

# UPPER SAUCON TOWNSHIP, LEHIGH COUNTY, PENNSYLVANIA

FINANCIAL REPORT

DECEMBER 31, 2010



REINSEL KUNTZ LESHER  
certified public accountants & 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 financial statements of the governmental activities, the business-type activities, the 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, 2010, 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 discretely presented component units, each major fund and the aggregate remaining fund information of Upper Saucon Township, Lehigh County, Pennsylvania, as of December 31, 2010, 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 3-10 and Pages 46-51 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 52-54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Reinsel Kuntz Lesker LLP*

**Wyomissing, Pennsylvania**  
**June 29, 2011**

## Management's Discussion and Analysis

As management of Upper Saucon Township, we offer 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, 2010.

### Financial Highlights

- The assets of Upper Saucon Township exceeded its liabilities at the close of the most recent fiscal year by \$ 27,534,991. Of this amount, \$ 9,690,891 may be used to meet the government's on-going obligations to citizens and creditors.
- Upper Saucon Township's net assets increased by \$ 1,612,635.
- As of the close of fiscal year 2010, Upper Saucon Township's governmental funds reported combined ending fund balances of \$ 6,426,347. Approximately 30% of this total amount is available for spending at the government's discretion. The remaining 70% is held for specific capital projects.
- At the end of fiscal year 2010, the unreserved fund balance for the general fund was \$ 1,954,052.

### 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 11 and 12 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. Data from the other nine 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 17 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 18 through 21 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 22 and 23 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 24 through 46 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 nonuniform 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 47 through 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 53 through 55 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 \$ 27,534,991 at the close of the fiscal year 2010. Of this amount, \$ 14,185,265 (or 52%) 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

|   | <b>Governmental</b>  |                      | <b>Business-type</b> |                      | <b>Total</b>         |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <b>Activities</b>    |                      | <b>Activities</b>    |                      |                      |                      |
|   | <b><u>2010</u></b>   | <b><u>2009</u></b>   | <b><u>2010</u></b>   | <b><u>2009</u></b>   | <b><u>2010</u></b>   | <b><u>2009</u></b>   |
| Current and other assets                | \$ 7,178,420         | \$ 7,346,970         | \$ 6,972,502         | \$ 4,866,468         | \$ 14,150,922        | \$ 12,213,438        |
| Capital assets                          | <u>\$ 10,671,207</u> | <u>\$ 10,163,647</u> | <u>\$ 13,855,399</u> | <u>\$ 12,494,345</u> | <u>\$ 24,526,606</u> | <u>\$ 22,657,992</u> |
| Total assets                            | \$ 17,849,627        | \$ 17,510,617        | \$ 20,827,901        | \$ 17,360,813        | \$ 38,677,528        | \$ 34,871,430        |
| Long-term liabilities                   | \$ 5,452,666         | \$ 5,847,448         | \$ 4,258,610         | \$ 1,946,485         | \$ 9,711,276         | \$ 7,793,933         |
| Other liabilities                       | <u>\$ 942,798</u>    | <u>\$ 699,376</u>    | <u>\$ 488,463</u>    | <u>\$ 455,765</u>    | <u>\$ 1,431,261</u>  | <u>\$ 1,155,141</u>  |
| Total liabilities                       | \$ 6,395,464         | \$ 6,546,824         | \$ 4,747,073         | \$ 2,402,250         | \$ 11,142,537        | \$ 8,949,074         |
| Net assets:                             |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of debt | \$ 4,824,541         | \$ 4,004,199         | \$ 9,360,724         | \$ 10,332,860        | \$ 14,185,265        | \$ 14,337,059        |
| Restricted                              | \$ 3,658,835         | \$ 4,319,983         | \$ -                 | \$ -                 | \$ 3,658,835         | \$ 4,319,983         |
| Unrestricted                            | <u>\$ 2,970,787</u>  | <u>\$ 2,639,611</u>  | <u>\$ 6,720,104</u>  | <u>\$ 4,625,703</u>  | <u>\$ 9,690,891</u>  | <u>\$ 7,265,314</u>  |
| Total net assets                        | \$ 11,454,163        | \$ 10,963,793        | \$ 16,080,828        | \$ 14,958,563        | \$ 27,534,991        | \$ 25,922,356        |

A portion of Upper Saucon Township's net assets (13.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 9,690,891) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2010, 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 \$ 490,370. Business-type activities increased Upper Saucon Township's net assets by \$ 1,122,265. Key elements of these changes are as follows:

### Upper Saucon Township's Changes in Net Assets

|  | <u>Governmental</u><br><u>Activities</u> |                      | <u>Business-type</u><br><u>Activities</u> |                      | <u>Total</u>         |                      |
|--|--|----------------------|---|----------------------|----------------------|----------------------|
|  | <u>2010</u>                              | <u>2009</u>          | <u>2010</u>                               | <u>2009</u>          | <u>2010</u>          | <u>2009</u>          |
| <b>Revenues:</b>                           |  |                      |   |                      |                      |                      |
| Taxes licenses and permits                 | \$ 6,122,283                             | \$ 6,094,300         | \$ -                                      | \$ -                 | \$ 6,122,283         | \$ 6,094,300         |
| Interest and rents                         | \$ 107,293                               | \$ 131,818           | \$ 54,446                                 | \$ 66,479            | \$ 161,739           | \$ 198,297           |
| Charges for service                        | \$ 290,456                               | \$ 312,935           | \$ 2,964,033                              | \$ 2,839,117         | \$ 3,254,489         | \$ 3,152,052         |
| Other financing sources                    | \$ 907,888                               | \$ 1,131,672         | \$ -                                      | \$ -                 | \$ 907,888           | \$ 1,131,672         |
| Miscellaneous revenue                      | \$ 6,216                                 | \$ 4,047             | \$ -                                      | \$ -                 | \$ 6,216             | \$ 4,047             |
| Transfers                                  | \$ (100,000)                             | \$ (116,623)         | \$ 100,000                                | \$ 116,623           | \$ -                 | \$ -                 |
|  | <u>\$ 7,334,136</u>                      | <u>\$ 7,558,149</u>  | <u>\$ 3,118,479</u>                       | <u>\$ 3,022,219</u>  | <u>\$ 10,452,615</u> | <u>\$ 10,580,368</u> |
| <b>Expenditures:</b>                       |  |                      |   |                      |                      |                      |
| General government                         | \$ 865,143                               | \$ 906,093           | \$ -                                      | \$ -                 | \$ 865,143           | \$ 906,093           |
| Public safety                              | \$ 3,313,335                             | \$ 3,417,673         | \$ -                                      | \$ -                 | \$ 3,313,335         | \$ 3,417,673         |
| Highway and streets                        | \$ 1,527,201                             | \$ 1,753,408         | \$ -                                      | \$ -                 | \$ 1,527,201         | \$ 1,753,408         |
| Culture and recreation                     | \$ 287,819                               | \$ 397,693           | \$ -                                      | \$ -                 | \$ 287,819           | \$ 397,693           |
| Miscellaneous                              | \$ 600,976                               | \$ 742,868           | \$ -                                      | \$ -                 | \$ 600,976           | \$ 742,868           |
| Enterprise expenses                        | \$ -                                     | \$ -                 | \$ 3,017,162                              | \$ 3,234,866         | \$ 3,017,162         | \$ 3,234,866         |
| Debt service - interest and fiscal charges | \$ 249,292                               | \$ 291,723           | \$ 77,666                                 | \$ 76,332            | \$ 326,958           | \$ 368,055           |
| Capital contributions                      | \$ -                                     | \$ -                 | \$ (1,098,614)                            | \$ (363,253)         | \$ (1,098,614)       | \$ (363,253)         |
|  | <u>\$ 6,843,766</u>                      | <u>\$ 7,509,458</u>  | <u>\$ 1,996,214</u>                       | <u>\$ 2,947,945</u>  | <u>\$ 8,839,980</u>  | <u>\$ 10,457,403</u> |
| <b>Net change in fund balance</b>          | <b>\$ 490,370</b>                        | <b>\$ 48,691</b>     | <b>\$ 1,122,265</b>                       | <b>\$ 74,274</b>     | <b>\$ 1,612,635</b>  | <b>\$ 122,965</b>    |
| <b>Net assets, beginning of year</b>       | <b>\$ 10,963,793</b>                     | <b>\$ 10,915,102</b> | <b>\$ 14,958,563</b>                      | <b>\$ 14,884,289</b> | <b>\$ 25,922,356</b> | <b>\$ 25,799,391</b> |
| <b>Net assets, end of year</b>             | <b>\$ 11,454,163</b>                     | <b>\$ 10,963,793</b> | <b>\$ 16,080,828</b>                      | <b>\$ 14,958,563</b> | <b>\$ 27,534,991</b> | <b>\$ 25,922,356</b> |

The following table depicts revenues by source for governmental activities in 2010:

**Revenues by Source – Governmental Activities**

|                          |                   |           |
|--------------------------|-------------------|-----------|
| Charges for services     | \$ 290,456        | 4%        |
| Operating Grants         | \$ 880,770        | 12%       |
| Capital Grants           | \$ 27,118         | 1%        |
| Property Taxes           | \$ 2,626,841      | 36%       |
| Real Estate Transfer Tax | \$ 358,941        | 5%        |
| Earned Income Taxes      | \$ 2,726,435      | 37%       |
| Other                    | \$ 316,282        | 4%        |
| Interest and Rents       | <u>\$ 107,293</u> | <u>1%</u> |
| <br>Total                | <br>\$ 7,334,136  | <br>100%  |

Government-wide revenues were primarily derived from property tax collections at 36% and earned income tax collections at 37% 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 2010:

**Expenses by Program – Governmental Activities**

|                                   |                   |           |
|-----------------------------------|-------------------|-----------|
| General government                | \$ 865,143        | 13%       |
| Public safety                     | \$ 3,313,335      | 48%       |
| Highways and streets              | \$ 1,527,201      | 22%       |
| Culture and recreation            | \$ 287,819        | 4%        |
| Miscellaneous                     | \$ 600,976        | 9%        |
| Interest on long-term debt        | <u>\$ 249,292</u> | <u>4%</u> |
| <br>Total Governmental Activities | <br>\$ 6,843,766  | <br>100%  |

Total expenses for all programs in 2010 were \$ 6,843,766. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 48%. The second largest program is highways and streets at 22%. The program ranked third is general government at 13%.

The following table depicts the net program expenses/revenues by function/program for the period ending December 31, 2010:

**Net Program Expenses/Revenues**

|                        |                     |
|------------------------|---------------------|
| General government     | \$ (723,840)        |
| Public safety          | \$ (2,869,817)      |
| Public works           | \$ (1,198,152)      |
| Culture and recreation | \$ (268,602)        |
| Other                  | \$ (335,719)        |
| Interest               | <u>\$ (249,292)</u> |
| <br>Total              | <br>\$ (5,645,422)  |

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 \$ 2.87 million in 2010. Public works expenses required approximately \$ 1.2 million in general revenues for support. Culture and recreation needed \$ .27 million.

**Business-type activities.** Business-type activities increased Upper Saucon Township’s net assets by \$ 1,122,265.

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

**Expenses and Program Revenues – Business-type Activities**

| <u>Program</u> | <u>Operating Revenue</u> | <u>Operating Expenses*</u> |
|----------------|--------------------------|----------------------------|
| Water          | \$ 849,975               | \$ 904,464                 |
| Sewer          | \$ 2,114,058             | \$ 1,524,704               |

\*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 \$ 6.4 million. As stated previously, approximately 30% of this total amount is available for spending at the government’s discretion. The remaining 70% 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 2010, unreserved fund balance of the general fund was \$1,954,052. The general fund balance increased by \$ 352,979 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 \$ 2,559,363, and the sewer fund \$ 4,160,741. 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 2.6%. The major decrease was in charges for services and fines and forfeits. Expenditures were 10.7% under budget. The largest spending reductions were in public safety, general government, and public works.

### 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, 2010, amounts to \$ 24,526,606 (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<br>Activities | Business-type<br>Activities | Total                 |
|-------------------------------------|----------------------------|-----------------------------|-----------------------|
| Land                                | \$ 5,322,400               | \$ 415,951                  | \$ 5,738,351          |
| Construction in progress            | <u>\$ 1,417,277</u>        | <u>\$ 687,144</u>           | <u>\$ 2,104,421</u>   |
| <b>Total non-depreciable assets</b> | <b>\$ 6,739,677</b>        | <b>\$ 1,103,095</b>         | <b>\$ 7,842,772</b>   |
| Land improvements                   | \$ 547,001                 | \$ -                        | \$ 547,001            |
| Roads                               | \$ 966,940                 | \$ -                        | \$ 966,940            |
| Plant and improvements              | \$ -                       | \$ 14,168,060               | \$ 14,168,060         |
| Building and improvements           | \$ 3,332,860               | \$ 1,156,891                | \$ 4,489,751          |
| Vehicles                            | \$ 2,228,389               | \$ 718,798                  | \$ 2,947,187          |
| Machinery                           | <u>\$ 2,270,917</u>        | <u>\$ 1,198,106</u>         | <u>\$ 3,469,023</u>   |
| <b>Total depreciable assets</b>     | <b>\$ 9,346,107</b>        | <b>\$ 17,241,855</b>        | <b>\$ 26,587,962</b>  |
| Accumulated depreciable             | <u>\$ (5,414,577)</u>      | <u>\$ (4,489,551)</u>       | <u>\$ (9,904,128)</u> |
| Total depreciable assets, net       | <u>\$ 3,931,530</u>        | <u>\$ 12,752,304</u>        | <u>\$ 16,683,834</u>  |
| <b>Total capital assets</b>         | <b>\$ 10,671,207</b>       | <b>\$ 13,855,399</b>        | <b>\$ 24,526,606</b>  |

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 2010, Upper Saucon Township had total debt outstanding of \$ 10,370,000.

#### Upper Saucon Township's Outstanding Debt

|                          | Governmental | Business-type | Total         |
|--------------------------|--------------|---------------|---------------|
| General Obligation Bonds | \$ 5,830,000 | \$ 4,540,000  | \$ 10,370,000 |

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 2011 budget, tax rates, and fees that will be charged for the business-type activities.

The 2011 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 is an increase in water rates needed to offset the increasing operating expenses. Sewer rates will remain the same.

### **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, 2010**

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

| <b>ASSETS</b>   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>                |
|---|------------------------------------|-------------------------------------|-----------------------------|
| Cash and cash equivalents                             | \$ 5,772,511                       | \$ 6,323,592                        | \$ 12,096,103               |
| Taxes receivable                                      | 148,720                            | -                                   | 148,720                     |
| Accounts receivable                                   | 560,080                            | 1,019,113                           | 1,579,193                   |
| Deferred expenses                                     | 105,820                            | 136,496                             | 242,316                     |
| Due (to) from other funds                             | 591,289                            | (591,289)                           | -                           |
| Due from component units                              | -                                  | 84,590                              | 84,590                      |
| Capital assets not being depreciated                  | 6,739,677                          | 1,103,095                           | 7,842,772                   |
| Capital assets being depreciated, net                 | <u>3,931,530</u>                   | <u>12,752,304</u>                   | <u>16,683,834</u>           |
|   | <u><u>\$ 17,849,627</u></u>        | <u><u>\$ 20,827,901</u></u>         | <u><u>\$ 38,677,528</u></u> |
| <br><b>LIABILITIES AND NET ASSETS</b>                 |                                    |                                     |                             |
| <b>LIABILITIES</b>                                    |                                    |                                     |                             |
| Accounts payable                                      | \$ 427,669                         | \$ 223,989                          | \$ 651,658                  |
| Accrued salaries and benefits                         | 102,788                            | 22,339                              | 125,127                     |
| Accrued interest                                      | 18,341                             | 6,070                               | 24,411                      |
| Payable to primary government                         | -                                  | -                                   | -                           |
| Bonds payable, current portion                        | 394,000                            | 236,065                             | 630,065                     |
| Bonds payable, long-term portion                      | <u>5,452,666</u>                   | <u>4,258,610</u>                    | <u>9,711,276</u>            |
|   | <u>6,395,464</u>                   | <u>4,747,073</u>                    | <u>11,142,537</u>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                  | <u>-</u>                           | <u>-</u>                            | <u>-</u>                    |
| <br><b>NET ASSETS</b>                                 |                                    |                                     |                             |
| Invested in capital assets, net of related debt       | 4,824,541                          | 9,360,724                           | 14,185,265                  |
| Restricted for stormwater maintenance                 | 1,063,853                          | -                                   | 1,063,853                   |
| Restricted for public works - highways<br>and streets | 2,275,005                          | -                                   | 2,275,005                   |
| Restricted for recreation                             | 319,977                            | -                                   | 319,977                     |
| Unrestricted  | <u>2,970,787</u>                   | <u>6,720,104</u>                    | <u>9,690,891</u>            |
|   | <u><u>\$ 11,454,163</u></u>        | <u><u>\$ 16,080,828</u></u>         | <u><u>\$ 27,534,991</u></u> |

See Notes to Financial Statements.

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

| Upper Saucon<br>Sewage<br>Treatment<br>Authority | Upper Saucon<br>Township<br>Municipal<br>Authority |
|--|--|
| \$ 521   | \$ 521   |
| -  | -  |
| -  | -  |
| -  | -  |
| -  | -  |
| -  | -  |
| <u>2,492,984</u>                                 | <u>19,289</u>                                      |
| <u>\$ 2,493,505</u>                              | <u>\$ 19,810</u>                                   |
| <br>   |  |
| \$ -   | \$ -   |
| -  | -  |
| -  | -  |
| 84,590   | -  |
| -  | -  |
| -  | -  |
| <u>84,590</u>                                    | <u>-</u>   |
| <br>   |  |
| <u>-</u>   | <u>-</u>   |
| <br>   |  |
| 2,408,394  | 19,289   |
| -  | -  |
| -  | -  |
| -  | -  |
| <u>521</u>                                       | <u>521</u>   |
| <u>\$ 2,408,915</u>                              | <u>\$ 19,810</u>                                   |

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF ACTIVITIES  
Year Ended December 31, 2010**

|   |                     | ----- Program Revenues  |  |
|---|---------------------|-------------------------|--|
|   | Expenses            | Charges<br>for Services | Operating<br>Grants and<br>Contributions |
| <b>Primary Government</b>                 |                     |                         |  |
| Governmental activities:                  |                     |                         |  |
| General government                        | \$ 865,143          | \$ 59,508               | \$ 81,795                                |
| Public safety                             | 3,313,335           | 227,398                 | 216,120                                  |
| Public works - highways and streets       | 1,527,201           | -                       | 317,598                                  |
| Culture and recreation                    | 287,819             | 3,550                   | -  |
| Other                                     | 600,976             | -                       | 265,257                                  |
| Interest                                  | 249,292             | -                       | -  |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| <b>Total governmental activities</b>      | <b>6,843,766</b>    | <b>290,456</b>          | <b>880,770</b>                           |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| Business-type activities:                 |                     |                         |  |
| Sewer                                     | 1,882,828           | 2,114,058               | -  |
| Water                                     | 1,212,000           | 849,975                 | -  |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| <b>Total business-type activities</b>     | <b>3,094,828</b>    | <b>2,964,033</b>        | <b>-</b>                                 |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| <b>Total primary government</b>           | <b>\$ 9,938,594</b> | <b>\$ 3,254,489</b>     | <b>\$ 880,770</b>                        |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| <b>Component units:</b>                   |                     |                         |  |
| Upper Saucon Sewage Treatment Authority   | \$ 297,063          | \$ 88,435               | \$ -                                     |
| Upper Saucon Township Municipal Authority | 26,588              | -                       | -  |
|   | <hr/>               | <hr/>                   | <hr/>                                    |
| <b>Total component units</b>              | <b>\$ 323,651</b>   | <b>\$ 88,435</b>        | <b>\$ -</b>                              |
|   | <hr/>               | <hr/>                   | <hr/>                                    |

General revenues:

Real estate taxes  
 Earned income taxes  
 Emergency services taxes  
 Amusement taxes  
 Real estate transfer taxes  
 Interest income and rents  
 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.**

| -----<br>Capital<br>Grants and<br>Contributions | Net (Expenses) Revenues and<br>----- Changes in Net Assets ----- |                             |                      | ----- Component Units -----                      |  |
|---|--|-----------------------------|----------------------|--|--|
|   | Governmental<br>Activities                                       | Business-Type<br>Activities | Total                | Upper Saucon<br>Sewage<br>Treatment<br>Authority | Upper Saucon<br>Township<br>Municipal<br>Authority |
| \$ -  | \$ (723,840)   | \$ -                        | \$ (723,840)         | \$ -   | \$ -   |
| -   | (2,869,817)  | -                           | (2,869,817)          | -  | -  |
| 11,451  | (1,198,152)  | -                           | (1,198,152)          | -  | -  |
| 15,667  | (268,602)  | -                           | (268,602)            | -  | -  |
| -   | (335,719)  | -                           | (335,719)            | -  | -  |
| -   | (249,292)  | -                           | (249,292)            | -  | -  |
| <u>27,118</u>                                   | <u>(5,645,422)</u>   | <u>-</u>                    | <u>(5,645,422)</u>   | <u>-</u>   | <u>-</u>   |
| 1,020,279                                       | -  | 1,251,509                   | 1,251,509            | -  | -  |
| <u>78,335</u>                                   | <u>-</u>   | <u>(283,690)</u>            | <u>(283,690)</u>     | <u>-</u>   | <u>-</u>   |
| <u>1,098,614</u>                                | <u>-</u>   | <u>967,819</u>              | <u>967,819</u>       | <u>-</u>   | <u>-</u>   |
| <u>\$ 1,125,732</u>                             | <u>(5,645,422)</u>   | <u>967,819</u>              | <u>(4,677,603)</u>   | <u>-</u>   | <u>-</u>   |
| \$ -  | -  | -                           | -                    | (208,628)  | -  |
| -   | -  | -                           | -                    | -  | (26,588)   |
| <u>\$ -</u>                                     | <u>-</u>   | <u>-</u>                    | <u>-</u>             | <u>(208,628)</u>                                 | <u>(26,588)</u>                                    |
|   | 2,626,841  | -                           | 2,626,841            | -  | -  |
|   | 2,726,435  | -                           | 2,726,435            | -  | -  |
|   | 379,596  | -                           | 379,596              | -  | -  |
|   | 30,470   | -                           | 30,470               | -  | -  |
|   | 358,941  | -                           | 358,941              | -  | -  |
|   | 107,293  | 54,446                      | 161,739              | -  | -  |
|   | 6,216  | -                           | 6,216                | -  | -  |
|   | <u>(100,000)</u>   | <u>100,000</u>              | <u>-</u>             | <u>-</u>   | <u>-</u>   |
|   | <u>6,135,792</u>   | <u>154,446</u>              | <u>6,290,238</u>     | <u>-</u>   | <u>-</u>   |
|   | 490,370  | 1,122,265                   | 1,612,635            | (208,628)  | (26,588)   |
|   | <u>10,963,793</u>  | <u>14,958,563</u>           | <u>25,922,356</u>    | <u>2,617,543</u>                                 | <u>46,398</u>                                      |
|   | <u>\$ 11,454,163</u>   | <u>\$ 16,080,828</u>        | <u>\$ 27,534,991</u> | <u>\$ 2,408,915</u>                              | <u>\$ 19,810</u>                                   |

**UPPER SAUCON TOWNSHIP**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2010**

| <b>ASSETS</b>   | <b>General<br/>Fund</b>    | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------------------|---|---|
| Cash and cash equivalents                             | \$ 1,060,327               | \$ 4,712,184                            | \$ 5,772,511                            |
| Accounts receivable                                   | 560,080                    | -                                       | 560,080                                 |
| Taxes receivable                                      | 108,001                    | 40,719                                  | 148,720                                 |
| Due (to) from other funds                             | 593,255                    | (1,966)                                 | 591,289                                 |
|   | <hr/>                      | <hr/>                                   | <hr/>                                   |
| <b>Total assets</b>                                   | <b><u>\$ 2,321,663</u></b> | <b><u>\$ 4,750,937</u></b>              | <b><u>\$ 7,072,600</u></b>              |
| <br><b>LIABILITIES AND FUND BALANCES</b>              |                            |   |   |
| <b>LIABILITIES</b>                                    |                            |   |   |
| Accounts payable                                      | \$ 179,297                 | \$ 238,607                              | \$ 417,904                              |
| Accrued expenses                                      | 102,788                    | -                                       | 102,788                                 |
| Deferred revenues                                     | 85,526                     | 40,035                                  | 125,561                                 |
|   | <hr/>                      | <hr/>                                   | <hr/>                                   |
| <b>Total liabilities</b>                              | <b><u>367,611</u></b>      | <b><u>278,642</u></b>                   | <b><u>646,253</u></b>                   |
| <br><b>COMMITMENTS AND CONTINGENCIES</b>              |                            |   |   |
|   | <hr/>                      | <hr/>                                   | <hr/>                                   |
| <br><b>FUND BALANCES</b>                              |                            |   |   |
| Unrestricted, reported in:                            |                            |   |   |
| General Fund  | 1,954,052                  | -                                       | 1,954,052                               |
| Special revenue funds                                 | -                          | 25,533                                  | 25,533                                  |
| Capital projects funds                                | -                          | 787,927                                 | 787,927                                 |
| Restricted for stormwater maintenance                 | -                          | 1,063,853                               | 1,063,853                               |
| Restricted for public works - highways<br>and streets | -                          | 2,275,005                               | 2,275,005                               |
| Restricted for recreation                             | -                          | 319,977                                 | 319,977                                 |
|   | <hr/>                      | <hr/>                                   | <hr/>                                   |
|   | <b><u>\$ 1,954,052</u></b> | <b><u>\$ 4,472,295</u></b>              | <b><u>\$ 6,426,347</u></b>              |

See Notes to Financial Statements.

**UPPER SAUCON TOWNSHIP**

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

**December 31, 2010**

**Total fund balances, government funds** **\$ 6,426,347**

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 \$ 16,085,784, related retainage payable is \$ 9,765 and the accumulated depreciation is \$ 5,414,577 **10,661,442**

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 **125,561**

Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements. Deferred expenses consist of issuance costs of \$ 114,611 and accumulated amortization of \$ 8,791 **105,820**

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 \$ 5,830,000, bond premium of \$ 16,666 and accrued interest of \$ 18,341 **(5,865,007)**

**Total net assets, governmental activities** **\$ 11,454,163**

**See Notes to Financial Statements.**

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2010**

|  | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|---|
| <b>REVENUES</b>  |                         |   |   |
| Taxes  | \$ 5,972,734            | \$ 137,414                              | \$ 6,110,148                            |
| Licenses and permits   | 170,486                 | -                                       | 170,486                                 |
| Fines and forfeits   | 63,769                  | -                                       | 63,769                                  |
| Interest, rents and royalties  | 38,428                  | 68,864                                  | 107,292                                 |
| Intergovernmental revenue  | 508,455                 | 305,034                                 | 813,489                                 |
| Charges for services   | 56,201                  | -                                       | 56,201                                  |
| Developer contributions  | -                       | 23,761                                  | 23,761                                  |
| Miscellaneous revenue  | 76,855                  | -                                       | 76,855                                  |
|  | <b>6,886,928</b>        | <b>535,073</b>                          | <b>7,422,001</b>                        |
| <b>Total revenues</b>  |                         |   |   |
| <b>EXPENDITURES</b>  |                         |   |   |
| Current:   |                         |   |   |
| General government   | 801,502                 | -                                       | 801,502                                 |
| Public safety  | 3,031,006               | 16,940                                  | 3,047,946                               |
| Public works - highways and streets                                  | 1,105,323               | 800,279                                 | 1,905,602                               |
| Culture and recreation   | 224,728                 | -                                       | 224,728                                 |
| Other  | 600,926                 | -                                       | 600,926                                 |
| Debt service:  |                         |   |   |
| Principal  | 312,000                 | -                                       | 312,000                                 |
| Interest   | 250,144                 | -                                       | 250,144                                 |
| Capital outlay   | 197,320                 | 309,817                                 | 507,137                                 |
|  | <b>6,522,949</b>        | <b>1,127,036</b>                        | <b>7,649,985</b>                        |
| <b>Total expenditures</b>  |                         |   |   |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b> | <b>363,979</b>          | <b>(591,963)</b>                        | <b>(227,984)</b>                        |

**UPPER SAUCON TOWNSHIP**

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

**GOVERNMENTAL FUNDS**

Year Ended December 31, 2010

|   | <b>General<br/>Fund</b>    | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------------------|---|---|
| <b>OTHER FINANCING SOURCES (USES)</b>       |                            |   |   |
| Transfers in                                | \$ -                       | \$ 11,000                               | \$ 11,000                               |
| Transfers out                               | <u>(11,000)</u>            | <u>(100,000)</u>                        | <u>(111,000)</u>                        |
| <b>Total other financing sources (uses)</b> | <u>(11,000)</u>            | <u>(89,000)</u>                         | <u>(100,000)</u>                        |
| <b>Net change in fund balances</b>          | <b>352,979</b>             | <b>(680,963)</b>                        | <b>(327,984)</b>                        |
| Fund balances, beginning of year            | <u>1,601,073</u>           | <u>5,153,258</u>                        | <u>6,754,331</u>                        |
| Fund balances, end of year                  | <u><u>\$ 1,954,052</u></u> | <u><u>\$ 4,472,295</u></u>              | <u><u>\$ 6,426,347</u></u>              |

**See Notes to Financial Statements.**

**UPPER SAUCON TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2010**

**Net change in fund balances, governmental funds** **\$ (327,984)**

The change in net assets reported for governmental activities in the statement of activities is 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 \$ 849,935 exceeded depreciation of \$ 352,141 in the current year **497,794**

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 **852**

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 **12,135**

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities

The net effects of these differences in the current period are:

|  |                   |                |
|--|-------------------|----------------|
| Principal repayments                                       | <b>\$ 312,000</b> |                |
| Amortization of bond issue costs and premium on bond issue | <b>(4,427)</b>    |                |
|  | <b>307,573</b>    | <b>307,573</b> |

**Change in net assets, governmental activities** **\$ 490,370**

**See Notes to Financial Statements.**

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2010**

| <b>ASSETS</b>                                      | <b>Water<br/>Fund</b>      | <b>Sewer<br/>Fund</b>       | <b>Total</b>                |
|--|----------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents                          | \$ 2,883,850               | \$ 3,439,742                | \$ 6,323,592                |
| Accounts receivable                                | 287,451                    | 731,662                     | 1,019,113                   |
| Deferred expenses                                  | 123,555                    | 12,941                      | 136,496                     |
| Due (to) from other funds                          | (591,399)                  | 110                         | (591,289)                   |
| Due from component units                           | -                          | 84,590                      | 84,590                      |
| Capital assets not being depreciated               | 913,931                    | 189,164                     | 1,103,095                   |
| Capital assets being depreciated                   | <u>6,140,132</u>           | <u>6,612,172</u>            | <u>12,752,304</u>           |
| <b>Total assets</b>                                | <b><u>\$ 9,757,520</u></b> | <b><u>\$ 11,070,381</u></b> | <b><u>\$ 20,827,901</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>              |                            |                             |                             |
| <b>LIABILITIES</b>                                 |                            |                             |                             |
| Accounts payable                                   | \$ 131,571                 | \$ 92,418                   | \$ 223,989                  |
| Accrued expenses                                   | 12,523                     | 15,886                      | 28,409                      |
| Bonds payable, current portion                     | 155,000                    | 81,065                      | 236,065                     |
| Bonds payable, long-term portion                   | <u>4,258,610</u>           | <u>-</u>                    | <u>4,258,610</u>            |
|  | <u>4,557,704</u>           | <u>189,369</u>              | <u>4,747,073</u>            |
| <b>COMMITMENTS AND CONTINGENCIES</b>               | <u>-</u>                   | <u>-</u>                    | <u>-</u>                    |
| <br><b>NET ASSETS</b>                              |                            |                             |                             |
| Invested in capital assets, net of<br>related debt | 2,640,453                  | 6,720,271                   | 9,360,724                   |
| Unrestricted                                       | <u>2,559,363</u>           | <u>4,160,741</u>            | <u>6,720,104</u>            |
|  | <u>5,199,816</u>           | <u>10,881,012</u>           | <u>16,080,828</u>           |
|  | <b><u>\$ 9,757,520</u></b> | <b><u>\$ 11,070,381</u></b> | <b><u>\$ 20,827,901</u></b> |

See Notes to Financial Statements.

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended December 31, 2010**

|   | Water<br>Fund              | Sewer<br>Fund               | Total                       |
|---|----------------------------|-----------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                         |                            |                             |                             |
| Charges for services                              | <u>\$ 849,975</u>          | <u>\$ 2,114,058</u>         | <u>\$ 2,964,033</u>         |
| <b>OPERATING EXPENSES</b>                         |                            |                             |                             |
| Personnel services                                | 350,752                    | 696,926                     | 1,047,678                   |
| Contracted services                               | 187,575                    | 168,798                     | 356,373                     |
| Materials and supplies                            | 92,823                     | 413,074                     | 505,897                     |
| Other operating expense                           | 273,314                    | 157,471                     | 430,785                     |
| Lease rentals                                     | -                          | 88,435                      | 88,435                      |
| Depreciation expense                              | <u>235,246</u>             | <u>352,748</u>              | <u>587,994</u>              |
| <b>Total operating expenses</b>                   | <u>1,139,710</u>           | <u>1,877,452</u>            | <u>3,017,162</u>            |
| <b>Operating income (loss)</b>                    | <u>(289,735)</u>           | <u>236,606</u>              | <u>(53,129)</u>             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                            |                             |                             |
| Interest income                                   | 7,937                      | 46,509                      | 54,446                      |
| Capital contributions                             | 78,335                     | 1,020,279                   | 1,098,614                   |
| Interest expense                                  | (72,290)                   | (5,376)                     | (77,666)                    |
| Transfers (to) from other fund                    | <u>100,000</u>             | <u>-</u>                    | <u>100,000</u>              |
| <b>Total nonoperating revenues<br/>(expenses)</b> | <u>113,982</u>             | <u>1,061,412</u>            | <u>1,175,394</u>            |
| <b>Change in net assets</b>                       | <u>(175,753)</u>           | <u>1,298,018</u>            | <u>1,122,265</u>            |
| Net assets, beginning                             | <u>5,375,569</u>           | <u>9,582,994</u>            | <u>14,958,563</u>           |
| Net assets, ending                                | <u><u>\$ 5,199,816</u></u> | <u><u>\$ 10,881,012</u></u> | <u><u>\$ 16,080,828</u></u> |

See Notes to Financial Statements.

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2010**

|  | Water<br>Fund              | Sewer<br>Fund              | Total                      |
|--|----------------------------|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |                            |
| Receipts from customers  | \$ 825,689                 | \$ 2,147,538               | \$ 2,973,227               |
| Payments to suppliers  | (541,780)                  | (704,617)                  | (1,246,397)                |
| Payments to employees  | <u>(351,548)</u>           | <u>(695,279)</u>           | <u>(1,046,827)</u>         |
| <b>Net cash provided by (used in)<br/>operating activities</b>                     | <u>(67,639)</u>            | <u>747,642</u>             | <u>680,003</u>             |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING<br/>ACTIVITIES</b>                         |                            |                            |                            |
| Interfund activity   | <u>679,783</u>             | <u>11,656</u>              | <u>691,439</u>             |
| <b>Net cash provided by noncapital<br/>financing activities</b>                    | <u>679,783</u>             | <u>11,656</u>              | <u>691,439</u>             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                |                            |                            |                            |
| Proceeds from issuance of revenue bonds  | 2,525,000                  | -                          | 2,525,000                  |
| Acquisition of capital assets  | (445,142)                  | (642,501)                  | (1,087,643)                |
| Capital contributions received   | 78,335                     | 149,279                    | 227,614                    |
| Interest paid  | (72,540)                   | (5,664)                    | (78,204)                   |
| Principal paid on notes and bonds  | (100,000)                  | (115,000)                  | (215,000)                  |
| Bond issuance costs  | <u>(84,641)</u>            | <u>-</u>                   | <u>(84,641)</u>            |
| <b>Net cash provided by (used in) capital<br/>and related financing activities</b> | <u>1,901,012</u>           | <u>(613,886)</u>           | <u>1,287,126</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |                            |
| Interest income  | <u>7,937</u>               | <u>46,509</u>              | <u>54,446</u>              |
| <b>Net cash provided by investing<br/>activities</b>                               | <u>7,937</u>               | <u>46,509</u>              | <u>54,446</u>              |
| <b>Net increase in cash and cash<br/>equivalents</b>                               | 2,521,093                  | 191,921                    | 2,713,014                  |
| <b>Cash and cash equivalents:</b>  |                            |                            |                            |
| Beginning  | <u>362,757</u>             | <u>3,247,821</u>           | <u>3,610,578</u>           |
| Ending   | <u><u>\$ 2,883,850</u></u> | <u><u>\$ 3,439,742</u></u> | <u><u>\$ 6,323,592</u></u> |

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 Year Ended December 31, 2010**

|   | Water<br>Fund                        | Sewer<br>Fund                       | Total                               |
|---|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>RECONCILIATION OF OPERATING INCOME<br/>                 (LOSS) TO NET CASH PROVIDED BY<br/>                 (USED IN) OPERATING ACTIVITIES</b> |                                      |                                     |                                     |
| Operating income (loss)   | \$ (289,735)                         | \$ 236,606                          | \$ (53,129)                         |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by (used in) operating<br>activities:                                    |                                      |                                     |                                     |
| Depreciation expense  | 235,246                              | 352,748                             | 587,994                             |
| Amortization expense  | 3,061                                | 22,682                              | 25,743                              |
| Change in assets and liabilities:   |                                      |                                     |                                     |
| (Increase) decrease in accounts receivable  | (24,286)                             | 33,480                              | 9,194                               |
| Decrease in due from component units  | -                                    | 88,435                              | 88,435                              |
| Increase in accounts payable  | 8,871                                | 12,044                              | 20,915                              |
| Increase (decrease) in accrued expenses   | <u>(796)</u>                         | <u>1,647</u>                        | <u>851</u>                          |
| <br><b>Net cash provided by (used in)<br/>operating activities</b>  | <br><b><u><u>\$ (67,639)</u></u></b> | <br><b><u><u>\$ 747,642</u></u></b> | <br><b><u><u>\$ 680,003</u></u></b> |
| <br><b>NONCASH CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>   |                                      |                                     |                                     |
| Principal received on note from component<br>unit   | \$ -                                 | \$ 88,435                           | \$ 88,435                           |
| Lease rental payment to component unit  | \$ -                                 | \$ (88,435)                         | \$ (88,435)                         |
| Contributed capital asset   | \$ -                                 | \$ 871,000                          | \$ 871,000                          |

**See Notes to the Financial Statements.**

**UPPER SAUCON TOWNSHIP**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

December 31, 2010

| <b>ASSETS</b>   | <b>Pension Trust<br/>Funds</b> | <b>Agency<br/>Fund</b>   | <b>Total</b>               |
|---|--------------------------------|--------------------------|----------------------------|
| Cash and cash equivalents                                 | \$ 690,755                     | \$ 621,972               | \$ 1,312,727               |
| Investments   | 6,930,813                      | -                        | 6,930,813                  |
| Accrued interest receivable                               | <u>17,206</u>                  | <u>-</u>                 | <u>17,206</u>              |
| <b>Total assets</b>                                       | <b><u>\$ 7,638,774</u></b>     | <b><u>\$ 621,972</u></b> | <b><u>\$ 8,260,746</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>                     |                                |                          |                            |
| <b>LIABILITIES, refundable escrow<br/>deposits</b>        | <b>\$ -</b>                    | <b>\$ 621,972</b>        | <b>\$ 621,972</b>          |
| <b>NET ASSETS, held in trust for<br/>pension benefits</b> | <b><u>7,638,774</u></b>        | <b><u>-</u></b>          | <b><u>7,638,774</u></b>    |
|   | <b><u>\$ 7,638,774</u></b>     | <b><u>\$ 621,972</u></b> | <b><u>\$ 8,260,746</u></b> |

See Notes to Financial Statements.

UPPER SAUCON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended December 31, 2010

|   | Pension Trust<br>Funds     |
|---|----------------------------|
| <b>ADDITIONS</b>  |                            |
| Contributions, employer                                     | \$ 479,010                 |
| Contributions, employee                                     | <u>184,300</u>             |
|   | <u>663,310</u>             |
| Investment income:  |                            |
| Net increase in value of investments                        | 684,069                    |
| Interest and dividends                                      | <u>3,142</u>               |
|   | <u>687,211</u>             |
| <b>Total additions</b>                                      | <u>1,350,521</u>           |
| <b>DEDUCTIONS</b>   |                            |
| Benefit payments  | 295,059                    |
| Administrative expenses                                     | <u>52,393</u>              |
| <b>Total deductions</b>                                     | <u>347,452</u>             |
| <b>Change in net assets</b>                                 | 1,003,069                  |
| Net assets held in trust for pension benefits,<br>beginning | <u>6,635,705</u>           |
| Net assets held in trust for pension benefits,<br>ending    | <u><u>\$ 7,638,774</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 14,800, based on a 2010 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 primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the 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. The statements 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 type, 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.

***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 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.

## 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 (continued):*

**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.

**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.

**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.

**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.

## 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):*

##### *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.

##### *Fiduciary fund types:*

The Township also reports the following fund types:

**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.

**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.

#### 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.

## 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)

##### ***Government-wide financial statements:***

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 and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

##### ***Fund financial statements:***

The fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the Governmental Fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

## 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)

##### *Fund financial statements (continued):*

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The Township's Fiduciary Funds are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the Proprietary Funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

#### 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.

## 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)

##### *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.

##### *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 \$ 5,000 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.

## 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)

##### **Capital assets:**

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

|                            | <b>Years</b> |
|----------------------------|--------------|
| 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.

##### **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. Bond issuance costs are presented as other assets.

## 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)

##### *Compensated absences:*

Township employees are allowed vacation and sick leave in varying amounts based on their length of employment. For employees covered under the Police Agreement, any unused vacation is paid at the end of the calendar year. For all other employees of the Township, vacation and sick leave cannot be carried over. As a result, no accrual has been made for vacation or sick leave.

#### 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.

#### 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.

## 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 (continued):*

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 2010 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.

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

## 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:*

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.

### 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, 2010 consist of the following:

|               |                      |
|---------------|----------------------|
| Cash deposits | \$ 13,409,872        |
| Investments   | <u>6,930,813</u>     |
|               | <u>\$ 20,340,685</u> |

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Deposits and Investments

#### Reconciliation to statement of net assets/balance sheet:

|                          |                      |
|--------------------------|----------------------|
| Cash:                    |                      |
| Governmental activities  | \$ 5,772,511         |
| Business-type activities | 6,323,592            |
| Component units          | 1,042                |
| Fiduciary funds          | <u>1,312,727</u>     |
|                          | 13,409,872           |
| Investments, fiduciary   | <u>6,930,813</u>     |
|                          | <u>\$ 20,340,685</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, 2010, the carrying amounts of the Township's bank deposits were \$ 13,409,872 and the corresponding bank balances were \$ 13,581,377, of which \$ 630,684 was covered by Federal Depository Insurance. The remaining \$ 12,950,693 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, 2010, the Township's pension funds have the following investments:

##### Police Pension Fund:

|  | Cost                | Fair Value          | Maturity -<br>Less Than One<br>Year | Maturity -<br>One-to-Five<br>Years | Ratings<br>as of<br>Year-End |
|--|---------------------|---------------------|-------------------------------------|------------------------------------|------------------------------|
| Fixed income -<br>corporate                  | \$ 443,198          | \$ 481,285          | \$ 103,813                          | \$ 377,472                         | AA1-A3                       |
| Fixed income -<br>U. S. Government<br>Agency | 200,075             | 199,433             | -                                   | 199,433                            | AAA                          |
| Equities                                     | 1,806,108           | 2,387,510           | 2,387,510                           | -                                  | N/A                          |
| Equity and fixed<br>mutual funds             | <u>324,309</u>      | <u>320,865</u>      | <u>320,865</u>                      | <u>-</u>                           | N/A                          |
|  | <u>\$ 2,773,690</u> | <u>\$ 3,389,093</u> | <u>\$ 2,812,188</u>                 | <u>\$ 576,905</u>                  |                              |

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Deposits and Investments (Continued)**

**Investments (continued):**

**Nonuniformed Employees' Pension Fund:**

|  | <b>Cost</b>         | <b>Fair Value</b>   | <b>Maturity -<br/>Less Than One<br/>Year</b> | <b>Maturity -<br/>One-to-Five<br/>Years</b> | <b>Ratings<br/>as of<br/>Year-End</b> |
|--|---------------------|---------------------|--|---|---------------------------------------|
| Fixed income -<br>corporate                  | \$ 443,198          | \$ 481,285          | \$ 103,813                                   | \$ 377,472                                  | AA1-A3                                |
| Fixed income -<br>U. S. Government<br>Agency | 250,025             | 248,796             | -  | 248,796                                     | AAA                                   |
| Equities                                     | 1,841,575           | 2,441,000           | 2,441,000                                    | -   | N/A                                   |
| Equity and fixed<br>mutual funds             | <u>374,269</u>      | <u>370,639</u>      | <u>370,639</u>                               | <u>-</u>                                    | N/A                                   |
|  | <u>\$ 2,909,067</u> | <u>\$ 3,541,720</u> | <u>\$ 2,915,452</u>                          | <u>\$ 626,268</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, 2010, \$ 6,930,813 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, 2010 was as follows:

|   | Balance<br>January 1,<br>2010 | Additions         | Deletions   | Balance<br>December 31,<br>2010 |
|---|-------------------------------|-------------------|-------------|---------------------------------|
| Governmental activities:                          |                               |                   |             |                                 |
| Capital assets not being depreciated:             |                               |                   |             |                                 |
| Land  | \$ 5,322,400                  | \$ -              | \$ -        | \$ 5,322,400                    |
| Construction in progress                          | <u>1,084,355</u>              | <u>332,922</u>    | <u>-</u>    | <u>1,417,277</u>                |
| Total capital assets not being depreciated        | <u>6,406,755</u>              | <u>332,922</u>    | <u>-</u>    | <u>6,739,677</u>                |
| Capital assets being depreciated:                 |                               |                   |             |                                 |
| Land improvements                                 | 547,001                       | -                 | -           | 547,001                         |
| Roads   | 461,904                       | 505,036           | -           | 966,940                         |
| Buildings and improvements                        | 3,332,860                     | -                 | -           | 3,332,860                       |
| Vehicles  | 2,206,646                     | 21,743            | -           | 2,228,389                       |
| Machinery and equipment                           | <u>2,270,917</u>              | <u>-</u>          | <u>-</u>    | <u>2,270,917</u>                |
| Total capital assets being depreciated            | <u>8,819,328</u>              | <u>526,779</u>    | <u>-</u>    | <u>9,346,107</u>                |
| Less accumulated depreciation for:                |                               |                   |             |                                 |
| Land improvements                                 | 193,273                       | 27,350            | -           | 220,623                         |
| Roads   | 64,827                        | 18,913            | -           | 83,740                          |
| Buildings and improvements                        | 1,353,592                     | 89,059            | -           | 1,442,651                       |
| Vehicles  | 1,537,724                     | 126,134           | -           | 1,663,858                       |
| Machinery and equipment                           | <u>1,913,020</u>              | <u>90,685</u>     | <u>-</u>    | <u>2,003,705</u>                |
| Total accumulated depreciation                    | <u>5,062,436</u>              | <u>352,141</u>    | <u>-</u>    | <u>5,414,577</u>                |
| Total capital assets being depreciated, net       | <u>3,756,892</u>              | <u>174,638</u>    | <u>-</u>    | <u>3,931,530</u>                |
| Total governmental activities capital assets, net | <u>\$ 10,163,647</u>          | <u>\$ 507,560</u> | <u>\$ -</u> | <u>\$ 10,671,207</u>            |

Depreciation expense was charged to the following functions:

|                                     |                   |
|-------------------------------------|-------------------|
| General government                  | \$ 54,391         |
| Public safety                       | 74,554            |
| Public works - highways and streets | 182,072           |
| Culture and recreation              | <u>41,124</u>     |
|                                     | <u>\$ 352,141</u> |

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Capital Assets (Continued)**

|  | <b>Balance<br/>January 1,<br/>2010</b> | <b>Additions</b>    | <b>Deletions</b>  | <b>Balance<br/>December 31,<br/>2010</b> |
|--|--|---------------------|-------------------|--|
| Business-type activities:                          |  |                     |                   |  |
| Capital assets not being depreciated:              |  |                     |                   |  |
| Land   | \$ 415,951                             | \$ -                | \$ -              | \$ 415,951                               |
| Construction in progress                           | <u>643,591</u>                         | <u>615,317</u>      | <u>571,764</u>    | <u>687,144</u>                           |
| Total capital assets not being depreciated         | <u>1,059,542</u>                       | <u>615,317</u>      | <u>571,764</u>    | <u>1,103,095</u>                         |
| Capital assets being depreciated:                  |  |                     |                   |  |
| Plant and improvements                             | 12,498,963                             | 1,669,097           | -                 | 14,168,060                               |
| Buildings and improvements                         | 1,156,891                              | -                   | -                 | 1,156,891                                |
| Vehicles   | 558,896                                | 159,902             | -                 | 718,798                                  |
| Machinery and equipment                            | <u>1,121,610</u>                       | <u>76,496</u>       | <u>-</u>          | <u>1,198,106</u>                         |
| Total capital assets being depreciated             | <u>15,336,360</u>                      | <u>1,905,495</u>    | <u>-</u>          | <u>17,241,855</u>                        |
| Less accumulated depreciation for:                 |  |                     |                   |  |
| Plant and improvements                             | 2,531,530                              | 445,347             | -                 | 2,976,877                                |
| Buildings and improvements                         | 324,504                                | 23,747              | -                 | 348,251                                  |
| Vehicles   | 470,485                                | 26,339              | -                 | 496,824                                  |
| Machinery and equipment                            | <u>575,038</u>                         | <u>92,561</u>       | <u>-</u>          | <u>667,599</u>                           |
| Total accumulated depreciation                     | <u>3,901,557</u>                       | <u>587,994</u>      | <u>-</u>          | <u>4,489,551</u>                         |
| Total capital assets being depreciated, net        | <u>11,434,803</u>                      | <u>1,317,501</u>    | <u>-</u>          | <u>12,752,304</u>                        |
| Total business-type activities capital assets, net | <u>\$ 12,494,345</u>                   | <u>\$ 1,932,818</u> | <u>\$ 571,764</u> | <u>\$ 13,855,399</u>                     |

Depreciation expense was charged to the following funds:

|            |                   |
|------------|-------------------|
| Water Fund | \$ 235,246        |
| Sewer Fund | <u>352,748</u>    |
|            | <u>\$ 587,994</u> |

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets (Continued)

Capital asset activity for the component units for the year ended December 31, 2010 was as follows:

|  | Balance<br>January 1,<br>2010 | Additions           | Deletions   | Balance<br>December 31,<br>2010 |
|--|-------------------------------|---------------------|-------------|---------------------------------|
| Business-type activities:              |                               |                     |             |                                 |
| Capital assets being depreciated:      |                               |                     |             |                                 |
| Plant and improvements                 | \$ 9,914,805                  | \$ -                | \$ -        | \$ 9,914,805                    |
| Less accumulated depreciation          | <u>7,080,613</u>              | <u>321,919</u>      | <u>-</u>    | <u>7,402,532</u>                |
| Total capital assets being depreciated | <u>\$ 2,834,192</u>           | <u>\$ (321,919)</u> | <u>\$ -</u> | <u>\$ 2,512,273</u>             |

Depreciation expense was charged to the following entities:

|   |                   |
|---|-------------------|
| Upper Saucon Sewage Treatment Authority   | \$ 296,197        |
| Upper Saucon Township Municipal Authority | <u>25,722</u>     |
|   | <u>\$ 321,919</u> |

### Note 5. Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2010 were as follows:

|                      | Transfers In      | Transfers Out     |
|----------------------|-------------------|-------------------|
| Street Lighting Fund | \$ 11,000         | \$ -              |
| Fire Hydrant Fund    | -                 | 100,000           |
| Water Fund           | 100,000           | -                 |
| General Fund         | <u>-</u>          | <u>11,000</u>     |
|                      | <u>\$ 111,000</u> | <u>\$ 111,000</u> |

The composition of interfund balances as of December 31, 2010 is as follows:

|              | Due To            | Due From          |
|--------------|-------------------|-------------------|
| General Fund | \$ -              | \$ 591,289        |
| Water Fund   | 591,399           | -                 |
| Sewer Fund   | <u>-</u>          | <u>110</u>        |
|              | <u>\$ 591,399</u> | <u>\$ 591,399</u> |

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt

At December 31, 2010, long-term debt consists of the following:

|  | Balance<br>Outstanding<br>January 1,<br>2010 | Additions           | Payments          | Balance<br>Outstanding<br>December 31,<br>2010 |
|--|--|---------------------|-------------------|--|
| <b>Governmental activities:</b>  |  |                     |                   |  |
| General Obligation Note, Series of 2004, original amount \$ 903,000, due in semiannual installments of principal plus interest at 4.65% through 2019                       | \$ 642,000                                   | \$ -                | \$ 52,000         | \$ 590,000                                     |
| General Obligation Bonds, Series of 2009, original amount \$ 5,765,000, due in semiannual installments of principal plus interest ranging from 3.00% to 4.65% through 2031 | <u>5,500,000</u>                             | <u>-</u>            | <u>260,000</u>    | <u>5,240,000</u>                               |
| <b>Total governmental activities</b>   | <u>6,142,000</u>                             | <u>-</u>            | <u>312,000</u>    | <u>5,830,000</u>                               |
| <b>Business-type activities:</b>   |  |                     |                   |  |
| General Obligation Bonds, Series of 2009, original amount \$ 2,825,000, due in semiannual installments of principal plus interest ranging from 3.00% to 4.15% through 2024 | 2,230,000                                    | -                   | 215,000           | 2,015,000                                      |
| General Obligation Bonds, Series of 2010, original amount \$ 2,525,000, due in semiannual installments of principal plus interest ranging from 3.00% to 6.90% through 2040 | <u>-</u>                                     | <u>2,525,000</u>    | <u>-</u>          | <u>2,525,000</u>                               |
| <b>Total business-type activities</b>  | <u>2,230,000</u>                             | <u>2,525,000</u>    | <u>215,000</u>    | <u>4,540,000</u>                               |
| <b>Total debt</b>  | <u>\$ 8,372,000</u>                          | <u>\$ 2,525,000</u> | <u>\$ 527,000</u> | <u>\$ 10,370,000</u>                           |

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (Continued)

Aggregate maturities required on long-term debt at December 31, 2010 are as follows:

#### Governmental activities:

|                         | Principal           | Interest            | Total Debt Service  |
|-------------------------|---------------------|---------------------|---------------------|
| 2011                    | \$ 394,000          | \$ 220,090          | \$ 614,090          |
| 2012                    | 407,000             | 207,379             | 614,379             |
| 2013                    | 405,000             | 194,228             | 599,228             |
| 2014                    | 427,000             | 181,089             | 608,089             |
| 2015                    | 445,000             | 167,255             | 612,255             |
| 2016-2020               | 2,107,000           | 585,246             | 2,692,246           |
| 2021-2025               | 800,000             | 288,333             | 1,088,333           |
| 2026-2030               | 685,000             | 135,010             | 820,010             |
| 2031                    | <u>160,000</u>      | <u>7,440</u>        | <u>167,440</u>      |
|                         | 5,830,000           | <u>\$ 1,986,070</u> | <u>\$ 7,816,070</u> |
| Less current maturities | (394,000)           |                     |                     |
| Add premium             | <u>16,666</u>       |                     |                     |
|                         | <u>\$ 5,452,666</u> |                     |                     |

Aggregate maturities required on long-term debt at December 31, 2010 are as follows:

#### Business-type activities:

|  | Principal           | Interest            | Total Debt Service  |
|--|---------------------|---------------------|---------------------|
| 2011   | \$ 265,000          | \$ 214,025          | \$ 479,025          |
| 2012   | 165,000             | 218,445             | 383,445             |
| 2013   | 175,000             | 213,495             | 388,495             |
| 2014   | 175,000             | 208,245             | 383,245             |
| 2015   | 175,000             | 202,995             | 377,995             |
| 2016-2020  | 975,000             | 912,303             | 1,887,303           |
| 2021-2025  | 1,000,000           | 679,053             | 1,679,053           |
| 2026-2030  | 430,000             | 493,585             | 923,585             |
| 2031-2035  | 525,000             | 336,475             | 861,475             |
| 2036-2040  | <u>655,000</u>      | <u>139,725</u>      | <u>794,725</u>      |
|  | 4,540,000           | <u>\$ 3,618,346</u> | <u>\$ 8,158,346</u> |
| Less current maturities                          | (265,000)           |                     |                     |
| Refunding loss and premium on current maturities | <u>28,935</u>       |                     |                     |
| Net current maturities                           | <u>(236,065)</u>    |                     |                     |
| Less deferred refunding loss                     | (52,203)            |                     |                     |
| Add premium                                      | <u>6,878</u>        |                     |                     |
|  | <u>\$ 4,258,610</u> |                     |                     |

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (Continued)

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

#### **Refunding of Series of 2001 and 2003 General Obligation Bonds and Series of 2004A General Obligation Note:**

In April 2009, the Township issued \$ 8,590,000 in General Obligation Bonds, Series of 2009, to currently refund \$ 2,195,000 of outstanding General Obligation Bonds, Series of 2001, \$ 3,680,000 of General Obligation Bonds, Series of 2003, and \$ 2,397,000 of General Obligation Note, Series of 2004A. The 2009 Bonds were also issued to pay refinancing costs. The refunding resulted in an accounting loss of \$ 93,272 within the Township's business-type activities, which has been deferred in accordance with provisions of Statement No. 23 of the Governmental Accounting Standards Board, and is reported as a reduction to business-type activities long-term debt in the accompanying financial statements. The deferred loss is being amortized over 16 and 3 years for the Township's Water and Sewer Funds, respectively, which is both the original life of the new bond issue and the remaining life of the old bond/note issues. The transaction resulted in a reduction of approximately \$ 189,000 in future debt service payments.

### 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 \$ 84,590 at December 31, 2010.

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 \$ 88,435 for the year ended December 31, 2010.

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.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Pension Plans (Continued)

#### 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 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, 2010, the required member contribution was 6% 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 (based on the highest consecutive 36 months of compensation out of the last 60 months of employment) times the number of years and completed months of benefit service credited, 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.

###### 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 5% for the year ended December 31, 2010.

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Pension Plans (Continued)**

**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, 2010 are as follows:

|  | <b>Police<br/>Plan</b> | <b>Nonuniformed<br/>Plan</b> |
|--|------------------------|------------------------------|
| Annual required contribution               | \$ 200,237             | \$ 232,682                   |
| Interest on net pension obligation         | -                      | -                            |
| Adjustment to annual required contribution | <u>-</u>               | <u>-</u>                     |
| Annual pension cost                        | 200,237                | 232,682                      |
| Contributions made                         | <u>(200,237)</u>       | <u>(232,682)</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>     | <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 -----       |  |  |                                       |
|-------------------------------|--|--|---------------------------------------|
| <b>Year<br/>Ending</b>        | <b>Annual<br/>Pension<br/>Cost (APC)</b> | <b>Percentage<br/>of APC<br/>Contributed</b> | <b>Net<br/>Pension<br/>Obligation</b> |
| 12/31/08                      | \$ 141,153                               | 100%   | \$ -                                  |
| 12/31/09                      | \$ 221,230                               | 100%   | \$ -                                  |
| 12/31/10                      | \$ 200,237                               | 100%   | \$ -                                  |
| ----- Nonuniformed Plan ----- |  |  |                                       |
| <b>Year<br/>Ending</b>        | <b>Annual<br/>Pension<br/>Cost (APC)</b> | <b>Percentage<br/>of APC<br/>Contributed</b> | <b>Net<br/>Pension<br/>Obligation</b> |
| 12/31/08                      | \$ 227,463                               | 100%   | \$ -                                  |
| 12/31/09                      | \$ 236,187                               | 100%   | \$ -                                  |
| 12/31/10                      | \$ 232,682                               | 100%   | \$ -                                  |

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Pension Plans (Continued)**

**Funded status and funding progress:**

The funded status of the Township's Police Pension Fund as of January 1, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--|--|------------------------------------|--------------------------|---------------------------|---|
| \$ 2,992,061                           | \$ 4,410,487   | \$ 1,418,426                       | 67.8%                    | \$ 1,289,891              | 110.0%  |

The funded status of the Township's Nonuniformed Pension Plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--|--|------------------------------------|--------------------------|---------------------------|---|
| \$ 2,807,555                           | \$ 3,864,171   | \$ 1,056,616                       | 72.7%                    | \$ 1,854,779              | 57.0%   |

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.

**Plan membership:**

Membership in the pension plans as of January 1, 2009, the most recent date available, is comprised of the following:

|   | <b>Police Plan</b> | <b>Nonuniformed<br/>Plan</b> |
|---|--------------------|------------------------------|
| Active employees  | 20                 | 40                           |
| Terminated employees entitled to benefits<br>but not yet receiving benefits | -                  | 7                            |
| Retired members   | 5                  | 4                            |
| Spouse beneficiaries  | <u>1</u>           | <u>1</u>                     |
|   | <u>26</u>          | <u>52</u>                    |

## NOTES TO FINANCIAL STATEMENTS

### 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 Contingencies

#### Commitments:

The Township has commitments for various capital projects of approximately \$ 1,118,000 at December 31, 2010.

#### Contingencies:

##### *Concentration of labor:*

The Township entered into a collective bargaining agreement with the Upper Saucon Township Police Officers' Association through December 31, 2010 and settlement on a new agreement has not yet been reached. Of the Township's total workforce, approximately 32% is covered by the agreement.

The Township is in the process of negotiating a collective bargaining agreement with the Municipal Workers of Upper Saucon Township (MWUST). The MWUST was certified by the Pennsylvania Labor Relations Board by order dated May 13, 2010 as the collective bargaining representative for the nonuniform full-time and regular part-time workers.

##### *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. Subsequent Events

The Township has evaluated subsequent events through June 29, 2011. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2010 were noted.

**UPPER SAUCON TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year Ended December 31, 2010**

|  | ----- Budgeted Amounts ----- |                  |
|--|------------------------------|------------------|
|  | Original                     | Final            |
| <b>REVENUES</b>  |                              |                  |
| Taxes  | \$ 6,032,000                 | \$ 6,032,000     |
| Licenses and permits   | 267,750                      | 267,750          |
| Fines and forfeits   | 56,500                       | 56,500           |
| Interest, rents and royalties  | 43,000                       | 43,000           |
| Intergovernmental revenue  | 436,100                      | 436,100          |
| Charges for services   | 148,000                      | 148,000          |
| Miscellaneous revenue  | 85,000                       | 85,000           |
|  | <hr/>                        | <hr/>            |
| <b>Total revenues</b>  | <b>7,068,350</b>             | <b>7,068,350</b> |
|  | <hr/>                        | <hr/>            |
| <b>EXPENDITURES</b>  |                              |                  |
| Current:   |                              |                  |
| General government   | 927,100                      | 927,100          |
| Public safety  | 3,349,320                    | 3,349,320        |
| Public works - highways and streets                                  | 1,222,399                    | 1,222,399        |
| Culture and recreation   | 306,850                      | 306,850          |
| Other  | 716,210                      | 716,210          |
| Debt service   | 564,200                      | 564,200          |
| Capital outlay   | 219,200                      | 219,200          |
|  | <hr/>                        | <hr/>            |
| <b>Total expenditures</b>  | <b>7,305,279</b>             | <b>7,305,279</b> |
|  | <hr/>                        | <hr/>            |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>(236,929)</b>             | <b>(236,929)</b> |
|  | <hr/>                        | <hr/>            |

| <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|---------------------------|---------------------------------------|
| \$ 5,972,734              | \$ (59,266)                           |
| 170,486                   | (97,264)                              |
| 63,769                    | 7,269                                 |
| 38,428                    | (4,572)                               |
| 508,455                   | 72,355                                |
| 56,201                    | (91,799)                              |
| <u>76,855</u>             | <u>(8,145)</u>                        |
| <br>                      |                                       |
| <u>6,886,928</u>          | <u>(181,422)</u>                      |
| <br>                      |                                       |
| 801,502                   | 125,598                               |
| 3,031,006                 | 318,314                               |
| 1,105,323                 | 117,076                               |
| 224,728                   | 82,122                                |
| 600,926                   | 115,284                               |
| 562,144                   | 2,056                                 |
| <u>197,320</u>            | <u>21,880</u>                         |
| <br>                      |                                       |
| <u>6,522,949</u>          | <u>782,330</u>                        |
| <br>                      |                                       |
| <u>363,979</u>            | <u>600,908</u>                        |

UPPER SAUCON TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

GENERAL FUND

Year Ended December 31, 2010

|   | ----- Budgeted Amounts ----- |                     |
|---|------------------------------|---------------------|
|   | Original                     | Final               |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                              |                     |
| Transfers out                               | \$ <u>(16,000)</u>           | \$ <u>(16,000)</u>  |
| <b>Total other financing sources (uses)</b> | <u>(16,000)</u>              | <u>(16,000)</u>     |
| <b>Net change in fund balance</b>           | <u>\$ (252,929)</u>          | <u>\$ (252,929)</u> |
| Fund balance, beginning of year             |                              |                     |
| Fund balance, end of year                   |                              |                     |

See Note to Budgetary Comparison Schedule.

**Actual  
Amounts**

**Variance with  
Final Budget**

|                     |                   |
|---------------------|-------------------|
| <u>\$ (11,000)</u>  | <u>\$ 5,000</u>   |
| <u>(11,000)</u>     | <u>5,000</u>      |
| 352,979             | <u>\$ 605,908</u> |
| <u>1,601,073</u>    |                   |
| <u>\$ 1,954,052</u> |                   |

## UPPER SAUCON TOWNSHIP

### NOTE TO BUDGETARY COMPARISON SCHEDULE

#### **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 2010 budgets.

**UPPER SAUCON TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS  
DEFINED BENEFIT PENSION PLANS  
Year Ended December 31, 2010**

**Upper Saucon Township Police Pension Plan:**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>AAL (UAAL)<br/>(b-a)</b> | <b>Funded Ratio<br/>(a/b)</b> |
|---|--|--|--|-------------------------------|
| 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                          |
| January 1, 2009                         | 2,992,061  | 4,410,487  | 1,418,426                                | 67.8                          |

**Upper Saucon Township Nonuniformed Employees' Pension Plan:**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>AAL (UAAL)<br/>(b-a)</b> | <b>Funded Ratio<br/>(a/b)</b> |
|---|--|--|--|-------------------------------|
| 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                          |
| January 1, 2009                         | 2,807,555  | 3,864,171  | 1,056,616                                | 72.7                          |

|    | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</b> |
|----|------------------------------------|--|
| \$ | 918,128                            | 41.6%  |
|    | 998,128                            | 112.0  |
|    | 1,289,891                          | 110.0  |

|    | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</b> |
|----|------------------------------------|--|
| \$ | 1,503,405                          | 64.4%  |
|    | 1,685,824                          | 58.4   |
|    | 1,854,779                          | 57.0   |

**UPPER SAUCON TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER CONTRIBUTIONS  
DEFINED BENEFIT PENSION PLANS  
Year Ended December 31, 2010**

**Upper Saucon Township Police Pension Plan:**

| <b>Year</b> | <b>Annual<br/>Required<br/>Contribution</b> | <b>Contributions<br/>from<br/>Employer</b> | <b>Percentage<br/>Contributed</b> |
|-------------|---|--|-----------------------------------|
| 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                             |
| 2009        | 221,230                                     | 221,230                                    | 100.0                             |
| 2010        | 200,237                                     | 200,237                                    | 100.0                             |

**Upper Saucon Township Nonuniformed Employees' Pension Plan:**

| <b>Year</b> | <b>Annual<br/>Required<br/>Contribution</b> | <b>Contributions<br/>from<br/>Employer</b> | <b>Percentage<br/>Contributed</b> |
|-------------|---|--|-----------------------------------|
| 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                             |
| 2009        | 236,187                                     | 236,187                                    | 100.0                             |
| 2010        | 232,682                                     | 232,682                                    | 100.0                             |

**UPPER SAUCON TOWNSHIP**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLANS  
Year Ended December 31, 2010**

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:

|                                     | <b>Police Pension Plan</b>  | <b>Nonuniformed<br/>Employees'<br/>Pension Plan</b> |
|-------------------------------------|---|---|
| Actuarial valuation date            | 1/1/2009  | 1/1/2009  |
| 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<br>increases | Social Security cost-of-living<br>increase for the preceding<br>calendar year, up to 5% with<br>a maximum cost-of-living<br>increase of 15% | None  |

**UPPER SAUCON TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2010**

|   | ----- Special Revenue Funds ----- |                         |   |                          |
|---|-----------------------------------|-------------------------|---|--------------------------|
| <b>ASSETS</b>   | <b>Street<br/>Lighting</b>        | <b>Fire<br/>Hydrant</b> | <b>State Liquid<br/>Fuels<br/>Highway<br/>Aid</b> | <b>Recreation</b>        |
| Cash and cash equivalents                             | \$ 3,323                          | \$ 24,337               | \$ 1,023,862                                      | \$ 460,672               |
| Taxes receivable                                      | 1,856                             | 38,863                  | -   | -                        |
| Due (to) from other funds                             | -                                 | -                       | -   | -                        |
| <b>Total assets</b>                                   | <b><u>\$ 5,179</u></b>            | <b><u>\$ 63,200</u></b> | <b><u>\$ 1,023,862</u></b>                        | <b><u>\$ 460,672</u></b> |
| <b>LIABILITIES AND FUND<br/>BALANCES</b>              |                                   |                         |   |                          |
| <b>LIABILITIES</b>                                    |                                   |                         |   |                          |
| Accounts payable                                      | \$ 1,271                          | \$ 1,540                | \$ 94,385   | \$ 140,695               |
| Deferred revenues                                     | 1,845                             | 38,190                  | -   | -                        |
| <b>Total liabilities</b>                              | <b><u>3,116</u></b>               | <b><u>39,730</u></b>    | <b><u>94,385</u></b>                              | <b><u>140,695</u></b>    |
| <b>FUND BALANCES</b>                                  |                                   |                         |   |                          |
| Unrestricted, reported in:                            |                                   |                         |   |                          |
| Special revenue funds                                 | 2,063                             | 23,470                  | -   | -                        |
| Capital projects funds                                | -                                 | -                       | -   | -                        |
| Restricted for stormwater maintenance                 | -                                 | -                       | -   | -                        |
| Restricted for public works - highways<br>and streets | -                                 | -                       | 929,477   | -                        |
| Restricted for recreation                             | -                                 | -                       | -   | 319,977                  |
|   | <b><u>\$ 2,063</u></b>            | <b><u>\$ 23,470</u></b> | <b><u>\$ 929,477</u></b>                          | <b><u>\$ 319,977</u></b> |

| ----- Capital Projects Funds ----- |                      |   |  |                     |                                |
|------------------------------------|----------------------|---|--|---------------------|--------------------------------|
| Transportation<br>Impact           | Maintenance<br>Trust | Land<br>Acquisition<br>Capital<br>Reserve | Road<br>Construction<br>Capital<br>Reserve | Capital<br>Projects | Total<br>Governmental<br>Funds |
| \$ 1,345,528                       | \$ 1,063,853         | \$ 177,157                                | \$ 234,853                                 | \$ 378,599          | \$ 4,712,184                   |
| -                                  | -                    | -   | -  | -                   | 40,719                         |
| -                                  | -                    | -   | (1,966)                                    | -                   | (1,966)                        |
| <u>\$ 1,345,528</u>                | <u>\$ 1,063,853</u>  | <u>\$ 177,157</u>                         | <u>\$ 232,887</u>                          | <u>\$ 378,599</u>   | <u>\$ 4,750,937</u>            |
| <br>                               |                      |   |  |                     |                                |
| \$ -                               | \$ -                 | \$ -                                      | \$ 51                                      | \$ 665              | \$ 238,607                     |
| -                                  | -                    | -   | -  | -                   | 40,035                         |
| -                                  | -                    | -   | 51   | 665                 | 278,642                        |
| <br>                               |                      |   |  |                     |                                |
| -                                  | -                    | -   | -  | -                   | 25,533                         |
| -                                  | -                    | 177,157                                   | 232,836                                    | 377,934             | 787,927                        |
| -                                  | 1,063,853            | -   | -  | -                   | 1,063,853                      |
| 1,345,528                          | -                    | -   | -  | -                   | 2,275,005                      |
| -                                  | -                    | -   | -  | -                   | 319,977                        |
| <u>\$ 1,345,528</u>                | <u>\$ 1,063,853</u>  | <u>\$ 177,157</u>                         | <u>\$ 232,836</u>                          | <u>\$ 377,934</u>   | <u>\$ 4,472,295</u>            |

**UPPER SAUCON TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2010**

|  | ----- Special Revenue Funds ----- |                  |   |                  |
|--|-----------------------------------|------------------|---|------------------|
|  | Street<br>Lighting                | Fire<br>Hydrant  | State Liquid<br>Fuels<br>Highway<br>Aid | Recreation       |
| <b>REVENUES</b>  |                                   |                  |   |                  |
| Taxes  | \$ 5,742                          | \$ 131,672       | \$ -                                    | \$ -             |
| Interest, rents and royalties  | 78                                | 927              | 13,988                                  | 7,805            |
| Intergovernmental revenue  | -                                 | -                | 299,177                                 | 3,357            |
| Developer contributions  | -                                 | -                | -                                       | 12,310           |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>Total revenues</b>  | <b>5,820</b>                      | <b>132,599</b>   | <b>313,165</b>                          | <b>23,472</b>    |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>EXPENDITURES</b>  |                                   |                  |   |                  |
| Current:   |                                   |                  |   |                  |
| Public safety  | -                                 | 16,940           | -                                       | -                |
| Public works - highways and streets                                      | 16,695                            | -                | 246,350                                 | -                |
| Capital outlay   | -                                 | -                | -                                       | 287,582          |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>Total expenditures</b>  | <b>16,695</b>                     | <b>16,940</b>    | <b>246,350</b>                          | <b>287,582</b>   |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>Excess (deficiency) of<br/>revenues over (under)<br/>expenditures</b> | <b>(10,875)</b>                   | <b>115,659</b>   | <b>66,815</b>                           | <b>(264,110)</b> |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                                    |                                   |                  |   |                  |
| Transfers in   | 11,000                            | -                | -                                       | -                |
| Transfers out  | -                                 | (100,000)        | -                                       | -                |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>Total other financing sources<br/>(uses)</b>                          | <b>11,000</b>                     | <b>(100,000)</b> | <b>-</b>                                | <b>-</b>         |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| <b>Net change in fund balances</b>                                       | <b>125</b>                        | <b>15,659</b>    | <b>66,815</b>                           | <b>(264,110)</b> |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| Fund balances, beginning   | 1,938                             | 7,811            | 862,662                                 | 584,087          |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |
| Fund balances, ending  | \$ 2,063                          | \$ 23,470        | \$ 929,477                              | \$ 319,977       |
|  | <hr/>                             | <hr/>            | <hr/>                                   | <hr/>            |

|                          |                      | ----- Capital Projects Funds -----        |  |                     |                                |
|--------------------------|----------------------|---|--|---------------------|--------------------------------|
| Transportation<br>Impact | Maintenance<br>Trust | Land<br>Acquisition<br>Capital<br>Reserve | Road<br>Construction<br>Capital<br>Reserve | Capital<br>Projects | Total<br>Governmental<br>Funds |
| \$ -                     | \$ -                 | \$ -                                      | \$ -                                       | \$ -                | \$ 137,414                     |
| 21,056                   | 14,203               | 2,363                                     | 3,188                                      | 5,256               | 68,864                         |
| -                        | 2,500                | -   | -  | -                   | 305,034                        |
| 11,451                   | -                    | -   | -  | -                   | 23,761                         |
| <u>32,507</u>            | <u>16,703</u>        | <u>2,363</u>                              | <u>3,188</u>                               | <u>5,256</u>        | <u>535,073</u>                 |
| -                        | -                    | -   | -  | -                   | 16,940                         |
| 505,036                  | 8,027                | -   | 24,171                                     | -                   | 800,279                        |
| -                        | -                    | 1,235                                     | -  | 21,000              | 309,817                        |
| <u>505,036</u>           | <u>8,027</u>         | <u>1,235</u>                              | <u>24,171</u>                              | <u>21,000</u>       | <u>1,127,036</u>               |
| <u>(472,529)</u>         | <u>8,676</u>         | <u>1,128</u>                              | <u>(20,983)</u>                            | <u>(15,744)</u>     | <u>(591,963)</u>               |
| -                        | -                    | -   | -  | -                   | 11,000                         |
| -                        | -                    | -   | -  | -                   | (100,000)                      |
| <u>-</u>                 | <u>-</u>             | <u>-</u>                                  | <u>-</u>                                   | <u>-</u>            | <u>(89,000)</u>                |
| (472,529)                | 8,676                | 1,128                                     | (20,983)                                   | (15,744)            | (680,963)                      |
| <u>1,818,057</u>         | <u>1,055,177</u>     | <u>176,029</u>                            | <u>253,819</u>                             | <u>393,678</u>      | <u>5,153,258</u>               |
| <u>\$ 1,345,528</u>      | <u>\$ 1,063,853</u>  | <u>\$ 177,157</u>                         | <u>\$ 232,836</u>                          | <u>\$ 377,934</u>   | <u>\$ 4,472,295</u>            |

UPPER SAUCON TOWNSHIP

COMBINING STATEMENT OF PENSION NET ASSETS

PENSION TRUST FUNDS

December 31, 2010

| <b>ASSETS</b>   | <b>Police<br/>Pension<br/>Fund</b> | <b>Nonuniformed<br/>Pension<br/>Fund</b> |
|---|------------------------------------|--|
| Cash and cash equivalents                                 | \$ 263,643                         | \$ 254,171                               |
| Investments   | 3,389,093                          | 3,541,720                                |
| Accrued interest receivable                               | <u>8,561</u>                       | <u>8,645</u>                             |
| <b>Total assets</b>                                       | <b><u>\$ 3,661,297</u></b>         | <b><u>\$ 3,804,536</u></b>               |
| <b>NET ASSETS</b>   |                                    |  |
| <b>NET ASSETS, held in trust for<br/>pension benefits</b> | <b><u>\$ 3,661,297</u></b>         | <b><u>\$ 3,804,536</u></b>               |

| Length of<br>Service<br>Fund | Total<br>Pension<br>Funds |
|------------------------------|---------------------------|
| \$ 172,941                   | \$ 690,755                |
| -                            | 6,930,813                 |
| -                            | <u>17,206</u>             |
| <u>\$ 172,941</u>            | <u>\$ 7,638,774</u>       |
| <br><u>\$ 172,941</u>        | <br><u>\$ 7,638,774</u>   |