MAIDENCREEK TOWNSHIP

BERKS COUNTY, PENNSYLVANIA

DECEMBER 31, 2005

DCED-CLGS-30 (10-01)



Annual Audit and Financial Report

City of: _____, _____ County

Borough of: _____, _____ County

Township of: _____, _____ County

Municipality of: **MAIDENCREEK**, **BERKS** County

for the year 20 **05**

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

pennsylvania
GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES

Kosmerl & Company, P.C.

A Professional Corporation

Certified Public Accountants

MEMBERS
AMERICAN INSTITUTE OF CPA'S
PENNA. INSTITUTE OF CPA'S

845 North Park Rd.
Wyomissing, PA
19610-1342

(610) 372-5815
FAX (610) 372-8466
k.cpas@kosmerl.net

ENROLLED TO PRACTICE BEFORE
U.S. TREASURY DEPARTMENT
PENNA. DEPT. OF REVENUE

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Maidencreek Township
Berks County, Pennsylvania

We have audited the accompanying primary government financial statements, included in the accompanying Pennsylvania Form DCED of Maidencreek Township, Berks County, Pennsylvania, as of and for the year ended December 31, 2005. These primary government financial statements are the responsibility of Maidencreek Township's management. Our responsibility is to express an opinion on these primary government financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

As discussed in Note 1, Maidencreek Township prepares its primary government financial statements on the cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the cash balances of Maidencreek Township as of December 31, 2005, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of Maidencreek Township, do not purport to, and do not, present fairly the cash balances of Maidencreek Township as of December 31, 2005, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

The required supplementary information on Page 24 is not a required part of the basic primary government financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

The accompanying financial information on Pages 25 and 26 is presented for purposes of additional analysis and is not a required part of the primary government financial statements of Maidencreek Township. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Kosmerl & Co., P.C.

KOSMERL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

May 22, 2006

Balance Sheet December 31st, 2005

Assets and Other Debits		Governmental Funds			
		General Fund	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*	*Debt Service*
100-120	Cash and Investments	767,291	160,512		
140-144	Tax Receivable				
121-147	Accounts Receivable (excluding taxes)				
148-159	Other Current Assets				
160-169	Fixed Assets				
180-199	Other Debits				
	Total Assets and Other Debits ☞	767,291	160,512		

Liabilities and Other Credits					
210-229	Payroll Taxes & Other Payroll Withholdings				
200-259	All Other Current Liabilities		500		
260-269	Long Term Liabilities				
269.99	Other Credits				
	Total Liabilities ☞		500		

Fund and Account Group Equity					
281-284	Contributed Capital				
290	Investment in General Fixed Assets				
271-289	Fund Balance/Retained Earnings 12/31	767,291	160,012		
	Total Fund and Account Group Equity ☞	767,291	160,012		

Balance Sheet December 31st, 2005

Proprietary Funds		Fiduciary Funds	Account Groups		Total
Enterprise	*Internal Service*	*Trust and Agency*	*General Fixed Assets*	*General Long Term Debt*	*Memorandum Only*
-0-		169,380			1,097,183
-0-		169,380			1,097,183

TOTAL ASSETS	$ 1,097,183

		169,380			169,880
		169,380			169,880

TOTAL LIABILITIES	$ 169,880

-0-		-0-			927,303
-0-		-0-			927,303

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	$ 1,097,183

Statement of Revenues and Expenditures

REVENUES		Governmental Funds		
	Taxes	*General Fund*	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
301.00	**Real Estate Taxes**	310,324	197,035	
305.00	Occupation Taxes/Levied Under Municipal Code			
308.00	Residence Taxes/Levied By Cities of the 3rd Class			
310.00	Per Capita Taxes	27,936		
310.10	Real Estate Transfer Taxes	281,245		
310.20	**Earned Income Taxes/Wage Taxes**	894,871		
310.30	Mercantile Taxes			
310.40	Occupation Taxes/Act 511			
310.50	**Emergency & Municipal Services***	14,285		
310.60	Amusement/Admission Taxes	15,775		
310.70	Mechanical Device Taxes			
310.80	Business Privilege Taxes			
310.90	Other Local Tax Enabling Act/Act 511/Taxes *(Please List)*			
	Total Taxes ☞	1,544,436	197,035	

* *Formerly Occupational Privilege Tax (OPT)*

	Licenses and Permits			
320.00	All Other Licenses and Permits	371,896		
321.80	Cable Television Franchise Fees	31,976		
	Total Licenses and Permits ☞	403,872		

	Fines and Forfeits			
330.00	Fines and Forfeits	42,310		

	Interest, Rents, and Royalties			
341.00	Interest Earnings	7,631	5,225	
342.00	Rents and Royalties	15,980	180	
	Total Interest, Rents and Royalties ☞	23,611	5,405	

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
				507,359
				27,936
				281,245
				894,871
				14,285
				15,775
	-0-			1,741,471

				371,896
				31,976
				403,872

				42,310

	279			13,135
				16,160
	279			29,295

Statement of Revenues and Expenditures

INTERGOVERNMENTAL REVENUES		Governmental Funds		
	Federal	*General Fund*	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
351.03	Highways and Streets			
351.09	Community Development			
351.99	All Other Federal Grants			
352.08	National Forest Products			
352.99	All Other Federal Shared Revenue and Entitlements			
353.00	Federal Payments in Lieu of Taxes			
	Total Federal ☞			
	State			
354.03	Highways and Streets			
354.09	Community Development			
355.01	Public Utility Realty Tax	2,669		
355.02	Motor Vehicle Fuel Tax		149,535	
355.06	General Municipal Pension System State Aid	11,707		
355.08	Alcoholic Beverage Taxes/Beverage Licenses			
355.09	Recycling/Act 101			
355.99	All Other Shared Revenues and Entitlements	65,066		
356.00	State Payments in Lieu of Taxes			
	Total State ☞	79,442	149,535	
	Local Governmental Units			
357.03	Highways and Streets			
357.99	All Other Local Governmental Unit Grants			
359.00	Local Governmental Unit Payments in Lieu of Taxes			
	Total Local Government Units ☞			
	Charges for Service			
361.00	General Government	1,053		
362.00	Public Safety	122		
363.20	Parking/Parking Meters, Permits			
363.99	All Other Charges for Highway & Streets Services			
364.10	Wastewater/Sewage			
364.30	Solid Waste Collection/Trash			
364.60	Host Municipality Fee for Solid Waste Facility			
364.99	Other Charges for Sanitation Services			
365.00	Health			
367.00	Culture and Recreation		50,298	
378.00	Water System			
379.00	Other Charges for Service			
	Total Charges for Service ☞	1,175	50,298	

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
				2,669
				149,535
				11,707
				65,066
				228,977

Total Intergovernmental Revenues	**$** 228,977

				1,053
				122
				50,298
				51,473

Statement of Revenues and Expenditures

	Miscellaneous Revenues	Governmental Funds		
		General Fund	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
383.00	Special Assessments			
387.00	Contributions and Donations from Private Sectors		1,668	
389.00	All Other Miscellaneous Revenues			
	Total Miscellaneous Revenues ☞		1,668	
	Other Financing Sources			
391.00	Proceeds of General Fixed Asset Distribution			
392.00	Interfund Operating Transfers			
393.00	Proceeds of General Long Term Debt			
394.00	Proceeds of Tax and Revenue Anticipation Notes			
395.00	Refunds of Prior Year Expenditures	2,441		
	Total Other Financing Sources ☞	2,441		
	TOTAL REVENUES	2,097,287	403,941	
	EXPENDITURES			
	General Government			
400.00	Legislative/Governing Body	59,795	2,208	
401.00	Executive/Manager or Mayor			
402.00	Auditing Services/Bookkeeping Services	20		
403.00	Tax Collection	8,997		
404.00	Solicitor/Legal Services	23,204		
405.00	Secretary/Clerk	68,687		
406.00	Other General Government Administration	74		
408.00	Engineering Services	41,875	8,677	
409.00	General Government Buildings and Plant	97,956		
	Total General Government ☞	300,608	10,885	

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
	-0-			
	-0-			1,668
	-0-			1,668

				2,441
				2,441

	279		-0-	2,501,507

	-0-			62,003
				20
				8,997
				23,204
				68,687
	-0-			74
				50,552
				97,956
	-0-			311,493

Statement of Revenues and Expenditures

Public Safety		Governmental Funds		
		General Fund	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
410.00	Police	684,413		
411.00	Fire	83,763		
412.00	Ambulance/Rescue	49,521		
413.00	Protective Inspection	274,790		
414.00	Planning and Zoning			
415.00	Emergency Management	17,913		
419.00	Other Public Safety	11,746		
	Total Public Safety ☞	1,122,146		

Health and Human Services				
420.00	Health and Human Services			

Public Works - Sanitation				
426.00	Recycling Collection and Disposal	31,787		
427.00	Solid Waste Collection and Disposal	6,313	445	
429.00	Wastewater/Sewage Collection and Treatment	8,150		
	Total Public Works – Sanitation ☞	46,250	445	

Public Works – Highways and Streets				
430.00	General Services	32,012	55,977	
431.00	Cleaning of Streets			
432.00	Winter Maintenance	17,199	14,549	
433.00	Traffic Control Devices	13,304		
434.00	Street Lighting	64,824		
435.00	Sidewalks and Crosswalks			
436.00	Storm Sewers and Drains	1,798		
437.00	Repairs of Tools and Machinery	24,208	6,250	
438.00	Road and Bridge Maintenance	88,676	200,000	
439.00	Construction and Rebuilding Projects			
	Total Public Works – Highways and Streets ☞	242,021	276,776	

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
				684,413
				83,763
				49,521
				274,790
				17,193
				11,746
				1,122,146

	59,824			91,611
				6,758
				8,150
	59,824			106,519

				87,989
				31,748
				13,304
				64,824
				1,798
				30,458
				288,676
				518,797

Statement of Revenues and Expenditures

Other Public Works Enterprises		Governmental Funds		
		General Fund	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
440.00	Airports			
441.00	Cemeteries			
442.00	Electric System			
443.00	Gas System			
444.00	Markets			
445.00	Parking Facilities			
446.00	Storm Water and Flood Control			
447.00	Transit System			
448.00	Water System	6,850		
449.00	Water Transport and Terminals			
	Other Public Works and Enterprises			
Total Other Public Works Enterprises ☞		6,850		

Culture and Recreation				
451.00	Recreation		10,312	
454.00	Parks		141,452	
455.00	Shade Trees			
456.00	Libraries			
458.00	Senior Citizen Centers			
459.00	Other Culture and Recreation	6,850	7,786	
Total Culture and Recreation ☞		6,850	159,550	

Community Development				
461.00	Conservation of Natural Resources			
462.00	Community Development and Housing			
465.00	Economic Development and Assistance			
466.00	Economic Opportunity			
468.00	Other Community Development			
Total Community Development ☞				

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
				6,850
				6,850

				10,312
				141,452
				14,636
				166,400

Statement of Revenues and Expenditures

	Debt Service	Governmental Funds		
		General Fund	*Special Revenue (Including State Liquid Fuels)*	*Capital Projects*
471.00	Debt Principal	-0-	21,472	
472.00	Debt Interest	-0-	964	
473.00	Tax Anticipation Note/Principal			
474.00	Tax Anticipation Note/Interest			
475.00	Fiscal Agent Fees			
	Total Debt Service ☞	-0-	22,436	

	Miscellaneous Expenditures			
481.00	Intergovernmental Expenditures			
482.00	Judgments and Losses			
483.00	Pension/Retirement Fund Contributions	41,482		
484.00	Workers Compensation	20,547		
485.00	Unemployment Compensation			
486.00	Insurance Premiums	105,990		
487.00	Employee Benefits Not Allocated to Specific Functions	28,358		
489.00	Other Miscellaneous Expenditures			
	Total Miscellaneous Expenditures ☞	196,377		

	Other Financing Uses			
491.00	Refund of Prior Year Revenues			
492.00	Interfund Operating Transfers			
493.00	Other Financing Uses			
	Total Other Financing Uses ☞			

TOTAL EXPENDITURES	1,921,102	470,092	

EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	176,185	(66,151)	

Statement of Revenues and Expenditures

	Proprietary Funds		Fiduciary Fund Type	Total
Debt Service	*Enterprise*	*Internal Service*	*Trust and Agency*	*Memorandum Only*
				21,472
				964
				22,436

				41,482
				20,547
				105,990
				28,358
				196,377

	59,824		-0-	2,451,018

	(59,545)		-0-	50,489

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activity:

Maidencreek Township (the "Township") founded in 1747, has an approximate population of 6,600, based on a 2000 census report, living within an area of 14.8 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Berks County.

A summary of the Township's significant accounting policies follows:

The accompanying primary government financial statements conform to the cash basis method of accounting as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Township.

A. THE FINANCIAL REPORTING ENTITY

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. U. S. generally accepted accounting principles require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the primary government. The component unit as determined under the above criteria and as discussed below is not included in the Township's reporting entity as these financial statements include only the cash activities of the primary government.

INDIVIDUAL COMPONENT UNIT DISCLOSURES

Maidencreek Township Authority:

The Maidencreek Township Authority is governed by a five-member board appointed by the Township Supervisors. Although it is legally separate from the Township, the Authority is a component unit and its primary purpose is to provide water and sewer utilities to the Township. The Authority issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Maidencreek Township Authority.

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES - continued

A summary of the Township's significant accounting policies follows (continued):

B. DESCRIPTION OF FUND ACCOUNTING AND FUNDS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds of the Township are grouped in the primary government financial statements in this report as follows:

Governmental fund types:

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Township's governmental fund types:

General Fund – is 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.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

State Liquid Fuels Highway Aid Fund – is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this fund.

Recreation Board Fund – is used to account for revenue generated by taxation and expenditures related to recreation.

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. DESCRIPTION OF FUND ACCOUNTING AND FUNDS (CONTINUED)

Enterprise Fund – is used to account for the Township's recycling program. This fund was discontinued during 2005. All activities for this fund were transferred to the General Fund

Fiduciary fund types:

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the Township's fiduciary fund type:

Trust and Agency Funds – Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Escrow Fund – is used to account for the funds received from land developers for the completion of improvements to real estate developments within the Township's boundaries. In prior years funds retained for future disposition were accounted for as a fund balance. These funds are held in a trustee capacity and after certain criteria is met, the remainder if any is returned to the developers. As such these funds are now reported as liabilities of the Township.

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the primary government financial statements.

Cash Basis:

The Township's accounts are maintained on a cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principals, and the statements of cash receipts and disbursements reflect only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, accrued income and expenses and amortization and depreciation, which may be material in amount, are not reflected in the accompanying financial statements.

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)

Measurement focus:

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

D. ASSET ACCOUNTING POLICY DISCLOSURES

Cash:

The Township considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt investments purchased with a maturity of three months or less to be cash.

General fixed assets:

Purchased general fixed assets are recorded as expenditures in the governmental fund types. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are recorded as expenditures in the fund types expending the funds.

E. FUND EQUITY ACCOUNTING POLICY DISCLOSURES

Fund balances:

Fund balances of governmental fund types and nonexpendable trust and pension trust funds are classified in two separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance – indicates that portion of fund balance, which has been legally segregated for specific purposes.

Unreserved fund balance – indicates that portion of fund balance which is available for appropriation and expenditure in future periods.

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUE AND EXPENDITURE POLICY DISCLOSURES

Revenues:

All revenues are recognized when received.

Property taxes:

Property tax revenues are recognized on the cash basis. The Township is permitted by state law to levy taxes up to 30 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2005 was 1.25 mills, as established by the Board of Supervisors. Current tax collections for the Township were approximately 98 percent of the total tax levy.

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The taxes are collected by elected local tax collectors. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of two percent is applied to payments made prior to April 30. A penalty of ten percent is added to the face amount of taxes paid after June 30. The County of Berks Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the County Tax Claim Bureau is made by January 15 of the subsequent year.

Intergovernmental revenues:

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies, and other local governments generally to fund specific programs and are recognized when received.

Long-term debt:

Debt service expenditures are recognized in the period paid.

Expenditures/expenses:

Expenditures and expenses are recognized when paid.

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUE AND EXPENDITURE POLICY DISCLOSURES

Compensated Absences:

Compensated absences for vacation and sick leave are recorded when paid.

2. BUDGET MATTERS

The Board of Supervisors annually adopts a budget for the General and Special Revenue Funds. Budgetary control is legally maintained at the fund level.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

Appropriations, except open project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with finance related legal and contractual provisions:

The Township had no material violations of finance related legal and contractual provisions.

Excess of expenditures over appropriations in individual funds:

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2004 and the cash received for the year ended December 31, 2005.

4. CASH

As of December 31, 2005 bank balances of deposits were entirely insured by Federal Depository Insurance or collateralized in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

5. LONG-TERM DEBT

At December 31, 2005, long-term debt consisted of the following:

	Balance Outstanding December 31, 2004	Additions	Payments & Other Reductions	Balance Outstanding December 31, 2005
Note payable due to a bank in monthly payments of $ 1,870 including interest at 4.55% to May 2006	$ 30,723	$ 0	($ 21,472)	$ 9,251

Aggregate maturities required on long-term debt at December 31, 2005 are as follows:

	Principal	Interest	Total
2006	$ 9,251	$ 107	$ 9,251

Substantially all of the Township's assets are pledged as collateral to the long-term debt.

6. PENSION PLAN

The Township administers and contributes to one defined benefit pension plan, the Maidencreek Township Non-Uniform Pension Plan. The assets of the plan are invested separately and may be used only for the payment of benefits to the members of the plan, in accordance with the terms of the plan.

Plan description and funding policy:

Plan description:

The Maidencreek Township Non-Uniform Pension Plan (the "Plan") is a single-employer defined benefit pension plan administered by the Principal Mutual Life Insurance Company. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Principal Mutual Life Insurance Company issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Maidencreek Township.

Funding policy:

The Township is required to contribute amounts necessary to fund the Plan using the actuarial basis specified by statute.

Annual pension cost and net pension obligation:

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

Annual required contribution	$ 41,726
Interest on net pension obligation	--
Adjustment to annual required contribution	--
Annual pension cost	$ 41,726
Contributions made	41,726
Increase(decrease) in net pension obligation	--
Net pension obligation beginning of year	--
Net pension obligation end of year	$ --

6. PENSION PLAN (Continued)

Annual pension cost and net pension obligation (continued):

The annual required contribution for the current year was determined as part of the January 1, 2005 actuarial valuation using the entry age normal with normal cost as a level percent of salary. The actuarial assumptions included (a) 5.5% investment rate of return and (b) projected salary increases of 4.50% per year. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality and percent married provisions. Retirement is based upon normal retirement age as defined in the Plan. The actuarial value of assets was determined by market value of assets as of the valuation date.

Three-Year Trend Information:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/03	$ 29,588	100%	$ --
12/31/04	$ 31,583	100%	$ --
12/31/05	$ 41,726	100%	$ --

7. Commitments and Contingencies

Line of credit:

The Township has lines of credit with two local financial institutions in the amounts of $50,000 and $75,000. At December 31, 2005, the Township had not drawn on the lines of credit.

Maidencreek Township Authority:

The Township has guaranteed the Authority's 1999 Sewer Revenue Note, of which $ 1,324,801 is outstanding at September 30, 2005, the date of the Authority's latest year end. The debt is evidenced by a Guaranty Agreement.

Litigation:

The Township is a defendant in a lawsuit, which has been referred to the lawyers who represent the Township's insurance carrier. While it is not feasible to determine the outcome of this matter, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

MAIDENCREEK TOWNSHIP

SCHEDULE OF FUNDING PROGRESS

Maidencreek Township Non-Uniform Pension Plan:

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)
January 1, 2001	$ 108,088	$ 156,736	$ 48,648	69%
January 1, 2003	191,044	186,723	(4,321)	102%
January 1, 2005	149,899	190,089	40,190	79%

	Covered Payroll (c)	UAAL As A % of Covered Covered Payroll ((b-a)/c)
January 1, 2001	$ 131,811	37 %
January 1, 2003	166,829	(2.6%)
January 1, 2005	176,863	22.7%

DEBT STATEMENT

↓ List Each Issue or Loan ↓	Year of Issue	Original Amount of Issue	Outstanding January 1st or Issued During Year	Principal Paid During Year	Principal Outstanding December 31st
General Obligation Bonds and Other Notes					
General Obligation Note	2001	100,000	30,723	21,472	9,251
Revenue Bonds and Notes					
Lease Rental Debt					
Tax and Revenue Anticipation Notes					
Other					

TOTAL DEBT AND REVENUE ANTICIPATION NOTES	9,251

STATEMENT OF CAPITAL EXPENDITURES

Category	Capital Purchases	Capital Construction	Total
Electric			
Fire			
Gas System			
General Government	43,123		43,123
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets/Highways	54,382		54,382
Water			
Other *(Please specify)*			

TOTAL CAPITAL EXPENDITURES	97,505

TAX RATES AND OTHER INFORMATION

Assessed Value of Real Estate as of December 31st $ 393,829,200

Tax Rate:

General Purposes	0.75	Mills
Debt Purposes		Mills
All Other Purposes	0.50	Mills
Total	1.25	Mills

Employee Compensation:

Total salaries, wages, commissions, etc. paid this year.* $ 272,555
(including all employees and elected officials)

***USE INCOME FROM W-3 STATEMENT**

Kosmerl & Company, P.C.

A Professional Corporation

Certified Public Accountants

MEMBERS
AMERICAN INSTITUTE OF CPA'S
PENNA. INSTITUTE OF CPA'S

845 North Park Rd.
Wyomissing, PA
19610-1342

(610) 372-5815
FAX (610) 372-8466
k.cpas@kosmerl.net

ENROLLED TO PRACTICE BEFORE
U.S. TREASURY DEPARTMENT
PENNA. DEPT. OF REVENUE

May 22, 2006

To the Board of Supervisors
Maidencreek Township
Rt 73 & Quarry Road
P.O. Box 319
Blandon, Pennsylvania 19510-0319

We have audited the financial statements of Maidencreek Township for the year ended December 31, 2005, and have issued our report thereon. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal controls of Maidencreek Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Maidencreek Township are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the Accounting Estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfactions, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

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

Very truly yours,

Kosmerl & Co., P.C.

KOSMERL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Maidencreek Township
Board of Supervisors

P.O. Box 319
Blandon, PA 19510

Phone (610) 926-4920
Fax (610) 926-6314

May 22, 2006

Kosmerl & Co., P.C.
845 North Park Road
Wyomissing, PA 19610-1342

We are providing this letter in connection with your audit of the primary government financial statements – cash basis, included in the Pennsylvania Form DCED of Maidencreek Township (the Township) as of December 31, 2005 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the assets, liabilities and fund balances, and revenues and expenditures, of Maidencreek Township on the cash basis of accounting as included in the Pennsylvania Form DCED. We confirm that we are responsible for the fair presentation in the financial statements of assets, liabilities and fund balances, and revenues and expenditures on the cash basis as included in the Pennsylvania Form DCED. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented on the cash basis of accounting and include all funds and account groups required for financial statements that are to be included in the Pennsylvania Form DCED for the Maidencreek Township.

2. We have made available to you all –

   a. Financial records and related data.

   b. Minutes of the meetings of the Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. We have no knowledge of any fraud or suspected fraud affecting the Township involving:

   a. Management,

   b. Employees who have significant roles in internal control, or

   c. Others that could have a material effect on the financial statements.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Township received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

7. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule (if applicable) are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

9. We are in agreement with the adjusting journal entries you have recommended.

10. The Township did not have large dollar amount payables that would normally have been paid but were unpaid at year end.

11. The Township has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

12. The following, if any, have been properly recorded or disclosed in the financial statements:

    a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Township is contingently liable.

c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

13. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Township vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that *concentrations* include individual group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significant financially disruptive effect on the normal functioning of the organization.

14. We are responsible for the Township's compliance with laws, regulations, and provisions of contracts and grant agreements applicable to it; and we have identified, and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives..

15. There are no –

a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), terms of contractual agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.

b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No 5, *Accounting for Contingencies.*

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.

d. Reservations or designation of fund equity that were not properly authorized and approved.

16. The Township has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except those that have been made known to you.

17. The Township has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Diane Hollenbach

Title: SECRETARY/TREASURER

June 2, 2006

RECEIVED
JUN 05 2006

061085
Diane Hollenbach
Maidencreek Township
P.O. Box 319
Blandon, PA 19510

Dear Ms. Hollenbach,

According to our records, Maidencreek Township has not completed the following legislatively mandated filing(s) with the Pennsylvania Department of Community and Economic Development:

Form Name	Form Number	Due Date
2005 Annual Audit and Financial Report	DCED-CLGS-30	3/01/06 Cities
		4/01/06 Boroughs, Townships, and Home Rule municipalities

As noted, this form(s) was due earlier this year. Please complete and submit the above form(s) as soon as possible to the following address:

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

We thank you for your cooperation, and if we can be of any assistance in helping you complete your filing(s), please do not hesitate to call DCED at 1-888-223-6837.

Sincerely,

Wendy L. Sweigart

Wendy Sweigart
Local Government Policy Specialist

cc: Roy Timpe
Chairman - Maidencreek Township

Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
Tel: 888-223-6837 | Fax: 717-783-1402
www.NewPA.com

AUDIT NOTICE

MAIDENCREEK TOWNSHIP
BERKS COUNTY, PENNSYLANIA

PREPARED ON A CASH BASIS

Year Ended December 31, 2005

Cash Receipts:	
Taxes-all sources (real estate assessed valuation $359,100,200)	$ 1,741,471
Licenses and permits	403,872
Fines and forfeits	42,310
Interest, rents and royalties	29,295
Intergovernmental revenues	228,977
Charges for services	51,473
Miscellaneous revenues	1,668
Other financing sources	2,441
Total cash receipts	**$ 2,501,507**
Cash Disbursements:	
General government	$ 311,493
Public safety	1,122,146
Public works:	
Sanitation	106,519
Highways and streets	518,797
Other public works enterprises	6,850
Culture and recreation	166,400
Debt service	22,436
Miscellaneous expenditures	196,377
Total cash disbursements	**$ 2,451,018**
Excess of cash receipts over cash disbursements	**$ 50,489**

Cash, December 31, 2004:

Governmental fund types:	
General Fund	$ 591,106
State Liquid Fuels Fund	124,199
Recreation Fund	102,464
Recycling Fund	59,545
Trust & Agency Funds	303,534
Total cash	**$ 1,180,848**

Cash, December 31, 2005

Governmental fund types:	
General Fund	$ 767,291
State Liquid Fuels Fund	11,953
Recreation Fund	148,559
Trust & Agency Funds	169,380
Total cash	**$ 1,097,183**

Statement of Indebtedness:

General Obligation Note	**$ 9,251**

Published in accordance with Second Class Township, Section 904. The annual audit and financial report for the Township is available for public inspection at the Township Building during normal business hours.