



**UPPER SAUCON TOWNSHIP,
LEHIGH COUNTY, PENNSYLVANIA**

FINANCIAL REPORT

DECEMBER 31, 2008



Reinsel Kuntz Leshner^{LLP}

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Upper Saucon Township
Lehigh County, Pennsylvania**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Upper Saucon Township, Lehigh County, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Upper Saucon 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Upper Saucon Township, Lehigh County, Pennsylvania, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on Pages 3-11 and Pages 48-54 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Saucon Township's basic financial statements. The combining individual nonmajor funds' financial statements on Pages 55-57 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Reinsel Kuntz Lesher LLP

**Wyomissing, Pennsylvania
July 2, 2009**

UPPER SAUCON TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Upper Saucon Township, we offer the readers of Upper Saucon Township's financial statements this narrative overview and analysis of the financial activities of Upper Saucon Township for the fiscal year ended December 31, 2008.

Financial Highlights

- The assets of Upper Saucon Township exceeded its liabilities at the close of the most recent fiscal year by \$25,799,391. Of this amount, \$10,300,092 may be used to meet the government's on-going obligations to citizens and creditors.
- Upper Saucon Township's net assets decreased by \$164,937.
- As of the close of fiscal year 2008, Upper Saucon Township's governmental funds reported combined ending fund balances of \$7,347,094. Approximately 21% of this total amount is available for spending at the government's discretion. The remaining 79% is held for specific capital projects.
- At the end of fiscal year 2008, the unreserved fund balance for the general fund was \$1,551,450.

Overview of Financial Statements

The discussion and analysis are intended to serve as an introduction to Upper Saucon Township's basic financial statements. Upper Saucon Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide the readers with a broad overview of Upper Saucon Township's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of Upper Saucon Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Upper Saucon Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Upper Saucon Township that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Upper Saucon Township include general government, public safety, health and welfare, highways, roads, and streets, culture and recreation, insurance and pension, miscellaneous, and interest on long-term debt. The business-type activities of Upper Saucon Township include water and sewer.

The government-wide financial statements include not only Upper Saucon Township itself (known as the primary government), but also a legally separate Upper Saucon Sewage Treatment Authority and a legally separate Upper Saucon Township Municipal Authority for which Upper Saucon Township is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Upper Saucon Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Upper Saucon Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Upper Saucon Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the transportation impact fund, both of which are considered to be major funds. Data from the other eight funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Upper Saucon Township adopts an annual appropriated budget for its general fund and transportation impact fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 18 of this report.

Proprietary funds. Upper Saucon Township maintains one type of proprietary fund: Enterprise funds to account for its water and sewer operations. When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in proprietary funds. The Township's enterprise funds – the Sewer and Water Operations (components of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer operations, both of which are considered to be major funds of Upper Saucon Township.

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Upper Saucon Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Upper Saucon Township's progress in funding its obligation to provide pension benefits to its police officers and non-uniform employees (presented in the accompanying notes) and budgetary comparison schedules for the general fund and each major special revenue fund. Required supplementary information can be found on pages 48 through 54 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55 through 57 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Upper Saucon Township, assets exceeded liabilities by \$25,799,391 at the close of the fiscal year 2008. Of this amount, \$13,089,086 (or 51%) is accounted for by capital assets (e.g., land, buildings, and equipment), which includes some infrastructure and construction in progress, less any related debt used to acquire those assets that is still outstanding.

Upper Saucon Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Upper Saucon Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Upper Saucon Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 8,056,740	\$ 8,850,160	\$ 6,210,702	\$ 8,365,659	\$ 14,267,442	\$ 17,215,819
Capital assets	<u>\$ 9,826,364</u>	<u>\$ 9,162,532</u>	<u>\$ 12,281,722</u>	<u>\$ 10,461,225</u>	<u>\$ 22,108,086</u>	<u>\$ 19,623,757</u>
Total assets	\$ 17,883,104	\$ 18,012,692	\$ 18,492,424	\$ 18,826,884	\$ 36,375,528	\$ 36,839,576
Long term liabilities	\$ 5,956,600	\$ 6,585,000	\$ 2,155,000	\$ 3,620,000	\$ 8,111,600	\$ 10,205,000
Other liabilities	<u>\$ 1,011,402</u>	<u>\$ 562,065</u>	<u>\$ 1,453,135</u>	<u>\$ 108,183</u>	<u>\$ 2,464,537</u>	<u>\$ 670,248</u>
Total liabilities	\$ 6,968,002	\$ 7,147,065	\$ 3,608,135	\$ 3,728,183	\$ 10,576,137	\$ 10,875,248
Net assets:						
Invested in capital assets, net of debt	\$ 3,537,364	\$ 2,577,532	\$ 9,551,722	\$ 6,841,225	\$ 13,089,086	\$ 9,418,757
Restricted	\$ 2,410,213	\$ 2,106,082	\$ -	\$ -	\$ 2,410,213	\$ 2,106,082
Unrestricted	<u>\$ 4,967,525</u>	<u>\$ 6,182,013</u>	<u>\$ 5,332,567</u>	<u>\$ 8,257,476</u>	<u>\$ 10,300,092</u>	<u>\$ 14,439,489</u>
Total net assets	\$ 10,915,102	\$ 10,865,627	\$ 14,884,289	\$ 15,098,701	\$ 25,799,391	\$ 25,964,328

A portion of Upper Saucon Township's net assets (little over 9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,300,092) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2008, Upper Saucon Township is able to report positive balances in all three categories of net assets, for the government as a whole as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased Upper Saucon Township's net assets by \$49,475. Business-type activities decreased Upper Saucon Township's net assets by \$214,412. Key elements of these changes are as follows:

Upper Saucon Township's Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Taxes Licenses & Permits	\$ 6,426,103	\$ 6,239,386	\$ -	\$ -	\$ 6,426,103	\$ 6,239,386
Interest & Rents	\$ 216,397	\$ 418,247	\$ 149,728	\$ 338,921	\$ 366,125	\$ 757,168
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	\$ 435,176	\$ 528,356	\$ 2,811,130	\$ 2,838,568	\$ 3,246,306	\$ 3,366,924
Other Financing Sources	\$ 1,190,616	\$ 1,736,635	\$ -	\$ -	\$ 1,190,616	\$ 1,736,635
Miscellaneous Revenue	\$ 3,084	\$ 4,133	\$ -	\$ -	\$ 3,084	\$ 4,133
Transfers	<u>\$ (130,000)</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 8,141,376	\$ 8,926,757	\$ 3,090,858	\$ 3,177,489	\$ 11,232,234	\$ 12,104,246
Expenditures						
General government	\$ 1,147,754	\$ 1,134,847	\$ -	\$ -	\$ 1,147,754	\$ 1,134,847
Public safety	\$ 3,594,363	\$ 3,130,897	\$ -	\$ -	\$ 3,594,363	\$ 3,130,897
Highway and streets	\$ 1,978,137	\$ 1,924,518	\$ -	\$ -	\$ 1,978,137	\$ 1,924,518
Culture and recreation	\$ 368,613	\$ 343,323	\$ -	\$ -	\$ 368,613	\$ 343,323
Miscellaneous	\$ 694,586	\$ 597,352	\$ -	\$ -	\$ 694,586	\$ 597,352
Enterprise Expenses	\$ -	\$ -	\$ 3,581,119	\$ 2,941,677	\$ 3,581,119	\$ 2,941,677
Debt service - principal retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service - interest & fiscal charges	\$ 308,448	\$ 321,191	\$ 120,933	\$ 134,737	\$ 429,381	\$ 455,928
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (396,782)</u>	<u>\$ (1,402,736)</u>	<u>\$ (396,782)</u>	<u>\$ (1,402,736)</u>
	\$ 8,091,901	\$ 7,452,128	\$ 3,305,270	\$ 1,673,678	\$ 11,397,171	\$ 9,125,806
Net Change in Fund Balance	\$ 49,475	\$ 1,474,629	\$ (214,412)	\$ 1,503,811	\$ (164,937)	\$ 2,978,440
Prior Period Adjustments	\$ -	\$ -	\$ -	\$ 368,801	\$ -	\$ 368,801
Net Assets Beginning of Year	<u>\$ 10,865,627</u>	<u>\$ 9,390,998</u>	<u>\$ 15,098,701</u>	<u>\$ 13,594,890</u>	<u>\$ 25,964,328</u>	<u>\$ 22,985,888</u>
Net Assets End of Year	\$ 10,915,102	\$ 10,865,627	\$ 14,884,289	\$ 15,098,701	\$ 25,799,391	\$ 25,964,328

The following table depicts revenues by source for governmental activities in 2008:

Revenues by Source – Governmental Activities

Charges for services	\$ 435,176	5%
Operating Grants	\$ 956,853	12%
Capital Grants	\$ 124,740	2%
Property Taxes	\$2,509,898	31%
Real Estate Transfer Tax	\$ 658,593	8%
Earned Income Taxes	\$2,876,670	35%
Other	\$ 363,049	4%
Interest and Rents	<u>\$ 216,397</u>	3%
 Total	 \$8,141,376	 100%

Government-wide revenues were primarily derived from property tax collections at 31% and earned income tax collections at 35% of the total. Operating grants, at 12%, are the third largest source of revenue.

The following table depicts expenses by programs for governmental activities in 2008:

Expenses by Program – Governmental Activities

General government	\$ 1,147,754	14%
Public safety	\$ 3,594,363	44%
Highways and streets	\$ 1,978,137	24%
Culture and recreation	\$ 368,613	5%
Miscellaneous	\$ 694,586	9%
Interest on long-term debt	<u>\$ 308,448</u>	4%
 Total Governmental Activities	 \$ 8,091,901	 100%

Total expenses for all programs in 2008 were \$8,091,901. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 44%. The second largest program is highways and streets at 24%. The program ranked third is general government at 14%.

The following table depicts the net program expenses/revenues by function/program for the period ending December 31, 2008:

Net Program Expenses/Revenues

General government	\$ (936,257)
Public safety	\$(3,016,845)
Public works	\$(1,633,299)
Culture and recreation	\$ (227,858)
Other	\$ (452,425)
Interest	<u>\$ (308,448)</u>
Total	\$ (6,575,132)

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general fund revenue for support, needing approximately \$3 million in 2008. Public works expenses required approximately \$1.6 million in general revenues for support. Culture and recreation needed \$.2 million.

Business-type activities. Business-type activities decreased Upper Saucon Township’s net assets by \$214,412.

- Upper Saucon Township’s customer base for sewer and water continues to grow.

Expenses and Program Revenues – Business-type Activities

Program	Operating Revenue	Operating Expenses*
Water	\$ 830,033	\$ 773,699
Sewer	\$ 1,981,097	\$ 2,354,710

* Depreciation removed

Financial Analysis of the Township’s Funds

As noted earlier, Upper Saucon Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Upper Saucon Township’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Upper Saucon Township’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Upper Saucon Township's governmental funds reported combined ending fund balances of \$7.4 million. As stated previously, approximately 21% of this total amount is available for spending at the government's discretion. The remaining 79% is held for specific capital projects.

The general fund is the chief operating fund of Upper Saucon Township. At the end of the fiscal year 2008, unreserved fund balance of the general fund was \$1,551,450. The general fund balance decreased by \$572,215 during the current fiscal year.

Proprietary funds. Upper Saucon Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water fund at the end of the year amounted to \$641,754, and the sewer fund \$4,690,813. Other factors concerning the finances of these funds have already been addressed in the discussion of Upper Saucon Township's business-type activities.

General Fund Budgetary Highlights

Revenues were under budgetary estimates by 4.8%. The major decrease was in charges for services. Expenditures were 8% below budget.

Capital Assets and Debt Administration

Capital assets. Upper Saucon Township's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounts to \$22,108,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and infrastructure.

Summary of Upper Saucon Township's Capital Assets

	Governmental Activities 2008	Business-type Activities 2008	Total
Land	\$ 5,055,063	\$ 415,951	\$ 5,471,014
Construction in Progress	\$ 755,067	\$ 1,806,842	\$ 2,561,909
Total Non-Depreciable Assets	\$ 5,810,130	\$ 2,222,793	\$ 8,032,923
Land Improvements	\$ 478,117	\$ -	\$ 478,117
Roads	\$ 461,904	\$ -	\$ 461,904
Plant and Improvements	\$ -	\$ 10,707,042	\$10,707,042
Building and Improvements	\$ 3,332,860	\$ 1,156,891	\$ 4,489,751
Vehicles	\$ 2,184,148	\$ 558,896	\$ 2,743,044
Machinery	\$ 2,258,094	\$ 1,029,227	\$ 3,287,321
Total Depreciable Assets	\$ 8,715,123	\$ 13,452,056	\$22,167,179
Accumulated Depreciable	\$ (4,698,889)	\$ (3,393,127)	\$ (8,092,016)
Total Depreciable Assets, Net	\$ 4,016,234	\$ 10,058,929	\$14,075,163
Total Capital Assets	\$ 9,826,364	\$ 12,281,722	\$22,108,086

More detailed information about Upper Saucon Township's capital assets can be found in Note 4 of the notes to financial statements.

Long-term debt. At the end of fiscal year 2008, Upper Saucon Township had total debt outstanding of \$9,019,000.

Upper Saucon Township's Outstanding Debt

	Governmental	Business-type	Total
General Obligation Bonds	\$6,289,000	\$2,730,000	\$9,019,000

More detailed information about Upper Saucon Township's long-term debt can be found in Note 6 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The elected officials of Upper Saucon Township considered many factors when setting the calendar-year 2009 budget, tax rates, and fees that will be charged for the business-type activities.

The 2009 General Fund budget includes no property tax increase. Increases in utility costs, road salt, fuel, and insurance premiums will be absorbed.

As for the Township's business-type activities, there are no increases for sewer or water rates.

Requests for Information

This financial report is designed to provide a general overview of Upper Saucon Township's finances for all those with an interest in the government's finances. If you have any questions about this report or need additional financial information, contact the Finance Director at Upper Saucon Township, 5500 Camp Meeting Road, Center Valley, PA 18034.

UPPER SAUCON TOWNSHIP

STATEMENT OF NET ASSETS

December 31, 2008

----- Primary Government -----

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 7,025,746	\$ 4,389,851	\$ 11,415,597
Taxes receivable	150,393	-	150,393
Accounts receivable	880,601	1,187,227	2,067,828
Deferred expenses	-	95,324	95,324
Due from component units	-	538,300	538,300
Capital assets not being depreciated	5,810,130	2,222,793	8,032,923
Capital assets being depreciated, net	<u>4,016,234</u>	<u>10,058,929</u>	<u>14,075,163</u>
	<u><u>\$ 17,883,104</u></u>	<u><u>\$ 18,492,424</u></u>	<u><u>\$ 36,375,528</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES			
Accounts payable	\$ 530,352	\$ 852,229	\$ 1,382,581
Accrued salaries and benefits	78,936	17,133	96,069
Accrued interest	69,714	8,773	78,487
Payable to primary government	-	-	-
Bonds payable, current portion	332,400	575,000	907,400
Bonds payable, long-term portion	<u>5,956,600</u>	<u>2,155,000</u>	<u>8,111,600</u>
	<u>6,968,002</u>	<u>3,608,135</u>	<u>10,576,137</u>

NET ASSETS

Invested in capital assets, net of related debt	3,537,364	9,551,722	13,089,086
Restricted for stormwater maintenance	930,653	-	930,653
Restricted for public works - highways and streets	675,442	-	675,442
Restricted for recreation	804,118	-	804,118
Unrestricted	<u>4,967,525</u>	<u>5,332,567</u>	<u>10,300,092</u>
	<u><u>\$ 10,915,102</u></u>	<u><u>\$ 14,884,289</u></u>	<u><u>\$ 25,799,391</u></u>

See Notes to Financial Statements.

----- Component Units -----

Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
\$ 804	\$ 804
-	-
-	-
-	-
-	-
<u>3,085,378</u>	<u>70,734</u>
<u><u>\$ 3,086,182</u></u>	<u><u>\$ 71,538</u></u>
\$ -	\$ -
-	-
-	-
538,300	-
-	-
-	-
<u>538,300</u>	<u>-</u>
2,547,078	70,734
-	-
-	-
-	-
<u>804</u>	<u>804</u>
<u><u>\$ 2,547,882</u></u>	<u><u>\$ 71,538</u></u>

UPPER SAUCON TOWNSHIP

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

		----- Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 1,147,754	\$ 54,631	\$ 156,866
Public safety	3,594,363	376,845	200,673
Public works - highways and streets	1,978,137	-	334,428
Culture and recreation	368,613	3,700	22,725
Other	694,586	-	242,161
Interest	308,448	-	-
	<hr/>	<hr/>	<hr/>
Total governmental activities	8,091,901	435,176	956,853
	<hr/>	<hr/>	<hr/>
Business-type activities:			
Sewer	2,637,228	1,981,097	-
Water	1,064,824	830,033	-
	<hr/>	<hr/>	<hr/>
Total business-type activities	3,702,052	2,811,130	-
	<hr/>	<hr/>	<hr/>
Total primary government	\$ 11,793,953	\$ 3,246,306	\$ 956,853
	<hr/>	<hr/>	<hr/>
Component units:			
Upper Saucon Sewage Treatment Authority	\$ 297,481	\$ 622,890	\$ 1,000
Upper Saucon Township Municipal Authority	27,007	-	1,000
	<hr/>	<hr/>	<hr/>
Total component units	\$ 324,488	\$ 622,890	\$ 2,000
	<hr/>	<hr/>	<hr/>

General revenues:

Real estate taxes
 Earned income taxes
 Emergency services taxes
 Amusement taxes
 Real estate transfer taxes
 Interest income and rents
 Proceeds from sale of capital assets
 Miscellaneous income
 Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Financial Statements.

----- Capital Grants and Contributions	Net (Expenditures) Revenues and ----- Changes in Net Assets -----			----- Component Units -----	
	Governmental Activities	Business-Type Activities	Total	Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
\$ -	\$ (936,257)	\$ -	\$ (936,257)	\$ -	\$ -
-	(3,016,845)	-	(3,016,845)	-	-
10,410	(1,633,299)	-	(1,633,299)	-	-
114,330	(227,858)	-	(227,858)	-	-
-	(452,425)	-	(452,425)	-	-
-	(308,448)	-	(308,448)	-	-
<u>124,740</u>	<u>(6,575,132)</u>	<u>-</u>	<u>(6,575,132)</u>	<u>-</u>	<u>-</u>
202,182	-	(453,949)	(453,949)	-	-
<u>194,600</u>	<u>-</u>	<u>(40,191)</u>	<u>(40,191)</u>	<u>-</u>	<u>-</u>
<u>396,782</u>	<u>-</u>	<u>(494,140)</u>	<u>(494,140)</u>	<u>-</u>	<u>-</u>
<u>\$ 521,522</u>	<u>(6,575,132)</u>	<u>(494,140)</u>	<u>(7,069,272)</u>	<u>-</u>	<u>-</u>
\$ -	-	-	-	326,409	-
-	-	-	-	-	(26,007)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,409</u>	<u>(26,007)</u>
	2,509,898	-	2,509,898	-	-
	2,876,670	-	2,876,670	-	-
	312,764	-	312,764	-	-
	68,178	-	68,178	-	-
	658,593	-	658,593	-	-
	216,397	149,728	366,125	-	-
	109,023	-	109,023	-	-
	3,084	-	3,084	-	-
	<u>(130,000)</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,624,607</u>	<u>279,728</u>	<u>6,904,335</u>	<u>-</u>	<u>-</u>
	49,475	(214,412)	(164,937)	326,409	(26,007)
	<u>10,865,627</u>	<u>15,098,701</u>	<u>25,964,328</u>	<u>2,221,473</u>	<u>97,545</u>
	<u>\$ 10,915,102</u>	<u>\$ 14,884,289</u>	<u>\$ 25,799,391</u>	<u>\$ 2,547,882</u>	<u>\$ 71,538</u>

UPPER SAUCON TOWNSHIP

**BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2008**

ASSETS	General Fund	Transportation Impact Fund
Cash and cash equivalents	\$ 1,108,259	\$ 1,769,671
Accounts receivable	847,825	-
Taxes receivable	<u>119,245</u>	<u>-</u>
Total assets	<u><u>\$ 2,075,329</u></u>	<u><u>\$ 1,769,671</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 371,624	\$ -
Accrued expenses	78,936	-
Deferred revenues	<u>73,319</u>	<u>-</u>
Total liabilities	<u><u>523,879</u></u>	<u><u>-</u></u>
 FUND BALANCES		
Unrestricted, reported in:		
General Fund	1,551,450	-
Special revenue funds	-	1,769,671
Capital projects funds	-	-
Restricted for stormwater maintenance	-	-
Restricted for public works - highways and streets	-	-
Restricted for recreation	<u>-</u>	<u>-</u>
	<u><u>\$ 1,551,450</u></u>	<u><u>\$ 1,769,671</u></u>

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 4,147,816	\$ 7,025,746
32,776	880,601
<u>31,148</u>	<u>150,393</u>
<u>\$ 4,211,740</u>	<u>\$ 8,056,740</u>

\$ 158,728	\$ 530,352
-	78,936
<u>27,039</u>	<u>100,358</u>
<u>185,767</u>	<u>709,646</u>

-	1,551,450
39,594	1,809,265
1,576,166	1,576,166
930,653	930,653
675,442	675,442
<u>804,118</u>	<u>804,118</u>
<u>\$ 4,025,973</u>	<u>\$ 7,347,094</u>

UPPER SAUCON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEETS TO THE STATEMENT OF NET ASSETS**

December 31, 2008

Total fund balances, government funds **\$ 7,347,094**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and; therefore, not reported as assets in the governmental funds. The cost of the capital assets is \$ 14,525,253 and the accumulated depreciation is \$ 4,698,889 **9,826,364**

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and; therefore, are deferred in the funds **100,358**

Long-term liabilities are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities consist of bonds payable of \$ 6,289,000 and accrued interest of \$ 69,714 **(6,358,714)**

Total net assets, governmental activities **\$ 10,915,102**

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

**STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2008**

	General Fund	Transportation Impact Fund
REVENUES		
Taxes	\$ 6,315,537	\$ -
Licenses and permits	240,499	-
Fines and forfeits	62,340	-
Interest, rents and royalties	75,659	40,958
Intergovernmental revenue	536,912	-
Charges for services	132,337	-
Proceeds from sale of capital assets	109,023	-
Developer contributions	-	10,410
Miscellaneous revenue	80,466	-
	<hr/>	<hr/>
Total revenues	7,552,773	51,368
	<hr/>	<hr/>
EXPENDITURES		
Current:		
General government	1,022,674	-
Public safety	3,180,600	-
Public works - highways and streets	1,917,120	148,135
Culture and recreation	341,913	-
Other	677,432	-
Debt service:		
Principal	296,000	-
Interest	312,564	-
Capital outlay	376,685	-
	<hr/>	<hr/>
Total expenditures	8,124,988	148,135
	<hr/>	<hr/>
Deficiency of revenues under expenditures	(572,215)	(96,767)
	<hr/>	<hr/>

Other Governmental Funds	Total Governmental Funds
\$ 117,688	\$ 6,433,225
-	240,499
-	62,340
99,780	216,397
342,559	879,471
-	132,337
-	109,023
114,330	124,740
-	80,466
<hr/>	<hr/>
674,357	8,278,498
<hr/>	<hr/>
-	1,022,674
18,480	3,199,080
265,311	2,330,566
-	341,913
-	677,432
-	296,000
-	312,564
498,933	875,618
<hr/>	<hr/>
782,724	9,055,847
<hr/>	<hr/>
(108,367)	(777,349)
<hr/>	<hr/>

UPPER SAUCON TOWNSHIP

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)

GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	General Fund	Transportation Impact Fund
OTHER FINANCING SOURCES (USES)		
Transfers in	\$ -	\$ -
Transfers out	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	(582,215)	(96,767)
Fund balances, beginning of year	<u>2,133,665</u>	<u>1,866,438</u>
Fund balances, end of year	<u><u>\$ 1,551,450</u></u>	<u><u>\$ 1,769,671</u></u>

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 10,000	\$ 10,000
<u>(130,000)</u>	<u>(140,000)</u>
<u>(120,000)</u>	<u>(130,000)</u>
(228,367)	(907,349)
<u>4,254,340</u>	<u>8,254,443</u>
<u><u>\$ 4,025,973</u></u>	<u><u>\$ 7,347,094</u></u>

UPPER SAUCON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

Net change in fund balances, governmental funds **\$ (907,349)**

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays of \$ 1,090,389 exceeded depreciation of \$ 426,044 in the current year. Also, the loss on disposal of capital assets of \$ 513 are included in the entity-wide statements, but not in the fund statements **663,832**

Governmental funds report interest paid on bonds payable as expenditures. However, in the statement of activities, interest is matched to the period in which it was incurred. The net effect of matching interest expense to the proper period by this amount **4,116**

Some property taxes will not be collected for several months after year-end. They are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount during the year **(7,124)**

The repayment of bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets **296,000**

Change in net assets, governmental activities **\$ 49,475**

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

**STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS**

December 31, 2008

ASSETS	Water Fund	Sewer Fund	Total
Cash and cash equivalents	\$ 937,407	\$ 3,452,444	\$ 4,389,851
Accounts receivable	249,205	938,022	1,187,227
Deferred expenses	25,485	69,839	95,324
Due from component units	-	538,300	538,300
Capital assets not being depreciated	1,446,801	775,992	2,222,793
Capital assets being depreciated	<u>5,510,420</u>	<u>4,548,509</u>	<u>10,058,929</u>
Total assets	<u>\$ 8,169,318</u>	<u>\$ 10,323,106</u>	<u>\$ 18,492,424</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 564,318	\$ 287,911	\$ 852,229
Accrued expenses	6,025	19,881	25,906
Bonds payable, current portion	100,000	475,000	575,000
Bonds payable, long-term portion	<u>1,930,000</u>	<u>225,000</u>	<u>2,155,000</u>
	<u>2,600,343</u>	<u>1,007,792</u>	<u>3,608,135</u>
 NET ASSETS			
Invested in capital assets, net of related debt	4,927,221	4,624,501	9,551,722
Unrestricted	<u>641,754</u>	<u>4,690,813</u>	<u>5,332,567</u>
	<u>5,568,975</u>	<u>9,315,314</u>	<u>14,884,289</u>
	<u>\$ 8,169,318</u>	<u>\$ 10,323,106</u>	<u>\$ 18,492,424</u>

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2008**

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	<u>\$ 830,033</u>	<u>\$ 1,981,097</u>	<u>\$ 2,811,130</u>
OPERATING EXPENSES			
Personnel services	271,489	631,797	903,286
Contracted services	264,859	280,976	545,835
Materials and supplies	66,259	330,578	396,837
Other operating expense	171,092	488,469	659,561
Lease rentals	-	622,890	622,890
Depreciation expense	<u>207,181</u>	<u>245,529</u>	<u>452,710</u>
Total operating expenses	<u>980,880</u>	<u>2,600,239</u>	<u>3,581,119</u>
Operating loss	<u>(150,847)</u>	<u>(619,142)</u>	<u>(769,989)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	37,901	111,827	149,728
Capital contributions	194,600	202,182	396,782
Interest expense	(83,944)	(36,989)	(120,933)
Transfer from other fund	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Total nonoperating revenues (expenses)	<u>278,557</u>	<u>277,020</u>	<u>555,577</u>
Change in net assets	127,710	(342,122)	(214,412)
Net assets, beginning	<u>5,441,265</u>	<u>9,657,436</u>	<u>15,098,701</u>
Net assets, ending	<u><u>\$ 5,568,975</u></u>	<u><u>\$ 9,315,314</u></u>	<u><u>\$ 14,884,289</u></u>

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS**

Year Ended December 31, 2008

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 800,711	\$ 1,878,308	\$ 2,679,019
Payments to suppliers	(496,353)	(1,097,832)	(1,594,185)
Payments to employees	<u>(273,032)</u>	<u>(626,587)</u>	<u>(899,619)</u>
Net cash provided by operating activities	<u>31,326</u>	<u>153,889</u>	<u>185,215</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund activity	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Net cash provided by noncapital financing activities	<u>130,000</u>	<u>-</u>	<u>130,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(814,178)	(552,730)	(1,366,908)
Capital contributions received	54,600	202,182	256,782
Interest paid	(83,944)	(38,242)	(122,186)
Principal paid on notes and bonds	<u>(80,000)</u>	<u>(810,000)</u>	<u>(890,000)</u>
Net cash used in capital and related financing activities	<u>(923,522)</u>	<u>(1,198,790)</u>	<u>(2,122,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>37,901</u>	<u>111,827</u>	<u>149,728</u>
Net cash provided by investing activities	<u>37,901</u>	<u>111,827</u>	<u>149,728</u>
Net decrease in cash and cash equivalents	(724,295)	(933,074)	(1,657,369)
Cash and cash equivalents:			
Beginning	<u>1,661,702</u>	<u>4,385,518</u>	<u>6,047,220</u>
Ending	<u>\$ 937,407</u>	<u>\$ 3,452,444</u>	<u>\$ 4,389,851</u>

UPPER SAUCON TOWNSHIP

**STATEMENTS OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 Year Ended December 31, 2008**

	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (150,847)	\$ (619,142)	\$ (769,989)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	207,181	245,529	452,710
Amortization expense	1,820	4,989	6,809
Change in assets and liabilities:			
(Increase) in accounts receivable	(29,322)	(102,789)	(132,111)
Decrease in due from component units	-	622,890	622,890
Increase (decrease) in accounts payable	4,037	(2,798)	1,239
Increase (decrease) in accrued expenses	<u>(1,543)</u>	<u>5,210</u>	<u>3,667</u>
 Net cash provided by operating activities	 <u>\$ 31,326</u>	 <u>\$ 153,889</u>	 <u>\$ 185,215</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal received on note from component unit	\$ -	\$ 622,890	\$ 622,890
Lease rental payment to component unit	\$ -	\$ (622,890)	\$ (622,890)
Contributed capital asset	\$ 140,000	\$ -	\$ 140,000

See Notes to the Financial Statements.

UPPER SAUCON TOWNSHIP

STATEMENTS OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

December 31, 2008

ASSETS	Pension Trust Funds	Agency Fund	Total
Cash and cash equivalents	\$ 1,386,615	\$ 674,829	\$ 2,061,444
Investments	3,741,010	-	3,741,010
Accrued interest receivable	<u>23,079</u>	<u>-</u>	<u>23,079</u>
 Total assets	 <u><u>\$ 5,150,704</u></u>	 <u><u>\$ 674,829</u></u>	 <u><u>\$ 5,825,533</u></u>
 LIABILITIES AND NET ASSETS			
 LIABILITIES, refundable escrow deposits	 \$ -	 \$ 674,829	 \$ 674,829
 NET ASSETS, held in trust for pension benefits	 <u>5,150,704</u>	 <u>-</u>	 <u>5,150,704</u>
	<u><u>\$ 5,150,704</u></u>	<u><u>\$ 674,829</u></u>	<u><u>\$ 5,825,533</u></u>

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended December 31, 2008

	Pension Trust Funds
ADDITIONS	
Contributions, employer	\$ 422,368
Contributions, employee	95,037
	<hr/>
	517,405
	<hr/>
Investment income:	
Net decrease in value of investments	(618,833)
Interest and dividends	6,978
	<hr/>
	(611,855)
	<hr/>
Total additions (decrease)	(94,450)
	<hr/>
DEDUCTIONS	
Benefit payments	271,215
Administrative expenses	34,539
	<hr/>
Total deductions	305,754
	<hr/>
Change in net assets	(400,204)
	<hr/>
Net assets held in trust for pension benefits, beginning	5,550,908
	<hr/>
Net assets held in trust for pension benefits, ending	<u><u>\$ 5,150,704</u></u>

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

Upper Saucon Township, Lehigh County, Pennsylvania (the "Township"), founded in 1753, has an approximate population of 12,000, based on a 2000 census report, living within an area of 24.7 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Lehigh County.

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

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. THE FINANCIAL REPORTING ENTITY

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include the government, organizations for which the government is financially accountable and other organizations for which the nature and significance of their relationship with the 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 Township. The financial statements of the following component units have been included in the reporting entity as discretely presented component units:

Upper Saucon Sewage Treatment Authority - owns the sewer treatment collection system in the Township. The Board of Directors of the Authority is appointed by the Township Board of Supervisors.

Upper Saucon Township Municipal Authority - owns the sewer treatment plant in the Township. The Board of Directors of the Authority is appointed by the Township Board of Supervisors.

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. BASIS OF PRESENTATION

Government-wide financial statements:

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and the component units. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Fund financial statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or types, and total assets, liabilities, revenues or expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

The funds of the financial reporting entity are described below:

Governmental funds:

General Fund - is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Special Revenue Funds - are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. The reporting entity includes one special revenue fund as a major fund:

Transportation Impact Fund - is used to account for fees collected by the Township, thus ensuring that new development bears a proportionate share of the cost of capital expenditures necessary to meet the transportation needs of the Township.

The Township reports the following special revenue funds as nonmajor governmental funds:

Street Lighting Fund - is used to account for the special real estate tax assessment levied for street lighting and payment of related expenditures.

Fire Hydrant Fund - is used to account for the special real estate tax assessment levied for fire hydrants and payment of related expenditures.

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 the Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Recreation Fund - is used to account for assessed developer contributions received for recreational purposes and payment of recreational capital and program expenditures.

Maintenance Trust Fund - is used to account for intergovernmental grants and other resources received that are restricted for expenditures related to stormwater maintenance in 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. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special revenue funds and trust funds).

The Township reports the following capital projects funds as nonmajor governmental funds:

Land Acquisition Capital Reserve Fund - is used to account for financial resources to be used for the acquisition of land in the Township derived from budgetary transfers, long-term debt proceeds and investment earnings.

Road Construction Capital Reserve Fund - is used to account for financial resources to be used for road construction in the Township derived from budgetary transfers, long-term debt proceeds and investment earnings.

Capital Projects Fund - is used to account for resources to be used to construct or acquire capital assets from resources derived from budgetary transfers, long-term debt proceeds and investment earnings.

Proprietary funds:

Enterprise Funds - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds, which are reported as major funds:

Water Fund - is used to account for the operation of the water system, which is operated as a public utility.

Sewer Fund - is used to account for the operation of the sewer system, which is operated as a public utility.

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. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Fiduciary fund types:

The Township also reports the following fund types:

Agency Fund - is used to account for assets held in trust for the benefit of others with the Township having no equity or ownership in the assets. The Fund primarily consists of escrow deposits made by developers to be used as expense reimbursements for legal and engineering fees.

Pension Trust Funds - are used to account for assets held for the Township's pension plans, which is funded by employer contributions. These Funds account for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits. The Township sponsors three pension plans: the Upper Saucon Township Police Pension Plan, the Upper Saucon Township Nonuniformed Employees' Pension Plan and the Length of Service Plan.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The basic financial statements of the Township are comprised of the following:

- a. Government-wide financial statements.
- b. Fund financial statements.
- c. Notes to financial statements.
- d. Required supplementary information.

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program.

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. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. ASSETS AND LIABILITIES

Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments:

The Board of Supervisors is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

1. U. S. Treasury Bills.
2. Short-term obligations of the U. S. Government or its agencies or instrumentalities.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Shares of mutual funds whose investments are restricted to the above categories.

Investments are carried at fair value.

Investments of pension trust funds are pursuant to the guidelines established by the Pension Boards.

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):

D. ASSETS AND LIABILITIES (CONTINUED)

Accounts receivable:

Accounts receivable are shown net of allowances for uncollectible amounts.

Due to and from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital assets:

Capital assets, which include property, plant, equipment and infrastructure, are valued at historical cost or estimated historical cost if actual historical cost is not available. The Township maintains a capitalization threshold of \$ 1,000 for all capital assets.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend its useful life is not capitalized.

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

	Years
Land improvements	20
Plant and improvements	20-50
Buildings and improvements	20-50
Roads	40
Vehicles	5-10
Machinery and equipment	5-10

Escrow and retentions payable:

The Township requires deposits from developers for site development. Unexpended deposits are returned to developers with interest.

Deferred revenues:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available. Deferred revenue may also result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

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):

D. ASSETS AND LIABILITIES (CONTINUED)

Long-term debt:

In the government-wide financial statements, proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Bond issuance costs:

Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond issuance costs are presented as other assets.

E. EQUITY

Government-wide statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt, groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted."

It is the Township's policy to first use restricted net assets prior to the use of unrestricted net assets when an expenditure is incurred for purposes for which both reserved and unreserved fund balances are available.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes.

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. REVENUES AND EXPENDITURES

Program revenues:

All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (1) charges to customers or applicants for goods and services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are usage charges. Operating expenses of the Water and Sewer Funds include the cost of the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues and expenses of the Township's proprietary fund are interest income, capital contributions and interest expense.

Property taxes:

The Township is permitted by state law to levy real estate taxes up to 14 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 2008 was 4.2 mills, as established by the Board of Supervisors. Current tax collections for the Township were approximately 98% of the total tax levy.

The Township's real estate taxes are based on assessed value established by the County's Board of Assessments. The real estate taxes are collected by an elected tax collector. Real estate taxes attach an enforceable lien on property when levied on January 1. A discount of 2% is applied to payments made prior to May 31. A penalty of 10% is added to the face amount of taxes paid after July 31. The Lehigh County Tax Claim Bureau collects delinquent real estate taxes on behalf of the Township 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.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the Township regardless of when the cash is received. Over time, substantially all property taxes are collected.

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):

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

Fund financial statements:

In the fund financial statements, delinquent property taxes not paid within 60 days of December 31 are recorded as deferred revenue.

Interfund activity, if any, within and among the governmental and proprietary fund categories, is reported as follows in the fund financial statements:

Interfund services:

Sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund reimbursements:

Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

Interfund transfers:

Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. 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.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

The Township's available cash is invested in demand deposit accounts. Pension fund assets are invested in mutual funds. The carrying amounts of cash and investments at December 31, 2008 consist of the following:

Cash deposits	\$ 13,478,649
Investments	<u>3,741,010</u>
	<u>\$ 17,219,659</u>

Reconciliation to statement of net assets/balance sheet:

Cash:	
Governmental activities	\$ 7,025,746
Business-type activities	4,389,851
Component units	1,608
Fiduciary funds	<u>2,061,444</u>
	13,478,649
Investments, fiduciary	<u>3,741,010</u>
	<u>\$ 17,219,659</u>

Custodial credit risk - deposits:

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. At December 31, 2008, the carrying amounts of the Township's bank deposits were \$ 13,478,649 and the corresponding bank balances were \$ 13,836,777, of which \$ 629,914 was covered by Federal Depository Insurance. The remaining \$ 13,206,863 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

As of December 31, 2008, the Township's pension funds have the following investments:

Police Pension Fund:

	Cost	Fair Value	Maturity - Less Than One Year	Maturity - One-to-Five Years	Maturity Six-to-Ten Years	Ratings as of Year- End
Fixed income - corporate	\$ 341,759	\$ 355,266	\$ -	\$ 255,389	\$ 99,877	Aaa-A2
Fixed income - U. S. Government	349,793	353,877	-	250,841	103,036	Aaa
Equities	684,617	581,267	581,267	-	-	N/A
Equity mutual funds	<u>660,000</u>	<u>582,047</u>	<u>582,047</u>	<u>-</u>	<u>-</u>	N/A
	<u>\$ 2,036,169</u>	<u>\$ 1,872,457</u>	<u>\$ 1,163,314</u>	<u>\$ 506,230</u>	<u>\$ 202,913</u>	

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Investments (continued):

Nonuniformed Employees' Pension Fund:

	Cost	Fair Value	Maturity - Less Than One Year	Maturity - One-to-Five Years	Maturity Six-to-Ten Years	Ratings as of Year- End
Fixed income - corporate	\$ 341,759	\$ 355,266	\$ -	\$ 255,389	\$ 99,877	Aaa-A2
Fixed income - U. S. Government	349,793	353,877	-	250,841	103,036	Aaa
Equities	682,907	577,363	577,363	-	-	N/A
Equity mutual funds	<u>660,000</u>	<u>582,047</u>	<u>582,047</u>	<u>-</u>	<u>-</u>	N/A
	<u>\$ 2,034,459</u>	<u>\$ 1,868,553</u>	<u>\$ 1,159,410</u>	<u>\$ 506,230</u>	<u>\$ 202,913</u>	

Credit risk:

The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 1. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Interest rate risk:

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2008, \$ 3,741,010 is held by the investment's counterparties, not in the name of the Township.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Activity in the capital assets for the primary government for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,870,063	\$ 185,000	\$ -	\$ 5,055,063
Construction in progress	<u>53,490</u>	<u>701,577</u>	<u>-</u>	<u>755,067</u>
Total capital assets not being depreciated	<u>4,923,553</u>	<u>886,577</u>	<u>-</u>	<u>5,810,130</u>
Capital assets being depreciated:				
Land improvements	478,117	-	-	478,117
Roads	461,904	-	-	461,904
Buildings and improvements	3,332,860	-	-	3,332,860
Vehicles	2,246,805	47,651	110,308	2,184,148
Machinery and equipment	<u>2,101,933</u>	<u>156,161</u>	<u>-</u>	<u>2,258,094</u>
Total capital assets being depreciated	<u>8,621,619</u>	<u>203,812</u>	<u>110,308</u>	<u>8,715,123</u>
Less accumulated depreciation for:				
Land improvements	145,462	23,905	-	169,367
Roads	41,732	11,548	-	53,280
Buildings and improvements	1,175,472	89,060	-	1,264,532
Vehicles	1,327,595	178,032	109,795	1,395,832
Machinery and equipment	<u>1,692,379</u>	<u>123,499</u>	<u>-</u>	<u>1,815,878</u>
Total accumulated depreciation	<u>4,382,640</u>	<u>426,044</u>	<u>109,795</u>	<u>4,698,889</u>
Total capital assets being depreciated, net	<u>4,238,979</u>	<u>(222,232)</u>	<u>513</u>	<u>4,016,234</u>
Total governmental activities capital assets, net	<u>\$ 9,162,532</u>	<u>\$ 664,345</u>	<u>\$ 513</u>	<u>\$ 9,826,364</u>

Depreciation expense was charged to the following functions:

General government	\$ 91,796
Public safety	89,857
Public works - highways and streets	236,794
Culture and recreation	<u>7,597</u>
	<u>\$ 426,044</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 415,951	\$ -	\$ -	\$ 415,951
Construction in progress	<u>463,608</u>	<u>1,343,234</u>	<u>-</u>	<u>1,806,842</u>
Total capital assets not being depreciated	<u>879,559</u>	<u>1,343,234</u>	<u>-</u>	<u>2,222,793</u>
Capital assets being depreciated:				
Plant and improvements	9,825,156	881,886	-	10,707,042
Buildings and improvements	1,156,891	-	-	1,156,891
Vehicles	510,809	48,087	-	558,896
Machinery and equipment	<u>1,029,227</u>	<u>-</u>	<u>-</u>	<u>1,029,227</u>
Total capital assets being depreciated	<u>12,522,083</u>	<u>929,973</u>	<u>-</u>	<u>13,452,056</u>
Less accumulated depreciation for:				
Plant and improvements	1,855,377	305,954	-	2,161,331
Buildings and improvements	277,009	23,747	-	300,756
Vehicles	424,139	23,630	-	447,769
Machinery and equipment	<u>383,892</u>	<u>99,379</u>	<u>-</u>	<u>483,271</u>
Total accumulated depreciation	<u>2,940,417</u>	<u>452,710</u>	<u>-</u>	<u>3,393,127</u>
Total capital assets being depreciated, net	<u>9,581,666</u>	<u>477,263</u>	<u>-</u>	<u>10,058,929</u>
Total business-type activities capital assets, net	<u>\$ 10,461,225</u>	<u>\$ 1,820,497</u>	<u>\$ -</u>	<u>\$ 12,281,722</u>

Depreciation expense was charged to the following funds:

Water Fund	\$ 207,181
Sewer Fund	<u>245,529</u>
	<u>\$ 452,710</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Capital asset activity for the component units for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Business-type activities:				
Capital assets being depreciated:				
Plant and improvements	\$ 9,914,805	\$ -	\$ -	\$ 9,914,805
Less accumulated depreciation	<u>6,436,775</u>	<u>321,918</u>	<u>-</u>	<u>6,758,693</u>
Total capital assets being depreciated	<u>\$ 3,478,030</u>	<u>\$ 321,918</u>	<u>\$ -</u>	<u>\$ 3,156,112</u>

Depreciation expense was charged to the following entities:

Upper Saucon Sewage Treatment Authority	\$ 296,196
Upper Saucon Township Municipal Authority	<u>25,722</u>
	<u>\$ 321,918</u>

Note 5. Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2008 were as follows:

	Transfers In	Transfers Out
Street Lighting Fund	\$ 10,000	\$ -
Fire Hydrant Fund	-	130,000
Water Fund	130,000	-
General Fund	<u>-</u>	<u>10,000</u>
	<u>\$ 140,000</u>	<u>\$ 140,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

At December 31, 2008, long-term debt consisted of the following:

	Balance Outstanding January 1, 2008	Additions	Payments	Balance Outstanding December 31, 2008
Governmental activities:				
General Obligation Bonds, Series of 2001, original amount \$ 2,540,000, due in semiannual installments of principal plus interest ranging from 3.35% to 5.25% through 2031	\$ 2,305,000	\$ -	\$ 55,000	\$ 2,250,000
General Obligation Bonds, Series of 2003, original amount \$ 1,180,000, due in semiannual installments of principal plus interest ranging from 2.00% to 4.60% through 2023	1,000,000	-	50,000	950,000
General Obligation Note, Series of 2004, original amount \$ 903,000, due in semiannual installments of principal plus interest at 4.65% through 2019	739,000	-	47,000	692,000
General Obligation Note, Series of 2004A, original amount \$ 3,082,000, due in semiannual installments of principal plus interest at 4.06% through 2019	<u>2,541,000</u>	<u>-</u>	<u>144,000</u>	<u>2,397,000</u>
Total Governmental activities	<u>6,585,000</u>	<u>-</u>	<u>296,000</u>	<u>6,289,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

	Balance Outstanding January 1, 2008	Additions	Payments	Balance Outstanding December 31, 2008
Business-type activities:				
General Obligation Bonds, Series of 2003, original amount \$ 6,260,000, due in semiannual installments of principal plus interest ranging from 2.00% to 4.60% through 2024	<u>\$ 3,620,000</u>	<u>\$ -</u>	<u>\$ 890,000</u>	<u>\$ 2,730,000</u>
Total debt	<u>\$ 10,205,000</u>	<u>\$ -</u>	<u>\$ 1,186,000</u>	<u>\$ 9,019,000</u>

Aggregate maturities required on long-term debt at December 31, 2008 are as follows:

Governmental activities:

	Principal	Interest	Total Debt Service
2009	\$ 332,400	\$ 279,564	\$ 611,964
2010	349,200	266,222	615,422
2011	360,500	252,019	612,519
2012	382,700	237,030	619,730
2013	384,500	221,063	605,563
2014-2018	2,209,000	843,025	3,052,025
2019-2023	1,190,700	412,445	1,603,145
2024-2028	620,000	204,728	824,728
2029-2031	<u>460,000</u>	<u>37,275</u>	<u>497,275</u>
	<u>\$ 6,289,000</u>	<u>\$ 2,753,371</u>	<u>\$ 9,042,371</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Business-type activities:

	Principal	Interest	Total Debt Service
2009	\$ 575,000	\$ 101,716	\$ 676,716
2010	210,000	86,480	296,480
2011	210,000	80,178	290,178
2012	105,000	73,354	178,354
2013	110,000	69,678	179,678
2014-2018	605,000	282,788	887,788
2019-2023	745,000	143,525	888,525
2024	170,000	7,820	177,820
	\$ 2,730,000	\$ 845,539	\$ 3,575,539

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

Note 7. Lease Commitment

The Township has entered into an operating lease agreement with the Upper Saucon Sewage Treatment Authority (USSTA) for rental of the sewer plant. The rental payments are to fund the Township's share of the cost of the sewer plant, which is shared with the Borough of Coopersburg based upon an agreed-upon allocation.

In 1999, the Township satisfied its share of the outstanding debt of USSTA, which resulted in a receivable from USSTA for the Township and a payable to the Township for USSTA, of which the balance is \$ 538,300 at December 31, 2008.

USSTA is repaying the Township an amount equal to the annual rent payments due from the Township to USSTA for the operating lease, which amounted to \$ 622,890 for the year ended December 31, 2008.

No inter-entity elimination entries have been made related to these transactions.

Note 8. Pension Plans

The Township maintains two single-employer defined benefit pension plans. The assets of the plans are invested separately, and each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans

Valuation of investments:

All investments of the pension plans are reported at fair value based on quoted market values. Investments that do not have an established market value are reported at estimated fair value, insurance holdings, if any, are valued at reported contract values.

Plan descriptions and contributions information:

Upper Saucon Township Police Pension Plan:

Plan description:

The Upper Saucon Township Police Pension Plan (the "Police Plan") is a single-employer defined benefit pension plan that covers all full-time uniform employees of the police force. The retirement benefit is equal to 50% of the participant's final average monthly compensation during their last 36 months of employment. The normal retirement date is age 50 with 25 years of credited service and participants become 100% vested upon completion of 12 years of service. The Police Plan also provides death and disability benefits. The authority for benefit provisions under the Police Plan rests with the Township's Board of Supervisors. The Police Plan does not issue stand-alone financial statements.

Contributions:

The Township and participants are required to contribute amounts necessary to fund the Police Plan using the actuarial basis specified by the Township. Member contributions range from 0% to 8% and are determined annually by the Township's Board of Supervisors. For the year ended December 31, 2008, the required member contribution was 3% of annual compensation.

Upper Saucon Township Nonuniformed Employees' Pension Plan:

Plan description:

The Upper Saucon Township Nonuniformed Employees' Pension Plan (the "Nonuniformed Plan") is a single-employer defined benefit pension plan that covers all full-time nonuniformed employees. The retirement benefit is equal to 2.5% of the participant's final average monthly compensation during the last 60 months of employment times the years of credited service, up to a maximum of 70% of average monthly compensation. The normal retirement date is age 65 with 10 years of vesting service, or after attainment of age 60 and completion of 20 years of vesting service, if earlier. Participants become 100% vested upon completion of 10 years of service. The Nonuniformed Plan also provides for early retirement, death and disability benefits. The authority for benefit provisions under the Nonuniformed Plan rests with the Township's Board of Supervisors. The Nonuniformed Plan does not issue stand-alone financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Plan descriptions and contributions (continued):

Upper Saucon Township Nonuniformed Employees' Pension Plan (continued):

Contributions:

The Township and employees are required to contribute amounts necessary to fund the Nonuniformed Plan using the actuarial basis specified by the Township. Member contributions were set at 3% for the year ended December 31, 2008.

Annual pension cost and net pension obligation:

The Township's annual pension cost and net pension obligation to the pension plans for the year ended December 31, 2008 are as follows:

	Police Plan	Nonuniformed Plan
Annual required contribution	\$ 141,153	\$ 227,463
Interest on net pension obligation	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension cost	141,153	227,463
Contributions made	<u>(141,153)</u>	<u>(227,463)</u>
Increase in net pension obligation	-	-
Net pension obligation, beginning of year	<u>-</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ -</u>	<u>\$ -</u>

Actuarial assumptions and other information used to determine the annual required contribution are located in the required supplementary information section of the report.

Three-year trend information:

----- Police Plan -----			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 130,381	100%	\$ -
12/31/07	212,609	100%	-
12/31/08	141,153	100%	-

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Annual pension cost and net pension obligation (continued):

Three-year trend information (continued):

----- Nonuniformed Plan -----				
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
12/31/06	\$ 226,227	100%	\$ -	
12/31/07	262,977	100%	-	
12/31/08	227,463	100%	-	

Funded status and funding progress:

The funded status of the Township's Police Pension Fund as of January 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 2,683,620	\$ 3,801,896	\$ 1,118,276	70.6%	\$ 998,128	112.0%

The funded status of the Township's Nonuniformed Pension Plan as of January 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 2,108,179	\$ 3,093,248	\$ 985,069	68.2%	\$ 1,685,824	58.4%

The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Plan membership:

Membership in the pension plans as of January 1, 2007, the most recent date available, is comprised of the following:

	Police Plan	Nonuniformed Plan
Active employees	17	39
Terminated employees entitled to benefits but not yet receiving benefits	4	6
Retired members	1	4
Spouse beneficiaries	<u>1</u>	<u>1</u>
	<u>23</u>	<u>50</u>

Note 9. Deferred Compensation

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet the eligibility requirements set forth in the plan, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or unforeseeable emergency.

The Township has no liability for losses under the plan arising from expense charges of any kind, or from depreciation or shrinkage in the value of assets of the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

Note 10. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Township purchases commercial insurance as protection against those losses.

Note 11. Commitments and Contingency

Commitments:

The Township has commitments for various capital projects of approximately \$ 78,000 at December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingency (Continued)

Litigation:

The Township is a defendant in several lawsuits that have been referred to the Township's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

Note 12. New Accounting Pronouncement

The following standard will be effective in the future for the Township:

The Governmental Accounting Standards Board has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which applies to state and local government employers that provide postemployment benefits other than pension (OPEB) to employees. The Statement provides guidance on the accounting and reporting by employers for the costs and obligations of postemployment healthcare and other nonpension benefits provided to employees as part of their compensation for services. In addition, for the OPEB plans in which the employer participates, the Statement requires certain disclosures, including disclosures regarding the employer's funding policy and the actuarial process and assumptions. The requirements of this standard are effective for the Township beginning January 1, 2009.

Note 13. Subsequent Event

In April 2009, the Township issued \$ 8,590,000 of General Obligation Bonds, Series of 2009. The proceeds were used to redeem the Township's 2001 Bond Issue, 2003 Bond Issue, 2004A Note and pay issuance costs.

UPPER SAUCON TOWNSHIP

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2008

	----- Budgeted Amounts -----	
	Original	Final
REVENUES		
Taxes	\$ 6,246,000	\$ 6,246,000
Licenses and permits	377,900	377,900
Fines and forfeits	56,500	56,500
Interest, rents and royalties	108,200	108,200
Intergovernmental revenue	422,360	422,360
Charges for services	621,000	621,000
Proceeds from sale of capital assets	-	-
Miscellaneous revenue	80,000	80,000
	<u>7,911,960</u>	<u>7,911,960</u>
Total revenues	<u>7,911,960</u>	<u>7,911,960</u>
EXPENDITURES		
Current:		
General government	895,400	895,400
Public safety	3,291,200	3,291,200
Public works - highways and streets	2,292,300	2,292,300
Culture and recreation	326,300	326,300
Other	693,367	693,367
Debt service	909,500	909,500
Capital outlay	393,001	393,001
	<u>8,801,068</u>	<u>8,801,068</u>
Total expenditures	<u>8,801,068</u>	<u>8,801,068</u>
Deficiency of revenues under expenditures	<u>(889,108)</u>	<u>(889,108)</u>

Actual Amounts	Variance with Final Budget
\$ 6,315,537	\$ 69,537
240,499	(137,401)
62,340	5,840
75,659	(32,541)
536,912	114,552
132,337	(488,663)
109,023	109,023
80,466	466
<u>7,552,773</u>	<u>(359,187)</u>
1,022,674	(127,274)
3,180,600	110,600
1,917,120	375,180
341,913	(15,613)
677,432	15,935
608,564	300,936
376,685	16,316
<u>8,124,988</u>	<u>676,080</u>
<u>(572,215)</u>	<u>316,893</u>

UPPER SAUCON TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

GENERAL FUND

Year Ended December 31, 2008

	----- Budgeted Amounts -----	
	Original	Final
OTHER FINANCING SOURCES (USES)		
Transfers out	\$ <u>(10,000)</u>	\$ <u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ (899,108)</u>	<u>\$ (899,108)</u>
Fund balance, beginning of year		
Fund balance, end of year		

See Note to Budgetary Comparison Schedules.

**Actual
Amounts**

**Variance with
Final Budget**

<u>\$ (10,000)</u>	<u>\$ -</u>
<u>(10,000)</u>	<u>-</u>
(582,215)	<u>\$ 316,893</u>
<u>2,133,665</u>	
<u>\$ 1,551,450</u>	

UPPER SAUCON TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION IMPACT FUND
Year Ended December 31, 2008**

	----- Budgeted Amounts -----	
	Original	Final
REVENUES		
Interest, rents and royalties	\$ 69,000	\$ 69,000
Developer contributions	100,000	100,000
Total revenues	169,000	169,000
EXPENDITURES		
Current, public works - highways and streets	156,300	156,300
Total expenditures	156,300	156,300
Net change in fund balance	\$ 12,700	\$ 12,700
Fund balance, beginning of year		
Fund balance, end of year		

See Note to Budgetary Comparison Schedules.

Actual Amounts	Variance with Final Budget
\$ 40,958	\$ (28,042)
<u>10,410</u>	<u>(89,590)</u>
<u>51,368</u>	<u>(117,632)</u>
<u>148,135</u>	<u>8,165</u>
<u>148,135</u>	<u>8,165</u>
(96,767)	<u><u>\$ (109,467)</u></u>
<u>1,866,438</u>	
<u><u>\$ 1,769,671</u></u>	

UPPER SAUCON TOWNSHIP
NOTE TO BUDGETARY COMPARISON SCHEDULES

Note 1. Budget Matters

The Board of Supervisors annually adopts the budgets for all Funds.

Budgetary control is legally maintained at the line-item level.

Budgets are prepared at the department level. Departments for budgetary purposes include general government, public safety, public works - highways and streets, culture and recreation, and other.

The Second Class Township Code provides for the modification of budgets and supplemental appropriations and transfers. All changes to the budgets must be approved by the Board of Supervisors.

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

The budgets are prepared on the modified accrual basis of accounting.

There were no supplemental appropriations to the 2008 budgets.

UPPER SAUCON TOWNSHIP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLANS
Year Ended December 31, 2008**

Upper Saucon Township Police Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
January 1, 2003	\$ 2,247,295	\$ 2,409,280	\$ 161,985	93.3%
January 1, 2005	2,416,944	2,798,648	381,704	86.4%
January 1, 2007	2,683,620	3,801,896	1,118,276	70.6%

Upper Saucon Township Nonuniformed Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
January 1, 2003	\$ 1,067,587	\$ 1,980,832	\$ 913,245	53.9%
January 1, 2005	1,528,207	2,495,970	967,763	61.2%
January 1, 2007	2,108,179	3,093,248	985,069	68.2%

	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$	781,834	20.7%
	918,128	41.6%
	998,128	112.0%

	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$	1,255,546	72.7%
	1,503,405	64.4%
	1,685,824	58.4%

UPPER SAUCON TOWNSHIP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
Year Ended December 31, 2008**

Upper Saucon Township Police Pension Plan:

Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
1999	\$ 42,535	\$ 42,535	100.0 %
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	-	-	-
2004	-	46,151	-
2005	130,337	130,500	100.1
2006	130,381	130,381	100.0
2007	212,609	212,609	100.0
2008	141,153	141,153	100.0

Upper Saucon Township Nonuniformed Pension Plan:

Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
1999	\$ 58,744	\$ 58,744	100.0 %
2000	50,293	50,293	100.0
2001	60,898	60,898	100.0
2002	70,866	92,752	130.9
2003	98,366	98,366	100.0
2004	110,333	160,556	145.5
2005	243,676	244,000	100.1
2006	226,227	226,227	100.0
2007	262,977	262,977	100.0
2008	227,463	227,463	100.0

UPPER SAUCON TOWNSHIP

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
Year Ended December 31, 2008**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as the dates indicated. Additional information as of the latest actuarial valuation follows:

	Police Pension Plan	Nonuniformed Employees' Pension Plan
Actuarial valuation date	1/1/2007	1/1/2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	18 years	19 years
Asset valuation method	Fair value	Fair value
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	5.00%	5.00%
Postretirement benefit increases	Social Security cost-of-living increase for the preceding calendar year, up to 5% with a maximum cost-of-living increase of 15%	None

UPPER SAUCON TOWNSHIP

**COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2008

	----- Special Revenue		
	Street Lighting	Fire Hydrant	State Liquid Fuels Highway Aid
ASSETS			
Cash and cash equivalents	\$ 2,211	\$ 34,814	\$ 699,448
Accounts receivable	-	-	-
Taxes receivable	<u>1,714</u>	<u>29,434</u>	<u>-</u>
Total assets	<u>\$ 3,925</u>	<u>\$ 64,248</u>	<u>\$ 699,448</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 1,540	\$ 24,006
Deferred revenues	<u>1,526</u>	<u>25,513</u>	<u>-</u>
Total liabilities	<u>1,526</u>	<u>27,053</u>	<u>24,006</u>
FUND BALANCES			
Unrestricted, reported in:			
Special revenue funds	2,399	37,195	-
Capital projects funds	-	-	-
Restricted for stormwater maintenance	-	-	-
Restricted for public works - highways and streets	-	-	675,442
Restricted for recreation	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,399</u>	<u>\$ 37,195</u>	<u>\$ 675,442</u>

Funds -----		----- Capital Projects Funds -----				
Recreation	Maintenance Trust	Land Acquisition Capital Reserve	Road Construction Capital Reserve	Capital Projects	Total Governmental Funds	
\$ 817,310	\$ 930,653	\$ 438,212	\$ 780,456	\$ 444,712	\$ 4,147,816	
-	-	-	32,776	-	32,776	
-	-	-	-	-	31,148	
<u>\$ 817,310</u>	<u>\$ 930,653</u>	<u>\$ 438,212</u>	<u>\$ 813,232</u>	<u>\$ 444,712</u>	<u>\$ 4,211,740</u>	
\$ 13,192	\$ -	\$ -	\$ 110,557	\$ 9,433	\$ 158,728	
-	-	-	-	-	27,039	
<u>13,192</u>	<u>-</u>	<u>-</u>	<u>110,557</u>	<u>9,433</u>	<u>185,767</u>	
-	-	-	-	-	39,594	
-	-	438,212	702,675	435,279	1,576,166	
-	930,653	-	-	-	930,653	
-	-	-	-	-	675,442	
<u>804,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>804,118</u>	
<u>\$ 804,118</u>	<u>\$ 930,653</u>	<u>\$ 438,212</u>	<u>\$ 702,675</u>	<u>\$ 435,279</u>	<u>\$ 4,025,973</u>	

UPPER SAUCON TOWNSHIP

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2008**

	----- Special Revenue Funds -----		
	Street Lighting	Fire Hydrant	State Liquid Fuels Highway Aid
REVENUES			
Taxes	\$ 5,800	\$ 111,888	\$ -
Interest, rents and royalties	101	2,590	12,886
Intergovernmental revenue	-	-	319,834
Developer contributions	-	-	-
	<u>5,901</u>	<u>114,478</u>	<u>332,720</u>
EXPENDITURES			
Current:			
Public safety	-	18,480	-
Public works - highways and streets	15,983	-	84,229
Capital outlay	-	-	-
	<u>15,983</u>	<u>18,480</u>	<u>84,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,082)</u>	<u>95,998</u>	<u>248,491</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	-	-
Transfers out	-	(130,000)	-
	<u>10,000</u>	<u>(130,000)</u>	<u>-</u>
Net change in fund balances	<u>(82)</u>	<u>(34,002)</u>	<u>248,491</u>
Fund balances, beginning	<u>2,481</u>	<u>71,197</u>	<u>426,951</u>
Fund balances, ending	<u>\$ 2,399</u>	<u>\$ 37,195</u>	<u>\$ 675,442</u>

-----		----- Capital Projects Funds -----				
Recreation	Maintenance Trust	Land Acquisition Capital Reserve	Road Construction Capital Reserve	Capital Projects	Total Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,688	
17,987	20,385	13,348	19,334	13,149	99,780	
22,725	-	-	-	-	342,559	
114,330	-	-	-	-	114,330	
<u>155,042</u>	<u>20,385</u>	<u>13,348</u>	<u>19,334</u>	<u>13,149</u>	<u>674,357</u>	
-	-	-	-	-	18,480	
-	2,956	-	162,143	-	265,311	
116,830	-	185,000	-	197,103	498,933	
<u>116,830</u>	<u>2,956</u>	<u>185,000</u>	<u>162,143</u>	<u>197,103</u>	<u>782,724</u>	
<u>38,212</u>	<u>17,429</u>	<u>(171,652)</u>	<u>(142,809)</u>	<u>(183,954)</u>	<u>(108,367)</u>	
-	-	-	-	-	10,000	
-	-	-	-	-	(130,000)	
-	-	-	-	-	(120,000)	
38,212	17,429	(171,652)	(142,809)	(183,954)	(228,367)	
765,906	913,224	609,864	845,484	619,233	4,254,340	
<u>\$ 804,118</u>	<u>\$ 930,653</u>	<u>\$ 438,212</u>	<u>\$ 702,675</u>	<u>\$ 435,279</u>	<u>\$ 4,025,973</u>	

UPPER SAUCON TOWNSHIP

COMBINING STATEMENT OF PENSION NET ASSETS
PENSION TRUST FUNDS

December 31, 2008

ASSETS	Police Pension Fund	Nonuniformed Pension Fund
Cash and cash equivalents	\$ 689,833	\$ 539,093
Investments	1,872,457	1,868,553
Accrued interest receivable	<u>11,576</u>	<u>11,503</u>
Total assets	<u>\$ 2,573,866</u>	<u>\$ 2,419,149</u>
NET ASSETS		
NET ASSETS, held in trust for pension benefits	<u>\$ 2,573,866</u>	<u>\$ 2,419,149</u>

Length of Service Fund	Total Pension Funds
\$ 157,689	\$ 1,386,615
-	3,741,010
-	<u>23,079</u>
<u>\$ 157,689</u>	<u>\$ 5,150,704</u>
 <u>\$ 157,689</u>	 <u>\$ 5,150,704</u>