

**Upper Saucon Township  
Lehigh County, Pennsylvania**

**Audit Results**

**December 31, 2015**



**REINSEL KUNTZ LESHER**  
certified public accountants & consultants

**FOCUSED. ON YOU.**



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

We are pleased to present the results of our audit of the 2015 financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania.

The audit is designed to express an opinion on the 2015 financial statements as of December 31, 2015. In accordance with professional standards, we obtained a sufficient understanding of internal control to plan the audit to determine the nature, timing, and extent of tests to be performed.

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

We appreciate the opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit related matters.

*Reinsel Kuntz Lesher LLP*

June 16, 2016  
Wyomissing, Pennsylvania

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## Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Internal control over financial reporting
- Revenue recognition
- Contingencies, commitments, and legal matters
- Review, recomputed, and substantiate financial statement amounts and disclosures
- Consideration of the potential for fraud in accordance with AU-C 240
- Process over estimating useful lives of capital assets and consideration of potential impairment issues
- Accounting for and valuation of investments
- Consistent application of accounting policies

Other Areas of Audit Emphasis:

- Long-term debt
- Implementation of Governmental Accounting Standards Board (GASB) No. 68 pension reporting requirements

## Changes from Planning

There were no changes to our planned approach or timing of procedures.

## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p><b>Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b></p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. As part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed. However, we were not engaged to, and we did not, perform an audit of internal control over financial reporting.</p>	<p>Our responsibilities under GAAS have been described to you in our arrangement letter dated November 17, 2015.</p>
<p><b>Our Judgments About the Quality of the Township's Accounting Principles</b></p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Township's financial reporting, including the consistency of the accounting policies and their application, and the clarity and completeness of the financial statements and related disclosures.</p>	<p>See:</p> <ul style="list-style-type: none"> <li>• "The Adoption of, or a Change in, an Accounting Principle"</li> <li>• "Methods of Accounting for Significant Unusual Transactions and Controversial or Emerging Areas"</li> <li>• "Management's Judgments and Sensitive Accounting Estimates"</li> </ul>
<p><b>Significant Difficulties Encountered in Dealing with Management when Performing the Audit</b></p> <p>We inform the Board of Supervisors or those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>

## Required Communications (continued)

Area	Comments
<p><b>Unrecorded Audit Differences</b></p> <p>We get final approval from the Board of Supervisors or those charged with governance about unrecorded audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. Based on that approval, the remaining unrecorded audit differences have not been posted to the books and records of the Township.</p>	<p>Unrecorded audit differences are summarized on a schedule attached to management's representation letter.</p>
<p><b>Disagreements with Management</b></p> <p>We discuss with the Board of Supervisors or those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Township's financial statements or the auditor's report.</p>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<p><b>Significant Audit Adjustments</b></p> <p>We provide the Board of Supervisors or those charged with governance with information about adjustments arising from the audit (whether recorded or not) that could, in our judgment, either individually or in the aggregate, have a significant effect on the Township's financial statements.</p>	<p>See Appendix B, Summary of Posted Audit Adjustments.</p>
<p><b>Consultation with Other Accountants</b></p> <p>When we are aware that management has consulted with other accountants about auditing or accounting matters, we discuss with the Board of Supervisors or those charged with governance our views about significant matters that were the subject of such consultation.</p>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>

## Required Communications (continued)

Area	Comments
<p><b>Significant Issues, if any, Arising from the Audit that were Discussed, or the Subject of Correspondence, with Management</b></p> <p>We inform the Board of Supervisors or those charged with governance of any significant issues arising from the audit that were discussed, or the subject of correspondence, with management. Significant issues encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> <li>• Business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement.</li> <li>• Discussions or correspondence in connection with the initial or recurring retention of the auditor including, among other matters, any discussions or correspondence regarding the application of accounting principles and auditing standards.</li> </ul>	<p>We did not identify any significant unusual transactions, or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>No significant issues arising from the audit were discussed, or the subject of correspondence, with management.</p>
<p><b>The Adoption of, or a Change in, an Accounting Principle</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township. We determine that the Board of Supervisors or those charged with governance is/are informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>Our auditor's report includes an explanatory paragraph discussing the Township's adoption of the new standard.</p> <p>The following is a description of a significant accounting policy or its application that was either initially selected or changed during the year:</p> <ul style="list-style-type: none"> <li>• The Township adopted GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27</i>, for its December 31, 2015 financial statements.</li> </ul>

## Required Communications (continued)

Area	Comments
<p><b>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</b></p> <p>We determine that the Board of Supervisors or those charged with governance is/are informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Township, or of any significant accounting policies used by the Township related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p><b>Management's Judgments and Sensitive Accounting Estimates</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments.</p> <p>We determine that the Board of Supervisors or those charged with governance is/are informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>We have provided our views in the "Summary of Significant Accounting Estimates" section.</p>
<p><b>Fraud and Illegal Acts</b></p> <p>We communicate to the Board of Supervisors or those charged with governance fraud and illegal acts involving senior management, and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p>	<p>We are not aware of any matters that require communication. Refer to the "Fraud Considerations and the Risk of Management Override" section for more information about our procedures related to the risks of material misstatement due to fraud.</p>
<p><b>Significant Deficiencies and/or Material Weaknesses in Internal Control</b></p> <p>We communicate all significant deficiencies and/or material weaknesses in internal control that may have been identified during the course of our audit.</p>	<p>See Appendix C, Letter Communicating a Significant Deficiency in Internal Control over Financial Reporting.</p>

## Required Communications (continued)

Area	Comments
<p><b>All Material Alternative Accounting Treatments Discussed with Management</b></p> <p>We discuss with the Board of Supervisors all alternative accounting treatments within GAAP for policies and practices related to material items (including recognition, measurement, presentation, and disclosure alternatives) that have been discussed with management during the current audit period including:</p> <ul style="list-style-type: none"> <li>• Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.</li> <li>• The treatment preferred by us.</li> </ul>	<p>We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America and practices related to material items during the current audit period.</p>
<p><b>Other Material Written Communications with Management</b></p> <p>We determine that the Board of Supervisors has received copies of all material written communications with management.</p>	<p>See Appendix D, Certain Written Communications between Management and Our Firm.</p>

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. The following describes the significant accounting estimates reflected in the Township's financial statements:

Area	Accounting Policy	Estimation Process	Reinsel Kuntz Lesher LLP Comments
<b>Capital Assets</b>	Depreciation is computed using the straight-line method based on the estimated useful lives of the assets.	Management estimates the useful lives of the assets at the time they are placed into service. Depreciation is determined based on the lives established by management.	Policy is in accordance with GAAP.
<b>Unbilled Utility Charges</b>	Fourth quarter utility charges for 2015 are not billed until January 2016. In order to properly reflect utility revenue, the portion applicable to 2015 is estimated.	The first utility billing in 2016 is allocated to record the portion that relates to 2015.	Policy is in accordance with GAAP.
<b>Fair Value of Investments</b>	Investments are held by brokers who report to the Township the fair value of investments on a monthly basis.	Management reviews the monthly investment statements. Changes to the fair value of investments are made as part of the annual audit process.	Policy is in accordance with GAAP.
<b>Valuation of Net Pension Liability</b>	The valuation of the Township's net pension liability and deferred outflows and inflows related to the pension plans was determined in accordance with GASB Statement No. 68, <i>Accounting for Pension by State and Local Government Employees</i> .	Actuaries performed a valuation of the pension plans in order to determine the Township's net pension liability, deferred outflows and deferred inflows related to the pension plans.	Policy is in accordance with GAAP.

## Summary of Significant Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Township's financial statements are noted below:

Financial Statement Disclosures	Reinsel Kuntz Lesher LLP Comments
<b>Deposits and Investments</b>	Disclosures include custodial credit risk on deposits held by the Township, including the amount of deposits covered by Federal Depository Insurance and the amounts covered under Act 72. Disclosures also include detail related to the investments held in the Township's pension plans and the related cost and fair values. There were no significant changes to disclosures in 2015.
<b>Capital Assets</b>	Disclosure includes summary of the components of capital assets. During the year ended December 31, 2015, management concluded that no impairment adjustments were required. There were no significant changes to disclosures in 2015.
<b>Long-Term Debt</b>	Disclosures include a summary of outstanding debt and aggregate maturities of the remaining balances. There were no significant changes to disclosures in 2015.
<b>Pension Plans</b>	<p>Disclosures include the following for the Township's pension plans: plan description, benefits provided, employees covered by benefit terms, contribution policy, net pension liability measurement, actuarial assumptions used, the discount rate used for the total pension liability calculation, a detail of the changes in the net pension liability and the pension expense, and deferred outflows and deferred inflows related to pensions.</p> <p>The disclosures are in accordance with the GASB Statement No 68, <i>Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27</i>, which the Township adopted during 2015.</p>
<b>Fund Balances</b>	Disclosures include a detail of the restricted, committed, assigned and unassigned fund balances for the Township's governmental funds and fund balance and spending policies for those funds. There were no significant changes to disclosures in 2015.

The disclosures in the financial statements are neutral, consistent, and clear.

## Fraud Considerations and the Risk of Management Override

### Management

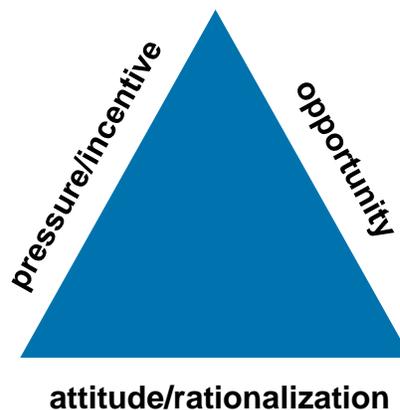
- Ultimately responsible for developing and maintaining anti-fraud program
- Developing controls to deter and detect fraud
- Monitoring and compliance

### Board of Supervisors

- Evaluate management's assessment of fraud risk
- Evaluate implementation of fraud controls
- Reinforce "tone at the top"
- Conduct special investigations

### External Auditor

- Responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or by fraud (AU-C 240, *Consideration of Fraud in a Financial Statement Audit*)
- Evaluates management's programs and controls to deter and detect fraud (AU-C 240)
- Audit procedures will encompass the requirements of AU-C 240: brainstorming, gathering information to facilitate the identification of and response to fraud risks, and performing mandatory procedures to address the risk of management override, including examining journal entries, reviewing accounting estimates, and evaluating the business rationale of significant unusual transactions



# APPENDIX A

Management Letter



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

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, for the year ended December 31, 2015. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Township's practices and procedures.

### **Inventory of Office Equipment**

Currently, the Township performs a physical inventory of vehicles and road crew equipment for insurance purposes, and a physical inventory of office equipment was also performed in late March 2014. However, there is no reconciliation of the assets to those assets listed on the Township's capital asset detail listing. An integral part of any physical inventory is the reconciliation of the physical count to the recorded listing of capital assets in the financial accounting records.

#### **Recommendation**

Continue to maintain a current inventory listing of office equipment and reconcile all equipment to the Township's detailed capital asset listing. Any assets which are no longer owned by the Township should be removed from that listing.

### **New Accounting Pronouncement**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for the period beginning after June 15, 2015.

#### **Recommendation**

We recommend management evaluate and prepare for the implementation of GASB Statement No. 72 for the year ending December 31, 2016.

This letter is intended solely for the information and use of management, the Board of Supervisors and others within the Township and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving Upper Saucon Township and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

*Reinsel Kuntz Lesher LLP*

June 16, 2016  
Wyomissing, Pennsylvania

# APPENDIX B

Summary of Posted Audit Adjustments

**Upper Saucon Township**

Year End: December 31, 2015

**Adjusting Entries**

Date: 1/1/2015 To 12/31/2015

Account No: 1 To 19

Number	Name	Account No	Reference	Debit	Credit
1	LONG-TERM DEBT	06-230-000 WF	5001	175,000.00	
1	DEBT SERVICE 1999 BOND	06-471-010 WF	5001		120,000.00
1	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030 WF	5001		55,000.00
	To record proprietary fund debt activity for 2015				
2	ACCRUED INTEREST PAYABLE	06-265-000 WF	5002	447.00	
2	DEBT SERVICE 1999 BOND	06-471-010 WF	5002		310.00
2	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030 WF	5002		137.00
	To adjust accrued interest payable for proprietary funds to actual at 12/31/2015				
3	ACCOUNTS REC- 2010 BOND INTERE	06-141-200 WF	5006	4,247.00	
3	ACCOUNTS REC- 2010 BOND INTERE	06-141-200 WF	5006		4,295.00
3	ACCOUNTS REC 2010 BOND	06-141-300 WF	5006		26,058.00
3	2010 Bonds - interest subsidy from fed govt	06-387-000 WF	5006		4,247.00
3	2010 Bonds - interest subsidy from fed govt	06-387-000 WF	5006	4,295.00	
3	2010 Bonds - interest subsidy from fed govt	06-387-000 WF	5006		47,908.00
3	2010 Bonds - interest subsidy from fed govt	06-387-000 WF	5006	1,902.00	
3	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030 WF	5006	47,908.00	
3	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030 WF	5006	24,156.00	
	To adjust to actual the subsidy on the 2010 Build America Bonds at 12/31/2015 and reverse the portion of the 12/31/2014 accrued interest payable that was received in 2015.				
4	PREMIUM ON 2009 BOND ISSUE	06-230-998 WF	5003	415.00	
4	LOSS ON REFINANCING	06-230-999 WF	5003		1,559.00
4	Amortization expense	06-499-000 WF	5003	1,144.00	
	To record 2015 amortization on refunding loss and premium				
5	ACCOUNT RECEIVABLE -AUDIT	06-141-000 WF	1503		5,085.00
5	ACCOUNTS RECEIVABLE-PENALTIES	06-141-100 WF	1503		4,130.00
5	WATER RENTALS	06-378-100 WF	1503	5,085.00	
5	WATER RENTAL PENALTIES	06-378-110 WF	1503	4,130.00	
5	A/R AUDIT	08-140-081 SWRF	1503		18,861.00
5	ACCOUNTS RECEIVABLE- PENALTIES	08-140-181 SWRF	1503		13,390.00
5	SEWER RENTALS	08-364-100 SWRF	1503	18,861.00	
5	PENALTY RENTALS	08-364-110 SWRF	1503	13,390.00	
	To adjust penalty A/R for water and sewer and unbilled usage at 12/31/2015				
6	CONSTRUCTION IN PROGRSS	06-142-000 WF	6004	61,816.00	
6	CONSTRUCTION IN PROGRSS	06-142-000 WF	6004		22,665.00
6	RETAINAGES PAYABLE	06-250-100 WF	6004		61,816.00

**Upper Saucon Township**

Year End: December 31, 2015

**Adjusting Entries**

Date: 1/1/2015 To 12/31/2015

Account No: 1 To 19

Number	Name	Account No	Reference	Debit	Credit
6	RETAINAGES PAYABLE	06-250-100 WF	6004	22,665.00	
6	RETAINAGES PAYABLE	31-250-100 RCCR	6004	8,242.00	
6	HGHWY CONSTR & REBUILDING	31-439-000 RCCR	6004		8,242.00
	To reverse PY and record CY retainages on contracts				
7	CONTRIBUTION	01-456-500 GF	4602		4,173.00
7	Transfer to Library Fund	01-492-320 GF	4602	4,173.00	
	To reclass transfer of funds for Library.				
8	WATER SYSTEM	06-140-000 WF	4001	83,847.00	
8	Contributions from Private Sector	06-388-000 WF	4001		83,847.00
8	SEWER SYSTEM	08-140-000 SWRF	4001	148,456.00	
8	Contributions from Private Sector	08-387-000 SWRF	4001		148,456.00
	To record dedicated capital assets (proprietary) accepted in 2015				
9	WATER SYSTEM	06-140-000 WF	4001/4002	1,544,111.00	
9	WATER SYSTEM	06-140-000 WF	4001/4002	19,537.00	
9	CONSTRUCTION IN PROGRSS	06-142-000 WF	4001/4002	22,665.00	
9	CONSTRUCTION IN PROGRSS	06-142-000 WF	4001/4002		1,544,111.00
9	VEHICLES	06-146-000 WF	4001/4002	71,421.00	
9	EQUIPMENT	06-147-000 WF	4001/4002		4,132.00
9	OTHER EQUIPMENT	06-148-000 WF	4001/4002		26,101.00
9	DTTD-WATER FUND	06-151-000 WF	4001/4002		293,570.00
9	DTTD-WATER FUND	06-151-000 WF	4001/4002	30,233.00	
9	Transfer from Water Capital - capital assets	06-392-018 WF	4001/4002		22,665.00
9	Transfer from Water Capital - capital assets	06-392-018 WF	4001/4002		90,958.00
9	Depreciation expense	06-499-100 WF	4001/4002	293,570.00	
9	SEWER SYSTEM	08-140-000 SWRF	4001/4002	198,398.00	
9	CONSTRUCTION IN PROGRESS	08-142-000 SWRF	4001/4002	209,421.00	
9	CONSTRUCTION IN PROGRESS	08-142-000 SWRF	4001/4002		198,398.00
9	VEHICLES	08-146-000 SWRF	4001/4002	71,420.00	
9	VEHICLES	08-146-000 SWRF	4001/4002		171,894.00
9	COMPUTER EQUIPMENT	08-147-000 SWRF	4001/4002		3,407.00
9	OTHER EQUIPMENT	08-148-000 SWRF	4001/4002		31,904.00
9	OTHER EQUIPMENT	08-148-000 SWRF	4001/4002	47,647.00	
9	DTTD - SEWER	08-151-000 SWRF	4001/4002		632,029.00
9	DTTD - SEWER	08-151-000 SWRF	4001/4002	207,056.00	
9	Transfer from Sewer Capital	08-392-019 SWRF	4001/4002		209,421.00
9	Transfer from Sewer Capital	08-392-019 SWRF	4001/4002		99,987.00
9	MAJOR EQUIPMENT PURCHASE	08-429-570 SWRF	4001/4002		19,080.00
9	Loss on Sale of Capital Asset	08-493-000 SWRF	4001/4002	149.00	
9	Depreciation expense	08-499-100 SWRF	4001/4002	632,029.00	
9	CAPITAL PURCHASE	18-448-700 WCRF	4001/4002		19,537.00
9	CAPITAL PURCHASE	18-448-700 WCRF	4001/4002		71,421.00

**Upper Saucon Township**

Year End: December 31, 2015

**Adjusting Entries**

Date: 1/1/2015 To 12/31/2015

Account No: 1 To 19

Number	Name	Account No	Reference	Debit	Credit
9	CAPITAL PURCHASE	18-448-700 WCRF	4001/4002		22,665.00
9	Transfer Capital Assets to Water Fd	18-492-006 WCRF	4001/4002	22,665.00	
9	Transfer Capital Assets to Water Fd	18-492-006 WCRF	4001/4002	90,958.00	
9	CAPITAL EXPENSE	19-428-700 STCRF	4001/4002		168,674.00
9	CAPITAL EXPENSE	19-428-700 STCRF	4001/4002		71,420.00
9	CAPITAL EXPENSE	19-429-700 STCRF	4001/4002		40,747.00
9	CAPITAL EXPENSE	19-429-700 STCRF	4001/4002		28,567.00
9	Transfer Capital Assets to Fd 08	19-492-008 STCRF	4001/4002	209,421.00	
9	Transfer Capital Assets to Fd 08	19-492-008 STCRF	4001/4002	99,987.00	
To adjust proprietary fund capital asset accounts at 12/31/2015 and record depreciation expense					
10	CASH	66-100-000 EF	1001		300,320.00
10	ESCROW LIABILITY	66-225-000 EF	1001	300,320.00	
To adjust escrow balances to actual at 12/31/2015					
11	ACCOUNTS RECEIVABLE-DEVELOPERS	01-136-000 GF	1505		16,923.00
11	SUBDIVISION FEES	01-320-110 GF	1505		8,289.00
11	REIMB.ENGINEERING SERVICE	01-414-245 GF	1505	20,477.00	
11	REIMB.ENGINEERING SERVICE	01-414-245 GF	1505	10,334.00	
11	REIMB.LEGAL SERVICES	01-414-295 GF	1505		5,599.00
To adjust developer accounts receivable to actual at 12/31/2015.					
12	ACCOUNTS PAYABLE	18-250-000 WCRF	6002	26,051.00	
12	CAPITAL PURCHASE	18-448-700 WCRF	6002		26,051.00
12	ACCOUNTS PAYABLE	19-200-200 STCRF	6002		51,238.00
12	ACCOUNTS PAYABLE	19-250-000 STCRF	6002	51,238.00	
12	ACCOUNTS PAYABLE	31-250-000 RCCR	6002	70,129.00	
12	HGHWY CONSTR & REBUILDING	31-439-000 RCCR	6002		70,129.00
To reverse additional A/P recorded in prior year.					
13	A/R COOPERSBURG	08-140-082 SWRF	1506		206,791.00
13	A/R COOPERSBURG	08-140-082 SWRF	1506	215,756.00	
13	COOPERSBURG CONTRIBUTION	08-357-000 SWRF	1506	206,819.00	
13	COOPERSBURG CONTRIBUTION	08-357-000 SWRF	1506		215,784.00
13	A/R COOPERSBURG	19-140-082 STCRF	1506		60,532.00
13	A/R COOPERSBURG	19-140-082 STCRF	1506	61,404.00	
13	REIMB. OF EXPENDITURES	19-395-010 STCRF	1506	60,532.00	
13	REIMB. OF EXPENDITURES	19-395-010 STCRF	1506		61,404.00
To properly state Borough of Coopersburg reimbursement amounts at 12/31/2015					

**Upper Saucon Township**

Year End: December 31, 2015

**Adjusting Entries**

Date: 1/1/2015 To 12/31/2015

Account No: 1 To 19

Number	Name	Account No	Reference	Debit	Credit
14	ACCRUED INTEREST INCOME	60-110-000 PPF	8401		3,372.00
14	SECURITIES & INVESTMENTS	60-120-000 PPF	8401	131,214.00	
14	Investment Income - trustee	60-389-040 PPF	8401		313,576.00
14	Unrealized Gain / Losses	60-389-050 PPF	8401	181,587.00	
14	INCOME FRM MEMBER CONTRIB	60-389-200 PPF	8401		3,862.00
14	TRUSTEE FEES	60-401-200 PPF	8401		2,016.00
14	CONTRACTED SERVICES	60-401-260 PPF	8401	25.00	
14	POLICE PENSION PAYMENTS	60-487-160 PPF	8401	61,298.00	
14	Refund of Receipts	60-491-000 PPF	8401		51,298.00
14	INVESTMENTS	62-000-000 NUJEE	8401		333.00
14	Accrued Interest Income	62-110-000 NUJEE	8401	8.00	
14	Investment income - trustee	62-389-040 NUJEE	8401		592.00
14	Unrealized Gains / Losses	62-389-050 NUJEE	8401	838.00	
14	INCOME FROM MEMBER CONTRIBUTIO	62-389-200 NUJEE	8401	79.00	
14	ACCRUED INTEREST INCOME	65-110-000 NUPF	8401		2,611.00
14	NON UNIFORM SECURITIES & INV	65-120-000 NUPF	8401	144,274.00	
14	Investment Income - trustee	65-389-040 NUPF	8401		353,228.00
14	Unrealized Gain/Losses	65-389-050 NUPF	8401	209,863.00	
14	INCOME FROM MEMBER CONTRIBUTIO	65-389-200 NUPF	8401	3,863.00	
14	TRUSTEE FEES	65-401-200 NUPF	8401		2,186.00
14	CONTRACTED SERVICES	65-401-260 NUPF	8401	25.00	
To adjust pension activity to actual at 12/31/2015					
15	TAXES RECEIVABLE	01-135-000 GF	1504		85,205.00
15	TAXES RECEIVABLE	01-135-000 GF	1504	64,104.00	
15	DEFERRED REVENUE	01-210-000 GF	1504	45,967.00	
15	DEFERRED REVENUE	01-210-000 GF	1504		34,072.00
15	REAL ESTATE TAXES-CUR.YR.	01-301-100 GF	1504		64,104.00
15	REAL ESTATE TAXES-CUR.YR.	01-301-100 GF	1504	34,072.00	
15	REAL ESTATE TAXES-CUR.YR.	01-301-100 GF	1504	3,430.00	
15	REAL ESTATE TAXES - PR.YR	01-301-200 GF	1504	85,205.00	
15	REAL ESTATE TAXES - PR.YR	01-301-200 GF	1504		45,967.00
15	REAL ESTATE TAXES - PR.YR	01-301-200 GF	1504		3,430.00
15	TAXES RECEIVABLE	03-135-000 FHF	1504		3,274.00
15	TAXES RECEIVABLE	03-135-000 FHF	1504	2,630.00	
15	DEFERRED REVENUE	03-210-000 FHF	1504	1,757.00	
15	DEFERRED REVENUE	03-210-000 FHF	1504		1,221.00
15	REAL ESTATES TAXES-CUR.YR	03-301-100 FHF	1504		2,630.00
15	REAL ESTATES TAXES-CUR.YR	03-301-100 FHF	1504	1,221.00	
15	REAL ESTATES TAXES-CUR.YR	03-301-100 FHF	1504	1,516.00	
15	REAL ESTATE TAXES-PR.YR.	03-301-200 FHF	1504	3,274.00	
15	REAL ESTATE TAXES-PR.YR.	03-301-200 FHF	1504		1,757.00
15	REAL ESTATE TAXES-PR.YR.	03-301-200 FHF	1504		1,516.00
To adjust RE tax receivables and deferred revenue to actual at 12/31/2015 and reclassify mispostings between accounts					
16	DELINQUENT TAXES RECEIVABLE	01-135-100 GF	6001		27,262.00

**Upper Saucon Township**

Year End: December 31, 2015

**Adjusting Entries**

Date: 1/1/2015 To 12/31/2015

Account No: 1 To 19

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<b>Number</b>	<b>Name</b>	<b>Account No</b>	<b>Reference</b>	<b>Debit</b>	<b>Credit</b>
16	DELINQUENT TAXES RECEIVABLE	01-135-100 GF	6001	24,668.00	
16	DELINQUENT TAXES DEFERRED REV	01-210-100 GF	6001		16,327.00
16	DELINQUENT TAXES DEFERRED REV	01-210-100 GF	6001	22,154.00	
16	REAL ESTATE TAXES-DELINQ.	01-301-400 GF	6001	2,594.00	
16	REAL ESTATE TAXES-DELINQ.	01-301-400 GF	6001		5,827.00
16	DELINQUENT TAXES RECEIVABLE	03-135-100 FHF	6001		23,034.00
16	DELINQUENT TAXES RECEIVABLE	03-135-100 FHF	6001	25,985.00	
16	DELINQUENT TAXES DEFERRED REV	03-210-100 FHF	6001	23,034.00	
16	DELINQUENT TAXES DEFERRED REV	03-210-100 FHF	6001		25,985.00

To adjust delinquent tax  
receivables and deferred revenue to 12/31/2015 actual

# APPENDIX C

Letter Communicating a Significant Deficiency  
in Internal Control over Financial Reporting



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

In planning and performing our audit of the financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Township's internal control to be a significant deficiency:

- In connection with the audit of your financial statements, you have requested that we assist in the preparation of the financial statements as you have determined that your internal accounting personnel need assistance in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. You have also determined it is cost beneficial for you to utilize our services to supplement your internal capabilities.

While we are pleased to provide this service, you understand that you are responsible for the Township's internal control over financial reporting. Internal control is a process, which in addition to capturing and properly recording transactions, safeguarding your assets and assuring compliance with laws and regulations, leads to the preparation of financial statements. As your auditors, we cannot be part of that internal control system. The fact that your staff needs assistance preparing accurate financial statements (both as to amounts and disclosures), which is a normal and required component of internal control over financial reporting, constitutes a significant deficiency.

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

*Reinsel Kuntz Lesher LLP*

June 16, 2016  
Wyomissing, Pennsylvania



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

In planning and performing our audit of the financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) when an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed, control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We communicated the significant deficiency identified during our audit in a separate communication dated June 16, 2016.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

The following is a description of an identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

- Inadequate segregation of duties throughout the Township's cash receipts and cash disbursements cycles due to limited size of the Township's staff. The same individual has the ability to make bank deposits, post transactions, write checks, make adjusting journal entries and reconcile bank statements. Although there are compensating controls that minimize the risk of an error or irregularity occurring and not being detected, the deficiency does exist. The only way to eliminate this deficiency would be to hire additional staff, which we understand is to occur in 2016.

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

*Reinsel Kuntz Lesher LLP*

June 16, 2016  
Wyomissing, Pennsylvania

# APPENDIX D

Certain Written Communications between  
Management and Our Firm

# UPPER SAUCON TOWNSHIP

5500 Camp Meeting Road • Center Valley, PA 18034

June 16, 2016

Reinsel Kuntz Leshner LLP  
1330 Broadcasting Road  
P.O. Box 7008  
Wyomissing, PA 19610-6008

This representation letter is provided in connection with your audit of the primary government basic financial statements of Upper Saucon Township (the Township), Pennsylvania, as of and for the year ended December 31, 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

## **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 17, 2015, for the preparation and fair presentation of the financial statements referred to above in accordance with U. S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the component units for which the Township is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U. S. GAAP.

6. All events subsequent to the date of the financial statements and for which U. S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U. S. GAAP.
8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statement.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Subpart F of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. We have informed you of all uncorrected misstatements. Schedules of the uncorrected misstatements are attached to management's representation letter.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Township from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Supervisors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of allegations of fraud or suspected fraud affecting the Township's financial statements involving:
  - a. Management;
  - b. Employees who have significant roles in internal control;
  - c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Township's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Township's related parties and all the related-party relationships and transactions of which we are aware.
19. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Township's ability to record, process, summarize and report financial data.
20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We are responsible for and have received and approved the proposed adjustments to the trial balances identified during the audit and will post all adjustments accordingly. We have reviewed, approved and are responsible for overseeing the preparation and completion of the financial statements.
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### **Supplementary Information**

23. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U. S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

24. With respect to the required supplementary information presented, as required by the Governmental Accounting Standards Board, to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by the Governmental Accounting Standards Board.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

UPPER SAUCON TOWNSHIP



Thomas F. Beil  
Township Manager



Robert F. Kassel, Jr.  
Assistant Township Manager

**UPPER SAUCON TOWNSHIP**

**SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS**

As of and for the Year Ended December 31, 2015

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

**OPINION UNIT: MAJOR FUND**

**Effect – Increase (Decrease)**

<b>DESCRIPTION: GENERAL FUND</b>	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET ASSETS</b>	<b>REVENUE</b>	<b>EXPENSES</b>
<b>CARRYOVER IMPACT FROM PREVIOUS YEARS</b>					
• Known Errors					
Understatement of allowance for uncollectible developer receivables			153,834		(153,834)
Understatement of accounts payable and prepaid insurance	(37,708)	(37,708)			
<b>CURRENT YEAR MISSTATEMENTS</b>					
• Known Errors:					111,696
Understatement of allowance for uncollectible developer receivables	(111,696)				
Understatement of accounts payable and prepaid insurance	39,840	39,840			
<b>TOTAL EFFECT</b>	<u>(109,564)</u>	<u>2,132</u>	<u>153,834</u>		<u>(42,138)</u>

**UPPER SAUCON TOWNSHIP**

**SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS**

As of and for the Year Ended December 31, 2015

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

**OPINION UNIT: MAJOR FUND**

Effect – Increase (Decrease)

DESCRIPTION: WATER FUND	ASSETS	LIABILITIES	NET ASSETS	REVENUE	EXPENSES
<b>CARRYOVER IMPACT FROM PREVIOUS YEARS</b>					
• Known Error: Understatement of accounts payable and prepaid insurance	(3,950)	(3,950)			
<b>CURRENT YEAR MISSTATEMENTS</b>					
• Known Error: Understatement of accounts payable and prepaid insurance	<u>4,450</u>				
			<u>4,450</u>		
<b>TOTAL EFFECT</b>	<u><u>500</u></u>				
			<u><u>500</u></u>		

**UPPER SAUCON TOWNSHIP**

**SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS**

As of and for the Year Ended December 31, 2015

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

OPINION UNIT: MAJOR FUND	Effect – Increase (Decrease)			
DESCRIPTION: SEWER FUND	ASSETS	LIABILITIES	NET ASSETS	REVENUE EXPENSES
<b>CARRYOVER IMPACT FROM PREVIOUS YEARS</b>				
• Known Error: Understatement of accounts payable and prepaid insurance	(9,673)	(9,673)		
<b>CURRENT YEAR MISSTATEMENTS</b>				
• Known Error: Understatement of accounts payable and prepaid insurance	<u>11,440</u>	<u>11,440</u>		
<b>TOTAL EFFECT</b>	<u><u>1,767</u></u>	<u><u>1,767</u></u>		