



Annual Audit and Financial Report

City of _____, _____ County
Borough of _____, _____ County
Township of **Maidencreek**, **Berks** County
Municipality of _____, _____ County

for the year
1999

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Maidencreek Township
Berks County, Pennsylvania**

We have audited the accompanying primary government financial statements of Maidencreek Township, Berks County, Pennsylvania, as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of Maidencreek Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 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, 1999, 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 component units of Maidencreek Township, do not purport to, and do not, present fairly the cash balances of Maidencreek Township as of December 31, 1999, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2000 on our consideration of Maidencreek Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying financial information listed as supplementary information in the table of contents 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.

Reinsel & Company LLP

February 23, 2000

Balance Sheet December 31st, 1999

Assets and Other Debits		Governmental Funds		Trust Funds	Total
		<i>General Fund</i>	<i>State Liquid Fuels Fund</i>	<i>All Other Funds</i>	<i>Memorandum Only</i>
100-120	Cash and Investments	\$ 161,643	\$ 14,874	\$ 214,344	\$ 390,861
140-144	Tax Receivable	-	-	-	-
121-147	Account Receivable (excluding taxes)	-	-	-	-
148-159	Other Current Assets	-	-	-	-
160-169	Fixed Assets	-	-	-	-
180-199	Other Debits	-	-	-	-
Total Assets and Other Debits		\$ 161,643	\$ 14,874	\$ 214,344	\$ 390,861

TOTAL ASSETS	\$ 390,861
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Liabilities and Other Credits					
210-229	Payroll Taxes and Other Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
200-259	All Other Current Liabilities	7,114	-	-	7,114
260-269	Long Term Liabilities	-	-	-	-
	Other Credits	-	-	-	-
Total Liabilities		\$ 7,114	\$ -	\$ -	\$ 7,114

Fund and Account Group Equity					
281-284	Contributed Capital	\$ -	\$ -	\$ -	\$ -
-290	Investments in General Fixed Assets	-	-	-	-
271-289	Fund Balance / Retained Earnings 12/31	154,529	14,874	214,344	383,747
Total Fund and Account Group Equity		\$ 154,529	\$ 14,874	\$ 214,344	\$ 383,747

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 390,861
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See Notes to Financial Statements.

Statement of Revenues and Expenditures December 31st, 1999

Intergovernmental Revenues		Governmental Funds		Trust Funds	Total
Federal		<i>General Fund</i>	<i>State Liquid Fuels Fund</i>	<i>All Other Funds</i>	<i>Memorandum Only</i>
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 & Entitlements	-	-	-	-
353.00	Federal Payments in Lieu of Taxes	-	-	-	-
Total Federal		\$ -	\$ -	\$ -	\$ -

State					
354.03	Highway and Streets	\$ -	\$ -	\$ -	\$ -
354.09	Community Development	-	-	-	-
355.01	Public Utility Realty Tax	9,210	-	-	9,210
355.02	Motor Vehicle Fuel Tax	-	118,080	-	118,080
355.06	Aid	36,211	-	-	36,211
355.08	Alcoholic Beverage Taxes/Beverage Licenses	650	-	-	650
355.09	Recycling / Act 101	-	-	-	-
355.99	Entitlements	24,726	-	-	24,726
356.00	State Payment in Lieu of Taxes	-	-	-	-
Total State		\$ 70,797	\$ 118,080	\$ -	\$ 188,877

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	\$ 605	-	\$ -	\$ 605
362.00	Public Safety	-	-	-	-
363.20	Parking/Parking Meters, Permits	-	-	-	-
363.99	All Other Charges for Highway & Street Services	-	\$ -	-	-
364.10	Wastewater/Sewage	-	-	-	-
364.30	Solid Waste Collection/Trash	-	-	-	-
364.60	Facility	-	-	-	-
364.99	Other Charges for Sanitation Services	-	-	-	-
365.00	Health	-	-	-	-
367.00	Culture and Recreation	-	-	-	-
378.00	Water System	-	-	-	-
379.00	Other Charges for Services	1,213	-	-	1,213
Total Charges for Services		\$ 1,818	\$ -	\$ -	\$ 1,818

Statement of Revenues and Expenditures December 31st, 1999

Miscellaneous Revenues		Governmental Funds		Trust Funds	Total
		General Fund	State Liquid Fuels Fund	All Other Funds	Memorandum Only
383.00	Special Assessments	\$ -	\$ -	\$ -	\$ -
387.00	Contributions & Donations from Private Sectors	-	-	-	-
389.00	All Other Miscellaneous Revenues	1,845	-	254,042	255,887
Total Miscellaneous Revenues		\$ 1,845	\$ -	\$ 254,042	\$ 255,887

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Distribution	\$ -	\$ -	\$ -	\$ -
392.00	Interfund Operating Transfers	-	-	-	-
393.00	Proceeds of General Long Term Debt	36,785	-	-	36,785
394.00	Proceeds of Tax and Revenue Anticipation Notes	-	-	-	-
395.00	Refunds of Prior Year Expenditures	-	-	-	-
Total Other Financing Sources		\$ 36,785	\$ -	\$ -	\$ 36,785

TOTAL ALL REVENUES	\$ 1,530,932
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EXPENDITURES					
General Government					
400.00	Legislative/Governing Body	\$ 3,229	-	\$ -	\$ 3,229
401.00	Executive/Manager or Mayor	-	-	-	-
402.00	Auditing Services/Bookkeeping Services	-	-	-	-
403.00	Tax Collection	8,292	-	-	8,292
404.00	Solicitor/Legal Services	22,583	-	-	22,583
405.00	Secretary/Clerk	59,889	-	-	59,889
406.00	Other General Government Administration	24,896	-	-	24,896
408.00	Engineering Services	17,232	-	-	17,232
409.00	General Government Buildings and Plant	13,587	-	-	13,587
Total General Government		\$ 149,708	\$ -	\$ -	\$ 149,708

Statement of Revenues and Expenditures December 31st, 1999

		Governmental Funds		Trust Funds	Total
		General Fund	State Liquid Fuels Fund	All Other Funds	Memorandum Only
Public Safety					
410.00	Police	\$ 309,493		\$ -	\$ 309,493
411.00	Fire	59,875		-	59,875
412.00	Ambulance/Rescue	45,608		-	45,608
413.00	Protective Inspection	-		-	-
414.00	Planning and Zoning	21,402		-	21,402
415.00	Emergency Management	-		-	-
419.00	Other Public Safety	-		-	-
Total Public Safety		\$ 436,378	\$ -	\$ -	\$ 436,378

Health and Human Services					
420.00	Health and Human Services	\$ -		\$ -	\$ -

Public Works - Sanitation					
426.00	Recycling Collection and Disposal	\$ -		\$ -	\$ -
427.00	Solid Waste Collection and Disposal	-		-	-
429.00	Wastewater/Sewage Collection and Treatment	7,581		-	7,581
Total Public Works - Sanitation		\$ 7,581	\$ -	\$ -	\$ 7,581

Public Works - Highways and Streets					
430.00	General Services	\$ 177,796	\$ -	\$ -	\$ 177,796
431.00	Cleaning of Streets	-	-	-	-
432.00	Snow and Ice Removal	-	-	-	-
433.00	Traffic Signals, Signs	4,753	-	-	4,753
434.00	Street Lighting	52,221	-	-	52,221
435.00	Sidewalks and Crosswalks	-	-	-	-
436.00	Storm Sewers and Drains	-	-	-	-
437.00	Repairs of Tools and Machinery	-	-	-	-
438.00	Highways and Bridges	45,345	106,524	-	151,869
439.00	Construction and Rebuilding	-	-	-	-
Total Public Works-Highways and Streets		\$ 280,115	\$ 106,524	\$ -	\$ 386,639

Statement of Revenues and Expenditures December 31st, 1999

Other Public Works Enterprises		Governmental Funds		Trust Funds	Total
		<i>General Fund</i>	<i>State Liquid Fuels Fund</i>	<i>All Other Funds</i>	<i>Memorandum Only</i>
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	-		-	-
449.00	Water Transport and Terminals	-		-	-
	Other Public Works and Enterprises	-		-	-
Total Other Public Works Enterprises		\$ -	\$ -	\$ -	\$ -

Culture and Recreation					
451.00	Recreation	\$ 30,409		\$ -	\$ 30,409
454.00	Parks	-		-	-
455.00	Shade Trees	-		-	-
456.00	Libraries	-		-	-
458.00	Senior Citizen Centers	-		-	-
459.00	Other Culture and Recreation	-		-	-
Total Culture and Recreation		\$ 30,409	\$ -	\$ -	\$ 30,409

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 December 31st, 1999

		Governmental Funds		Trust Funds	Total
		General Fund	State Liquid Fuels Fund	All Other Funds	Memorandum Only
Debt Service					
471.00	Debt Principal	\$ 45,190	\$ -	\$ -	\$ 45,190
472.00	Debt Interest	1,905	-	-	1,905
473.00	Tax Anticipation Note/Principal	-		-	-
474.00	Tax Anticipation Note/Interest	-		-	-
475.00	Fiscal Agent Fees	-		-	-
Total Debt Service		\$ 47,095	\$ -	\$ -	\$ 47,095

Miscellaneous Expenditures					
481.00	Intergovernmental Expenditures	\$ -		\$ -	\$ -
482.00	Judgments and Losses	-		-	-
483.00	Pension/Retirement Fund Contributions	48,288		-	48,288
484.00	Workers Compensation	21,090		-	21,090
485.00	Unemployment Compensation	-		-	-
486.00	Insurance Premiums	19,886		-	19,886
487.00	Employee Benefits Not Allocated to Specific Functions	32,254	\$ -	-	32,254
489.00	Other Miscellaneous Expenditures	7,560	-	64,725	72,285
Total Miscellaneous Expenditures		\$ 129,078	\$ -	\$ 64,725	\$ 193,803

Other Financing Uses					
491.00	Refund of Prior Year Revenues	\$ -	\$ -	\$ 140,055	\$ 140,055
492.00	Interfund Operating Transfers	-	-	-	-
493.00	Other Financing Uses	-	-	-	-
Total Other Financing Uses		\$ -	\$ -	\$ 140,055	\$ 140,055

TOTAL ALL EXPENDITURES	\$ 1,391,668
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EXCESS/DEFICIT OF REVENUE OVER EXPENDITURES	\$ 139,264
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See Notes to Financial Statements.

MAIDENCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

Maidencreek Township (the Township), founded in 1747, has an approximate population of 4,790, based on a 1994 special 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 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. 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. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered. 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 oversight unit.

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.

NOTES TO FINANCIAL STATEMENTS

Note 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 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 Fund - is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts 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.

NOTES TO FINANCIAL STATEMENTS

Note 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)

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 housing developments within the Township's boundaries.

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 financial statements.

Cash basis:

The Township's accounts are maintained on a cash basis, and the statement of revenues and expenditures reflects 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 which are not intended to present the financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

Note 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

Note 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 taxes are billed and collected within the same fiscal period and are reflected 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 1999 was .5 mills, as established by the Board of Supervisors. Current tax collections for the Township were approximately 95 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 the February 15 of the subsequent year.

Intergovernmental revenues:

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania and federal agencies 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Budget Matters

The Board of Supervisors annually adopts a budget for the General and State Highway Aid 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.

Note 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.

Note 4. Cash

Bank balances are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes bank balances which are insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances which are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name. All bank balances of the Township are considered to be either Category 1 or Category 3.

At December 31, 1999, the carrying amount of the Township's bank deposits were \$ 390,861 and the corresponding bank balances were \$ 421,505, of which \$ 100,000 (Category 1) was directly covered by Federal Depository Insurance.

Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The uninsured deposits (as defined by Statement No. 3 of the Governmental Accounting Standards Board) of the Township in the amount of \$ 321,505 (Category 3) were collateralized by this pool of assets maintained by the Township's depository institution.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

At December 31, 1999, long-term debt consisted of the following:

	Balance Outstanding December 31, 1998	Additions (Payments)	Balance Outstanding December 31, 1999
Bank loan, due in monthly payments of principal and interest at a rate of 5.75% to December 2001	\$ 45,190	\$ (45,190)	\$ -
Bank loan, due in monthly payments of interest only through January 2000, principal and interest thereafter at a rate of 5.25% to May 2004	<u>-</u>	<u>36,785</u>	<u>36,785</u>
	<u>\$ 45,190</u>	<u>\$ (8,405)</u>	<u>\$ 36,785</u>

Aggregate maturities required on long-term debt at December 31, 1999 are as follows:

	Principal	Interest	Total
2000	\$ 7,101	\$ 1,777	\$ 8,878
2001	8,145	1,364	9,509
2002	8,583	926	9,509
2003	9,045	465	9,510
2004	<u>3,911</u>	<u>52</u>	<u>3,963</u>
	<u>\$ 36,785</u>	<u>\$ 4,584</u>	<u>\$ 41,369</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan

The Township administers and contributes to one defined benefit pension plan, the Maiden Creek 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 Maiden Creek 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 Maiden Creek 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	\$ 23,160
Interest on net pension obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual pension cost	23,160
Contributions made	(23,160)
	<hr/>
Increase (decrease) in net pension obligation	-
Net pension asset beginning of year	-
	<hr/>
Net pension asset end of year	<u><u>\$ -</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 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, 1999 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 6.0% 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. The actuarial value of assets was determined by contract basis.

Three-Year Trend Information:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/97	N/A	N/A	N/A
12/31/98	\$ 21,381	100%	\$ -
12/31/99	23,160	100%	-

Note 7. Commitments and Contingencies

Line of credit:

The Township has a line of credit with a local financial institution in the amount of \$ 50,000. At December 31, 1999, the Township had not drawn on the line of credit.

Maidencreek Township Authority:

The Township has guaranteed the Authority's 1999 Sewer Revenue Note in the amount of \$ 3,575,000. The debt is evidenced by a Guaranty Agreement and is considered lease rental debt of the Township.

	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b-a)/c)
\$	76,355	87%
	113,680	46%

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

**To the Board of Supervisors
Maidencreek Township
Berks County, Pennsylvania**

We have audited the primary government financial statements of Maidencreek Township, Berks County, Pennsylvania, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 23, 2000 which was qualified because the financial statements do not present the financial data of the Township's component unit. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether Maidencreek Township's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Maidencreek Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Maidencreek Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the primary government financial statements.

The reportable condition is described below:

Finding 99-1:

Reportable condition - material weakness

Inadequate segregation of duties.

Condition:

Adequate segregation of duties does not presently exist.

Criteria:

An effective system of internal accounting control necessitates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause:

The Township's staff is not large enough to permit such segregation in all respects.

Effect:

The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.

Recommendation:

Management's review of staff responsibilities should include an analysis of where segregation of duties can be further effectively implemented.

Management response:

The management of Maiden Creek Township concurs with this finding and recommendation.

Corrective action plan:

Management's review of staff responsibilities will include an analysis of where segregation of duties can be further effectively implemented.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, Finding 99-1, to be a material weakness.

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

Reinsel & Company LLP

February 23, 2000