prohibited act must promptly report it to specified management or the Board of Supervisors.
- Each administrator is responsible for enforcing the policy.

Status

During our current year audit, we noted that the Township has established a code of conduct policy. This recommendation is no longer applicable.

ESTABLISH A WHISTLEBLOWER POLICY

During our prior year audit, we noted that the Township did not have a written whistleblower policy.

The existence of a whistleblower policy would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It also would demonstrate the Foundation's serious intent to prevent and detect fraud. In addition, a whistleblower policy could be used to report incidents of harassment, unsafe working conditions, violence or violations of laws and regulations. This would allow the Township to address such situations in a timely manner and could help to prevent or minimize fines, lawsuits or legal liability by demonstrating that the Township has procedures for receiving and addressing complaints.

Status

During our current year audit, we noted that the Township has established a whistleblower policy. This recommendation is no longer applicable.

DEVELOP AN ORGANIZATIONAL CHART

During our prior year audit, we noted the Township did not have an organizational chart. Without an organizational chart, there may be confusion about who is really accountable for particular areas and to whom employees are responsible. The result could be that some areas of operations do not receive adequate attention or that duplicative or contradictory actions are taken. A good organization chart can prevent such misunderstandings and also increase administrative efficiency and control in the following ways:

- Indicate whether there is appropriate allocation of operating and supervisory responsibility.
- Indicate whether there is adequate segregation of duties.
- Inform management, new employees and others of the Township's management and operating style.
- Provide information for management to monitor and inquire into operations and procedures, assign new duties or responsibilities that may arise; or make reassignments when employee turnover, promotion, operation needs, desire for better segregation of duties or other circumstances call for it.

We recommended that management prepare and maintain an organization chart in sufficient detail to indicate the Township's major areas of operations, the person responsible for each area and who each supervisor reports to as well as which employees report to each supervisor. The chart should be updated whenever there is significant employee turnover or change in operations.

Status

During our current year audit, we noted that the Township has developed an organizational chart. This recommendation is no longer applicable.

REORGANIZE CHART OF ACCOUNTS

During our prior year audit, we noted the Township's chart of accounts was not consistent with the Chart of Accounts for Pennsylvania Municipalities issued by the Department of Community and Economic Development. We believe the Township would benefit from a revised chart of accounts, especially in preparing monthly and year-end financial statements.

We recommended the Township consider reorganizing its current chart of accounts to be consistent with the Chart of Accounts for Pennsylvania Municipalities issued by the Department of Community and Economic Development.

Status

During our current year audit, we noted that the Township has reorganized its chart of accounts to be consistent with the Chart of Accounts for Pennsylvania Municipalities issued by the Department of Community and Economic Development. This recommendation is no longer applicable.

PERSONNEL FILES

During our prior year audit, we observed three instances wherein personnel files were missing I-9 forms. The Township should maintain complete and current personnel files for all employees.

We recommended that the following items be maintained in the employee personnel files.

- Signed and dated application of employment.
- Form I-9 Employment Eligibility Verification.
- Date of hire.
- Approved pay rate (updated as changes occur).
- Signed W-4 form.
- Emergency contact's name, address and current daytime phone number.
- Employee evaluations.

Status

During our current year audit, we noted several instances in which the Township's personnel files were missing Form I-9, Employment Eligibility Verification. This recommendation is still applicable for the current year.

CASH DEPOSITS

During our prior year audit, we noted that the Township holds the majority of its deposits with a single banking institution.

We recommended that the Township diversify its cash holdings to mitigate the risk of loss in the event of the failure of the banking institution.

To the Board of Supervisors
Upper Uwchlan Township
page 6

Status

During our current year audit, we noted that the Township has not diversified its cash holdings. This recommendation is still applicable for the current year.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

The preceding comments and recommendations are intended solely for the information and use of the Board of Supervisors, management and others within the Township, and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP