

**Upper Saucon Township  
Lehigh County, Pennsylvania**

**Audit Results**

**December 31, 2018**





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

We are pleased to present the results of our audit of the 2018 financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania.

The audit is designed to express an opinion on the 2018 financial statements as of December 31, 2018. In accordance with professional standards, we obtained a sufficient understanding of internal control to plan the audit to determine the nature, timing, and extent of tests to be performed.

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

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

*RKL LLP*

May 3, 2019  
Wyomissing, Pennsylvania

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## Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

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

Other Area of Audit Emphasis:

- Long-term debt

## Changes from Planning

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

# Required Communications

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

Area	Comments
<p><b>Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b></p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. As part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed. However, we were not engaged to, and we did not, perform an audit of internal control over financial reporting.</p>	<p>Our responsibilities under GAAS have been described to you in our arrangement letter dated December 7, 2018.</p>
<p><b>Our Judgments About the Quality of the Township's Accounting Principles</b></p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Township's financial reporting, including the consistency of the accounting policies and their application, and the clarity and completeness of the financial statements and related disclosures.</p>	<p>See:</p> <ul style="list-style-type: none"> <li>• "The Adoption of, or a Change in, an Accounting Principle"</li> <li>• "Methods of Accounting for Significant Unusual Transactions and Controversial or Emerging Areas"</li> <li>• "Management's Judgments and Sensitive Accounting Estimates"</li> </ul>
<p><b>Significant Difficulties Encountered in Dealing with Management when Performing the Audit</b></p> <p>We inform the Board of Supervisors or those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>

Required Communications (continued)

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

Required Communications (continued)

Area	Comments
<p><b>Significant Issues, if any, Arising from the Audit that were Discussed, or the Subject of Correspondence, with Management</b></p> <p>We inform the Board of Supervisors or those charged with governance of any significant issues arising from the audit that were discussed, or the subject of correspondence, with management. Significant issues encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> <li>• Business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement.</li> <li>• Discussions or correspondence in connection with the initial or recurring retention of the auditor including, among other matters, any discussions or correspondence regarding the application of accounting principles and auditing standards.</li> </ul>	<p>We did not identify any significant unusual transactions, or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>No significant issues arising from the audit were discussed, or the subject of correspondence, with management.</p>
<p><b>The Adoption of or a Change in an Accounting Principle</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township. We determine that the Board of Supervisors or those charged with governance is/are informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>The Township did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p>

Required Communications (continued)

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



Required Communications (continued)

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

## Summary of Significant Accounting Estimates

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

Area	Accounting Policy	Estimation Process	RKL LLP Comments
<b>Capital Assets</b>	Depreciation is computed using the straight-line method based on the estimated useful lives of the assets.	Management estimates the useful lives of the assets at the time they are placed into service. Depreciation is determined based on the lives established by management.	Policy is in accordance with GAAP.
<b>Unbilled Utility Charges</b>	Fourth quarter utility charges for 2018 are not billed until January 2019. In order to properly reflect utility revenue, the portion applicable to 2018 is estimated.	The first utility billing in 2019 is allocated to record the portion that relates to 2018.	Policy is in accordance with GAAP.
<b>Fair Value of Investments</b>	Investments are held by brokers who report to the Township the fair value of investments on a monthly basis.	Management reviews the monthly investment statements. Changes to the fair value of investments are made as part of the annual audit process.	Policy is in accordance with GAAP.
<b>Valuation of Net Pension Liability</b>	The valuation of the Township's net pension liability and deferred outflows and inflows related to the pension plans was determined in accordance with GASB Statement No. 68, <i>Accounting for Pension by State and Local Government Employees</i> .	Actuaries performed a valuation of the pension plans in order to determine the Township's net pension liability, deferred outflows, and deferred inflows related to the pension plans.	Policy is in accordance with GAAP.

## Summary of Significant Financial Statement Disclosures

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

Financial Statement Disclosures	RKL LLP Comments
<b>Deposits and Investments</b>	<p>Disclosures include custodial credit risk on deposits held by the Township, including the amount of deposits covered by Federal Depository Insurance and the amounts covered under Act 72. Disclosures also include detail related to the investments held in the Township's pension plans and the related cost and fair values.</p> <p>The disclosures are in accordance with the GASB Statement No. 72, <i>Fair Value Measurement and Application</i> which the Township adopted during 2016.</p>
<b>Capital Assets</b>	<p>Disclosure includes summary of the components of capital assets. During the year ended December 31, 2018, management concluded that no impairment adjustments were required. There were no significant changes to disclosures in 2018.</p>
<b>Long-Term Debt</b>	<p>Disclosures include a summary of outstanding debt and aggregate maturities of the remaining balances. There were no significant changes to disclosures in 2018.</p>
<b>Pension Plans</b>	<p>Disclosures include the following for the Township's pension plans: plan description, benefits provided, employees covered by benefit terms, contribution policy, net pension liability measurement, actuarial assumptions used, the discount rate used for the total pension liability calculation, a detail of the changes in the net pension liability and the pension expense, and deferred outflows and deferred inflows related to pensions.</p> <p>The disclosures are in accordance with the GASB Statement No 68, <i>Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27</i>, which the Township adopted during 2015.</p>
<b>Fund Balances</b>	<p>Disclosures include a detail of the nonspendable, restricted, committed, assigned, and unassigned fund balances for the Township's governmental funds and fund balance and spending policies for those funds. There were no significant changes to disclosures in 2018.</p>

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

# Fraud Considerations and the Risk of Management Override

## Management

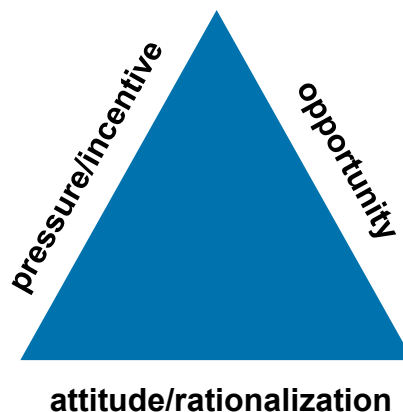
- Ultimately responsible for developing and maintaining anti-fraud program
- Developing controls to deter and detect fraud
- Monitoring and compliance

## Board of Supervisors

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

## External Auditor

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



# APPENDIX A

Management Letter



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

This letter includes a comment and suggestion with respect to a matter that came to our attention in connection with our audit of the financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, for the year ended December 31, 2018. This item is offered as a constructive suggestion to be considered part of the ongoing process of modifying and improving the Township's practices and procedures.

## **Inventory of Office Equipment**

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

### **Recommendation**

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

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

*RKL LLP*

May 3, 2019  
Wyomissing, Pennsylvania

# APPENDIX B

Summary of Posted Audit Adjustments

**Upper Saucon Township: 625037**

Year End: December 31, 2018

**Adjusting Entries**

Date: 1/1/2018 To 12/31/2018

Account No: AJE 1 To AJE 21

Number	Name	Account No	Reference	Debit	Credit
AJE 1	LONG-TERM DEBT	06-230-000 WF	5001	195,000.00	
AJE 1	DEBT SERVICE 1999 BOND	06-471-010.00 WF	5001		135,000.00
AJE 1	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030.00 WF	5001		60,000.00
	To adjust outstanding long term debt.				
AJE 2	ACCRUED INTEREST PAYABLE	06-265-000 WF		673.00	
AJE 2	DEBT SERVICE 1999 BOND	06-471-010.00 WF			410.00
AJE 2	DEBT.PMT.WAT.LOAN Q-TOWN	06-471-030.00 WF			263.00
	To adjust accrued interest payable for proprietary funds to actual at 12/31/2018.				
AJE 3	PREMIUM ON 2009 BOND ISSUE	06-230-998 WF		413.00	
AJE 3	LOSS ON REFINANCING	06-230-999 WF			1,558.00
AJE 3	Amortization expense	06-499-000 WF		1,145.00	
	To record 2018 amortization on refunding loss and premium.				
AJE 4	Cash in pension fund	60-101-000 PPF	8401	79,805.00	
AJE 4	ACCRUED INTEREST INCOME	60-110-000 PPF	8401	2,645.00	
AJE 4	SECURITIES & INVESTMENTS	60-120-000 PPF	8401		429,250.00
AJE 4	INVESTMENTS	62-000-000 NUÉE	8401		11,356.00
AJE 4	Cash	62-100-000 NUÉE	8401	22,579.00	
AJE 4	ACCRUED INTEREST INCOME	62-110-000 NUÉE	8401	35.00	
AJE 4	DUE FROM ER CONTRIB	62-152-000 NUÉE	8401		17,634.00
AJE 4	Cash Equivalents held in pension account	65-100-000 NUPF	8401	223,709.00	
AJE 4	ACCRUED INTEREST INCOME	65-110-000 NUPF	8401	3,275.00	
AJE 4	NON UNIFORM SECURITIES & INV	65-120-000 NUPF	8401		644,814.00
AJE 4	Investment Income - trustee	60-389-040.00 PPF	8401		490,234.00
AJE 4	Unrealized Gain / Losses	60-389-050.00 PPF	8401	828,394.00	
AJE 4	INCOME FRM MEMBER CONTRIB	60-389-200.00 PPF	8401		3,620.00
AJE 4	TRUSTEE FEES	60-401-200.00 PPF	8401	8,988.00	
AJE 4	CONTRACTED SERVICES	60-401-260.00 PPF	8401	3,272.00	
AJE 4	Investment income - trustee	62-389-040.00 NUÉE	8401		4,305.00
AJE 4	Unrealized Gains / Losses	62-389-050.00 NUÉE	8401	10,681.00	
AJE 4	Investment Income - trustee	65-389-040.00 NUPF	8401		565,878.00
AJE 4	Unrealized Gain/Losses	65-389-050.00 NUPF	8401	965,421.00	
AJE 4	INCOME FROM MEMBER CONTRIBUTIO	65-389-200.00 NUPF	8401	3,620.00	
AJE 4	TRUSTEE FEES	65-401-200.00 NUPF	8401	10,793.00	
AJE 4	CONTRACTED SERVICES	65-401-260.00 NUPF	8401	326.00	
AJE 4	NON-UNIFORM PENSION PAYMENTS	65-487-160.00 NUPF	8401	3,548.00	
	To adjust pension activity to actual as of 12/31/2018				
AJE 5	ACCOUNTS REC- 2010 BOND INTE	06-141-200 WF	5006		23,345.00
AJE 5	2010 BONDS - INTEREST SUBSID	06-387-000.00 WF	5006	23,345.00	



**Upper Saucon Township: 625037**

Year End: December 31, 2018

**Adjusting Entries**

Date: 1/1/2018 To 12/31/2018

Account No: AJE 1 To AJE 21

Number	Name	Account No	Reference	Debit	Credit
To adjust subsidy on the 2010 Build America Bonds at 12/31/2018					
AJE 6	A/R COOPERSBURG	08-140-082 SWRF	1506		296,206.00
AJE 6	A/R COOPERSBURG	08-140-082 SWRF	1506	298,881.00	
AJE 6	A/R COOPERSBURG	19-140-082 STCRF	1506		108,422.00
AJE 6	A/R COOPERSBURG	19-140-082 STCRF	1506	32,546.00	
AJE 6	COOPERSBURG CONTRIBUTION	08-357-000.00 SWRF	1506	296,206.00	
AJE 6	COOPERSBURG CONTRIBUTION	08-357-000.00 SWRF	1506		298,881.00
AJE 6	REIMB. OF EXPENDITURES	19-395-010.00 STCRF	1506	108,422.00	
AJE 6	REIMB. OF EXPENDITURES	19-395-010.00 STCRF	1506		32,546.00
To adjust Coopersburg AR balances for account activity					
AJE 7	ACCOUNTS RECEIVABLE-DEVELOPE	01-136-000 GF		29,521.00	
AJE 7	SUBDIVISION FEES	01-320-110 GF			32,134.00
AJE 7	REIMB. ENGINEERING SERVICES	01-414-245.00 GF			805.00
AJE 7	REIMB LEGAL SERVICES	01-414-295.00 GF		3,418.00	
To record Developer accounts receivable to actual at 12/31/2018					
AJE 8	ACCOUNT RECEIVABLE -AUDIT	06-141-000 WF	1503		9,105.00
AJE 8	A/R AUDIT	08-140-081 SWRF	1503		26,278.00
AJE 8	WATER RENTALS	06-378-100.00 WF	1503	9,105.00	
AJE 8	SEWER RENTALS	08-364-100.00 SWRF	1503	26,278.00	
To adjust for fourth quarter billings attributable to CY					
AJE 9	TAXES RECEIVABLE	01-135-000 GF	1501		58,240.00
AJE 9	TAXES RECEIVABLE	01-135-000 GF	1501	66,203.00	
AJE 9	DEFERRED REVENUE	01-210-000 GF	1501	25,332.00	
AJE 9	DEFERRED REVENUE	01-210-000 GF	1501		30,155.00
AJE 9	TAXES RECEIVABLE	03-135-000 FHF	1501		1,982.00
AJE 9	TAXES RECEIVABLE	03-135-000 FHF	1501	2,506.00	
AJE 9	DEFERRED REVENUE	03-210-000 FHF	1501	911.00	
AJE 9	DEFERRED REVENUE	03-210-000 FHF	1501		1,282.00
AJE 9	REAL ESTATE TAXES-CUR.YR.	01-301-100.00 GF	1501	30,155.00	
AJE 9	REAL ESTATE TAXES-CUR.YR.	01-301-100.00 GF	1501		62,337.00
AJE 9	REAL ESTATE TAXES - PR.YR	01-301-200.00 GF	1501	58,240.00	
AJE 9	REAL ESTATE TAXES - PR.YR	01-301-200.00 GF	1501		25,332.00
AJE 9	REAL ESTATE TAXES-INTERIM	01-301-600.00 GF	1501		3,866.00
AJE 9	REAL ESTATES TAXES-CUR.YR	03-301-100.00 FHF	1501		2,506.00
AJE 9	REAL ESTATES TAXES-CUR.YR	03-301-100.00 FHF	1501	1,282.00	
AJE 9	REAL ESTATE TAXES-PR.YR.	03-301-200.00 FHF	1501	1,982.00	
AJE 9	REAL ESTATE TAXES-PR.YR.	03-301-200.00 FHF	1501		911.00

**Upper Saucon Township: 625037**

Year End: December 31, 2018

**Adjusting Entries**

Date: 1/1/2018 To 12/31/2018

Account No: AJE 1 To AJE 21

Number	Name	Account No	Reference	Debit	Credit
To post RE and FH taxes that were received by the Tax Collector but not remitted until Jan.					
AJE 10	ACCOUNTS RECEIVABLE - OTHER	01-137-000 GF	1502	26,252.00	
AJE 10	REAL ESTATE TRANSF TAXES	01-310-100.00 GF	1502		26,252.00
To accrue December 2018 RE taxes					
AJE 11	ACCOUNTS RECEIVABLE-PENALTIE	06-141-100 WF	1503	1,209.00	
AJE 11	ACCOUNTS RECEIVABLE- PENALTI	08-140-181 SWRF	1503		210.00
AJE 11	WATER RENTAL PENALTIES	06-378-110.00 WF	1503		1,209.00
AJE 11	PENALTY RENTALS	08-364-110.00 SWRF	1503	210.00	
To adjust penalties for sewer and water usage.					
AJE 14	ACCOUNTS PAYABLE	19-250-000 STCRF	6002	19,765.00	
AJE 14	ACCOUNTS PAYABLE	31-250-000 RCCR	6002	4,391.00	
AJE 14	ACCOUNTS PAYABLE	35-250-000 SHA	6002	12,432.00	
AJE 14	CAPITAL EXPENSE	19-429-700.00 STCRF	6002		19,765.00
AJE 14	HGHWY CONSTR & REBUILDING	31-439-000.00 RCCR	6002		4,391.00
AJE 14	MATERIALS	35-432-210.00 SHA	6002		12,432.00
To reverse PY AP RKL entries					
AJE 16	CASH	66-100-000 EF			135,753.00
AJE 16	ESCROW LIABILITY	66-225-000 EF		135,753.00	
To adjust escrow balances to actual at 12/31/2018.					
AJE 17	DELINQUENT TAXES RECEIVABLE	01-135-100 GF	6001		5,987.00
AJE 17	DELINQUENT TAXES DEFERRED RE	01-210-100 GF	6001	2,956.00	
AJE 17	DELINQUENT TAXES RECEIVABLE	03-135-100 FHF	6001	1,982.00	
AJE 17	DELINQUENT TAXES DEFERRED REV	03-210-100 FHF	6001		1,982.00
AJE 17	REAL ESTATE TAXES-DELINQ.	01-301-400.00 GF	6001	3,031.00	
To record the deliquent taxes receivable and deferred.					
AJE 19	CONSTRUCTION IN PROGRESS	19-142-000 STCRF	6004	69,861.00	
AJE 19	RETAINAGES PAYABLE	19-250-100 STCRF	6004		69,861.00
To record retainage payable.					
AJE 20	CONSTRUCTION IN PROGRSS	06-142-000 WF	4001,4003,400	12,857.00	
AJE 20	VEHICLES	06-146-000 WF	4001,4003,400	108,613.00	

**Upper Saucon Township: 625037**

Year End: December 31, 2018

**Adjusting Entries**

Date: 1/1/2018 To 12/31/2018

Account No: AJE 1 To AJE 21

Number	Name	Account No	Reference	Debit	Credit
AJE 20	Transfer from Water Capital - capital assets	06-392-018 WF	4001,4003,400		121,470.00
AJE 20	CONSTRUCTION IN PROGRESS	08-142-000 SWRF	4001,4003,400	1,334,253.00	
AJE 20	BUILDINGS & IMPROVEMENTS	08-144-000 SWRF	4001,4003,400	24,342.00	
AJE 20	VEHICLES	08-146-000 SWRF	4001,4003,400	119,179.00	
AJE 20	OTHER EQUIPMENT	08-148-000 SWRF	4001,4003,400	92,133.00	
AJE 20	Transfer Capital Assets to Water Fd	18-492-006 WCRF	4001,4003,400	121,470.00	
AJE 20	Transfer Capital Assets to Fd 08	19-492-008 STCRF	4001,4003,400	1,569,907.00	
AJE 20	Transfer from Sewer Capital	08-392-190.00 SWRF	4001,4003,400		1,569,907.00
AJE 20	CAPITAL PURCHASE	18-448-700.00 WCRF	4001,4003,400		121,470.00
AJE 20	CAPITAL EXPENSE	19-428-700.00 STCRF	4001,4003,400		1,491,282.00
AJE 20	Slip-Lining	19-428-700.06 STCRF	4001,4003,400		12,222.00
AJE 20	CAPITAL EXPENSE	19-429-700.00 STCRF	4001,4003,400		66,403.00
To adjust proprietary fund capital asset accounts at 12/31/2018.					
AJE 21	WATER SYSTEM	06-140-000 WF	4001	137,430.00	
AJE 21	VEHICLES	06-146-000 WF	4001		23,200.00
AJE 21	VEHICLES	06-146-000 WF	4001	5,485.00	
AJE 21	OTHER EQUIPMENT	06-148-000 WF	4001	23,920.00	
AJE 21	DTTD-WATER FUND	06-151-000 WF	4001		361,410.00
AJE 21	DTTD-WATER FUND	06-151-000 WF	4001	23,200.00	
AJE 21	Contributions from Private Sector	06-388-000 WF	4001		137,430.00
AJE 21	Depreciation expense	06-499-100 WF	4001	361,410.00	
AJE 21	SEWER SYSTEM	08-140-000 SWRF	4001	1,464,998.00	
AJE 21	VEHICLES	08-146-000 SWRF	4001		23,200.00
AJE 21	VEHICLES	08-146-000 SWRF	4001	10,970.00	
AJE 21	OTHER EQUIPMENT	08-148-000 SWRF	4001	38,701.00	
AJE 21	DTTD - SEWER	08-151-000 SWRF	4001		706,357.00
AJE 21	DTTD - SEWER	08-151-000 SWRF	4001	23,200.00	
AJE 21	MINOR EQUIPMENT PURCHASE	06-448-560.00 WF	4001		17,285.00
AJE 21	CAPITAL / WATER METERS	06-448-700.02 WF	4001		12,120.00
AJE 21	Contributions from Private Sector	08-387-000.00 SWRF	4001		1,464,998.00
AJE 21	MINOR EQUIPMENT PURCHASE	08-428-560.00 SWRF	4001		11,481.00
AJE 21	MINOR EQUIPMENT PURCHASE	08-429-560.00 SWRF	4001		38,190.00
AJE 21	DEPRECIATION EXPENSE	08-499-100.00 SWRF	4001	706,357.00	
To record Proprietary Depreciation Expense for 2018, Additions, and Deletions					
				<b>9,834,922.00</b>	<b>9,834,922.00</b>

**Net Income (Loss) (95,518.00)**

# APPENDIX C

Letter Communicating a Significant Deficiency  
in Internal Control over Financial Reporting



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

In planning and performing our audit of the financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

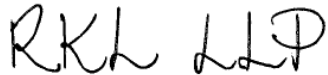
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies that we consider to be material weaknesses.

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

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

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

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

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

May 3, 2019  
Wyomissing, Pennsylvania

# APPENDIX D

Certain Written Communications between  
Management and Our Firm

# UPPER SAUCON TOWNSHIP

5500 Camp Meeting Road • Center Valley, PA 18034

May 3, 2019

RKL LLP  
1330 Broadcasting Road  
P.O. Box 7008  
Wyomissing, PA 19610-6008

This representation letter is provided in connection with your audit of the primary government basic financial statements of Upper Saucon Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2018 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

## **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 7, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the component units for which the Township is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.



6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statement.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. With respect to the accounting services necessary for the preparation of the financial statements performed in the course of the audit:
  - a. We have made all management decisions and performed all management functions;
  - b. We assigned an appropriate individual to oversee the services;
  - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
  - d. We have accepted responsibility for the results of the services; and
  - e. We have accepted responsibility for all significant judgments and decisions that were made.
11. We have informed you of all uncorrected misstatements. Schedules of the uncorrected misstatements are attached to this letter.

### **Information Provided**

12. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Township from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Supervisors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.

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

### **Supplementary Information**

24. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

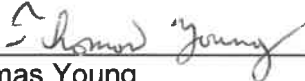
- c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
25. With respect to the required supplementary information presented, as required by the Governmental Accounting Standards Board, to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by the Governmental Accounting Standards Board.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

UPPER SAUCON TOWNSHIP



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Thomas F. Beil  
Township Manager



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Thomas Young  
Director of Finance

**UPPER SAUCON TOWNSHIP**

**SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS**

As of and for the Year Ended December 31, 2018

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

**OPINION UNIT: MAJOR FUND**

**Effect - Increase (Decrease)**

<b>DESCRIPTION: GENERAL FUND</b>	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET ASSETS</b>	<b>REVENUE</b>	<b>EXPENSES</b>
<b>CARRYOVER IMPACT FROM PREVIOUS YEARS</b>					
<ul style="list-style-type: none"> <li>• Known Errors                             <ul style="list-style-type: none"> <li>Understatement of allowance for uncollectible developer receivables</li> </ul> </li> </ul>			111,696		(111,696)
<b>CURRENT YEAR MISSTATEMENTS</b>					
<ul style="list-style-type: none"> <li>• Known Errors                             <ul style="list-style-type: none"> <li>Understatement of allowance for uncollectible developer receivables</li> </ul> </li> </ul>	(111,696)				111,696
<b>TOTAL EFFECT</b>	<u>(111,696)</u>		<u>111,696</u>		<u>-</u>