

**REPORT ON  
THE BOROUGH OF QUAKERTOWN  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008**

**THE BOROUGH OF QUAKERTOWN**  
**Financial Statements - Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**THE BOROUGH OF QUAKERTOWN**  
**Financial Statements - Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**I N T R O D U C T O R Y   S E C T I O N**

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HUTCHINSON, GILLAHAN & FREEH, P.C.  
ACCOUNTANTS, AUDITORS & CONSULTANTS

August 24, 2009

Borough Council  
The Borough of Quakertown  
35 North Third Street  
Quakertown, PA 18951

In planning and performing our audit of the financial statements of The Borough of Quakertown as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered The Borough of Quakertown's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. The following section in the management letter is separated based on importance.

***Significant Deficiency***

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

***Material Weaknesses***

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following material weakness was noted:

***Cash Reconciliations***

It was noted during our audit that the consolidated cash account was not reconciled in a timely manner for the months of October, November and December 2008. As a result, certain transactions were either not recorded or posted to incorrect accounts. It is recommended that the consolidated cash accounts be reconciled within 15 days upon receipt of the monthly bank statement.

***Recommendations***

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 24, 2009, on the financial statements of The Borough of Quakertown. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

## **Borough Council**

The following recommendations are presented for your consideration:

### ***Interest Income Allocation***

It was discovered during our audit that the interest income for the consolidated cash account was not properly allocated to the various funds. We recommend that the interest income be allocated on a basis of using the monthly ending cash balances (excluding pension trust funds) and recorded in the fund that holds the investment.

### ***Utilities Department Record Management***

During our audit it was noted that, in the past, the utilities department maintained certain spreadsheets that showed the total consumption and billing adjustments for each month. These records provide a good tool for the auditors to test the revenue for each of the utility funds. It was discovered during our audit, that the preparation of these spreadsheets were as far behind as June 2008. It is recommended that procedures be implemented to insure the timely preparation of these spreadsheets.

### ***Payroll***

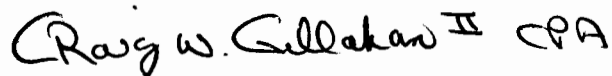
During our testing and reconciliation of the payroll accounts it was noted that certain payroll transactions were not properly recorded. It is recommended that management properly record and reconciles the payroll after each pay period to ensure that the correct amounts are recorded in the various expenditure, liability and cash accounts.

### ***Revenue and Supporting Documentation***

During our audit, we discovered that the cash receipts lacked sufficient supporting documentation (excluding utility receipts). Improper deposit documentation could result in the improper recording and classification of Borough revenues. We recommend that all cash receipts be documented properly with a copy of the check received and invoice backup attached to the deposit slip in order to prevent any accounting irregularities.

This communication is intended solely for the information and use of management, those charged with governance and others within the Borough, and any required government authorities. This communication is not intended to be and should not be used by anyone other than those specific parties.

Respectfully submitted,

 Craig W. Gullakaw II CPA

August 24, 2009

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**FINANCIAL SECTION**

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**HUTCHINSON, GILLAHAN & FREEH, P.C.**  
ACCOUNTANTS, AUDITORS & CONSULTANTS

August 24, 2009

Borough Council  
The Borough of Quakertown  
35 North Third Street  
Quakertown, PA 18951

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown as of and for the year ended December 31, 2008, which collectively comprise the Borough's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions 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, and Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 2 (b), the Borough of Quakertown prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown at December 31, 2008, and the respective changes in financial position and cash flows - modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.

In accordance with Government Auditing Standards we have also issued our report dated August 24, 2009, on our consideration of the Borough of Quakertown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



## BOROUGH OF QUAKERTOWN

Management's Discussion and Analysis, on pages 5 to 13 and the schedule of funding progress on pages 44, are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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 the Borough of Quakertown's basic financial statements. The accompanying combining and individual fund financial statements and schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Borough of Quakertown. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Craig W. Gillahan II CPA

August 24, 2009

**BOROUGH OF QUAKERTOWN**  
**Quakertown, Pennsylvania**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Year Ended December 31, 2008**

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The discussion and analysis of The Borough of Quakertown's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

***FINANCIAL HIGHLIGHTS***

The Borough's overall financial position, as reflected in total net assets, increased by \$2,514,713 including special and extraordinary items. The net assets increased in the governmental activities and funds by \$2,530,667 and decreased in the business-type activities and funds by \$15,964.

During the year the Borough borrowed \$1,098,550 for water and sewer improvements through financing provided by Pennvest. The Borough paid principal of \$1,895,420 resulting in ending outstanding debt as of December 31, 2008, of \$13,283,344.

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

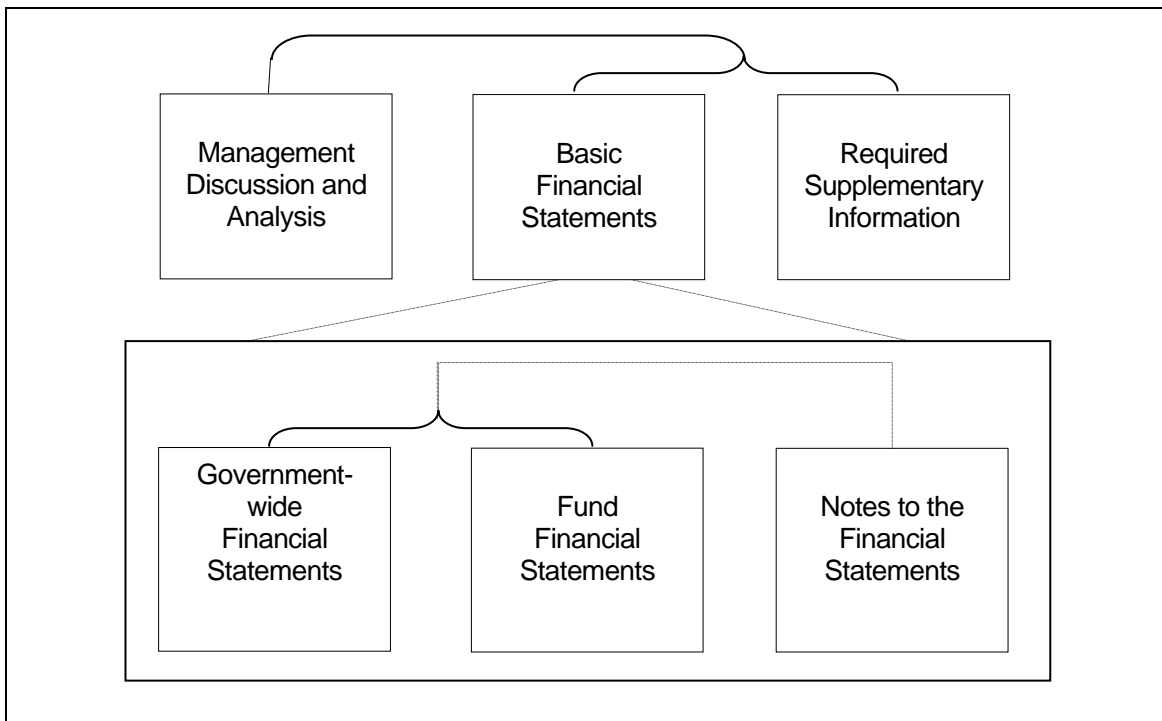
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The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the Borough operates like a business. For this Borough this is our Electric, Water, Sewer and Pool Funds. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1**  
**Required Components of**  
**The Borough of Quakertown's**  
**Financial Report**



**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

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Figure A-2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**Major Features of The Borough of Quakertown's**  
**Government-wide and Fund Financial Statements**

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Borough (except fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary	Activities the Borough operates similar to private business	Instances in which the Borough is the trustee or agent to someone else's resources – Uniform and non-uniform pension funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets, Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Modified cash basis	Modified cash basis	Modified cash basis	Modified cash basis
Type of asset/liability information	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables
Type of inflow- outflow information	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

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**OVERVIEW OF FINANCIAL STATEMENTS**

*Government-wide Statements*

The government-wide statements report information about the Borough as a whole using the modified cash basis, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. The statement of net assets includes only cash, investments and interfund receivables and payables. All of the current year's Revenues and expenses are accounted for in the statement of activities when revenue is received rather than earned and expenses are paid rather than when incurred.

The government-wide statements report the Borough's net assets and how they have changed. Net assets, the difference between the Borough's assets and liabilities are one way to measure the Borough's financial health or position.

Over time, increases or decreases in the Borough's net assets are an indication of whether its financial health is improving or deteriorating, respectively, based upon the basis of accounting used.

To assess the overall health of the Borough, you need to consider additional non-financial factors, such as changes in the Borough's property tax base and changes in the utility rates and usage.

The government-wide financial statements of the Borough are divided into two categories:

*Governmental Activities*

All of the Borough's basic services are included here, such as General Government, Public Safety, Public Works and Parks. Property Taxes, Earned Income Taxes and Other Public Taxes finance most of these activities.

*Business-Type Activities*

The Borough provides Electric, Water and Sewer utilities as well as a recreation pool to residents of the Borough. Fees received for these utilities and pool use fees cover the costs of operations.

The Borough's fund financial statements, which begin on page 16, provide detailed information about the most significant funds - not the Borough as a whole.

Fund Financial Statements includes:

*Governmental Funds*

Most of the Borough's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified cash basis of accounting. Under this method revenues are recognized when received rather than earned and expenses are recognized when paid rather than when incurred. The governmental fund statements provide a detailed short-term view of the Borough's operations and services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

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*Proprietary Funds*

These funds are used to account for the Borough's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Borough charges customers for services it provides - these services are generally reported in proprietary funds. The electric, water, sewer and pool funds, are the Borough's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information such as cash flow.

*Fiduciary Funds*

The Borough is a fiduciary for the uniform and non-uniform pension funds. All of the Borough's activities are reported in separate statements or fiduciary net assets on page 22. These activities have been excluded from the Borough's financial statements because the Borough cannot use these assets to finance their operations.

**FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE**

The Borough's total net assets were \$8,875,390 at December 31, 2008.

**Table A-1**  
**Year Ended December 31, 2008 and 2007**  
**Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Current and Other Assets</b>	\$ 5,901,913	\$ 3,514,810	\$ 4,080,646	\$ 4,588,875	\$ 9,982,559	\$ 8,103,685
<b>Current and Other Liabilities</b>	\$ 170,481	\$ 314,045	\$ 936,688	\$ 1,428,963	\$ 1,107,169	\$ 1,743,008
<b>Net Assets</b>						
Capital Projects	\$ 4,503,596	\$ 3,280,008	\$ -	\$ -	\$ 4,503,596	\$ 3,280,008
Unrestricted	1,227,836	(79,243)	3,143,958	3,159,912	4,371,794	3,080,669
<b>Total Net Assets</b>	<b>\$ 5,731,432</b>	<b>\$ 3,200,765</b>	<b>\$ 3,143,958</b>	<b>\$ 3,159,912</b>	<b>\$ 8,875,390</b>	<b>\$ 6,360,677</b>

Most of the Borough's net assets are invested in cash and cash equivalents.

The results of this year's operations as a whole are reported in the statement of activities on page 15. All expenses are reported in the first column. The two largest revenues are provided by utility services and general public taxes.

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

Table A-2 takes the information from that statement, rearranges it slightly, so that you can see our total revenues and expenses for the year.

**Table A-2**  
**Fiscal Year ended December 31, 2008 and 2007**  
**Changes in Net Assets**

	2008			2007		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<b>REVENUES</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 528,736	\$ 17,397,387	\$ 17,926,123	\$ 1,133,938	\$ 15,316,569	\$ 16,450,507
Operating Grants and Contributions	214,838	84,308	299,146	124,201	90,036	214,237
Capital Grants and Contributions	172,922	-	172,922	202,056	-	202,056
<i>General Revenues</i>						
Property Taxes	127,035	-	127,035	131,239	-	131,239
Other Taxes	1,634,606	-	1,634,606	1,215,799	-	1,215,799
Grants, Subsidies and Contributions, unrestricted	265,034	-	265,034	187,889	-	187,889
Investment Earnings	83,611	68,414	152,025	137,298	204,199	341,497
Insurance Proceeds from Destruction of Senior Citizens Center	1,289,913	-	1,289,913	-	-	-
Proceeds from Loans	-	1,098,550	1,098,550	-	215,544	215,544
Sale of Property	18,261	2,362	20,623	29,776	-	29,776
Other Revenue	52,757	31,269	84,026	106,585	207,703	314,288
<b>TOTAL REVENUES</b>	<b>4,387,713</b>	<b>18,682,290</b>	<b>23,070,003</b>	<b>3,268,781</b>	<b>16,034,051</b>	<b>19,302,832</b>
<b>EXPENSES</b>						
<i>Governmental Activities</i>						
General Government	749,427	-	749,427	1,063,637	-	1,063,637
Public Safety	2,258,024	-	2,258,024	2,593,873	-	2,593,873
Public Works	1,288,025	-	1,288,025	1,777,115	-	1,777,115
Culture and Recreation	254,795	-	254,795	442,413	-	442,413
Community Development	-	-	-	2,390	-	2,390
Non-Departmental	1,557,860	-	1,557,860	-	-	-
Debt Service Payments	206,568	-	206,568	1,481,289	-	1,481,289
Transfers Between Activities	(4,457,653)	4,457,653	-	(3,663,000)	3,663,000	-
<i>Business-Type Activities</i>						
Electric	-	9,293,967	9,293,967	-	8,157,786	8,157,786
Water	-	2,422,035	2,422,035	-	1,453,806	1,453,806
Sewer	-	1,962,101	1,962,101	-	2,332,841	2,332,841
Pool	-	562,488	562,488	-	-	-
<b>TOTAL EXPENSES</b>	<b>1,857,046</b>	<b>18,698,244</b>	<b>20,555,290</b>	<b>3,697,717</b>	<b>15,607,433</b>	<b>19,305,150</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 2,530,667</b>	<b>\$ (15,954)</b>	<b>\$ 2,514,713</b>	<b>\$ (428,936)</b>	<b>\$ 426,618</b>	<b>\$ (2,318)</b>

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

**DEBT ADMINISTRATION**

As of January 1, 2008, the Borough had total outstanding debt of \$14,080,214. During the year, the Borough borrowed \$1,098,550 through Pennvest and paid principal of \$1,895,420 resulting in ending outstanding debt as of December 31, 2008, of \$13,283,344.

**Table A-3**  
**Outstanding Debt**

	2008	2007
2003 General Obligation Note	\$ 1,563,596	\$ 1,851,058
2003 General Obligation Note	-	184,905
2004 Guaranteed Revenue Note - Water Fund	5,784,294	5,675,585
2004 Guaranteed Revenue Note - Sewer Fund	3,504,069	2,832,909
2005 General Obligation Note	1,473,385	1,654,757
2006 General Obligation Note	958,000	1,881,000

**General Fund Budget**

The Borough adopts an annual budget for its General Fund. This adoption, by law, occurs prior to December 31 of each year for the subsequent year. A comprehensive budgetary comparison, original to final is provided in this report. Below is a summarized version of the budget comparison.

**Table A-4**  
**Budgetary Comparison**

	2008			
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	Variances with Final Budget Positive (Negative)
Revenues	\$ 2,686,800	\$ 2,686,800	\$ 2,783,956	\$ 97,156
Expenditures	5,910,478	5,910,478	5,899,956	10,522
Excess (Deficiency) of Revenues over Expenditures	(3,223,678)	(3,223,678)	(3,116,000)	107,678
Other Financing Sources	3,339,614	3,339,614	4,341,718	1,002,104
Net Change in Fund Balance	115,936	115,936	1,225,718	1,109,782
Fund Balance - January 1, 2008	(115,936)	(115,936)	(129,394)	(13,458)
Fund Balance - December 31, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,096,324</u>	<u>\$ 1,096,324</u>
	2007			
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	Variances with Final Budget Positive (Negative)
Revenues	\$ 2,316,750	\$ 2,316,750	\$ 2,916,450	\$ 599,700
Expenditures	4,394,300	4,394,300	5,306,625	(912,325)
(Deficiency) of Revenues over Expenditures	(2,077,550)	(2,077,550)	(2,390,175)	(312,625)
Other Financing Sources	2,150,000	2,150,000	2,150,000	-
Net Change in Fund Balance	72,450	72,450	(240,175)	(312,625)
Fund Balance - January 1, 2007	(72,450)	(72,450)	110,781	183,231
Fund Balance - December 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129,394)</u>	<u>\$ (129,394)</u>



**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Borough of Quakertown has always been and almost certainly will continue to be the core of Upper Bucks County. Although the neighboring municipalities continue to expand in population, the Borough of Quakertown will remain the center of activity and focus. The Borough continues to be perceived by the public as a very desirable place to live, work and play, and there are many reasons for this perception. Quakertown is a "full service community". Although this is a term not frequently used, it means that we provide a comprehensive complement of public services to our residents. Not only do we provide these services, but they are provided in an efficient and cost effective way. Many of the services are subtle, but are not provided by any other municipalities in our larger region. The list includes: police services, water, sewer, electric, leaf collection, brush clipping and branch drop-off, street lights, traffic light maintenance, street maintenance, community swimming pool, and park and recreation facilities (for the Quakertown Community School District). Our water, sewer and electric rates are extremely competitive compared to others in our region. Our property tax rate of 1.625 mills equates to the average property owner paying approximately \$40 in real estate taxes per year for the services we provide to residents and non-residents. However, we have also assumed the leadership role that comes with this designation. Being the leader is not easy or inexpensive, but we continue to provide the responsible leadership to help (along with the other municipalities and the school district) make Quakertown the quality place it is, and will continue to be, to work and live.

The 2009 Budget reflects cautious optimism about the local economy, which continues to be resilient in spite of the declining national economy. This relative strength allows the Borough of Quakertown to continue to focus resources on building the infrastructure to deliver core services while addressing community priorities. All though there is limited revenue growth, the 2009 budget responds to the challenge of continuing to provide exceptional municipal services.

The following table shows a comparative 2009 and 2008 budgeted revenues and expenditures by fund.

	<b>2009 Budget Revenues</b>	<b>2009 Budget Expenditures</b>	<b>2008 Budget Revenues</b>	<b>2008 Budget Expenditures</b>
General Fund	\$ 5,468,300	\$ 6,230,231	\$ 6,026,414	\$ 6,005,175
Wastewater Fund	2,347,150	2,653,451	2,683,442	2,551,129
Electric Fund	14,381,100	14,536,325	14,892,244	13,562,403
Water Fund	2,181,100	2,789,195	1,625,000	2,783,766
Pool Fund	602,300	599,455	-	-

**THE BOROUGH OF QUAKERTOWN**  
**Management's Discussion and Analysis (MD&A)**

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This past year's expenditures show a continuing increase due to our increase in wholesale power and the resulting debt service from our water and sewer projects:

<b>Year</b>	<b>Total Operational Expenditures</b>	<b>% Increase/ Decrease</b>
1998	\$ 12,671,710	
1999	12,485,273	-1.47%
2000	12,962,242	3.82%
2001	12,996,961	0.27%
2002	12,660,534	-2.59%
2003	13,927,770	10.00%
2004	16,623,917	19.36%
2005	18,096,912	8.86%
2006	24,549,090	35.65%
2007	19,305,150	-21.36%

From 1998 through 2007, our operational expenditures have increased a cumulative 52.3%, or an average of 5.8% per year. The increase in the operating expenditures, for the most part, is due to the increase in the cost of wholesale power and the escalating debt service. During 2007, financial prudence was at the forefront of management objectives, thus reducing expenses by 21.36%.

**CONTACTING THE BOROUGH FINANCIAL MANAGEMENT**

The Borough's financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Borough's finances and to show Borough Council's accountability for the money it receives. If you have questions, please contact Borough Manager, Scott McElree, 35 North Third Street, Quakertown, PA 18951, phone 215.536.5001.

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**BASIC FINANCIAL STATEMENTS**

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**THE BOROUGH OF QUAKERTOWN**  
**Statement of Net Assets – Modified Cash Basis**  
**As of December 31, 2008**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,598,460	\$ 1,346,646	\$ 3,945,106
Investments	3,294,914	2,734,000	6,028,914
Internal Balances	-	-	- (1)
Other Receivables	8,539	-	8,539
<b>TOTAL CURRENT ASSETS</b>	<b>5,901,913</b>	<b>4,080,646</b>	<b>9,982,559</b>
<b>NON-CURRENT ASSETS:</b>			
Restricted Cash and Cash Equivalents	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,901,913</b>	<b>\$ 4,080,646</b>	<b>\$ 9,982,559</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Internal Balances	\$ -	\$ -	\$ - (1)
Other Payables	-	936,688	936,688
Other Current Liabilities	170,481	-	170,481
Total Current Liabilities	170,481	936,688	1,107,169
<b>TOTAL LIABILITIES</b>	<b>170,481</b>	<b>936,688</b>	<b>1,107,169</b>
<b>NET ASSETS</b>			
Restricted for Capital Projects	4,503,596	-	4,503,596
Unrestricted	1,227,836	3,143,958	4,371,794
<b>TOTAL NET ASSETS</b>	<b>5,731,432</b>	<b>3,143,958</b>	<b>8,875,390</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,901,913</b>	<b>\$ 4,080,646</b>	<b>\$ 9,982,559</b>

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ 749,427	\$ 248,373	\$ 3,300	\$ -	\$ (497,754)	\$ -	\$ (497,754)
Public Safety	2,258,024	204,387	138,519	-	(1,915,118)	-	(1,915,118)
Public Works	1,288,025	54,500	33,019	172,922	(1,027,584)	-	(1,027,584)
Culture and Recreation	254,795	21,476	40,000	-	(193,319)	-	(193,319)
Non-Departmental	1,557,860	-	-	-	(1,557,860)	-	(1,557,860)
Debt Service Payments	206,568	-	-	-	(206,568)	-	(206,568)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,314,699</b>	<b>528,736</b>	<b>214,838</b>	<b>172,922</b>	<b>(5,398,203)</b>	<b>-</b>	<b>(5,398,203)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Electric	9,293,967	13,993,778	29,983	-	-	4,729,794	4,729,794
Water	2,422,035	1,370,012	24,342	-	-	(1,027,681)	(1,027,681)
Sewer	1,962,101	1,812,463	29,983	-	-	(119,655)	(119,655)
Pool	562,488	221,134	-	-	-	(341,354)	(341,354)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 20,555,290</b>	<b>\$ 17,926,123</b>	<b>\$ 299,146</b>	<b>\$ 172,922</b>	<b>\$ (5,398,203)</b>	<b>\$ 3,241,104</b>	<b>\$ (2,157,099)</b>
<b>GENERAL REVENUES:</b>							
Property Taxes. Levied for General Purposes, Net					\$ 127,035	\$ -	\$ 127,035
Taxes Levied for General and Specific Purposes					1,435,132	-	1,435,132
Franchise Taxes					197,819	-	197,819
Public Service Taxes					1,655	-	1,655
Grants, Subsidies, & Contributions Not Restricted					265,034	-	265,034
Investment and Rental Earnings					83,611	68,414	152,025
Miscellaneous Income					9,689	31,269	40,958
Insurance Claim Refund					43,068	-	43,068
Proceeds from Sale of Property					18,261	2,362	20,623
Insurance Proceeds From Destruction of Senior Citizens Center					1,289,913	-	1,289,913
Proceeds from Loans					-	1,098,550	1,098,550
Transfers					4,457,653	(4,457,653)	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>7,928,870</b>	<b>(3,257,058)</b>	<b>4,671,812</b>
<b>CHANGE IN NET ASSETS</b>					<b>2,530,667</b>	<b>(15,954)</b>	<b>2,514,713</b>
<b>NET ASSETS - BEGINNING</b>					<b>3,200,765</b>	<b>3,159,912</b>	<b>6,360,677</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 5,731,432</b>	<b>\$ 3,143,958</b>	<b>\$ 8,875,390</b>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Balance Sheet – Modified Cash Basis**  
**All Governmental Funds**  
**As of December 31, 2008**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 727,266	\$ 1,739,682	\$ 131,512	\$ 2,598,460
Investments	531,000	2,763,914	-	3,294,914
Due from Other Funds	-	-	-	-
Other Receivables	8,539	-	-	8,539
<b>TOTAL ASSETS</b>	<b><u>\$ 1,266,805</u></b>	<b><u>\$ 4,503,596</u></b>	<b><u>\$ 131,512</u></b>	<b><u>\$ 5,901,913</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Other Payables	170,481	-	-	170,481
<b>TOTAL LIABILITIES</b>	<b><u>170,481</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>170,481</u></b>
<b>FUND BALANCES:</b>				
- General Fund	1,096,324	-	-	1,096,324
- Liquid Fuels Fund	-	-	113,414	113,414
- Fire Company Capital Fund	-	-	18,098	18,098
- Capital Projects Fund	-	4,503,596	-	4,503,596
- Debt Service Fund	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>1,096,324</u></b>	<b><u>4,503,596</u></b>	<b><u>131,512</u></b>	<b><u>5,731,432</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,266,805</u></b>	<b><u>\$ 4,503,596</u></b>	<b><u>\$ 131,512</u></b>	<b><u>\$ 5,901,913</u></b>

**Reconciliation to Statement of Net Assets:**

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances – Modified Cash Basis**  
**All Governmental Funds**  
**For the Year Ended December 31, 2008**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 1,562,167	\$ -	\$ -	\$ 1,562,167
Licenses and Permits	202,554	-	-	202,554
Fines and Forfeits	141,032	-	-	141,032
Intergovernmental	382,711	-	172,922	555,633
Charges for Services	290,816	54,560	-	345,376
Investment and Rental Earnings	15,510	64,334	3,767	83,611
Miscellaneous	146,098	-	-	146,098
<b>TOTAL REVENUES</b>	<u>2,740,888</u>	<u>118,894</u>	<u>176,689</u>	<u>3,036,471</u>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
General Government	714,256	35,171	-	749,427
Public Safety	2,017,594	200,430	40,000	2,258,024
Public Works	1,078,579	98,213	111,233	1,288,025
Culture and Recreation	212,446	42,349	-	254,795
Non-Departmental	1,557,860	-	-	1,557,860
<b>DEBT SERVICE:</b>				
Principal	199,371	-	-	199,371
Interest	7,197	-	-	7,197
<b>TOTAL EXPENDITURES</b>	<u>5,787,303</u>	<u>376,163</u>	<u>151,233</u>	<u>6,314,699</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,046,415)</u>	<u>(257,269)</u>	<u>25,456</u>	<u>(3,278,228)</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of Fixed Assets	-	18,261	-	18,261
Insurance Claim Refund	43,068	-	-	43,068
Insurance Proceeds From Destruction of Senior Citizens Center	-	1,289,913	-	1,289,913
Interfund Transfers In	4,341,718	172,683	55,905	4,570,306
Operating Transfers Out	(112,653)	-	-	(112,653)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>4,272,133</u>	<u>1,480,857</u>	<u>55,905</u>	<u>5,808,895</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,225,718	1,223,588	81,361	2,530,667
<b>FUND BALANCES - BEGINNING</b>	<u>(129,394)</u>	<u>3,280,008</u>	<u>50,151</u>	<u>3,200,765</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,096,324</u>	<u>\$ 4,503,596</u>	<u>\$ 131,512</u>	<u>\$ 5,731,432</u>

**Reconciliation to Statement of Activities:**

Amounts recorded for governmental activities in the statement of activities are the same as the amounts recorded in the statement of revenues, expenditures, and changes in fund balances of all governmental funds, since both statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Net Assets – Modified Cash Basis**  
**Proprietary Funds**  
**As of December 31, 2008**

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS:</b>					
Cash and Cash Equivalents	\$ -	\$ 719,981	\$ 613,019	\$ 13,646	\$ 1,346,646
Investments	1,500,000	667,000	567,000	-	2,734,000
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,500,000</b>	<b>\$ 1,386,981</b>	<b>\$ 1,180,019</b>	<b>\$ 13,646</b>	<b>\$ 4,080,646</b>
<b><u>LIABILITIES</u></b>					
<b>CURRENT LIABILITIES:</b>					
Other Payables	\$ 936,688	\$ -	\$ -	\$ -	\$ 936,688
Due to Other Funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>936,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>936,688</b>
<b><u>NET ASSETS</u></b>					
Unrestricted	563,312	1,386,981	1,180,019	13,646	3,143,958
<b>TOTAL NET ASSETS</b>	<b>563,312</b>	<b>1,386,981</b>	<b>1,180,019</b>	<b>13,646</b>	<b>3,143,958</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,500,000</b>	<b>\$ 1,386,981</b>	<b>\$ 1,180,019</b>	<b>\$ 13,646</b>	<b>\$ 4,080,646</b>

The Accompanying Notes are an integral part of these financial statements.



**THE BOROUGH OF QUAKERTOWN**  
**Statement of Revenues Received, Expenses Paid and Changes in Net Assets –**  
**Modified Cash Basis – All Proprietary Funds**  
**For the Year Ended December 31, 2008**

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<b><u>OPERATING REVENUE</u></b>					
Charges for Services	\$ 13,819,523	\$ 1,340,157	\$ 1,812,463	\$ 221,134	\$ 17,193,277
Permits and Fees	46,132	29,855	-	-	75,987
Penalties	128,123	-	-	-	128,123
Rental Income	7,816	19,380	-	-	27,196
Other Income	-	2,927	1,146	-	4,073
<b>TOTAL OPERATING REVENUE</b>	<u>14,001,594</u>	<u>1,392,319</u>	<u>1,813,609</u>	<u>221,134</u>	<u>17,428,656</u>
<b><u>OPERATING EXPENSES</u></b>					
Costs of Furnishing Utility	8,826,666	927,276	1,365,152	-	11,119,094
Costs of Pool Operations	-	-	-	192,033	192,033
Employee Benefits	158,300	116,288	149,166	7,872	431,626
Employee Pension	51,177	42,969	52,927	-	147,073
Insurance	71,397	62,276	104,358	17,778	255,809
<b>TOTAL OPERATING EXPENSES</b>	<u>9,107,540</u>	<u>1,148,809</u>	<u>1,671,603</u>	<u>217,683</u>	<u>12,145,635</u>
<b>OPERATING INCOME</b>	4,894,054	243,510	142,006	3,451	5,283,021
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>					
Interest Earned	12,420	31,726	24,268	-	68,414
Loan Proceeds - Pennvest	-	298,715	799,835	-	1,098,550
State Aid - Pensions	29,983	24,342	29,983	-	84,308
Sale of Fixed Assets	-	2,362	-	-	2,362
Debt Service	(186,427)	(1,273,226)	(290,498)	(344,805)	(2,094,956)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>(144,024)</u>	<u>(916,081)</u>	<u>563,588</u>	<u>(344,805)</u>	<u>(841,322)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>4,750,030</u>	<u>(672,571)</u>	<u>705,594</u>	<u>(341,354)</u>	<u>4,441,699</u>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>					
Transfers from Other Funds	-	1,000,000	-	355,000	1,355,000
Transfers to Other Funds	(5,433,008)	(159,807)	(219,838)	-	(5,812,653)
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<u>(5,433,008)</u>	<u>840,193</u>	<u>(219,838)</u>	<u>355,000</u>	<u>(4,457,653)</u>
<b>CHANGES IN NET ASSETS</b>	(682,978)	167,622	485,756	13,646	(15,954)
<b>NET ASSETS - BEGINNING</b>	<u>1,246,290</u>	<u>1,219,359</u>	<u>694,263</u>	<u>-</u>	<u>3,159,912</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 563,312</u>	<u>\$ 1,386,981</u>	<u>\$ 1,180,019</u>	<u>\$ 13,646</u>	<u>\$ 3,143,958</u>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Cash Flows - Modified Cash Basis**  
**Proprietary Funds**  
**As of December 31, 2008**

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Cash Received from Users	\$ 13,993,778	\$ 1,370,012	\$ 1,812,463	\$ 221,134	\$ 17,397,387
Cash Received from Other Operating Revenue	7,816	22,307	1,146	-	31,269
Cash Payments to Employees for Services	(721,489)	(586,243)	(720,725)	(110,782)	(2,139,239)
Cash Payments to Suppliers for Goods and Services	(7,658,371)	(598,437)	(950,862)	(106,185)	(9,313,855)
Cash Payments to Other Operating Expenses	(1,976)	(1,080)	(16)	(716)	(3,788)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,619,758</b>	<b>206,559</b>	<b>142,006</b>	<b>3,451</b>	<b>5,971,774</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>					
State Sources	29,983	24,342	29,983	-	84,308
Sale of Fixed Assets	-	2,362	-	-	2,362
Operating Transfers In	-	1,000,000	-	355,000	1,355,000
Operating Transfers Out	(5,433,008)	(159,807)	(219,838)	-	(5,812,653)
<b>NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(5,403,025)</b>	<b>866,897</b>	<b>(189,855)</b>	<b>355,000</b>	<b>(4,370,983)</b>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>					
Debt Service Payments	(186,427)	(1,273,226)	(290,498)	(344,805)	(2,094,956)
Loan Proceeds	-	298,715	799,835	-	1,098,550
Interfund Loan Payments	(2,525)	(214,410)	(964,093)	-	(1,181,028)
<b>NET CASH USED FOR CAPITAL FINANCING ACTIVITIES</b>	<b>(188,952)</b>	<b>(1,188,921)</b>	<b>(454,756)</b>	<b>(344,805)</b>	<b>(2,177,434)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Sale of Investments	-	506,657	506,657	-	1,013,314
Purchase of Investments	(1,500,000)	(667,000)	(567,000)	-	(2,734,000)
Earnings on Investments	12,420	31,726	24,268	-	68,414
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,487,580)</b>	<b>(128,617)</b>	<b>(36,075)</b>	<b>-</b>	<b>(1,652,272)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,459,799)</b>	<b>(244,082)</b>	<b>(538,680)</b>	<b>13,646</b>	<b>(2,228,915)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,459,799</b>	<b>964,063</b>	<b>1,151,699</b>	<b>-</b>	<b>3,575,561</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 719,981</b>	<b>\$ 613,019</b>	<b>\$ 13,646</b>	<b>\$ 1,346,646</b>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Cash Flows - Modified Cash Basis**  
**Proprietary Funds**  
**As of December 31, 2008**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<b>OPERATING INCOME</b>	\$ 4,894,054	\$ 243,510	\$ 142,006	\$ 3,451	5,283,021
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
<b>CHANGE IN ASSETS AND LIABILITIES:</b>					
Increase in Other Payables	915,313	-	-	-	915,313
Decrease in Other Current Liabilities	(189,609)	(36,951)	-	-	(226,560)
<b>TOTAL ADJUSTMENTS</b>	<u>725,704</u>	<u>(36,951)</u>	<u>-</u>	<u>-</u>	<u>688,753</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 5,619,758</u>	<u>\$ 206,559</u>	<u>\$ 142,006</u>	<u>\$ 3,451</u>	<u>\$ 5,971,774</u>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Net Assets - Modified Cash Basis**  
**Fiduciary Funds**  
**As of December 31, 2008**

	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>	<b>AGENCY FUNDS</b>	
		<b>ESCROW FUND</b>	<b>POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 126,321	\$ 247,114	\$ 8,562
Investments	7,052,002	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,178,323</b>	<b>\$ 247,114</b>	<b>\$ 8,562</b>
<b>LIABILITIES</b>			
Due to Escrow Holders	\$ -	\$ 247,114	\$ -
Due to Police Officers	-	-	8,562
Accrued Investment Expense	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>247,114</b>	<b>8,562</b>
<b>NET ASSETS</b>			
Restricted for Employee Benefits	7,178,323	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 7,178,323</b>	<b>\$ -</b>	<b>\$ -</b>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Changes in Net Assets - Modified Cash Basis**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2008**

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	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>
<b>ADDITIONS:</b>	
Contributions - Employer	\$ 343,427
Contributions - Employee	19,616
State Aid	251,720
Miscellaneous Income	1,671
<b>INVESTMENT EARNINGS:</b>	
Interest and Dividends	288,595
Change in Fair Value of Investments	<u>(2,280,494)</u>
<b>TOTAL ADDITIONS</b>	<u>-----</u> <b>(1,375,465)</b>
<b>DEDUCTIONS:</b>	
Administrative Charges	17,780
Trustee Fees	57,328
Investment Expenses	1,145
Insurance	4,440
Employee Benefits	<u>298,326</u>
<b>TOTAL DEDUCTIONS</b>	<u>379,019</u>
<b>CHANGE IN NET ASSETS</b>	<b>(1,754,484)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>8,932,807</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 7,178,323</u></b>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance – Budget and Actual –**  
**Modified Cash Basis**  
**General Fund**  
**For the Year Ended December 31, 2008**

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO MODIFIED CASH DIFFERENCE	ACTUAL AMOUNTS MODIFIED CASH BASIS
	ORIGINAL	FINAL				
<b>RESOURCES (INFLOWS):</b>						
Taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,562,167	\$ (22,833)	\$ -	\$ 1,562,167
Licenses and Permits	113,000	113,000	202,554	89,554	-	202,554
Fines and Forfeits	119,500	119,500	141,032	21,532	-	141,032
Intergovernmental	477,400	477,400	382,711	(94,689)	-	382,711
Charges for Services	263,400	263,400	290,816	27,416	-	290,816
Miscellaneous	91,000	91,000	146,098	55,098	-	146,098
Insurance Claim Refund	1,000	1,000	43,068	42,068	-	43,068
Investment and Rental Earnings	36,500	36,500	15,510	(20,990)	-	15,510
Transfers from Other Funds	3,339,614	3,339,614	4,341,718	1,002,104	-	4,341,718
<b>TOTAL RESOURCES</b>	<b>6,026,414</b>	<b>6,026,414</b>	<b>7,125,674</b>	<b>1,099,260</b>	<b>-</b>	<b>7,125,674</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government:</b>						
Legal	35,000	35,000	38,376	(3,376)	-	38,376
Mayor, Legislative, Borough Manager	263,611	263,611	277,806	(14,195)	-	277,806
Finance and Accounting	204,417	204,417	215,835	(11,418)	-	215,835
Tax Collection	32,000	32,000	13,467	18,533	-	13,467
IT-Networking Services-Data Processing	60,000	60,000	56,516	3,484	-	56,516
Engineering	35,000	35,000	67,590	(32,590)	-	67,590
Buildings and Plant	46,200	46,200	44,666	1,534	-	44,666
<b>Public Safety:</b>						
Police	1,645,950	1,645,950	1,656,536	(10,586)	-	1,656,536
Fire Department	247,120	247,120	259,741	(12,621)	-	259,741
Inspections	93,212	93,212	101,317	(8,105)	-	101,317
<b>Public Works:</b>						
Solid Waste and Collection	6,000	6,000	61,657	(55,657)	-	61,657
Street Maintenance and Lighting	1,061,430	1,061,430	1,016,922	44,508	-	1,016,922
<b>Culture and Recreation:</b>						
Parks	249,250	249,250	212,446	36,804	-	212,446
<b>Debt Service:</b>						
Principal	199,299	199,299	199,371	(72)	-	199,371
Interest	7,325	7,325	7,197	128	-	7,197
<b>Non-Departmental:</b>						
Employer Paid Benefits and Withholding Items	1,472,664	1,472,664	1,320,296	152,368	-	1,320,296
Insurance	125,000	125,000	180,367	(55,367)	-	180,367
Miscellaneous	27,000	27,000	57,197	(30,197)	-	57,197
Transfer to Other Funds	100,000	100,000	112,653	(12,653)	-	112,653
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>5,910,478</b>	<b>5,910,478</b>	<b>5,899,956</b>	<b>10,522</b>	<b>-</b>	<b>5,899,956</b>
Excess of Inflows Over Outflows	115,936	115,936	1,225,718	1,109,782	-	1,225,718
<b>FUND BALANCE - JANUARY 1, 2008</b>	<b>(115,936)</b>	<b>(115,936)</b>	<b>(129,394)</b>	<b>(13,458)</b>	<b>-</b>	<b>(129,394)</b>
<b>FUND BALANCE - DECEMBER 31, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,096,324</b>	<b>\$ 1,096,324</b>	<b>\$ -</b>	<b>\$ 1,096,324</b>

The Accompanying Notes are an integral part of these financial statements.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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**Note 1 - Description of the Borough and Reporting Entity**

The Borough of Quakertown, Pennsylvania (The Borough) was incorporated in 1855, under the provisions of the Laws of the Commonwealth of Pennsylvania. The Borough operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include providing water, sewer and electricity.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Borough are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Borough.

The Borough of Quakertown is a municipal Corporation governed by an elected council. As required by generally accepted accounting principles, these financial statements are to present the Borough of Quakertown (the primary government) and organizations for which the primary government is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Borough in that the Borough approved the budget, the issuance of debt, or the levying of taxes. The Borough of Quakertown does not have any material component units.

**Note 2 - Summary of Significant Accounting Policies**

***A. Basis of Presentation***

The Borough's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Borough at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and for four business-type activities of the Borough. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the Borough.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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**Fund Financial Statements** During the year, the Borough segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Basis of Accounting**

The Borough of Quakertown prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred, with the exception of certain receivables and liabilities. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**C. Fund Accounting**

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Borough's **major** governmental funds:

General Fund

The General Fund is the general operating fund of the Borough. Substantially all tax revenues, Federal and State aid (except aid restricted for use in Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Borough's day-to-day operations.

Capital Projects Fund

Capital Project 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 or trust funds. The Borough has three (3) capital project funds, consisting of the Water Capital Fund, the Capital Projects Fund, and the Equipment Replacement Fund.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Borough's major enterprise funds are:

*Electric Fund* This fund accounts for the financial transactions related to providing electricity to the residents of the Borough.



**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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*Water Fund* This fund accounts for the financial transactions related to providing water to the residents of the Borough.

*Sewer Fund* This fund accounts for the financial transactions related to providing waste water to the residents of the Borough.

The Borough applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements.

***Fiduciary Funds*** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has two pension trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has two (2) agency funds, consisting of an Escrow Fund and a Police Health Reimbursement Arrangement Fund.

***D. Budgets and Budgetary Accounting***

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Borough Code and Borough procedures, the Borough Manager submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, and insurance, employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the Borough are for the General Fund.
7. The budgets are adopted on the modified cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.)
8. The Council may authorize supplemental appropriations during the year.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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***E. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Since these financial statements are prepared on the modified cash basis, no estimates have been used.

***F. Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

***G. Investments***

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

***H. Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

***I. Real Estate Taxes***

The total taxable assessed real estate valuation for the year ended 2008 is \$80,501,500 at a rate of 1.625 mills. Real estate taxes are levied on March 1 and are payable by June 30.

Real estate taxes paid by April 30 are subject to a 2% discount and after June 30 are subject to a 10% penalty. Delinquent real estate taxes are generally lien by January 1 of the following year.

**Note 3 - Stewardship, Compliance and Accountability**

***A. Compliance with Finance Related Legal and Contractual Provisions***

The Borough has no material violations of finance related legal and contractual provisions.

***B. Deficit Fund Balance or Retained Earnings of Individual Funds***

There are no deficits in fund balances or net assets in any individual fund as of December 31, 2008.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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**C. Excess of Expenditures over Appropriations in Individual Funds**

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

**D. Budgetary Compliance**

The Borough has a legally adopted budget for the General Fund. The Borough does not make budget transfers between expenditure/expense accounts.

**Note 4 - Cash**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2008, \$5,623,391 of the Borough's bank balance of \$9,887,254 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name		5,827,657
<b>TOTAL</b>	<b>\$</b>	<b>5,827,657</b>

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Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	5,827,657
Plus: Insured Amount		4,263,863
Deposits in Transit		43,329
Less: Outstanding Checks		(52,336)
Carrying Amount - Bank balances		10,082,513
Plus: Petty Cash		550
Deposits in Investment Pools Considered Cash Equivalents		408,693
Deposits in Money Market Mutual Funds Considered Cash Equivalents		138,260
Less: Certificates of Deposit considered Investment		(6,302,913)
<b>Total Cash Per Financial Statements</b>	<b>\$</b>	<b>4,327,103</b>

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**Note 5 - Investments**

The permitted investments for Pennsylvania Boroughs are defined in the Borough Code as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

Pension Trust Funds – The uniform and non-uniformed pension funds may invest funds outside of those investments permitted for Pennsylvania Boroughs.

As of December 31, 2008, the Borough had the following investments:

<i>Investment</i>	<b>Maturities</b>	<b>Fair Value</b>
PA Local Government Investment Trust		\$ 808,693
Federated Institutional Government Obligation Fund		62,228
Evergreen U.S. Gov't Money Market Fund		76,032
Common Stocks		2,943,884
Corporate Bonds	8 mos. - 9 yrs. 4.5 mos	1,384,084
U.S. Government Agency Bonds	1 yr. 4.5 mos.-9yrs. 6.5 mos	1,104,995
Certificates of Deposit	3 mos. - 3y 11 mos	6,302,913
Mutual Funds		945,040
<b>TOTAL</b>		<b>\$ 13,627,869</b>

*Interest Rate Risk*

The Borough 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.

*Credit Risk*

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2008, the Borough's investments were rated as:

<b>Investment</b>	<b>Standard &amp; Poor's</b>
PA Local Government Investment Trust	AAA
Common Stocks	Not Available
Corporate Bonds	Not Available
Federal Home Loan Bank Bonds	AAA
Federal Home Loan Mortgage Corp. Bonds	AAA
FNMA Bonds	AAA
Federal Farm Credit Bank Bonds	AAA
Allianz CCM Mid Cap Fund	Not Available
Evergreen U.S. Gov't Money Market Fund	Not Available
Federated Kaufmann Fund #066	Not Available
Federal Short-Term Income Fund	Not Available
Federal Total Return Bond Fund	Not Available
Federated Institutional Government Obligation Fund	Not Available
Eagle Small Cap Fund	Not Available
Goldman Sachs Mid Cap Value Fund	Not Available
Oppenheimer Small Cap Value Fund	Not Available
Vanguard Explorer Fund	Not Available

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

Concentration of Credit Risk

The Borough places not limit on the amount the Borough may invest in any one issuer. More than 5% of the borough's investments are in certificates of deposit the Quakertown National Bank and Commerce Bank. These investments are 9.47% and 11.01%, respectively of the Borough's investments. Of the Trust & Agency Fund's investments, 5.13% are in Federal Home Loan Mortgage Corp. Bonds. Of the Proprietary Funds' investments, 52.05% are in a certificate of deposit at Commerce Bank. The Electric Fund's investment is in a certificate of deposit at Commerce Bank. Of the Governmental Activities investments, 36.58% is in a certificate of deposit at the Quakertown National Bank. Of the Capital Projects Funds' investments, 45.20% is in a certificate of deposit at the Quakertown National Bank.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough has no investments subject to custodial credit risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 13,627,869
Less: Deposits in Investment Pool Considered Cash Equivalents	(408,693)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	(138,260)
<b>Total Investments Per Financial Statements</b>	<b>\$ 13,080,916</b>

**Note 6 – Short-Term Debt**

*Interfund Receivables and Payables*

The Borough did not have any interfund receivables or payables as of December 31, 2008.

*Interfund Transfers*

The Borough also made the following interfund transfers during the year ended December 31, 2008.

	<b>TRANSFER IN</b>	<b>TRANSFER OUT</b>
General Fund	\$ 4,341,718	\$ 112,653
Enterprise (Electric) Fund	-	5,433,008
Enterprise (Water) Fund	1,000,000	159,807
Enterprise (Sewer) Fund	-	219,838
Enterprise (Pool) Fund	355,000	-
Special Revenue (Fire Company Capital) Fund	58,008	-
Debt Service Fund	-	2,103
Capital Projects (Equipment Replacement) Fund	172,683	-
<b>TOTAL</b>	<b>\$ 5,927,409</b>	<b>\$ 5,927,409</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

**Note 7 – Long-Term Debt Commitment**

Long-Term Liability balances and activity for the year ended December 31, 2008, were:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<i>General Obligation Debt:</i>					
<i>Bonds and Notes Payable:</i>					
Capital Projects	\$ 5,571,720	\$ -	\$ 1,576,739	\$ 3,994,981	\$ 1,449,792
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
<i>Other Liabilities:</i>					
Guaranteed Revenue Notes Payable					
Capital Projects	\$ 8,508,494	\$ 1,098,550	\$ 318,681	\$ 9,288,363	\$ 375,286

Payments on bonds and notes are made by the General Fund, Pool Fund, Sewer Fund, Water Fund and Electric Fund.

Total interest paid during the year:

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>PAID</u></b>
General Obligation Debt	\$ 165,525
<b>TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES</b>	<b>\$ 165,525</b>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	
Guaranteed Revenue Notes	\$ 240,580
<b>TOTAL INTEREST PAID BY BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 240,580</b>

The total interest cost incurred and charged to expense in 2008 was \$406,105.

*General Obligation Promissory Note - Series 2003*

On December 15, 2003, the Borough obtained \$2,900,000 of financing from Commerce Bank, now TD Bank. A Capital Projects Fund has been established for the debt service payments as the debt matures. The debt is payable in 40 quarterly installments beginning March 1, 2004 of \$85,137 (principal and interest) at an interest rate of 3.28%. During the current year, additional principal was paid by the Borough, which is reflected in their future debt service obligations. The debt matures December 1, 2013. The future debt service obligations are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2009	\$ 296,283	\$ 43,079
2010	301,477	37,885
2011	311,488	27,874
2012	321,831	17,531
2013	332,517	6,845
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,563,596</b>	<b>\$ 133,214</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

*Pennvest - Guaranteed Revenue Note - Water Fund*

On May 26, 2004, the Borough issued a \$5,974,300 guaranteed revenue note purchased by Quakertown National Bank. The purpose of this note is for the replacement of its aging water lines beginning in the year 2004. The effective interest rate is 2.696% for the first one hundred five (105) months and 3.429% for the remaining one hundred eighty (180) months. The future debt service obligations are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009	\$ 233,708	\$ 153,071
2010	240,087	146,692
2011	246,640	140,139
2012	253,372	133,407
2013	248,459	155,171
2014 to 2018	1,364,531	670,470
2019 to 2023	1,619,336	557,232
2024 to 2028	1,578,161	117,673
<b>TOTAL OUTSTANDING</b>	<b>\$ 5,784,294</b>	<b>\$ 2,073,855</b>

*Pennvest - Guaranteed Revenue Note - Sewer Fund*

On May 26, 2004, the Borough issued a \$3,712,608 guaranteed revenue note purchased by Quakertown National Bank. The purpose of this Note is for the replacement of its aging sewer lines beginning in the year 2004. The effective interest rate is 2.696% for the first one hundred five (105) months and 3.429% for the remaining one hundred eighty (180) months. The Borough subsequently requested that the principal amount of the Note be reduced from \$3,712,608 to \$3,632,743, which represents the actual amount drawn on the Note by the Borough since 2004. The future debt service obligations are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009	\$ 141,578	\$ 92,729
2010	145,442	88,865
2011	149,412	84,895
2012	153,491	80,816
2013	150,514	94,001
2014 to 2018	826,620	406,165
2019 to 2023	980,978	251,804
2024 to 2028	956,034	71,286
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,504,069</b>	<b>\$ 1,170,561</b>

*General Obligation Note – Series of 2005*

On November 16, 2005, the Borough issued a \$2,000,000 general obligation note purchased by Wachovia Bank. The purpose of this Note is for certain capital projects of the Borough including construction of a filter plant and replacement of a water system telemetry panel. The effective interest rate is 3.450% for ten (10) years with a quarterly payment of \$59,333.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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The future debt service obligations are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009	\$ 195,509	\$ 41,824
2010	195,769	41,564
2011	202,611	34,722
2012	209,613	27,720
2013	217,018	20,315
2014 to 2015	452,865	17,575
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,473,385</b>	<b>\$ 183,720</b>

*General Obligation Note – Series of 2006*

On December 1, 2006, the Borough issued a \$2,755,000 general obligation note purchased by Wachovia Bank. The purpose of this note is to provide funds for: (1) the current refunding of the General Obligation Bonds – Series of 2001, and (2) paying the costs of issuing the note. The note matures June 1, 2009. The effective interest rate is 3.40%. The note requires semi-annual payments beginning June 1, 2007. The future debt service obligations are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009	\$ 958,000	\$ 16,468
<b>TOTAL OUTSTANDING</b>	<b>\$ 958,000</b>	<b>\$ 16,468</b>



**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

*Combined Long-Term Debt*

The combined general long-term debt obligations for subsequent years are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL REQUIREMENTS</u>					<u>TOTAL PAYMENTS</u>
	<u>G.O.N. SERIES 2003</u>	<u>REVENUE NOTE WATER FUND</u>	<u>REVENUE NOTE SEWER FUND</u>	<u>G.O.N. SERIES 2005</u>	<u>G.O.N. SERIES 2006</u>	
2009	\$ 296,283	\$ 233,708	\$ 141,578	\$ 195,509	\$ 958,000	\$ 1,825,078
2010	301,477	240,087	145,442	195,769	-	882,775
2011	311,488	246,640	149,412	202,611	-	910,151
2012	321,831	253,372	153,491	209,612	-	938,306
2013	332,517	248,459	150,514	217,018	-	948,508
2014-2018	-	1,364,531	826,620	452,866	-	2,644,017
2019-2023	-	1,619,336	980,978	-	-	2,600,314
2024-2028	-	1,578,161	956,034	-	-	2,534,195
	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,563,596</b>	<b>5,784,294</b>	<b>3,504,069</b>	<b>1,473,385</b>	<b>958,000</b>	<b>13,283,344</b>
LESS PAYABLE WITHIN ONE YEAR	296,283	233,708	141,578	195,509	958,000	1,825,078
<b>LONG-TERM PRINCIPAL DUE AFTER ONE YEAR</b>	<b>\$ 1,267,313</b>	<b>\$ 5,550,586</b>	<b>\$ 3,362,491</b>	<b>\$ 1,277,876</b>	<b>\$ -</b>	<b>\$ 11,458,266</b>

<u>FISCAL YEAR</u>	<u>PRINCIPAL AND INTEREST REQUIREMENTS</u>					<u>TOTAL PAYMENTS</u>
	<u>G.O.N. SERIES 2003</u>	<u>REVENUE NOTE WATER FUND</u>	<u>REVENUE NOTE SEWER FUND</u>	<u>G.O.N. SERIES 2005</u>	<u>G.O.N. SERIES 2006</u>	
2009	\$ 339,362	\$ 386,779	\$ 234,307	\$ 237,333	\$ 974,468	\$ 2,172,249
2010	339,362	386,779	234,307	237,333	-	1,197,781
2011	339,362	386,779	234,307	237,333	-	1,197,781
2012	339,362	386,779	234,307	237,333	-	1,197,781
2013	339,362	403,630	244,515	237,333	-	1,224,840
2014-2018	-	2,035,001	1,232,785	470,440	-	3,738,226
2019-2023	-	2,176,568	1,232,782	-	-	3,409,350
2024-2028	-	1,695,834	1,027,320	-	-	2,723,154
	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,696,810</b>	<b>\$ 7,858,149</b>	<b>\$ 4,674,630</b>	<b>\$ 1,657,105</b>	<b>\$ 974,468</b>	<b>\$ 16,861,162</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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**Note 8 - Pension Plan Obligations**

The Borough maintains two pension plans, the Non-Uniformed Pension Plan and the Police Pension Plan. The Non-Uniformed Pension Plan covers substantially all full-time and permanently part-time non-police employees of the Borough and the Police Pension Plan covers the full-time police employees. The plans are single-employer defined benefit pension plans. The financial statements of the plans are part of the Borough's annual financial report which can be obtained from the Borough at 35 North Third St., Quakertown, PA 18951. The authority, under which the benefit provisions have been established or may be amended, remains with the Council of the Borough of Quakertown.

*Non-Uniformed Pension Plan*

*Plan Description*

The Borough of Quakertown Non-Uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 1006. Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, provides the authority for the Township to establish and amend the plan.

All full-time non-police employees are eligible to participate in the plan. The plan provides vesting, normal and early retirement, and survivor benefits to plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the Borough.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The financial statements of the plans are prepared on the modified cash basis of accounting. Employer contributions to the plan are recognized when received. Benefits and expenses are recognized when paid in accordance with the terms of the plan.

*Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities and mutual funds reported on a national exchange are valued at the last reported sales price at the end of the year.

*Funding Policy*

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2007. In accordance with the plan's governing resolution; members are not required to contribute any of their compensation to the plan.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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*Plan Membership*

Plan membership of the plan consisted of the following at December 31, 2008:

Active plan members	50
Retirees and beneficiaries currently receiving benefits	20
Terminated plan members entitled to benefits but not yet receiving them	22
<b>TOTAL</b>	<b>92</b>

*Annual Pension Cost and Net Pension Obligation*

The Borough's annual pension cost and net pension obligation for the year are:

Annual Pension Cost per MMO	\$	274,564
Contributions made		274,564

*Three-Year Trend Information*

<b>THREE YEAR TREND INFORMATION</b>			
<b>Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension</b>
12/31/2006	\$ 287,837	100.0%	\$ -
12/31/2007	370,635	100.0%	-
12/31/2008	274,564	100.0%	-

The annual contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2007 included (a) 7.5% rate of return, (b) projected salary increases of 5.0% and (c) cost-of-living increases of 2.0%. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the Administrator, using the 4 year smoothing method. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 15 or 30 years. The remaining amortization periods at December 31, 2008, were 5-24 years.

*Funded Status and Funding Progress*

As of January 1, 2007, the most recent actuarial valuation date, the plan was 80.5% funded. The actuarial accrued liability for benefits was \$6,368,201 and the actuarial value of the assets was \$5,126,573, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,241,628. The covered payroll (annual payroll of active employees covered by the plan) was \$2,375,605 and the ratio of the UAAL to the covered payroll was 52.3%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial valuation of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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Police Pension Plan

Plan Description

The Borough of Quakertown Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Section 2 of the code of Ordinances, Act 600. The Police Pension Act is the authority for the Borough to establish and amend the plan.

All full-time police employees are eligible to participate in the plan. The plan provides vesting, normal and early retirement, and survivor benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Borough.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the plan are prepared using the cash basis of accounting. Employer contributions to the plan are recognized when received. Benefits and expenses are recognized when paid in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported as cost, which approximates fair value. Securities and mutual funds reported on a national exchange are valued at the last reported sales price at the end of the year.

Funding Policy

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2007. In accordance with the plan's governing resolution, members are not required to contribute any of their compensation to the plan.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

Plan Membership

Plan membership of the plan consisted of the following at December 31, 2008:

Active plan members	15
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to benefits but not yet receiving them	<u>3</u>
<b>TOTAL</b>	<b><u><u>24</u></u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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Annual Pension Cost and Net Pension Obligation

The Borough's annual pension cost and net pension obligation for the year are:

Annual Pension Costs	\$ 320,583
Contributions made	320,583

*Three-Year Trend Information*

<b>THREE YEAR TREND INFORMATION</b>			
<b>Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Net Pension</b>
12/31/2006	\$ 163,571	100.0%	\$ -
12/31/2007	246,697	100.0%	-
12/31/2008	320,583	100.0%	-

The annual contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2007 included (a) 7.5% rate of return, (b) projected salary increases of 5.0% and (c) cost-of-living increases of 3.0%. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the Administrator, using the 4 year smoothing method. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 10-30 years. The remaining amortization periods at December 31, 2008, were 4-24 years.

Funded Status and Funding Progress

As of January 1, 2007, the most recent actuarial valuation date, the plan was 62.4% funded. The actuarial accrued liability for benefits was \$4,584,888 and the actuarial value of the assets was \$2,859,924, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,724,964. The covered payroll (annual payroll of active employees covered by the plan) was \$1,121,934 and the ratio of the UAAL to the covered payroll was 154.0%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial valuation of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Deferred Retirement Option Plan***

On November 29, 2006, the Borough adopted the Deferred Retirement Option Plan (DROP) for the Borough's police officers. Police officers who have not retired prior to the implementation of the DROP plan may enter into DROP on the first day of any month following completion of twenty-five years of credited service and attaining the age of fifty.

A police officer electing to participate in the DROP must complete and file with the Borough a DROP option form which shall evidence the member's participation in the DROP. The form must be submitted prior to the date on which the member wishes the DROP option to be effective. The DROP Option notice shall include an irrevocable notice to the Borough that the member shall resign from employment with the Borough Police Department effective on a specific date (the "Resignation Date"). In no event shall the

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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Resignation date be shorter than twelve months or longer than sixty months from the execution of the DROP Option form. An officer shall cease to work as a police officer on the officer's Resignation Date, unless the Borough terminates or honorably discharges the officer prior to the Resignation Date.

After the effective date of the DROP Option, the police officer shall no longer earn or accrue additional years of continuous service for pension purposes.

The monthly benefit that would have been payable had the police officer elected to cease employment and receive a normal retirement benefit, shall be upon the police officer commencing participation in DROP, be paid into the separate account established to receive the participant's monthly pension payments. This account shall be designated the DROP account. An individual officer's DROP account shall be a self-directed investment vehicle with the officer having exclusive control over the investment of his or her DROP account monies.

After a police officer elects to participate in the DROP program, all other contractual benefits shall continue to accrue with the exception of those provisions relating to the Police Pension Plan and the buy back of accrued, but unused sick or vacation time. A police officer may utilize leave time during the DROP period, but the Borough shall not be required to buyback any such unused leave time at the end of the DROP period.

Upon the resignation date set forth in the police officer's DROP option notice or such date as the Borough separates the member from employment, the retirement benefits payable to the police officer's designated beneficiary, if applicable, shall be paid to the police officer or beneficiary and shall no longer be paid the police officer's deferred retirement option account. Within thirty days following termination of the police officer's employment pursuant to their participating in the DROP program, the balance in the police officer's DROP account shall be paid to the police officer in a single lump sum payment or at the police officer's option, in any manner permitted by the law.

If a police officer becomes temporarily incapacitated during this participation in DROP, that police officer shall continue to participate in the DROP program as if fully employed. The police officer shall receive disability pay in the same amount as a disabled police officer that is not participating in DROP. In no event shall a police officer on temporary disability have the ability to draw from his DROP account. However, notwithstanding any other provision in this paragraph, if a police officer is disabled and has not returned to work as of his required Resignation Date, then such resignation shall take precedence over all other provisions herein, and said officer shall be required to resign. If a police officer becomes permanently disabled during the DROP period, the officer shall be honorably discharged from employment, on the date that the police officer may obtain the contents of his DROP account, and thereafter, commence receiving his normal pension benefit.

If a DROP participant dies before the DROP account balances are paid, the participant member's designated beneficiary shall have the same rights as the police officer to withdraw the account balance. However, if a DROP participant dies during the DROP period and the Act 600 killed-in-service death benefit is payable to the deceased DROP participant, then the DROP election shall be revoked and the DROP account shall not be payable to any designated beneficiary of the deceased DROP participant. If death occurs during the DROP period but the Act 600 Killed-In-Service Death Benefit is not payable, the DROP participant's designated beneficiary shall be entitled to a lump sum payment of the DROP account balance and any applicable survivor benefit shall be paid by the fund.

**THE BOROUGH OF QUAKERTOWN**  
**Notes To Financial Statements**  
**Year Ended December 31, 2008**

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Notwithstanding a police officer's participation in the DROP plan, a police officer, who is convicted or pleads guilty to engaging in criminal misconduct, which constitutes a "Crime related to public office or public employment" as that phrase is defined in Pennsylvania's Pension Forfeiture Law and interpreted there under, forfeit his right to receive a pension, including any monies currently deposited in the DROP account. In such a case, the police officer shall only be entitled to receive the contributions, if any, by the police officer to the Fund, without interest.

***Deferred Compensation Plan***

The Borough has adopted the Deferred Compensation Plan for voluntary participation of eligible municipal employees. The plan is in accordance with Internal Revenue Code Section 457 and permits the employees to defer a portion of their current salary until future years. The deferred amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property and rights of the participants. Participants' rights created under the plan are equivalent and in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

**Note 9 - Contingencies**

The Borough of Quakertown is currently involved in a litigation proceeding. The proceeding involves contractual litigation potentially totaling \$177,000. The Borough believes this matter is defensible and does not anticipate any loss from this litigation. Discovery is not yet complete. Upon completion of the same, a more reasonable evaluation can take place.

**Note 10 – Risk Management**

The Borough is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Borough lowers these risks through the purchase of commercial insurance. The Borough workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Borough or its employees did not exceed insurance coverage in the last three years.

During 2007, the Borough experienced a fire loss of their Senior Citizen Center Building. The Senior Citizen Center was completely destroyed. During the current year, the Borough received an insurance settlement in the amount of \$1,289,913.



Borough Council  
Borough of Quakertown  
35 North Third Street  
Quakertown, PA 18951

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Borough of Quakertown as of and for the year ended December 31, 2008, and have issued our report thereon dated August 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Borough of Quakertown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Quakertown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Quakertown's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. A material weakness is described in the management letter dated August 24, 2009.



**Compliance and Other Matters**

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

We noted certain matters that we reported to management of Borough of Quakertown in a separate letter dated August 24, 2009.

This report is intended solely for the information and use of management, the Borough Council, federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Craig W. Gullakand II CPA

August 24, 2009

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**THE BOROUGH OF QUAKERTOWN**  
**Pension Funds**  
**Required Supplemental Information**  
**December 31, 2008**

**SCHEDULE OF FUNDING PROGRESS**

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUATION OF ASSETS</b>	<b>ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION</b>	<b>FUNDED (UNFUNDED) AAL</b>	<b>FUNDED RATIO</b>	<b>COVERED PAYROLL</b>	<b>UAAL AS A % OF COVERED PAYROLL</b>
<b><u>NON-UNIFORMED PENSION PLAN</u></b>						
1/1/2003	\$ 3,047,693	\$ 2,507,896	\$ (539,797)	121.52%	\$ 630,262	N/A
1/1/2005	4,342,242	6,131,389	1,789,147	70.82%	2,323,849	76.99%
1/1/2007	5,126,573	6,368,201	1,241,628	80.50%	2,375,605	52.27%
<b><u>POLICE PENSION FUND</u></b>						
1/1/2003	\$ 2,362,390	\$ 3,127,368	\$ 764,978	75.54%	\$ 896,518	85.33%
1/1/2005	2,525,257	3,929,023	1,403,766	64.27%	927,123	151.41%
1/1/2007	2,859,924	4,584,888	1,724,964	62.38%	1,121,934	153.75%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

<b><u>NON-UNIFORMED PENSION PLAN</u></b>				<b><u>POLICE PENSION PLAN</u></b>			
<b>YEAR ENDED DECEMBER 31</b>	<b>ANNUAL REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTIONS FROM EMPLOYER</b>	<b>PERCENTAGE CONTRIBUTED</b>	<b>ANNUAL REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTIONS FROM EMPLOYER</b>	<b>PERCENTAGE CONTRIBUTED</b>	
2003	\$ 209,219	\$ 209,219	100.00%	\$ 113,048	\$ 113,048	100.00%	
2004	218,682	218,682	100.00%	114,610	114,610	100.00%	
2005	277,117	277,117	100.00%	149,186	149,186	100.00%	
2006	287,837	287,837	100.00%	163,571	163,571	100.00%	
2007	370,635	370,635	100.00%	246,697	246,697	100.00%	
2008	274,564	274,564	100.00%	320,583	320,583	100.00%	

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**OTHER SUPPLEMENTAL INFORMATION**

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**THE BOROUGH OF QUAKERTOWN**  
**Combining Balance Sheet – Modified Cash Basis**  
**All Non-Major Governmental Funds**  
**For the Year Ended December 31, 2008**

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		SPECIAL REVENUE		
	DEBT SERVICE FUND	LIQUID FUELS FUND	FIRE COMPANY CAPITAL FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ -	\$ 113,414	\$ 18,098	\$ 131,512
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 113,414</b>	<b>\$ 18,098</b>	<b>\$ 131,512</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>FUND BALANCES:</b>				
Unreserved	\$ -	\$ 113,414	\$ 18,098	\$ 131,512
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>113,414</b>	<b>18,098</b>	<b>131,512</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 113,414</b>	<b>\$ 18,098</b>	<b>\$ 131,512</b>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis**  
**All Non-Major Governmental Funds**  
**For the Year Ended December 31, 2008**

	DEBT SERVICE FUND	SPECIAL REVENUE		TOTAL NON-MAJOR GOVERNMENTAL FUNDS
		LIQUID FUELS FUND	FIRE COMPANY CAPITAL FUND	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 172,922	\$ -	\$ 172,922
Investment Earnings	-	3,677	90	3,767
<b>TOTAL REVENUES</b>	-	176,599	90	176,689
<b>EXPENDITURES</b>				
Public Safety	-	-	40,000	40,000
Public Works	-	111,233	-	111,233
<b>TOTAL EXPENDITURES</b>	-	111,233	40,000	151,233
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	65,366	(39,910)	25,456
<b>OTHER FINANCING USES</b>				
Transfers In/(Out)	(2,103)	-	58,008	55,905
<b>TOTAL OTHER FINANCING USES</b>	(2,103)	-	58,008	55,905
<b>NET CHANGE IN FUND BALANCES</b>	(2,103)	65,366	18,098	81,361
<b>FUND BALANCES - BEGINNING</b>	2,103	48,048	-	50,151
<b>FUND BALANCES - ENDING</b>	\$ -	\$ 113,414	\$ 18,098	\$ 131,512

**THE BOROUGH OF QUAKERTOWN**  
**Combining Balance Sheet – Modified Cash Basis**  
**All Capital Project Funds**  
**For the Year Ended December 31, 2008**

	<b>CAPITAL PROJECT FUNDS</b>			<b>TOTAL CAPITAL PROJECT FUNDS</b>
	<b>WATER CAPITAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>EQUIPMENT REPLACEMENT FUND</b>	
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 906,324	\$ 680,673	\$ 152,685	\$ 1,739,682
Investments	839,000	1,924,914	-	2,763,914
Due from Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,745,324</b>	<b>\$ 2,605,587</b>	<b>\$ 152,685</b>	<b>\$ 4,503,596</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	-	-	-	-
<b>FUND BALANCES:</b>				
Restricted for Capital Projects	1,745,324	2,605,587	152,685	4,503,596
<b>TOTAL FUND BALANCES</b>	<b>1,745,324</b>	<b>2,605,587</b>	<b>152,685</b>	<b>4,503,596</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,745,324</b>	<b>\$ 2,605,587</b>	<b>\$ 152,685</b>	<b>\$ 4,503,596</b>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis**  
**All Capital Project Funds**  
**For the Year Ended December 31, 2008**

	CAPITAL PROJECT FUNDS			TOTAL CAPITAL PROJECT FUNDS
	WATER CAPITAL FUND	CAPITAL PROJECTS FUND	EQUIPMENT REPLACEMENT FUND	
<b>REVENUES</b>				
Franchise Fee	\$ -	\$ 54,560	\$ -	\$ 54,560
Investment Earnings	34,277	26,476	3,581	64,334
<b>TOTAL REVENUES</b>	<u>34,277</u>	<u>81,036</u>	<u>3,581</u>	<u>118,894</u>
<b>EXPENDITURES</b>				
General Government	1,503	14,279	19,389	35,171
Public Safety	-	66,489	133,941	200,430
Public Works	1,500	-	96,713	98,213
Culture and Recreation	-	42,349	-	42,349
<b>TOTAL EXPENDITURES</b>	<u>3,003</u>	<u>123,117</u>	<u>250,043</u>	<u>376,163</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>31,274</u>	<u>(42,081)</u>	<u>(246,462)</u>	<u>(257,269)</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of Fixed Assets	-	-	18,261	18,261
Insurance Proceeds From Destruction of Senior Citizens Center	-	1,289,913	-	1,289,913
Transfers In	-	-	172,683	172,683
Transfers Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>1,289,913</u>	<u>190,944</u>	<u>1,480,857</u>
<b>NET CHANGE IN FUND BALANCE</b>	31,274	1,247,832	(55,518)	1,223,588
<b>FUND BALANCES - BEGINNING</b>	<u>1,714,050</u>	<u>1,357,755</u>	<u>208,203</u>	<u>3,280,008</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,745,324</u>	<u>\$ 2,605,587</u>	<u>\$ 152,685</u>	<u>\$ 4,503,596</u>



**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Net Assets – Modified Cash Basis**  
**All Pension Trust Funds**  
**As of December 31, 2008**

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	<b>POLICE PENSION TRUST FUND</b>	<b>NON UNIFORMED PENSION TRUST FUND</b>	<b>TOTAL PENSION TRUST FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 68,287	\$ 58,034	\$ 126,321
Investments	2,701,467	4,350,535	7,052,002
<b>TOTAL ASSETS</b>	<b>\$ 2,769,754</b>	<b>\$ 4,408,569</b>	<b>\$ 7,178,323</b>
<b><u>LIABILITIES</u></b>			
Pension Fund Liability	\$ -	\$ -	\$ -
Accrued Investment Expense	-	-	-
<b>TOTAL LIABILITIES</b>	-	-	-
<b><u>NET ASSETS</u></b>			
Restricted for Employee Benefits	2,769,754	4,408,569	7,178,323
<b>TOTAL NET ASSETS</b>	<b>\$ 2,769,754</b>	<b>\$ 4,408,569</b>	<b>\$ 7,178,323</b>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Changes in Net Assets – Modified Cash Basis**  
**All Pension Trust Funds**  
**For the Year Ended December 31, 2008**

	<b>POLICE PENSION TRUST FUND</b>	<b>NON UNIFORMED PENSION TRUST FUND</b>	<b>TOTAL PENSION TRUST FUNDS</b>
<b>ADDITIONS:</b>			
Contributions - Employer	\$ 224,403	\$ 119,024	\$ 343,427
Contributions - Employee	-	19,616	19,616
State Aid	96,180	155,540	251,720
Miscellaneous	736	935	1,671
<b>INVESTMENT EARNINGS:</b>			
Interest and Dividends	131,926	156,669	288,595
Change in Fair Value of Investments	(840,126)	(1,440,368)	(2,280,494)
<b>TOTAL ADDITIONS</b>	<u>(386,881)</u>	<u>(988,584)</u>	<u>(1,375,465)</u>
<b>DEDUCTIONS:</b>			
Administrative Charges	7,575	10,205	17,780
Trustee Fees	20,822	36,506	57,328
Investment Expenses	617	528	1,145
Insurance	4,440	-	4,440
Employee Benefits	137,523	160,803	298,326
<b>TOTAL DEDUCTIONS</b>	<u>170,977</u>	<u>208,042</u>	<u>379,019</u>
<b>CHANGE IN NET ASSETS</b>	(557,858)	(1,196,626)	(1,754,484)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,327,612</u>	<u>5,605,195</u>	<u>8,932,807</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,769,754</u>	<u>\$ 4,408,569</u>	<u>\$ 7,178,323</u>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Net Assets – Modified Cash Basis**  
**All Enterprise Funds**  
**As of December 31, 2008**

	<u>ELECTRIC FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ -	\$ 719,981	\$ 613,019	\$ 13,646	\$ 1,346,646
Investments	1,500,000	667,000	567,000	-	2,734,000
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 1,500,000</u></b>	<b><u>\$ 1,386,981</u></b>	<b><u>\$ 1,180,019</u></b>	<b><u>\$ 13,646</u></b>	<b><u>\$ 4,080,646</u></b>
<b><u>LIABILITIES</u></b>					
Other Payables	\$ 936,688	\$ -	\$ -	\$ -	\$ 936,688
Due to Other Funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>936,688</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>936,688</u></b>
<b><u>NET ASSETS</u></b>					
Unrestricted Net Assets	<u>563,312</u>	<u>1,386,981</u>	<u>1,180,019</u>	<u>13,646</u>	<u>3,143,958</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,500,000</u></b>	<b><u>\$ 1,386,981</u></b>	<b><u>\$ 1,180,019</u></b>	<b><u>\$ 13,646</u></b>	<b><u>\$ 4,080,646</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Revenues Received, Expenses Paid and Changes in Net Assets -**  
**All Enterprise Funds – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

	<b>ELECTRIC FUND</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>NON-MAJOR POOL FUND</b>	<b>TOTAL FUNDS</b>
<b><u>OPERATING REVENUE</u></b>					
Charges for Services	\$ 13,819,523	\$ 1,340,157	\$ 1,812,463	\$ 221,134	\$ 17,193,277
Permits and Fees	46,132	29,855	-	-	75,987
Penalties	128,123	-	-	-	128,123
Rental Income	7,816	19,380	-	-	27,196
Other Income	-	2,927	1,146	-	4,073
<b>TOTAL OPERATING REVENUE</b>	<b>14,001,594</b>	<b>1,392,319</b>	<b>1,813,609</b>	<b>221,134</b>	<b>17,428,656</b>
<b><u>OPERATING EXPENSES</u></b>					
Costs of Furnishing Utility	8,826,666	927,276	1,365,152	-	11,119,094
Costs of Pool Operations	-	-	-	192,033	192,033
Employee Benefits	158,300	116,288	149,166	7,872	431,626
Employee Pension	51,177	42,969	52,927	17,778	164,851
Insurance	71,397	62,276	104,358	-	238,031
<b>TOTAL OPERATING EXPENSES</b>	<b>9,107,540</b>	<b>1,148,809</b>	<b>1,671,603</b>	<b>217,683</b>	<b>12,145,635</b>
<b>OPERATING INCOME</b>	<b>4,894,054</b>	<b>243,510</b>	<b>142,006</b>	<b>3,451</b>	<b>5,283,021</b>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>					
Debt Service	(186,427)	(1,273,226)	(290,498)	(344,805)	(2,094,956)
Sale of Fixed Assets	-	2,362	-	-	2,362
Loan Proceeds - Pennvest	-	298,715	799,835	-	1,098,550
Interest Earned	12,420	31,726	24,268	-	68,414
State Aid - Pensions	29,983	24,342	29,983	-	84,308
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<b>(144,024)</b>	<b>(916,081)</b>	<b>563,588</b>	<b>(344,805)</b>	<b>(841,322)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>4,750,030</b>	<b>(672,571)</b>	<b>705,594</b>	<b>(341,354)</b>	<b>4,441,699</b>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>					
Transfers from Other Funds	-	1,000,000	-	355,000	1,355,000
Transfers to Other Funds	(5,433,008)	(159,807)	(219,838)	-	(5,812,653)
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<b>(5,433,008)</b>	<b>840,193</b>	<b>(219,838)</b>	<b>355,000</b>	<b>(4,457,653)</b>
<b>CHANGES IN NET ASSETS</b>	<b>(682,978)</b>	<b>167,622</b>	<b>485,756</b>	<b>13,646</b>	<b>(15,954)</b>
<b>NET ASSETS, JANUARY 1, 2008</b>	<b>1,246,290</b>	<b>1,219,359</b>	<b>694,263</b>	<b>-</b>	<b>3,159,912</b>
<b>NET ASSETS, DECEMBER 31, 2008</b>	<b>\$ 563,312</b>	<b>\$ 1,386,981</b>	<b>\$ 1,180,019</b>	<b>\$ 13,646</b>	<b>\$ 3,143,958</b>

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**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

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**THE BOROUGH OF QUAKERTOWN**  
**General Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**REVENUES RECEIVED**

**TAXES:**

Real Estate Taxes - Current	\$ 123,561	
Real Estate Taxes - Interims	125	
Real Estate Taxes - Prior	3,349	
Real Estate Transfer Tax	168,765	
Earned Income Tax	1,103,151	
Local Services Tax	<u>163,216</u>	\$ 1,562,167

**FINES AND FORFEITS:**

Motor Vehicle Violations	129,353	
Fines	8,999	
Parking Tickets	<u>2,680</u>	141,032

**LICENSES AND PERMITS:**

Franchise Fee Cable	197,819	
Permits/Reports	<u>4,735</u>	202,554

**INTERGOVERNMENTAL:**

Public Utility Realty Tax	1,655	
In Lieu of Taxes	15,000	
Beverage Licenses	3,300	
Pension State Aid	167,413	
Allotment - Fireman's Relief	66,657	
State Grants	<u>128,686</u>	382,711

**CHARGES FOR SERVICES:**

General Government	51,530	
Public Safety	199,518	
Parking Meters	11,544	
Health	375	
Culture and Recreation	<u>27,849</u>	290,816

**INVESTMENT AND RENTAL EARNINGS:**

Interest Income	11,818	
Rentals	<u>3,692</u>	15,510

**MISCELLANEOUS:**

Contributions and Donations	37,883	
Overtime Reimbursement	15,644	
Sale of Trash Bags	54,500	
Insurance Claim Refund	43,068	
Gasoline Reimbursement	26,117	
Sale of Fixed Assets	49	
Other	<u>11,905</u>	189,166

<b>TOTAL REVENUE RECEIVED</b>	<u>\$ 2,783,956</u>
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**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**EXPENDITURES PAID**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor	\$	38,376
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**MAYOR, LEGISLATIVE, BOROUGH MANAGER:**

Salary		174,115
Materials and Supplies		4,776
Contracted Services		3,087
Association Dues and Conventions		24,923
Advertising, Printing and Postage		24,265
Gasoline		748
Telephone		15,972
Insurance		16,603
Small Tools and Equipment		13,317

**FINANCE AND ACCOUNTING:**

Salary		169,675
Auditing		28,272
Office Supplies		1,150
Bonding		1,214
Association Dues and Conventions		2,580
Contracted Services		12,944

**TAX COLLECTION:**

Salary		9,577
Contracted Services		3,890

**IT-NETWORKING SERVICES-DATA PROCESSING:**

Computer Hardware and Software		16,823
Computer Parts and Supplies		2,486
Internet Service		461
Contracted IT Services		32,873
Web Design and Maintenance		2,136
Capital Purchases		1,737

**ENGINEERING:**

Engineering Fees		67,590
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**BUILDINGS AND PLANT:**

Building Supplies		3,777
Cleaning Supplies		927
Repairs and Maintenance		9,484
Contracted Services		10,540
Capital Purchases		19,938

<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$</b>	<b>714,256</b>
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**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**PUBLIC SAFETY**

**POLICE:**

Salary	\$ 1,466,337
Office Supplies	7,397
Postage	2,963
Fuel and Oil	29,290
Uniforms	17,187
K9	12,840
Ammunition	3,966
National Night Out	6,184
Vehicle Maintenance and Repair	10,390
Small Tools and Equipment	17,028
Telephone	13,500
Towing	3,170
Advertising and Printing	2,834
Police Professional Liability Insurance	15,632
Asset Forfeiture	3,874
Association Dues and Conventions	30,379
Contracted Services	3,084
Capital Purchases	10,481

**FIRE:**

Contribution to Fire Co.	65,000
Fireman's Relief	66,657
Fire Marshal	26,033
Insurance	43,096
Gasoline	55,795
Fire Truck Repairs	2,417
Capital Purchases	743

**INSPECTIONS:**

Zoning and Administration	59,115
Salary of Clerical	29,002
Office Supplies	2,328
Fuel and Oil	1,583
Uniforms	1,044
Vehicle Maintenance and Repair	208
Small Tools and Equipment	1,420
Advertising and Printing	4,107
Association Dues and Conventions	892
Contracted Services	1,618

**TOTAL PUBLIC SAFETY**

\$ 2,017,594



**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**PUBLIC WORKS**

<b>SOLID WASTE AND COLLECTION:</b>	\$	61,657	
<b>STREET MAINTENANCE AND LIGHTING:</b>			
Salaries - Highways and Streets		665,579	
Office Supplies		1,812	
Fuel and Oil		28,130	
Uniforms		2,569	
Street and Traffic Signs		11,052	
Road Materials		86,976	
Vehicle Maintenance and Repairs		47,778	
Small Tools and Equipment		20,179	
Telephone		5,869	
Association Dues and Conventions		978	
Contracted Services		662	
CDL Drug and Alcohol Testing		659	
Capital Purchases		2,571	
Snow Removal Materials		16,771	
Road Projects		125,337	
 <b>TOTAL PUBLIC WORKS</b>	 \$		 1,078,579

**CULTURE AND RECREATION**

<b>PARKS AND POOL:</b>			
Salary		35,785	
Supplies		4,119	
Discount Tickets		19,515	
QSAA		23,952	
Vehicle Maintenance and Repairs		2,197	
Small Tools and Equipment		12,051	
Summer Concert Series		4,647	
Kids Program		2,602	
Advertising and Printing		520	
Contracted Services		104,694	
Field Improvements		1,985	
Capital Maintenance		379	
 <b>TOTAL CULTURE AND RECREATION</b>			 212,446

**DEBT SERVICE**

Debt Principal		199,371	
Debt Interest		7,197	
 <b>TOTAL DEBT SERVICE</b>			 206,568

**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS**

Police Pension	\$	321,484
Non-Uniformed Pension		127,492
Employee Benefits		<u>871,320</u>

**TOTAL EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS** \$ 1,320,296

**INSURANCE**

Insurance, Casualty, and Surety	180,367
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**UNCLASSIFIED OPERATING EXPENDITURES** 57,197

**TOTAL EXPENDITURES PAID** 5,787,303

**DEFICIENCY OF REVENUES RECEIVED OVER EXPENDITURES PAID** (3,003,347)

**OTHER FINANCING SOURCES RECEIVED AND OTHER FINANCING USES PAID**

Interfund Transfers In	4,341,718	
Interfund Transfers Out	<u>(112,653)</u>	<u>4,229,065</u>

**NET CHANGE IN FUND BALANCES** 1,225,718

**FUND BALANCE - JANUARY 1, 2008** (129,394)

**FUND BALANCE - DECEMBER 31, 2008** \$ 1,096,324

**THE BOROUGH OF QUAKERTOWN**  
**Electric Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Net Assets –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

	<b>BUDGET</b>	<b>ACTUAL</b>
<b><u>OPERATING REVENUE</u></b>		
Charges for Services	\$ 14,602,226	\$ 13,819,523
Permits and Fees	50,000	46,132
Penalties	155,000	128,123
Rental Income	-	7,816
Other Income	40,000	-
<b>TOTAL OPERATING REVENUE</b>	<b>14,847,226</b>	<b>14,001,594</b>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	9,808,013	8,826,666
Employee Benefits	164,176	158,300
Employee Pension	74,000	51,177
Insurance	77,150	71,397
Contingency	748,436	-
<b>TOTAL OPERATING EXPENSES</b>	<b>10,871,775</b>	<b>9,107,540</b>
<b>OPERATING INCOME</b>	<b>3,975,451</b>	<b>4,894,054</b>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>		
Interest Earned	77,000	12,420
Refunds	10,000	-
State Aid - Pension	34,500	29,983
Debt Service	(186,431)	(186,427)
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>(64,931)</b>	<b>(144,024)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>3,910,520</b>	<b>4,750,030</b>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>		
Transfers to Other Funds	(3,258,000)	(5,433,008)
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<b>(3,258,000)</b>	<b>(5,433,008)</b>
<b>CHANGES IN NET ASSETS</b>	<b>652,520</b>	<b>(682,978)</b>
<b>NET ASSETS, JANUARY 1, 2008</b>	<b>(652,520)</b>	<b>1,246,290</b>
<b>NET ASSETS, DECEMBER 31, 2008</b>	<b>\$ -</b>	<b>\$ 563,312</b>

**THE BOROUGH OF QUAKERTOWN**  
**Water Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Net Assets –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

	<b>BUDGET</b>	<b>ACTUAL</b>
<b><u>OPERATING REVENUE</u></b>		
Charges for Services	\$ 1,445,000	\$ 1,340,157
Fees	65,000	29,855
Rental Income	-	19,380
Other Income	21,000	2,927
<b>TOTAL OPERATING REVENUE</b>	<b>1,531,000</b>	<b>1,392,319</b>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	1,094,780	927,276
Employee Benefits	142,346	116,288
Employee Pension	61,500	42,969
Insurance	82,200	62,276
Contingency	81,250	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,462,076</b>	<b>1,148,809</b>
<b>OPERATING INCOME</b>	<b>68,924</b>	<b>243,510</b>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>		
Debt Service	(1,270,833)	(1,273,226)
Interest Earned	65,000	31,726
State Aid - Pension	29,000	24,342
Sale of Fixed Assets	-	2,362
Loan Proceeds - Pennvest	-	298,715
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>(1,176,833)</b>	<b>(916,081)</b>
<b>(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(1,107,909)</b>	<b>(672,571)</b>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>		
Transfers from Other Funds	-	1,000,000
Transfers to Other Funds	(159,807)	(159,807)
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<b>(159,807)</b>	<b>840,193</b>
<b>CHANGES IN NET ASSETS</b>	<b>(1,267,716)</b>	<b>167,622</b>
<b>NET ASSETS, JANUARY 1, 2008</b>	<b>1,267,716</b>	<b>1,219,359</b>
<b>NET ASSETS, DECEMBER 31, 2008</b>	<b>\$ -</b>	<b>\$ 1,386,981</b>

**THE BOROUGH OF QUAKERTOWN**  
**Sewer Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Net Assets –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUE</u></b>		
Charges for Services	\$ 2,562,442	\$ 1,812,463
Other Income	<u>16,000</u>	<u>1,146</u>
<b>TOTAL OPERATING REVENUE</b>	<u>2,578,442</u>	<u>1,813,609</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	1,593,926	1,365,152
Employee Benefits	192,903	149,166
Employee Pension	84,000	52,927
Insurance	104,200	104,358
Contingency	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,975,029</u>	<u>1,671,603</u>
<b>OPERATING INCOME</b>	<u>603,413</u>	<u>142,006</u>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>		
Interest Earned	65,000	24,268
Loan Proceeds - Pennvest	-	799,835
State Aid - Pension	40,000	29,983
Construction Costs	-	-
Debt Service	<u>(238,293)</u>	<u>(290,498)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>(133,293)</u>	<u>563,588</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<u>470,120</u>	<u>705,594</u>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>		
Transfers to Other Funds	<u>(337,807)</u>	<u>(219,838)</u>
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<u>(337,807)</u>	<u>(219,838)</u>
<b>CHANGES IN NET ASSETS</b>	132,313	485,756
<b>NET ASSETS, JANUARY 1, 2008</b>	<u>(132,313)</u>	<u>694,263</u>
<b>NET ASSETS, DECEMBER 31, 2008</b>	<u>\$ -</u>	<u>\$ 1,180,019</u>

**THE BOROUGH OF QUAKERTOWN**  
**Pool Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Net Assets –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUE</u></b>		
Charges for Services	\$ 419,000	\$ 221,134
Other Income	2,000	-
<b>TOTAL OPERATING REVENUE</b>	<u>421,000</u>	<u>221,134</u>
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<b><u>OPERATING EXPENSES</u></b>		
Costs of Pool Operations	234,050	192,033
Employee Benefits	8,576	7,872
Insurance	21,700	17,778
Contingency	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>264,326</u>	<u>217,683</u>
<b>OPERATING INCOME</b>	<u>156,674</u>	<u>3,451</u>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>		
Interest Earned	3,000	-
State Grant	10,000	-
Debt Service	<u>(340,548)</u>	<u>(344,805)</u>
<b>TOTAL NON-OPERATING EXPENSE</b>	<u>(327,548)</u>	<u>(344,805)</u>
<b>(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(170,874)</u>	<u>(341,354)</u>
<b><u>CAPITAL CONTRIBUTIONS/TRANSFERS</u></b>		
Transfers from Other Funds	-	355,000
<b>TOTAL CAPITAL CONTRIBUTIONS/TRANSFERS</b>	<u>-</u>	<u>355,000</u>
<b>CHANGES IN NET ASSETS</b>	(170,874)	13,646
<b>NET ASSETS, JANUARY 1, 2008</b>	<u>170,874</u>	<u>-</u>
<b>NET ASSETS, DECEMBER 31, 2008</b>	<u>\$ -</u>	<u>\$ 13,646</u>

**The Borough of Quakertown  
Liquid Fuels Fund  
Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –  
Modified Cash Basis  
For the Year Ended December 31, 2008**

**FUND BALANCE - JANUARY 1, 2008** \$ 48,048

**REVENUES AND OTHER FINANCING SOURCES RECEIVED**

**INTERGOVERNMENTAL:**

Liquid Fuels Tax	\$	167,442	
Highway/Turnback Income		5,480	

**INVESTMENT EARNINGS:**

Interest Earnings		3,677	176,599
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**TOTAL FUNDS AVAILABLE** 224,647

**EXPENDITURES AND OTHER FINANCING USES PAID**

**GENERAL GOVERNMENT:**

Bank Fees		96	
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**PUBLIC WORKS:**

Contracted Street Work		111,137	111,233
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**FUND BALANCE - DECEMBER 31, 2008** **\$ 113,414**

**Fire Company Capital Fund  
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –  
Modified Cash Basis  
For the Year Ended December 31, 2008**

**FUND BALANCE - JANUARY 1, 2008** \$ -

**REVENUES AND OTHER FINANCING SOURCES RECEIVED**

Interest Earnings	\$	90	
Transfer From Other Funds		58,008	

		58,008	58,098
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**TOTAL FUNDS AVAILABLE** 58,098

**EXPENDITURES AND OTHER FINANCING USES PAID**

**PUBLIC SAFETY:**

Equipment Purchase			40,000
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**FUND BALANCE - DECEMBER 31, 2008** **\$ 18,098**

**THE BOROUGH OF QUAKERTOWN**  
**Debt Service Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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<b>FUND BALANCE - JANUARY 1, 2008</b>	\$	2,103
 <b><u>REVENUES AND OTHER FINANCING SOURCES RECEIVED</u></b>		
Interest Earnings		-
		-
<b>TOTAL FUNDS AVAILABLE</b>		2,103
 <b><u>EXPENDITURES AND OTHER FINANCING USES PAID</u></b>		
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds		2,103
		2,103
<b>FUND BALANCE - DECEMBER 31, 2008</b>	<b>\$</b>	<b>-</b>

**Water Capital Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

<b>FUND BALANCE - JANUARY 1, 2008</b>	\$	1,714,050
 <b><u>REVENUES AND OTHER FINANCING SOURCES RECEIVED</u></b>		
Interest Earnings	\$ 34,277	
Note Proceeds	-	34,277
		34,277
<b>TOTAL FUNDS AVAILABLE</b>		1,748,327
 <b><u>EXPENDITURES AND OTHER FINANCING USES PAID</u></b>		
<b>GENERAL GOVERNMENT:</b>		
Legal Services	1,503	
<b>PUBLIC WORKS:</b>		
Engineering and Design	1,500	
<b>OTHER FINANCING USES:</b>		
None	-	3,003
		3,003
<b>FUND BALANCE - DECEMBER 31, 2008</b>	<b>\$</b>	<b>1,745,324</b>



**THE BOROUGH OF QUAKERTOWN**  
**Capital Projects Fund**  
**Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**FUND BALANCE - JANUARY 1, 2008** \$ 1,357,755

**REVENUES AND OTHER FINANCING SOURCES RECEIVED**

Interest Earnings	\$ 26,476		
Franchise Fee Donation	54,560		
Insurance Proceeds From Destruction of Senior Citizens Center	1,289,913		1,370,949

**TOTAL FUNDS AVAILABLE** 2,728,704

**EXPENDITURES AND OTHER FINANCING USES PAID**

**GENERAL GOVERNMENT:**

Equipment	2,499		
Professional Services	11,780		

**PUBLIC SAFETY:**

Police Car	66,489		
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**COMMUNITY DEVELOPMENT:**

Civic Contributions	41,375		
Council Contingency	974		123,117

**FUND BALANCE - DECEMBER 31, 2008** **\$ 2,605,587**

**Equipment Replacement Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2008**

**FUND BALANCE - JANUARY 1, 2008** \$ 208,203

**REVENUES AND OTHER FINANCING SOURCES RECEIVED**

Interest Earnings	\$ 3,581		
Sale of Fixed Assets	18,261		
Transfer From Other Funds	172,683		194,525

**TOTAL FUNDS AVAILABLE** 402,728

**EXPENDITURES AND OTHER FINANCING USES PAID**

**GENERAL GOVERNMENT:**

Equipment	19,389		
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**PUBLIC SAFETY:**

Equipment	76,846		
Contribution to Fire Company	57,095		

**PUBLIC WORKS:**

Equipment	96,713		
			250,043

**FUND BALANCE - DECEMBER 31, 2008** **\$ 152,685**

**THE BOROUGH OF QUAKERTOWN**  
**Escrow Fund**  
**Statement of Receipts and Disbursements – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

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**ASSETS**

Escrow Checking	\$ 204,266	
Escrow Plgit	<u>42,848</u>	
<b>TOTAL ASSETS</b>		<b><u>\$ 247,114</u></b>

**LIABILITIES**

Due to Escrow Holders	<u>\$ 247,114</u>	
<b>TOTAL LIABILITIES</b>		<b><u>\$ 247,114</u></b>

**Police Health Reimbursement Arrangement Fund**  
**Statement of Receipts and Disbursements – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

**ASSETS**

Cash	<u>\$ 8,562</u>	
<b>TOTAL ASSETS</b>		<b><u>\$ 8,562</u></b>

**LIABILITIES**

Due to Police Officers	<u>\$ 8,562</u>	
<b>TOTAL LIABILITIES</b>		<b><u>\$ 8,562</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Police Pension Trust Fund**  
**Statement of Additions and Deductions – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

<b>NET ASSETS - BEGINNING OF YEAR</b>		\$	3,327,612
<b>ADDITIONS:</b>			
Contributions - Employer	\$	224,403	
State Aid		96,180	
Miscellaneous		736	
<b>INVESTMENT EARNINGS:</b>			
Interest and Dividends		131,926	
Change in Fair Value of Investments		<u>(840,126)</u>	
<b>TOTAL ADDITIONS</b>			<u>(386,881)</u>
<b>DEDUCTIONS:</b>			
Administrative Charges		7,575	
Trustee Fees		20,822	
Investment Expenses		617	
Insurance		4,440	
Employee Benefits		<u>137,523</u>	
<b>TOTAL DEDUCTIONS</b>			<u>170,977</u>
<b>CHANGE IN NET ASSETS</b>			<u>(557,858)</u>
<b>NET ASSETS - END OF YEAR</b>		<b>\$</b>	<b><u>2,769,754</u></b>

**Non-Uniformed Pension Trust Fund**  
**Statement of Additions and Deductions – Modified Cash Basis**  
**For the Year Ended December 31, 2008**

<b>NET ASSETS - BEGINNING OF YEAR</b>		\$	5,605,195
<b>ADDITIONS:</b>			
Contributions - Employer		119,024	
Contributions - Employee		19,616	
State Aid		155,540	
Miscellaneous Income		935	
<b>INVESTMENT EARNINGS:</b>			
Interest and Dividends		156,669	
Change in Fair Value of Investments		<u>(1,440,368)</u>	
<b>TOTAL ADDITIONS</b>			<u>(988,584)</u>
<b>DEDUCTIONS:</b>			
Administrative Charges		10,205	
Trustee Fees		36,506	
Investment Expenses		528	
Employee Benefits		<u>160,803</u>	
<b>TOTAL DEDUCTIONS</b>			<u>208,042</u>
<b>CHANGE IN NET ASSETS</b>			<u>(1,196,626)</u>
<b>NET ASSETS - END OF YEAR</b>		<b>\$</b>	<b><u>4,408,569</u></b>