

**Upper Saucon Township,
Lehigh County, Pennsylvania**

**Financial Statements and
Supplementary Information**

December 31, 2017



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Upper Saucon Township

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December 31, 2017

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Upper Saucon Township

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of GASB Statements No. 74 and No. 85

As discussed in Note 2 to the financial statements, in 2017, the Township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information on Pages 3 to 11 and Pages 59 to 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Saucon Township's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

RKL LLP

June 27, 2018
Wyomissing, Pennsylvania

Management's Discussion and Analysis

As management of Upper Saucon Township, we offer readers of Upper Saucon Township's financial statements this narrative overview and analysis of the financial activities of Upper Saucon Township for the fiscal year ended December 31, 2017.

Financial Highlights

- The Township adopted Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73*.
- The assets and deferred outflows of resources of Upper Saucon Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$47,190,667. Of this amount, \$17,401,890 may be used to meet the government's on-going obligations to citizens and creditors.
- Upper Saucon Township's net assets increased by \$2,972,172.
- As of the close of fiscal year 2017, Upper Saucon Township's governmental funds reported combined ending fund balances of \$11,348,877. Approximately 28% of this total amount is available for spending at the government's discretion. The remaining 72% is held for specific expenditures and capital projects.
- At the end of fiscal year 2017, the unreserved fund balance for the general fund was \$3,192,458.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

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

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 58 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Upper Saucon Township's progress in funding its obligation to provide pension benefits to its police officers and non-uniform employees (presented in the accompanying notes) and budgetary comparison schedules for the general fund and each major special revenue fund. Required supplementary information can be found on pages 59 through 64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 65 through 68 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Upper Saucon Township, assets exceeded liabilities by \$47,190,667 at the close of the fiscal year 2017. Of this amount, \$27,237,478 (or 57.7%) is accounted for by capital assets (e.g., land, buildings, and equipment), which includes some infrastructure and construction in progress, less any related debt used to acquire those assets that are still outstanding.

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

Upper Saucon Township's Net Positions

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 11,686,170	\$ 11,046,742	\$10,991,922	\$ 9,807,986	\$22,678,092	\$20,854,728
Capital assets	\$ 19,533,972	\$ 19,369,179	\$16,598,282	\$16,802,909	\$36,132,254	\$36,172,088
Deferred outflow of resources	<u>\$ 520,680</u>	<u>\$ 727,920</u>	<u>\$ 11,396</u>	<u>\$ 12,955</u>	<u>\$ 532,076</u>	<u>\$ 740,875</u>
Total assets and deferred outflow of resources	<u>\$ 31,740,822</u>	<u>\$ 31,143,841</u>	<u>\$27,601,600</u>	<u>\$26,623,850</u>	<u>\$59,342,422</u>	<u>\$57,767,691</u>
Long term liabilities	\$ 5,841,735	\$ 8,612,297	\$ 3,028,023	\$ 3,223,436	\$ 8,869,758	\$11,835,733
Other liabilities	<u>\$ 1,311,429</u>	<u>\$ 1,130,280</u>	<u>\$ 367,253</u>	<u>\$ 335,563</u>	<u>\$ 1,678,682</u>	<u>\$ 1,465,843</u>
Total liabilities	<u>\$ 7,153,164</u>	<u>\$ 9,742,577</u>	<u>\$ 3,395,276</u>	<u>\$ 3,558,999</u>	<u>\$10,548,440</u>	<u>\$13,301,576</u>
Deferred inflows of resources						
Pension	<u>\$ 1,603,315</u>	<u>\$ 247,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,603,315</u>	<u>\$ 247,620</u>
Net positions:						
Invested in capital assets, net of debt	\$ 13,862,219	\$ 12,728,644	\$13,375,259	\$13,407,428	\$27,237,478	\$26,136,072
Restricted	\$ 2,551,299	\$ 2,246,008	\$ -	\$ -	\$ 2,551,299	\$ 2,246,008
Unrestricted	<u>\$ 6,570,825</u>	<u>\$ 6,178,992</u>	<u>\$10,831,065</u>	<u>\$ 9,657,423</u>	<u>\$17,401,890</u>	<u>\$15,836,415</u>
Total net positions	<u>\$ 22,984,343</u>	<u>\$ 21,153,644</u>	<u>\$24,206,341</u>	<u>\$23,064,851</u>	<u>\$47,190,667</u>	<u>\$44,218,495</u>

A portion of Upper Saucon Township's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$17,401,890) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2017, Upper Saucon Township is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

Upper Saucon Township's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Taxes Licenses & Permits	\$ 8,428,816	\$ 8,180,281	\$ -	\$ -	\$ 8,428,816	\$ 8,180,281
Interest & Rents	\$ 127,481	\$ 79,676	\$ 94,320	\$ 56,005	\$ 221,801	\$ 135,681
Operating grants and contributions	\$ 755,248	\$ 809,508	\$ 46,421	\$ 45,635	\$ 801,669	\$ 855,143
Charges for service	\$ 941,107	\$ 727,951	\$ 3,891,876	\$ 3,758,724	\$ 4,832,983	\$ 4,486,675
Other Financing Sources	\$ 371,649	\$ 341,222	\$ -	\$ -	\$ 371,649	\$ 341,222
Miscellaneous Revenue	\$ 73,263	\$ 23,642	\$ -	\$ -	\$ 73,263	\$ 23,642
Capital Contribution	\$ 248,884	\$ 283,727	\$ 866,204	\$ 1,346,115	\$ 1,115,088	\$ 1,629,842
Transfers	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 10,846,448</u>	<u>\$ 10,346,007</u>	<u>\$ 4,998,821</u>	<u>\$ 5,306,479</u>	<u>\$ 15,845,269</u>	<u>\$ 15,652,486</u>
Expenditures						
General government	\$ 1,230,384	\$ 1,210,112	\$ -	\$ -	\$ 1,230,384	\$ 1,210,112
Public safety	\$ 3,988,077	\$ 3,549,503	\$ -	\$ -	\$ 3,988,077	\$ 3,549,503
Highway and streets	\$ 2,588,261	\$ 2,768,103	\$ -	\$ -	\$ 2,588,261	\$ 2,768,103
Culture and recreation	\$ 348,433	\$ 431,989	\$ -	\$ -	\$ 348,433	\$ 431,989
Miscellaneous	\$ 651,668	\$ 1,277,172	\$ -	\$ -	\$ 651,668	\$ 1,277,172
Enterprise Expenses	\$ -	\$ -	\$ 3,665,910	\$ 3,759,220	\$ 3,665,910	\$ 3,759,220
Debt service - principal retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service - interest & fiscal charges	<u>\$ 208,926</u>	<u>\$ 294,686</u>	<u>\$ 191,438</u>	<u>\$ 198,605</u>	<u>\$ 400,364</u>	<u>\$ 493,291</u>
	<u>\$ 9,015,749</u>	<u>\$ 9,531,565</u>	<u>\$ 3,857,348</u>	<u>\$ 3,957,825</u>	<u>\$ 12,873,097</u>	<u>\$ 13,489,390</u>
Net Change	\$ 1,830,699	\$ 814,442	\$ 1,141,473	\$ 1,348,654	\$ 2,972,172	\$ 2,163,096
Net Position Beginning of Year	<u>\$ 21,153,644</u>	<u>\$ 20,339,202</u>	<u>\$ 23,064,851</u>	<u>\$ 21,716,197</u>	<u>\$ 44,218,495</u>	<u>\$ 42,055,399</u>
Net Position End of Year	<u>\$ 22,984,343</u>	<u>\$ 21,153,644</u>	<u>\$ 24,206,324</u>	<u>\$ 23,064,851</u>	<u>\$ 47,190,667</u>	<u>\$ 44,218,495</u>

Governmental activities. Governmental activities increased Upper Saucon Township's net position by \$1,830,699.

The following table depicts revenues by source for governmental activities in 2017:

Revenues by Source – Governmental Activities

Charges for services	\$ 941,107	9%
Operating Grants	\$ 1,126,897	10%
Capital Grants	\$ 248,884	2%
Property Taxes	\$ 2,986,536	28%
Real Estate Transfer Tax	\$ 762,631	7%
Earned Income Taxes	\$ 4,192,478	39%
Other	\$ 460,434	4%
Interest and Rents	<u>\$ 127,481</u>	1%
 Total	 <u>\$10,846,448</u>	 100%

Government-wide revenues were primarily derived from earned income tax collections at 39% and property tax collections at 28% of the total. Operating grants, at 10%, are the third largest source of revenue.

The following table depicts expenses by programs for governmental activities in 2017:

Expenses by Program – Governmental Activities

	<u>2017</u>	
General government	\$ 1,230,384	14%
Public safety	\$ 3,988,077	44%
Highways and streets	\$ 2,588,261	29%
Culture and recreation	\$ 348,433	4%
Miscellaneous	\$ 651,668	7%
Interest on long-term debt	<u>\$ 208,926</u>	2%
Total Governmental Activities	<u>\$ 9,015,749</u>	100%

Total expenses for all programs in 2017 were \$9,015,749. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 44%. The second largest program is highways and streets at 29%.

The following table depicts the net program expenses/revenues by function/program for the period ending December 31, 2017:

Net Program Expenses/Revenues

General government	\$ (750,320)
Public safety	\$(3,063,512)
Public works	\$(2,052,451)
Culture and recreation	\$ (343,633)
Other	\$ (280,019)
Interest	<u>\$ (208,926)</u>
Total	<u><u>\$(6,698,861)</u></u>

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general fund revenue for support, needing approximately \$3 million in 2017. Public works expenses required approximately \$2 million in general revenues for support.

Business-type activities. Business-type activities increased Upper Saucon Township’s net position by \$1,141,473.

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

Expenses and Program Revenues – Business-type Activities

Program	Operating Revenue	Operating Expenses*
Water	\$ 1,342,287	\$ 884,045
Sewer	\$ 2,549,589	\$ 1,796,910

*depreciation removed

Financial Analysis of the Township’s Funds

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

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

At the end of the fiscal year 2017, Upper Saucon Township’s governmental funds reported combined ending fund balances of \$11.4 million. As stated previously, approximately 28% of this total amount is available for spending at the government’s discretion. The remaining 72% is held for specific capital projects.

The general fund is the chief operating fund of Upper Saucon Township. At the end of the fiscal year 2017, the unassigned fund balance of the general fund was \$3,192,458. The general fund balance decreased by \$323,240 during the fiscal year 2017.

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

Unrestricted net position of the water fund at the end of the year amounted to \$2,459,611, and the sewer fund \$8,371,454. Other factors concerning the finances of these funds have already been addressed in the discussion of Upper Saucon Township’s business-type activities.

General Fund Budgetary Highlights

Revenues were over budgetary estimates by 5%. The major increase was in taxes. Expenditures were 2% under budget. The largest spending reduction was in general government.

Capital Assets and Debt Administration

Capital assets. Upper Saucon Township’s investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$36,132,254 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and infrastructure.

Summary of Upper Saucon Township’s Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,382,060	\$ 723,951	\$ 6,106,011
Construction in Progress	<u>\$ 1,257,216</u>	<u>\$ 85,958</u>	<u>\$ 1,343,174</u>
Total Non-Depreciable Assets	<u>\$ 6,639,276</u>	<u>\$ 809,909</u>	<u>\$ 7,449,185</u>
Land Improvements	\$ 2,811,362	\$ -	\$ 2,811,362
Roads	\$ 10,898,873	\$ -	\$ 10,898,873
Plant and Improvements	\$ -	\$ 22,487,564	\$ 22,487,564
Building and Improvements	\$ 3,395,835	\$ 1,164,491	\$ 4,560,326
Vehicles	\$ 2,816,531	\$ 909,110	\$ 3,725,641
Machinery	<u>\$ 2,238,117</u>	<u>\$ 1,782,332</u>	<u>\$ 4,020,449</u>
Total Depreciable Assets	<u>\$ 22,160,718</u>	<u>\$ 26,343,497</u>	<u>\$ 48,504,215</u>
Accumulated Depreciable	<u>\$ (9,266,022)</u>	<u>\$ (10,555,124)</u>	<u>\$ (19,821,146)</u>
Total Depreciable Assets, Net	<u>\$ 12,894,696</u>	<u>\$ 15,788,373</u>	<u>\$ 28,683,069</u>
Total Capital Assets	<u><u>\$ 19,533,972</u></u>	<u><u>\$ 16,598,282</u></u>	<u><u>\$ 36,132,254</u></u>

More detailed information about Upper Saucon Township’s capital assets can be found in Note 6 of the notes to financial statements.

Long-term debt. At the end of fiscal year 2017, Upper Saucon Township had total debt outstanding of \$8,880,561.

Upper Saucon Township's Outstanding Debt

	Governmental	Business-type	Total
General Obligation Bonds	\$5,660,561	\$3,220,000	\$8,880,561

More detailed information about Upper Saucon Township's long-term debt can be found in Note 8 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The elected officials of Upper Saucon Township considered many factors when setting the calendar-year 2018 budget, tax rates, and fees that will be charged for the business-type activities.

The 2018 General Fund budget includes no property tax increase. Increases in utility costs, road salt, fuel, and insurance premiums will be absorbed.

Requests for Information

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

Upper Saucon Township

Statement of Net Position
December 31, 2017

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Upper Saucon	Upper Saucon
	Activities	Activities		Sewage Treatment Authority	Township Municipal Authority
Assets					
Cash and cash equivalents	\$ 11,366,347	\$ 9,655,479	\$ 21,021,826	\$ 677	\$ 677
Prepaid expenses	33,088	15,931	49,019	-	-
Taxes receivable	103,028	-	103,028	-	-
Accounts receivable	189,187	1,315,032	1,504,219	-	-
Due (to) from other funds	(5,480)	5,480	-	-	-
Capital assets not being depreciated	6,639,276	809,909	7,449,185	-	-
Capital assets being depreciated, net	12,894,696	15,788,373	28,683,069	419,607	-
Total Assets	31,220,142	27,590,204	58,810,346	420,284	677
Deferred Outflows of Resources					
Pension	520,680	-	520,680	-	-
Loss on debt refinancing	-	11,396	11,396	-	-
Total Deferred Outflows of Resources	520,680	11,396	532,076	-	-
Liabilities					
Accounts payable	212,960	139,708	352,668	-	-
Accrued salaries and benefits	57,357	17,296	74,653	-	-
Accrued interest	14,112	15,249	29,361	-	-
Net pension liability	1,196,982	-	1,196,982	-	-
Bonds payable, current portion	1,027,000	195,000	1,222,000	-	-
Bonds payable, long-term portion	4,644,753	3,028,023	7,672,776	-	-
Total Liabilities	7,153,164	3,395,276	10,548,440	-	-
Deferred Inflow of Resources					
Pension	1,603,315	-	1,603,315	-	-
Net Position					
Net investment in capital assets	13,862,219	13,375,259	27,237,478	419,607	-
Restricted	2,551,299	-	2,551,299	677	677
Unrestricted	6,570,825	10,831,065	17,401,890	-	-
Total Net Position	\$ 22,984,343	\$ 24,206,324	\$ 47,190,667	\$ 420,284	\$ 677

See accompanying notes.

Upper Saucon Township

Statement of Activities

Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities									
General government	\$ 1,230,384	\$ 227,763	\$ 8,275	\$ 244,026	\$ (750,320)	\$ -	\$ (750,320)	\$ -	\$ -
Public safety	3,988,077	708,544	216,021	-	(3,063,512)	-	(3,063,512)	-	-
Public works - highways and streets	2,588,261	-	530,952	4,858	(2,052,451)	-	(2,052,451)	-	-
Culture and recreation	348,433	4,800	-	-	(343,633)	-	(343,633)	-	-
Other	651,668	-	371,649	-	(280,019)	-	(280,019)	-	-
Interest	208,926	-	-	-	(208,926)	-	(208,926)	-	-
Total governmental activities	<u>9,015,749</u>	<u>941,107</u>	<u>1,126,897</u>	<u>248,884</u>	<u>(6,698,861)</u>	<u>-</u>	<u>(6,698,861)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Sewer	2,429,051	2,549,589	-	586,960	-	707,498	707,498	-	-
Water	1,428,297	1,342,287	46,421	279,244	-	239,655	239,655	-	-
Total business-type activities	<u>3,857,348</u>	<u>3,891,876</u>	<u>46,421</u>	<u>866,204</u>	<u>-</u>	<u>947,153</u>	<u>947,153</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 12,873,097</u>	<u>\$ 4,832,983</u>	<u>\$ 1,173,318</u>	<u>\$ 1,115,088</u>	<u>(6,698,861)</u>	<u>947,153</u>	<u>(5,751,708)</u>	<u>-</u>	<u>-</u>
Component Units									
Upper Saucon Sewage Treatment Authority	\$ 296,452	\$ -	\$ -	\$ -	-	-	-	(296,452)	-
Upper Saucon Township Municipal Authority	255	-	-	-	-	-	-	-	(255)
Total Component Units	<u>\$ 296,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(296,452)</u>	<u>(255)</u>
General Revenues									
Real estate taxes					2,986,536	-	2,986,536	-	-
Earned income taxes					4,192,478	-	4,192,478	-	-
Emergency services taxes					448,008	-	448,008	-	-
Amusement taxes					39,163	-	39,163	-	-
Real estate transfer taxes					762,631	-	762,631	-	-
Interest income and rents					127,481	94,320	221,801	-	-
Proceeds from sale of capital assets					69,100	-	69,100	-	-
Miscellaneous income					4,163	-	4,163	-	-
Transfers (to) from Other Funds					<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>8,529,560</u>	<u>194,320</u>	<u>8,723,880</u>	<u>-</u>	<u>-</u>
Changes in Net Position					<u>1,830,699</u>	<u>1,141,473</u>	<u>2,972,172</u>	<u>(296,452)</u>	<u>(255)</u>
Net Position at Beginning of Year					<u>21,153,644</u>	<u>23,064,851</u>	<u>44,218,495</u>	<u>716,736</u>	<u>932</u>
Net Position at End of Year					<u>\$ 22,984,343</u>	<u>\$ 24,206,324</u>	<u>\$ 47,190,667</u>	<u>\$ 420,284</u>	<u>\$ 677</u>

Upper Saucon Township

Balance Sheet - Governmental Funds

December 31, 2017

	<u>General Fund</u>	<u>Road Construction Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,192,525	\$ 2,144,072	\$ 6,029,750	\$ 11,366,347
Prepaid expenses	33,088	-	-	33,088
Accounts receivable	189,187	-	-	189,187
Taxes receivable	73,037	-	29,991	103,028
Due (to) from other funds	(5,480)	-	-	(5,480)
Total Assets	\$ 3,482,357	\$ 2,144,072	\$ 6,059,741	\$ 11,686,170
Liabilities				
Accounts payable	\$ 164,007	\$ 18,420	\$ 30,533	\$ 212,960
Accrued expenses	54,748	-	2,609	57,357
Total Liabilities	218,755	18,420	33,142	270,317
Deferred Inflow of Resources				
Unavailable revenue - property taxes	38,056	-	28,920	66,976
Fund Balances				
Nonspendable	33,088	-	-	33,088
Restricted	-	-	2,551,299	2,551,299
Committed	-	-	2,824,086	2,824,086
Assigned	-	2,125,652	622,294	2,747,946
Unassigned	3,192,458	-	-	3,192,458
Total Fund Balances	3,225,546	2,125,652	5,997,679	11,348,877
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 3,482,357	\$ 2,144,072	\$ 6,059,741	\$ 11,686,170

Upper Saucon Township

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2017

Total Fund Balances, Governmental Funds **\$ 11,348,877**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets is \$28,799,994 and the accumulated depreciation is \$9,266,022. **19,533,972**

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are advanced revenue in the funds. **66,976**

Deferred outflows and inflows of resources related to the pension plans will not be paid or received in the current period and, therefore, are not reported in the funds. **(1,082,635)**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2017 are as follows

Bonds payable	(5,660,561)
Bond premium	(11,192)
Accrued interest on bonds payable	(14,112)
Accrued net pension liability	(1,196,982)

Total Net Position, Governmental Activities **\$ 22,984,343**

Upper Saucon Township

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Year Ended December 31, 2017

	General Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,298,174	\$ -	\$ 134,809	\$ 8,432,983
Licenses and permits	610,890	-	-	610,890
Fines and forfeits	63,040	-	-	63,040
Interest, rents, and royalties	66,529	16,156	44,796	127,481
Intergovernmental revenue	610,151	-	549,246	1,159,397
Charges for services	137,894	61,908	67,375	267,177
Developer contributions	-	-	4,858	4,858
Miscellaneous revenue	59,318	7,181	-	66,499
Total Revenues	9,845,996	85,245	801,084	10,732,325
Expenditures				
Current				
General government	1,031,687	-	-	1,031,687
Public safety	3,692,369	-	18,480	3,710,849
Public works - highways and streets	1,321,523	-	253,997	1,575,520
Culture and recreation	272,053	-	-	272,053
Other	805,034	-	-	805,034
Debt service				
Principal	968,000	-	-	968,000
Interest	211,074	-	-	211,074
Capital outlay	373,996	656,443	576,471	1,606,910
Total Expenditures	8,675,736	656,443	848,948	10,181,127
Excess (Deficiency) of Revenues over (under) Expenditures	1,170,260	(571,198)	(47,864)	551,198
Other Financing Sources (Uses)				
Transfers in	-	600,000	962,600	1,562,600
Transfers out	(1,562,600)	-	(100,000)	(1,662,600)
Proceeds from sale of assets	69,100	-	-	69,100
Total Other Financing Sources (Uses)	(1,493,500)	600,000	862,600	(30,900)
Net Change in Fund Balances	(323,240)	28,802	814,736	520,298
Fund Balances at Beginning of Year	3,548,786	2,096,850	5,182,943	10,828,579
Fund Balances at End of Year	\$ 3,225,546	\$ 2,125,652	\$ 5,997,679	\$ 11,348,877

Upper Saucon Township

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2017

Net Change in Fund Balances, Governmental Funds **\$ 520,298**

The change in net position reported for governmental activities in the statement of activities is different because

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated lives and reported as depreciation expense. The net effects of these differences in the current period are

Capital outlays	\$ 1,033,949	
Loss on disposal of assets	(6,591)	
Depreciation	<u>(1,106,591)</u>	
		(79,233)

Contributed capital assets are reported as revenues in the statement of activities, but do not provide current financial resources and are not reported as revenues in the funds.

244,026

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

2,148

Some property taxes will not be collected for several months after year-end. These taxes are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount during the year.

(4,167)

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

Principal repayments	968,000	
Amortization of premium on bond issue	<u>782</u>	
		968,782

Certain governmental activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Net pension expense		<u>178,845</u>
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Change in Net Position, Governmental Activities

\$ 1,830,699

Upper Saucon Township

Statement of Net Position - Proprietary Funds

December 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,195,395	\$ 7,460,084	\$ 9,655,479
Prepaid expenses	4,918	11,013	15,931
Accounts receivable	328,173	986,859	1,315,032
Due (to) from other funds	(35,920)	41,400	5,480
Capital assets not being depreciated	556,461	253,448	809,909
Capital assets being depreciated	8,076,671	7,711,702	15,788,373
Total Assets	<u>11,125,698</u>	<u>16,464,506</u>	<u>27,590,204</u>
Deferred Outflow of Resources			
Loss on debt refinancing	<u>11,396</u>	<u>-</u>	<u>11,396</u>
Liabilities			
Accounts payable	21,418	118,290	139,708
Accrued expenses	22,933	9,612	32,545
Bonds payable, current portion	195,000	-	195,000
Bonds payable, long-term portion	3,028,023	-	3,028,023
Total Liabilities	<u>3,267,374</u>	<u>127,902</u>	<u>3,395,276</u>
Net Position			
Net investment in capital assets	5,410,109	7,965,150	13,375,259
Unrestricted	<u>2,459,611</u>	<u>8,371,454</u>	<u>10,831,065</u>
Total Net Position	<u>\$ 7,869,720</u>	<u>\$ 16,336,604</u>	<u>\$ 24,206,324</u>

Upper Saucon Township

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

Year Ended December 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 1,342,287	\$ 2,549,589	\$ 3,891,876
Operating Expenses			
Personnel services	478,152	930,286	1,408,438
Contracted services	175,696	219,131	394,827
Materials and supplies	128,089	369,151	497,240
Other operating expense	102,108	278,378	380,486
Depreciation expense	352,814	632,105	984,919
Total Operating Expenses	<u>1,236,859</u>	<u>2,429,051</u>	<u>3,665,910</u>
Operating Income	<u>105,428</u>	<u>120,538</u>	<u>225,966</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	46,421	-	46,421
Interest income	19,065	75,255	94,320
Tapping fees	279,244	586,960	866,204
Interest expense	(191,438)	-	(191,438)
Transfers (to) from other funds	100,000	-	100,000
Total Nonoperating Revenues (Expenses)	<u>253,292</u>	<u>662,215</u>	<u>915,507</u>
Changes in Net Position	358,720	782,753	1,141,473
Net Position at Beginning of Year	<u>7,511,000</u>	<u>15,553,851</u>	<u>23,064,851</u>
Net Position at End of Year	<u>\$ 7,869,720</u>	<u>\$ 16,336,604</u>	<u>\$ 24,206,324</u>

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2017

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,299,935	\$ 2,536,852	\$ 3,836,787
Payments to suppliers	(459,484)	(792,531)	(1,252,015)
Payments to employees	(475,967)	(931,650)	(1,407,617)
Net Cash Provided by Operating Activities	364,484	812,671	1,177,155
Cash Flows from Noncapital Financing Activities			
Intergovernmental activity	46,421	-	46,421
Interfund activity	135,911	220,711	356,622
Net Cash Provided by Noncapital Financing Activities	182,332	220,711	403,043
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(90,292)	(690,000)	(780,292)
Capital contributions received	279,244	586,960	866,204
Interest paid	(192,063)	-	(192,063)
Principal paid on notes and bonds	(185,000)	-	(185,000)
Net Cash Used in Capital and Related Financing Activities	(188,111)	(103,040)	(291,151)
Cash Flows from Investing Activities			
Interest income	19,065	75,255	94,320
Net Cash Provided by Investing Activities	19,065	75,255	94,320
Net Increase in Cash and Cash Equivalents	377,770	1,005,597	1,383,367
Cash and Cash Equivalents at Beginning of Year	1,817,625	6,454,487	8,272,112
Cash and Cash Equivalents at End of Year	\$ 2,195,395	\$ 7,460,084	\$ 9,655,479

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds (continued)

Year Ended December 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 105,428	\$ 120,538	\$ 225,966
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	352,814	632,105	984,919
Amortization expense	1,146	-	1,146
(Increase) decrease in assets			
Accounts receivable	(42,352)	(12,737)	(55,089)
Prepaid expenses	(1,076)	(1,026)	(2,102)
Increase (decrease) in liabilities			
Accounts payable	(53,661)	75,155	21,494
Accrued expenses	2,185	(1,364)	821
Net Cash Provided by Operating Activities	<u>\$ 364,484</u>	<u>\$ 812,671</u>	<u>\$ 1,177,155</u>

Upper Saucon Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2017

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,045,027	\$ 1,725,410	\$ 2,770,437
Accounts receivable	17,634	-	17,634
Investments	14,469,301	-	14,469,301
Accrued interest receivable	<u>22,340</u>	<u>-</u>	<u>22,340</u>
Total Assets	15,554,302	1,725,410	17,279,712
Liabilities			
Refundable escrow	<u>-</u>	<u>1,725,410</u>	<u>1,725,410</u>
Net Position			
Assets held in trust for pension benefits	<u>\$ 15,554,302</u>	<u>\$ -</u>	<u>\$ 15,554,302</u>

Upper Saucon Township

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended December 31, 2017

Additions

Contributions	
Employer	\$ 655,110
Employee	<u>220,602</u>
Total contributions	<u>875,712</u>
Investment income	
Net appreciation in value of investments	2,202,124
Interest and dividends	<u>2,235</u>
Total investment income	<u>2,204,359</u>
Total Additions	<u>3,080,071</u>

Deductions

Benefit payments	559,536
Administrative expenses	<u>84,409</u>
Total Deductions	<u>643,945</u>

Change in Net Position 2,436,126

Net Position of Assets Held in Trust for Pension Benefits
at Beginning of Year

13,118,176

Net Position of Assets Held in Trust for Pension Benefits
at End of Year

\$ 15,554,302

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 1 - Nature of Activity

Upper Saucon Township (the Township), Lehigh County, Pennsylvania, founded in 1753, has an approximate population of 14,800, based on a 2010 census report, living within an area of 24.7 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Lehigh County.

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Financial Reporting Entity

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. The financial statements of the following component units have been included in the reporting entity as discretely presented component units:

Upper Saucon Sewage Treatment Authority - owns the sewer treatment collection system in the Township. The Board of Directors of the Authority is appointed by the Township Board of Supervisors. The Township provides funding to the Authority to pay for expenses of the Authority.

Upper Saucon Township Municipal Authority - owns the sewer treatment plant in the Township. The Board of Directors of the Authority is appointed by the Township Board of Supervisors. The Township provides funding to the Authority to pay for expenses of the Authority.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use, and balance of the Township's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenue should be the foundation for a special revenue fund.

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

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

State Liquid Fuels Highway Aid Fund - is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this Fund must be kept separate from all other funds and no other funds shall be commingled with this Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

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

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

Maintenance Trust Fund - is used to account for intergovernmental grants and other resources received that are restricted for expenditures related to stormwater maintenance in the Township.

Capital Projects Funds - are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays which include the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governmental units.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Capital Projects Funds (continued)

The Township reports the following capital project fund as a major governmental fund:

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

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

Library Capital Fund - is used to account for resources to be used for the benefit of the local library. The resources are derived from budgetary transfers.

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

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

Proprietary Funds

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

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The following are the Township's fiduciary fund types:

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

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

Measurement Focus and Basis of Accounting

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

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-Wide Financial Statements

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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

Assets, Liabilities, and Deferred Outflows/Inflows of Resources

Cash and Cash Equivalents

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

Investments

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

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

Investments are carried at fair value.

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

Accounts Receivable

Accounts receivable are shown net of allowances for uncollectible amounts.

Due To and From Other Funds

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Deferred Outflows/Inflows of Resources (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are valued at historical cost or estimated historical cost if actual historical cost is not available. The Township maintains a capitalization threshold of \$5,000 for all capital assets.

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

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

Land improvements	20 years
Plant and improvements	20 to 50 years
Buildings and improvements	20 to 50 years
Roads	40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category: a deferred charge on refunding and a deferred amount related to the Township's pension plans reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category: a deferred amount related to the Township's pension plans reported in the government-wide statement of net position and unavailable revenue from property taxes is reported only in the governmental funds balance sheet.

Escrow and Retentions Payable

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Deferred Outflows/Inflows of Resources (continued)

Long-Term Debt

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

Compensated Absences

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

Equity

Government-Wide Statements

The Township classifies net position into the following three components:

Net investment in capital assets - This component of net position consists of the cost of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. Deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.

Restricted - This component of net position consists of constraints placed on net position use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Financial Statements

Fund balances are classified into specifically designed classifications as follows:

Nonspendable - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Equity (continued)

Governmental Fund Financial Statements (continued)

Restricted - This classification consists of amounts that are restricted to specific purposes either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

Committed - This classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end, however, the amount may be determined subsequent to year-end.

Assigned - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted nor committed.

Unassigned - This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

Revenues and Expenditures

Program Revenues

All revenues are recognized when received.

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

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues and Expenditures (continued)

Property Taxes

The Township is permitted by state law to levy real estate taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2017 was 1.3691 mills as established by the Board of Supervisors. Current tax collections for the Township were approximately 99% of the total tax levy.

The Township's real estate taxes are based on assessed value established by the County's Board of Assessments. The real estate taxes are collected by an elected tax collector. Real estate taxes attach an enforceable lien on property when levied on January 1. A discount of 2% is applied to payments made prior to May 31. A penalty of 10% is added to the face amount of taxes paid after July 31. The Lehigh County Tax Claim Bureau collects delinquent real estate taxes on behalf of the Township and other taxing authorities. Return of unpaid real estate taxes to the Lehigh County Tax Claim Bureau is made by January 15 of the subsequent year.

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

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

Internal and Interfund Balances and Activities

Fund Financial Statements

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

Interfund Services

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

Interfund Reimbursements

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

Interfund Transfers

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

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Recent Accounting Pronouncements

Effective January 1, 2017, the Township adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement provides guidance to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

Effective January 1, 2017, the Township adopted GASB Statement No. 82, *An Amendment of GASB Statements No. 67, 68, and 73*. This Statement provides guidance for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement enhance consistency in the application of accounting and financial reporting requirements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes, and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for periods beginning after December 15, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources and improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 83 is effective for periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after December 15, 2019.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

The Township is currently evaluating what effect the adoption of these GASB statements will have on its financial statements.

Note 3 - Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Township had no material violations of finance-related legal and contractual provisions.

Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2016 and the cash received for the year ended December 31, 2017.

Note 4 - Deposits and Investments

The Township's available cash is invested in demand deposit accounts. Pension fund assets are invested in fixed income bonds, equities, exchange traded, and mutual funds. The carrying amounts of cash and investments at December 31, 2017 consist of the following:

Cash deposits	\$ 23,793,618
Investments	<u>14,469,301</u>
	<u>\$ 38,262,919</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 4 - Deposits and Investments (continued)

Reconciliation to Statement of Net Position/Balance Sheet

Cash

Governmental activities	\$ 11,366,347
Business-type activities	9,655,479
Component units	1,354
Fiduciary funds	<u>2,770,438</u>
	23,793,618

Investments

Fiduciary	<u>14,469,301</u>
	<u><u>\$ 38,262,919</u></u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2017, the carrying amounts of the Township's bank deposits were \$23,798,618 and the corresponding bank balances were \$24,276,913, of which \$381,850 was covered by Federal Depository Insurance. The remaining \$23,194,890 of deposits were exposed to custodial risk because they were uninsured and are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. Pension fund deposits of \$700,173 were uninsured and uncollateralized.

Investments

As of December 31, 2017, the Township's pension funds have the following investments:

Police Pension Fund

	Cost	Fair Value	Investment Maturities (in Years)			Ratings as of Year-End
			Less Than One Year	One to Five Years	Six to Ten Years	
Fixed income, bonds	\$ 1,092,124	\$ 1,090,471	\$ 149,984	\$ 940,487	\$ -	A1-BAA1
Equities	1,899,758	2,608,064	2,608,064	-	-	N/A
Exchange traded and mutual funds	<u>2,412,346</u>	<u>2,903,345</u>	<u>2,903,345</u>	<u>-</u>	<u>-</u>	N/A
	<u><u>\$ 5,404,228</u></u>	<u><u>\$ 6,601,880</u></u>	<u><u>\$ 5,661,393</u></u>	<u><u>\$ 940,487</u></u>	<u><u>\$ -</u></u>	

Note 4 - Deposits and Investments (continued)

Investments (continued)

Non-Uniformed Employees' Pension Fund

	Cost	Fair Value	Investment Maturities (in Years)			Ratings as of Year-End
			Less Than One Year	One to Five Years	Six to Ten Years	
Fixed income, bonds	\$ 1,343,041	\$ 1,339,167	\$ 199,953	\$ 1,139,214	\$ -	A1-BAA1
Equities	2,335,590	3,224,805	3,224,805	-	-	N/A
Exchange traded and mutual funds	2,694,613	3,223,708	3,223,708	-	-	N/A
	<u>\$ 6,373,244</u>	<u>\$ 7,787,680</u>	<u>\$ 6,648,466</u>	<u>\$ 1,139,214</u>	<u>\$ -</u>	

Non-Uniformed Employees' Retirement Fund

	Cost	Fair Value	Investment Maturities (in Years)			Ratings as of Year-End
			Less Than One Year	One to Five Years	Six to Ten Years	
Exchange traded and mutual funds	\$ 69,923	\$ 79,741	\$ 79,741	\$ -	\$ -	N/A

Credit Risk

The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 2. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Interest Rate Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, \$14,469,301 is held by the investment's counterparties, not in the name of the Township.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 5 - Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following table presents the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value				
Fixed Income				
Corporate bonds	\$ -	\$ 2,429,637	\$ -	\$ 2,429,637
Equities				
Consumer discretionary	752,185	-	-	752,185
Consumer staples	552,272	-	-	552,272
Energy	386,244	-	-	386,244
Financial	848,071	-	-	848,071
Health care	707,178	-	-	707,178
Industrials	531,888	-	-	531,888
Information technology	1,247,930	-	-	1,247,930
Materials	157,378	-	-	157,378
Real estate	155,810	-	-	155,810
Telecommunication services	234,598	-	-	234,598
Utilities	259,314	-	-	259,314
Total Equities	5,832,868	-	-	5,832,868

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 5 - Fair Value Measurement (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value (continued)				
Exchange Traded Funds				
Fixed income	\$ 1,024,974	\$ -	\$ -	\$ 1,024,974
Equities	2,706,924	-	-	2,706,924
Total Exchange Traded Funds	3,731,898	-	-	3,731,898
Mutual Funds				
Fixed income	7,001	-	-	7,001
Equities	2,467,897	-	-	2,467,897
Total Mutual Funds	2,474,898	-	-	2,474,898
	\$ 12,039,664	\$ 2,429,637	\$ -	\$ 14,469,301

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 6 - Capital Assets

Capital asset activity of the primary government was as follows for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,382,060	\$ -	\$ -	\$ 5,382,060
Construction in progress	649,411	607,805	-	1,257,216
Total capital assets not being depreciated	6,031,471	607,805	-	6,639,276

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 6 - Capital Assets (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Governmental activities (continued)				
Capital assets being depreciated				
Land improvements	\$ 2,811,362	\$ -	\$ -	\$ 2,811,362
Roads	10,654,847	244,026	-	10,898,873
Buildings and improvements	3,395,835	-	-	3,395,835
Vehicles	2,816,082	240,802	240,353	2,816,531
Machinery and equipment	2,095,275	185,342	42,500	2,238,117
Total capital assets being depreciated	<u>21,773,401</u>	<u>670,170</u>	<u>282,853</u>	<u>22,160,718</u>
Less accumulated depreciation for				
Land improvements	620,042	140,568	-	760,610
Roads	2,203,300	518,739	-	2,722,039
Buildings and improvements	1,983,306	90,863	-	2,074,169
Vehicles	2,025,233	255,671	233,762	2,047,142
Machinery and equipment	1,603,812	100,750	42,500	1,662,062
Total accumulated depreciation	<u>8,435,693</u>	<u>1,106,591</u>	<u>276,262</u>	<u>9,266,022</u>
Total capital assets being depreciated, net	<u>13,337,708</u>	<u>(436,421)</u>	<u>6,591</u>	<u>12,894,696</u>
Total governmental activities, capital assets, net	<u>\$ 19,369,179</u>	<u>\$ 171,384</u>	<u>\$ 6,591</u>	<u>\$ 19,533,972</u>

Depreciation expense was charged to the following functions:

General government	\$ 108,044
Public safety	103,089
Public works - highways and streets	814,167
Culture and recreation	81,291
	<u>\$ 1,106,591</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 6 - Capital Assets (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Business-type activities				
Capital assets not being depreciated				
Land	\$ 723,951	\$ -	\$ -	\$ 723,951
Construction in progress	149,467	573,318	636,827	85,958
Total capital assets not being depreciated	<u>873,418</u>	<u>573,318</u>	<u>636,827</u>	<u>809,909</u>
Capital assets being depreciated				
Plant and improvements	21,850,737	636,827	-	22,487,564
Buildings and improvements	1,164,491	-	-	1,164,491
Vehicles	803,569	105,541	-	909,110
Machinery and equipment	1,680,899	101,433	-	1,782,332
Total capital assets being depreciated	<u>25,499,696</u>	<u>843,801</u>	<u>-</u>	<u>26,343,497</u>
Less accumulated depreciation for				
Plant and improvements	7,062,825	811,902	-	7,874,727
Buildings and improvements	491,495	23,938	-	515,433
Vehicles	674,759	52,072	-	726,831
Machinery and equipment	1,341,126	97,007	-	1,438,133
Total accumulated depreciation	<u>9,570,205</u>	<u>984,919</u>	<u>-</u>	<u>10,555,124</u>
Total capital assets being depreciated, net	<u>15,929,491</u>	<u>(141,118)</u>	<u>-</u>	<u>15,788,373</u>
Total business-type activities, capital assets, net	<u>\$ 16,802,909</u>	<u>\$ 432,200</u>	<u>\$ 636,827</u>	<u>\$ 16,598,282</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following funds:

Water Fund	\$	352,814
Sewer Fund		632,105
		<u>984,919</u>
	\$	<u>984,919</u>

Capital asset activity for the component units was as follows for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Capital assets being depreciated				
Plant and improvements	\$ 9,914,805	\$ -	\$ -	\$ 9,914,805
Less accumulated depreciation	<u>9,199,001</u>	<u>296,197</u>	<u>-</u>	<u>9,495,198</u>
Total capital assets being depreciated	<u>\$ 715,804</u>	<u>\$ (296,197)</u>	<u>\$ -</u>	<u>\$ 419,607</u>

Depreciation expense was charged to the following entity:

Upper Saucon Sewage Treatment Authority	\$	<u>296,197</u>
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Note 7 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,662,600
Road Construction Capital Reserve Fund	600,000	-
Nonmajor governmental funds	962,600	-
Water Fund	<u>100,000</u>	<u>-</u>
	<u>\$ 1,662,600</u>	<u>\$ 1,662,600</u>

In general, transfers are used to allocate unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 7 - Interfund Transfers and Balances (continued)

The composition of interfund balances is as follows as of December 31, 2017:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ 5,480	\$ -
Water Fund	-	1,760
Sewer Fund	-	3,720
	<u>\$ 5,480</u>	<u>\$ 5,480</u>

Outstanding balances between funds may result from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made. At December 31, 2017, the balances mainly result from duplicate payments from the Water Fund and Sewer Fund to the General Fund that was not yet reimbursed by the General Fund.

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2017:

	<u>Balance Outstanding January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Outstanding December 31, 2017</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Bonds, Series of 2009, original amount \$5,765,000, due in semiannual installments of principal plus interest ranging from 3.00% to 4.65% through 2031	\$ 3,065,000	\$ -	\$ 410,000	\$ 2,655,000	\$ 415,000
General Obligation Note, Series B of 2013, original amount \$492,000, due in semiannual installments of principal plus interest at 2.75% through 2019	231,000	-	75,000	156,000	77,000
General Obligation Note, Series of 2016, maximum draws of \$10,000,000, due in semiannual installments of principal plus interest at 1.90% through December 2026, then principal plus interest at 60% of The Wall Street Journal Prime Rate through December 2033	<u>3,332,561</u>	<u>-</u>	<u>483,000</u>	<u>2,849,561</u>	<u>535,000</u>
Total governmental activities	<u>6,628,561</u>	<u>-</u>	<u>968,000</u>	<u>5,660,561</u>	<u>1,027,000</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 8 - Long-Term Debt (continued)

	Balance Outstanding January 1, 2017	Additions	Deletions	Balance Outstanding December 31, 2017	Due Within One Year
Business-type activities					
General Obligation Bonds, Series of 2009, original amount \$2,825,000, due in semiannual installments of principal plus interest ranging from 3.00% to 4.15% through 2024	\$ 1,200,000	\$ -	\$ 130,000	\$ 1,070,000	\$ 135,000
General Obligation Bonds, Series of 2010, original amount \$2,525,000, due in semiannual installments of principal plus interest ranging from 3.00% to 6.90% through 2040	2,205,000	-	55,000	2,150,000	60,000
Total business-type activities	3,405,000	-	185,000	3,220,000	195,000
Total long-term debt	<u>\$ 10,033,561</u>	<u>\$ -</u>	<u>\$ 1,153,000</u>	<u>\$ 8,880,561</u>	<u>\$ 1,222,000</u>

Aggregate maturities required on long-term debt are as follows at December 31, 2017:

Governmental Activities

	Principal	Interest	Total Debt Service
2018	\$ 1,027,000	\$ 169,341	\$ 1,196,341
2019	1,041,000	141,892	1,182,892
2020	738,000	113,141	851,141
2021	743,000	95,339	838,339
2022	763,000	77,285	840,285
2023-2027	758,561	224,090	982,651
2028-2031	590,000	70,447	660,447
	5,660,561	<u>\$ 891,535</u>	<u>\$ 6,552,096</u>
Current maturities	(1,027,000)		
Unamortized issuance premium	11,192		
	<u>\$ 4,644,753</u>		

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 8 - Long-Term Debt (continued)

Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 195,000	\$ 182,985	\$ 377,985
2019	200,000	174,908	374,908
2020	215,000	166,297	381,297
2021	220,000	156,885	376,885
2022	230,000	146,715	376,715
2023-2027	710,000	589,502	1,299,502
2028-2032	465,000	434,865	899,865
2033-2037	575,000	263,255	838,255
2038-2040	410,000	57,615	467,615
	<u>3,220,000</u>	<u>\$ 2,173,027</u>	<u>\$ 5,393,027</u>
Current maturities	(195,000)		
Unamortized issuance premium	<u>3,023</u>		
	<u>\$ 3,028,023</u>		

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

Note 9 - Lease Commitment

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

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

Note 10 - Upper Saucon Township Police Pension Plan

Plan Description

The Upper Saucon Township Police Pension Plan (the Police Pension Plan) is a single-employer defined benefit pension plan that covers all full-time uniform employees of the police force. The Police Pension Plan provides pension benefits for normal retirement at the age of 50 with 25 years of credited service.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 10 - Upper Saucon Township Police Pension Plan (continued)

Benefits Provided

Benefits are equal to 50% of the participant's average monthly compensation during their last 36 months of employment. An annual cost-of-living increase may be granted to retired members equal to the Social Security cost-of-living increase for the preceding calendar year, up to 5.0%, with a maximum total cost-of-living increase of 15%. The Police Pension Plan provides retirement, disability, and death benefits to the Police Pension Plan members and beneficiaries. The Police Pension Plan's assets may be used only for the payment of benefits to the members of the Police Pension Plan in accordance with the terms of the Police Pension Plan.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the Police Pension Plan:

Active employees	21
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits, but not yet receiving them	1
	<u>31</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Police Pension Plan be based upon the Police Pension Plan's Minimum Municipal Obligation (MMO), which is based on the Police Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are required to contribute a percentage of total compensation equal to or between 0% and 8%, as determined by the Township. For the year ended December 31, 2017, the required participant contribution was 6% of annual compensation. The Township is required to contribute amounts necessary to fund the Police Pension Plan using the actuarial basis specified by statute.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 10 - Upper Saucon Township Police Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%, average, including inflation
Investment rate of return	8.00%, including inflation
Postretirement cost of living increase	3.00%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for nonannuitants projected 15 years using Scale AA to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	65.00%	5.50 - 7.50%
Fixed income	25.00	1.00 - 3.00%
Cash	10.00	0.00 - 1.00%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Police Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 10 - Upper Saucon Township Police Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2017:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 7,483,501	\$ 5,904,522	\$ 1,578,979
Changes for the year			
Service cost	199,330	-	199,330
Interest cost	571,700	-	571,700
Changes of benefit terms	2,547	-	2,547
Changes for experience	(607,861)	-	(607,861)
Changes of assumptions	202,485	-	202,485
Contributions - employer	-	207,556	(207,556)
Contributions - member	-	102,553	(102,553)
Net investment income	-	983,253	(983,253)
Benefit payments, including refunds of member contributions	(267,495)	(267,495)	-
Administrative expense	-	(6,900)	6,900
Balance at December 31, 2017	\$ 7,584,207	\$ 6,923,489	\$ 660,718

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.00% as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset)	\$ 1,656,885	\$ 660,718	\$ (170,167)

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 10 - Upper Saucon Township Police Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Township recognized pension expense of \$142,824. For the 2017 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2017. The Township reported deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan from the following sources at December 31, 2017:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 693,202
Change of assumptions	-	168,632
Net difference between projected and actual earnings on Police Pension Plan investments	<u>182,236</u>	<u>-</u>
	<u>\$ 182,236</u>	<u>\$ 861,834</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (61,310)
2019	(61,312)
2020	(128,355)
2021	(163,303)
2022	(61,412)
Thereafter	(203,906)

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan

Plan Description

The Upper Saucon Township Non-Uniformed Employees' Pension Plan (the Non-Uniformed Pension Plan) is a single-employer defined benefit pension plan that covers all full-time non-uniformed employees. The Non-Uniformed Pension Plan provides pension benefits for normal retirement at the age of 65 with 10 years of vesting service or after attainment of age 60 and completion of 20 years of vesting service, if earlier.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)

Benefits Provided

For employees hired before January 1, 2013, the retirement benefit is equal to 2.5% of the participant's final average monthly compensation multiplied by the number of years and completed months of benefit service credited, up to a maximum of 70% of average monthly compensation. For employees hired before November 27, 2001, the retirement benefit is equal to 1.75% of average monthly compensation multiplied by the number of years and completed months of benefit service credited. For employees hired after January 1, 2013, the retirement benefit is equal to 1.5% of average monthly compensation multiplied by the number of years and completed months of benefit service credited. Average monthly compensation is based upon the highest consecutive 36 months of compensation out of the last 60 months of employment. The Non-Uniformed Pension Plan provides for early retirement, disability, and death benefits to the Non-Uniformed Pension Plan members and beneficiaries. The Non-Uniformed Pension Plan's assets may be used only for the payment of benefits to the members of the Non-Uniformed Pension Plan in accordance with the terms of the Non-Uniformed Pension Plan.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the plan:

Active employees	36
Retirees and beneficiaries currently receiving benefits	13
Terminated employees entitled to benefits, but not yet receiving them	<u>8</u>
	<u>57</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Non-Uniformed Pension Plan be based upon the Non-Uniformed Pension Plan's MMO, which is based on the Non-Uniformed Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. For the year ended December 31, 2017, member contributions were set at 5% for employees hired before January 1, 2013, and at 3% for employees hired after January 1, 2013. The Township is required to contribute amounts necessary to fund the Non-Uniformed Pension Plan using the actuarial basis specified by statute.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%, average, including inflation
Investment rate of return	8.00%, including inflation

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for nonannuitants projected 15 years using Scale AA to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	65.00%	5.50 - 7.50%
Fixed income	25.00	1.00 - 3.00%
Cash	10.00	0.00 - 1.00%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Non-Uniformed Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Non-Uniformed Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2017:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 8,298,830	\$ 6,939,047	\$ 1,359,783
Changes for the year			
Service cost	247,913	-	247,913
Interest cost	660,400	-	660,400
Changes for experience	(546,911)	-	(546,911)
Changes of assumptions	380,749	-	380,749
Contributions - employer	-	333,820	(333,820)
Contributions - member	-	99,048	(99,048)
Net investment income	-	1,139,202	(1,139,202)
Benefit payments, including refunds of member contributions	(251,168)	(251,168)	-
Administrative expense	-	(6,400)	6,400
Balance at December 31, 2017	\$ 8,789,813	\$ 8,253,549	\$ 536,264

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.00% as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset)	<u>\$ 1,571,774</u>	<u>\$ 536,264</u>	<u>\$ (354,787)</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Township recognized pension expense of \$219,707. For the 2017 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2017. The Township reported deferred outflows of resources and deferred inflows of resources related to the Non-Uniformed Pension Plan from the following sources at December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 550,637
Changes of assumptions	-	190,844
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	<u>338,444</u>	<u>-</u>
	<u>\$ 338,444</u>	<u>\$ 741,481</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (33,822)
2019	(33,821)
2020	(111,548)
2021	(149,999)
2022	(18,463)
Thereafter	(55,384)

Note 12 - Upper Saucon Township Non-Uniformed Employees' Retirement Plan

The Township contributes to the Upper Saucon Township Non-Uniformed Employees' Retirement Plan (the Plan), a defined contribution pension plan administered by the Township with a bank serving as trustee. All full-time employees of the Township hired on or after January 1, 2013, other than certain employees as defined therein, are eligible to join the Plan upon completion of one hour of service. Members are eligible to begin receiving payments after attainment of age 65 and completion of 10 years of service. Members are required to contribute 5% of their compensation to the Plan. The Township's contribution to the Plan is determined annually and was 5% of the employees' compensation for the year ended December 31, 2017. For the year ended December 31, 2017, the amount contributed to the Plan by the Township, and recognized as pension expense was \$17,634.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 13 - Fund Balance

Fund balances of the Township's governmental funds at December 31, 2017 consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in						
General Fund						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ 3,192,458	\$ 3,192,458
Prepaid items	33,088	-	-	-	-	33,088
Special Revenue						
Funds						
Highways and streets	-	1,081,649	-	-	-	1,081,649
Transportation improvements	-	1,469,650	-	-	-	1,469,650
Fire hydrants	-	-	125,369	-	-	125,369
Recreation	-	-	1,499,670	-	-	1,499,670
Stormwater	-	-	1,199,047	-	-	1,199,047
Capital Improvement						
Funds						
Capital projects	-	-	-	492,660	-	492,660
Road construction	-	-	-	2,125,652	-	2,125,652
Library capital	-	-	-	6,674	-	6,674
Land acquisitions	-	-	-	122,960	-	122,960
	<u>\$ 33,088</u>	<u>\$ 2,551,299</u>	<u>\$ 2,824,086</u>	<u>\$ 2,747,946</u>	<u>\$ 3,192,458</u>	<u>\$ 11,348,877</u>

Fund Balance Policy

The Township establishes and maintains reservations of fund balance. This policy applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, add new governmental programs, expand existing programs, or enhance the financial position of the Township in accordance with policies established by the Board of Supervisors.

The Township believes that sound financial management principles require that sufficient funds be retained by the Township to provide a stable financial base at all times. To retain this stable financial base, the Township needs to maintain a General Fund balance sufficient to fund all cash flows of the Township, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

Spending Policy

The Township's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Township's policy is to use unrestricted fund balance in the following order: committed, assigned, and unassigned, when expenditure is incurred for purposes for which each of these fund balance classifications is available.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 13 - Fund Balance (continued)

Minimum Fund Balance Policy

The Township has not formally adopted a policy regarding minimum fund balance levels.

Committed Fund Balance

The Board of Supervisors is the Township's highest level of decision-making authority. The Township has not formally adopted a policy as to the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance

The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose and the policy established by the governing body pursuant to which that authorization is given.

Reservations of Fund Balance

Nonspendable - General Fund

The nonspendable fund balance in the Township's General Fund is related to prepaid expenses.

Restricted - Special Revenue Funds

The Township established the following restricted fund balance reserves in the Special Revenue Funds:

Highways and Streets Reserve - The Township's restricted fund balance in the State Liquid Fuels Highway Aid Fund consists of proceeds from the State Motor License Fund accounted for in the Liquid Fuels Fund. Expenditure of these funds is legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations.

Transportation Improvements Reserve - The Township's restricted fund balance in the Transportation Impact Fund consists of fees received from developers upon new development constructed inside transportation service areas within the Township. Expenditure of these funds is legally restricted to expenditures for transportation capital improvements in accordance with conditions and standards as set forth in Article V-A of the Pennsylvania Municipalities Planning Code, Act 209 of 1990, and any and all amendments thereto.

Committed - Special Revenue Funds

The Township established the following committed fund balance reserves in the Special Revenue Funds:

Fire Hydrant, Recreation, and Stormwater Reserves - are committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto and special assessments to provide funds for the Township's fire hydrant, stormwater maintenance, and recreation activities.

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 13 - Fund Balance (continued)

Reservations of Fund Balance (continued)

Assigned - Capital Projects Funds

The Township established the following assigned fund balance reserves in the Capital Projects Funds:

Capital Projects - These reserves are assigned for capital projects in the Land Acquisition Fund, Road Construction Capital Reserve Fund, Library Capital Fund, and the Capital Projects Fund.

Disbursement of Fund Balance Reserves

No formal policy has been adopted by the Township regarding disbursement of funds within the fund balance reserves, however, disbursement is approved by the Board of Supervisors by inclusion in the approved annual budget and amendments thereto.

Annual Review and Determination of Fund Balance Reserve Amounts

The Township's Manager and Director of Finance annually report the status of the fund balance to the Board of Supervisors in conjunction with the development of the annual budget. If the report discloses that there are unreserved, undesignated funds available in the General Fund, a recommendation for use of those funds may be presented to the Board of Supervisors.

As a part of the annual budget adoption process, the amounts of nonspendable, restricted, committed, and assigned fund balance will be determined.

Note 14 - Deferred Compensation

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

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

Note 15 - Risk Management

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2017

Note 15 - Risk Management (continued)

The Township also participates in a self-funded minimum premium plan with several other municipalities to cover its workers' compensation claims. The plan is administered by a third-party administrator and requires the payment of quarterly premiums based on the Township's payroll. Costs related to claims are expensed as incurred. For the year ended December 31, 2017, claims settled were not in excess of insurance coverage.

There has been no significant reductions in insurance coverage during the year ended December 31, 2017.

Note 16 - Contingencies

Concentration of Labor

The Township entered into a collective-bargaining agreement with the Upper Saucon Township Police Officers' Association through December 31, 2018. Of the Township's total workforce, approximately 31% is covered by the agreement.

The Township entered into a collective-bargaining agreement with the Municipal Workers of Upper Saucon Township through December 31, 2020. Of the Township's total workforce, approximately 39% is covered by the agreement.

Litigation

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

Note 17 - Subsequent Events

The Township has evaluated subsequent events through June 27, 2018. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.

Upper Saucon Township

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 7,615,000	\$ 7,615,000	\$ 8,298,174	\$ 683,174
Licenses and permits	450,800	450,800	610,890	160,090
Fines and forfeits	54,000	54,000	63,040	9,040
Interest, rents, and royalties	46,000	46,000	66,529	20,529
Intergovernmental revenue	580,000	580,000	610,151	30,151
Charges for services	579,000	579,000	137,894	(441,106)
Miscellaneous revenue	55,000	55,000	59,318	4,318
Total Revenues	9,379,800	9,379,800	9,845,996	466,196
Expenditures				
Current				
General government	1,215,542	1,215,542	1,031,687	183,855
Public safety	3,265,528	3,265,528	3,692,369	(426,841)
Public works - highways and streets	1,430,695	1,430,695	1,321,523	109,172
Culture and recreation	344,300	344,300	272,053	72,247
Other	845,487	845,487	805,034	40,453
Debt service	1,225,471	1,225,471	1,179,074	46,397
Capital outlay	495,250	495,250	373,996	121,254
Total Expenditures	8,822,273	8,822,273	8,675,736	146,537
Excess of Revenues over Expenditures	557,527	557,527	1,170,260	612,733
Other Financing Sources (Uses)				
Transfers out	(1,012,600)	(1,012,600)	(1,562,600)	(550,000)
Proceeds from debt issuance	-	-	-	-
Proceeds from sale of assets	-	-	69,100	69,100
Total Other Financing Sources (Uses)	(1,012,600)	(1,012,600)	(1,493,500)	(480,900)
Net Change in Fund Balance	\$ (455,073)	\$ (455,073)	(323,240)	\$ 131,833
Fund Balance at Beginning of Year			3,548,786	
Fund Balance at End of Year			\$ 3,225,546	

Upper Saucon Township, Lehigh County, Pennsylvania

Note to Budgetary Comparison Schedule

December 31, 2017

Note 1 - Budget Matters

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

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

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

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

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

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

There were no supplemental appropriations to the 2017 budgets.

Upper Saucon Township

Schedule of Changes in Net Pension Liability and Related Ratios - Police Pension Plan
Last Ten Fiscal Years*

	Years Ended December 31,		
	2017	2016	2015
Total Pension Liability			
Service cost	\$ 199,330	\$ 187,425	\$ 178,500
Interest cost	571,700	562,938	492,543
Difference between expected and actual experience	(607,861)	-	(208,752)
Changes of benefit terms	2,547	462,586	-
Changes of assumptions	202,485	-	-
Benefit payments, including refunds of member contributions	(267,495)	(232,315)	(292,939)
Net Change in Total Pension Liability	100,706	980,634	169,352
Total Pension Liability, Beginning	7,483,501	6,502,867	6,333,515
Total Pension Liability, Ending	\$ 7,584,207	\$ 7,483,501	\$ 6,502,867
Plan Fiduciary Net Position			
Contributions - employer	\$ 207,556	\$ 192,909	\$ 217,716
Contributions - member	102,553	104,899	126,264
Net investment income	983,253	273,563	100,807
Benefit payments, including refunds of member contributions	(267,495)	(232,315)	(292,939)
Administrative expense	(6,900)	(11,300)	-
Net Change in Plan Fiduciary Net Position	1,018,967	327,756	151,848
Plan Fiduciary Net Position, Beginning	5,904,522	5,576,766	5,424,918
Plan Fiduciary Net Position, Ending	\$ 6,923,489	\$ 5,904,522	\$ 5,576,766
Township's Net Pension Liability	\$ 660,718	\$ 1,578,979	\$ 926,101
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.3%	78.9%	85.8%
Covered Employee Payroll	\$ 1,708,253	\$ 1,748,322	\$ 1,599,296
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	38.7%	90.3%	57.9%

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

Upper Saucon Township

Schedule of Changes in Net Pension Liability and Related Ratios - Non-Uniformed Employees' Pension Plan
Last Ten Fiscal Years*

	Years Ended December 31,		
	2017	2016	2015
Total Pension Liability			
Service cost	\$ 247,913	\$ 245,221	\$ 233,544
Interest cost	660,400	623,937	577,583
Difference between expected and actual experience	(546,911)	-	(112,866)
Change of assumptions	380,749	-	-
Benefit payments, including refunds of member contributions	(251,168)	(248,627)	(238,155)
Net Change in Total Pension Liability	490,983	620,531	460,106
Total Pension Liability, Beginning	8,298,830	7,678,299	7,218,193
Total Pension Liability, Ending	\$ 8,789,813	\$ 8,298,830	\$ 7,678,299
Plan Fiduciary Net Position			
Contributions - employer	\$ 333,820	\$ 285,057	\$ 351,319
Contributions - member	99,048	142,907	139,090
Net investment income	1,139,202	329,717	107,834
Benefit payments, including refunds of member contributions	(251,168)	(248,627)	(238,155)
Administrative expense	(6,400)	(9,900)	-
Net Change in Plan Fiduciary Net Position	1,314,502	499,154	360,088
Plan Fiduciary Net Position, Beginning	6,939,047	6,439,893	6,079,805
Plan Fiduciary Net Position, Ending	\$ 8,253,549	\$ 6,939,047	\$ 6,439,893
Township's Net Pension Liability	\$ 536,264	\$ 1,359,783	\$ 1,238,406
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.9%	83.6%	83.9%
Covered Employee Payroll	\$ 2,170,300	\$ 2,074,733	\$ 2,058,369
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	24.7%	65.5%	60.2%

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

Upper Saucon Township

Schedule of Pension Contributions - Police Pension Plan
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 207,556	\$ 192,909	\$ 217,716	\$ 183,338	\$ 180,007	\$ 203,777	\$ 201,781	\$ 200,237	\$ 221,230	\$ 141,153
Contributions in relation to the actuarially determined contribution	<u>207,556</u>	<u>192,909</u>	<u>217,716</u>	<u>183,338</u>	<u>180,007</u>	<u>203,777</u>	<u>204,545</u>	<u>200,237</u>	<u>221,230</u>	<u>141,153</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,764)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,708,253</u>	<u>\$ 1,748,322</u>	<u>\$ 1,599,296</u>	<u>\$ 1,536,689</u>						
Contributions as a percentage of covered employee payroll	<u>12.2%</u>	<u>11.0%</u>	<u>13.6%</u>	<u>11.9%</u>						

Notes to schedule.

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	15 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Active members are assumed to retire after attainment of age 53 and completion of 25 years of service, or age on valuation date, if greater. Vested former members are assumed to retire at normal retirement age, or age on valuation date, if greater.
Mortality	RP-2000 Mortality Table. This table does not include projected mortality improvements.

Changes in benefit terms: Effective January 1, 2016:

- 1) Service increment of \$50 per month for each year of benefit service in excess of 25 years, but not more than \$250 additional per month.
- 2) Annual Postretirement Cost-of-Living increase granted to members who retire on or after January 1, 2016, equal to the Social Security cost-of-living increase for the preceding calendar year, up to 2.5%, with a maximum total cost-of-living increase of 15%.

Changes in benefit terms: Effective January 1, 2017:

- 1) Ad-hoc COLAs provided to two retired members.

Upper Saucon Township

Schedule of Pension Contributions - Non-Uniformed Employees' Pension Plan
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 333,820	\$ 285,057	\$ 351,319	\$ 311,745	\$ 294,072	\$ 205,598	\$ 234,363	\$ 232,682	\$ 236,187	\$ 227,463
Contributions in relation to the actuarially determined contribution	<u>333,820</u>	<u>285,057</u>	<u>351,319</u>	<u>312,524</u>	<u>294,072</u>	<u>205,598</u>	<u>237,573</u>	<u>232,682</u>	<u>236,187</u>	<u>227,463</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,210)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 2,170,300</u>	<u>\$ 2,074,733</u>	<u>\$ 2,058,369</u>	<u>\$ 1,983,613</u>						
Contributions as a percentage of covered employee payroll	<u>15.4%</u>	<u>13.7%</u>	<u>17.1%</u>	<u>15.8%</u>						

Notes to schedule.

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	10 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Later of attainment of age 65 and completion of 10 years of vesting service or age on valuation date, if greater.
Mortality	RP-2000 Mortality Table. This table does not include projected mortality improvements.

Changes in benefit terms: Effective January 1, 2016, late retirement benefit accrues past attainment of age 65 and completion of 10 years of service.

Upper Saucon Township

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2017

	Special Revenue Funds					Capital Projects Funds			Total Governmental Funds
	Fire Hydrant	State Liquid Fuels Highway Aid	Recreation	Transportation Impact	Maintenance Trust	Library Capital Fund	Land Acquisition Capital Reserve	Capital Projects	
Assets									
Cash and cash equivalents	\$ 125,838	\$ 1,096,690	\$ 1,516,231	\$ 1,469,650	\$ 1,199,047	\$ 6,674	\$ 122,960	\$ 492,660	\$ 6,029,750
Taxes receivable	29,991	-	-	-	-	-	-	-	29,991
Total Assets	\$ 155,829	\$ 1,096,690	\$ 1,516,231	\$ 1,469,650	\$ 1,199,047	\$ 6,674	\$ 122,960	\$ 492,660	\$ 6,059,741
Liabilities									
Accounts payable	\$ 1,540	\$ 12,432	\$ 16,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,533
Accrued expenses	-	2,609	-	-	-	-	-	-	2,609
Total Liabilities	1,540	15,041	16,561	-	-	-	-	-	33,142
Deferred Inflow of Resources									
Unavailable revenue - property taxes	28,920	-	-	-	-	-	-	-	28,920
Fund Balances									
Restricted	-	1,081,649	-	1,469,650	-	-	-	-	2,551,299
Committed	125,369	-	1,499,670	-	1,199,047	-	-	-	2,824,086
Assigned	-	-	-	-	-	6,674	122,960	492,660	622,294
Total Fund Balances	125,369	1,081,649	1,499,670	1,469,650	1,199,047	6,674	122,960	492,660	5,997,679
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 155,829	\$ 1,096,690	\$ 1,516,231	\$ 1,469,650	\$ 1,199,047	\$ 6,674	\$ 122,960	\$ 492,660	\$ 6,059,741

Upper Saucon Township

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue Funds					Capital Projects Funds			Total Governmental Funds
	Fire Hydrant	State Liquid Fuels Highway Aid	Recreation	Transportation Impact	Maintenance Trust	Library Capital Fund	Land Acquisition Capital Reserve	Capital Projects	
Revenues									
Taxes	\$ 134,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,809
Interest, rents, and royalties	1,575	9,816	7,558	11,908	9,462	127	990	3,360	44,796
Intergovernmental revenue	-	516,746	32,500	-	-	-	-	-	549,246
Charges for services	-	-	-	-	67,375	-	-	-	67,375
Developer contributions	-	-	-	4,858	-	-	-	-	4,858
Total Revenues	136,384	526,562	40,058	16,766	76,837	127	990	3,360	801,084
Expenditures									
Current									
Public safety	18,480	-	-	-	-	-	-	-	18,480
Public works - highways and streets	-	238,037	-	-	15,960	-	-	-	253,997
Capital outlay	-	-	196,181	-	-	-	-	380,290	576,471
Total Expenditures	18,480	238,037	196,181	-	15,960	-	-	380,290	848,948
Excess (Deficiency) of Revenues over (under) Expenditures	117,904	288,525	(156,123)	16,766	60,877	127	990	(376,930)	(47,864)
Other Financing Sources (Uses)									
Transfers in	-	-	700,000	-	-	12,600	-	250,000	962,600
Transfers out	(100,000)	-	-	-	-	-	-	-	(100,000)
Total Other Financing Sources (Uses)	(100,000)	-	700,000	-	-	12,600	-	250,000	862,600
Net Change in Fund Balances	17,904	288,525	543,877	16,766	60,877	12,727	990	(126,930)	814,736
Fund Balances at Beginning of Year	107,465	793,124	955,793	1,452,884	1,138,170	(6,053)	121,970	619,590	5,182,943
Fund Balances at End of Year	\$ 125,369	\$ 1,081,649	\$ 1,499,670	\$ 1,469,650	\$ 1,199,047	\$ 6,674	\$ 122,960	\$ 492,660	\$ 5,997,679

Upper Saucon Township

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2017

	<u>Police Pension Fund</u>	<u>Non-Uniformed Employees' Pension Fund</u>	<u>Non-Uniformed Employees' Retirement Fund</u>	<u>Length of Service Fund</u>	<u>Total Pension Funds</u>
Assets					
Cash and cash equivalents	\$ 307,697	\$ 449,415	\$ 12,774	\$ 275,141	\$ 1,045,027
Accounts receivable	-	-	17,634	-	17,634
Investments	6,601,880	7,787,679	79,742	-	14,469,301
Accrued interest receivable	9,867	12,453	20	-	22,340
Total Assets	<u>6,919,444</u>	<u>8,249,547</u>	<u>110,170</u>	<u>275,141</u>	<u>15,554,302</u>
Net Position					
Assets held in trust for pension benefits	<u>\$ 6,919,444</u>	<u>\$ 8,249,547</u>	<u>\$ 110,170</u>	<u>\$ 275,141</u>	<u>\$ 15,554,302</u>

Upper Saucon Township

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
Year Ended December 31, 2017

	Police Pension Fund	Non-Uniformed Employees' Pension Fund	Non-Uniformed Employees' Retirement Fund	Length of Service Fund	Total Pension Funds
Additions					
Contributions					
Employer	\$ 207,556	\$ 333,820	\$ 17,634	\$ 96,100	\$ 655,110
Employee	102,332	100,671	17,599	-	220,602
Total contributions	<u>309,888</u>	<u>434,491</u>	<u>35,233</u>	<u>96,100</u>	<u>875,712</u>
Investment income					
Net appreciation in value of investments	1,015,372	1,177,632	9,120	-	2,202,124
Interest and dividends	561	-	-	1,674	2,235
Total investment income	<u>1,015,933</u>	<u>1,177,632</u>	<u>9,120</u>	<u>1,674</u>	<u>2,204,359</u>
Total Additions	<u>1,325,821</u>	<u>1,612,123</u>	<u>44,353</u>	<u>97,774</u>	<u>3,080,071</u>
Deductions					
Benefit payments	267,495	251,168	281	40,592	559,536
Administrative expenses	39,580	44,829	-	-	84,409
Total Deductions	<u>307,075</u>	<u>295,997</u>	<u>281</u>	<u>40,592</u>	<u>643,945</u>
Change in Net Position	1,018,746	1,316,126	44,072	57,182	2,436,126
Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year	<u>5,900,698</u>	<u>6,933,421</u>	<u>66,098</u>	<u>217,959</u>	<u>13,118,176</u>
Net Position of Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 6,919,444</u>	<u>\$ 8,249,547</u>	<u>\$ 110,170</u>	<u>\$ 275,141</u>	<u>\$ 15,554,302</u>