

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

**Financial Statements and  
Supplementary Information**

**December 31, 2019**



# Upper Saucon Township

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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, 2019, 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, 2019, 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.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information on Pages 4 to 13 and Pages 65 to 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

## **Emphasis of Matter**

As discussed in Note 17 to the financial statements effective January 1, 2019, the Township's Volunteer Fire Fighters Length of Service Awards Program adopted the provisions of GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result of the adoption of this Statement, the Township recorded a net liability of \$725,563 as of January 1, 2019. Our opinion is not modified with respect to this matter.

## **Other Matter - Adoption of Governmental Accounting Standards Board**

The Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activity*, as of January 1, 2019. As a result, the fund balance of the Custodial Fund as of January 1, 2019 has been restated to \$1,589,657 from \$-0-, as previously reported. The Township adopted the provisions of GASB 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 the notes to government financial statements related to debt, including direct borrowings and direct placements. The adoption had no material impact on the financial statements. Our opinion is not modified in respect to these matters.

## 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.

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

September 9, 2020  
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, 2019.

### Financial Highlights

- The Township adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
- 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 \$53,549,118. Of this amount, \$14,510,701 may be used to meet the government's on-going obligations to citizens and creditors.
- Upper Saucon Township's net assets increased by \$3,644,027.
- As of the close of fiscal year 2019, Upper Saucon Township's governmental funds reported combined ending fund balances of \$10,750,661. Approximately 33% of this total amount is available for spending at the Township's discretion. The remaining 67% is held for specific expenditures and capital projects.
- At the end of fiscal year 2019, the general fund had a fund balance of \$3,564,406 of which \$3,523,340 was unreserved and available for spending at the Township's discretion.

### 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 and deferred outflows of resources and liabilities and deferred inflows of 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 the legally separate Upper Saucon Sewage Treatment Authority and the 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 14 and 15 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 nine 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 six 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 16 through 19 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 20 through 23 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 24 and 25 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 26 through 64 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 65 through 73 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 74 through 77 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 \$53,549,118 at the close of the fiscal year 2019. Of this amount, \$36,110,784 (or 67%) 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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 12,313,825	\$ 10,359,886	\$ 9,962,299	\$ 10,516,152	\$ 22,276,124	\$ 20,876,038
Capital assets	26,706,380	22,236,771	22,835,035	18,973,257	49,541,415	41,210,028
Deferred outflow of resources	947,610	1,724,436	130,143	9,838	1,077,753	1,734,274
Total assets and deferred outflow of resources	<u>39,967,815</u>	<u>34,321,093</u>	<u>32,927,477</u>	<u>29,499,247</u>	<u>72,895,292</u>	<u>63,820,340</u>
Long-term liabilities	11,564,856	7,914,243	2,917,835	2,827,610	14,482,691	10,741,853
Other liabilities	2,231,361	1,649,036	577,635	439,075	2,808,996	2,088,111
Total liabilities	<u>13,796,217</u>	<u>9,563,279</u>	<u>3,495,470</u>	<u>3,266,685</u>	<u>17,291,687</u>	<u>12,829,964</u>
Deferred inflows of resources						
Pension	<u>2,054,487</u>	<u>1,085,285</u>	-	-	<u>2,054,487</u>	<u>1,085,285</u>
Net positions:						
Invested in capital assets, net of debt	16,283,441	17,093,800	19,827,343	15,955,485	36,110,784	33,049,285
Restricted	2,927,633	2,783,399	-	-	2,927,633	2,783,399
Unrestricted	4,906,037	3,795,330	9,604,664	10,277,077	14,510,701	14,072,407
Total net positions	<u>\$ 24,117,111</u>	<u>\$ 23,672,529</u>	<u>\$ 29,432,007</u>	<u>\$ 26,232,562</u>	<u>\$ 53,549,118</u>	<u>\$ 49,905,091</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 (\$14,510,701) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2019, 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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Taxes licenses & permits	\$ 8,690,936	\$ 8,695,195	\$ -	\$ -	\$ 8,690,936	\$ 8,695,195
Interest & rents	292,930	230,658	206,560	205,120	499,490	435,778
Operating grants and contributions	846,940	783,070	7,950	45,790	854,890	828,860
Charges for service	688,426	687,375	4,023,992	3,985,088	4,712,418	4,672,463
Other financing sources	409,640	351,329	-	-	409,640	351,329
Miscellaneous revenue	35,434	17,070	-	-	35,434	17,070
Capital contribution	167,078	5,465	3,076,683	1,929,568	3,243,761	1,935,033
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
	<u>11,031,384</u>	<u>10,670,162</u>	<u>7,415,185</u>	<u>6,265,566</u>	<u>18,446,569</u>	<u>16,935,728</u>
Expenditures						
General government	1,191,522	1,214,206	-	-	1,191,522	1,214,206
Public safety	4,308,509	3,937,819	-	-	4,308,509	3,937,819
Highway and streets	2,855,798	2,637,589	-	-	2,855,798	2,637,589
Culture and recreation	1,260,330	382,363	-	-	1,260,330	382,363
Miscellaneous	726,880	904,476	-	-	726,880	904,476
Enterprise expenses	-	-	4,092,966	4,055,441	4,092,966	4,055,441
Debt service - interest & fiscal charges	243,763	179,960	122,774	183,887	366,537	363,847
	<u>10,586,802</u>	<u>9,256,413</u>	<u>4,215,740</u>	<u>4,239,328</u>	<u>14,802,542</u>	<u>13,495,741</u>
Net Change	444,582	1,413,749	3,199,445	2,026,238	3,644,027	3,439,987
Net Position Beginning of Year, Restated	<u>23,672,529</u>	<u>22,258,780</u>	<u>26,232,562</u>	<u>24,206,324</u>	<u>49,905,091</u>	<u>46,465,104</u>
Net Position End of Year	<u>\$ 24,117,111</u>	<u>\$ 23,672,529</u>	<u>\$ 29,432,007</u>	<u>\$ 26,232,562</u>	<u>\$ 53,549,118</u>	<u>\$ 49,905,091</u>

**Governmental activities.** Governmental activities increased Upper Saucon Township's net position by \$444,582.

The following table depicts revenues by source for governmental activities:

**Revenues by Source - Governmental Activities**

	<u>2019</u>		<u>2018</u>	
Charges for services	\$ 688,426	6 %	\$ 687,375	6 %
Operating Grants	1,256,580	11	1,134,399	11
Capital Grants	167,078	1	5,465	-
Property Taxes	3,145,953	29	3,097,912	29
Real Estate Transfer Tax	660,350	6	772,501	7
Earned Income Taxes	4,387,141	40	4,344,702	41
Other	432,926	4	397,150	4
Interest and Rents	292,930	3	230,658	2
<b>Total</b>	<b><u>\$ 11,031,384</u></b>	<b><u>100 %</u></b>	<b><u>\$ 10,670,162</u></b>	<b><u>100 %</u></b>

For 2019, Government-wide revenues were primarily derived from earned income tax collections at 40% and property tax collections at 29% of the total. Operating grants, at 11%, are the third largest source of revenue.

For 2018, Government-wide revenues were primarily derived from earned income tax collections at 41% and property tax collections at 29% of the total. Operating grants, at 11%, are the third largest source of revenue.

The following table depicts expenses by programs for governmental activities:

**Expenses by Program - Governmental Activities**

	<u>2019</u>		<u>2018</u>	
General government	\$ 1,191,522	11 %	\$ 1,214,206	13 %
Public safety	4,308,509	41	3,937,819	43
Highways and streets	2,855,798	27	2,637,589	28
Culture and recreation	1,260,330	12	382,363	4
Miscellaneous	726,880	7	904,476	10
Interest on long-term debt	243,763	2	179,960	2
<b>Total Governmental Activities</b>	<b><u>\$ 10,586,802</u></b>	<b><u>100 %</u></b>	<b><u>\$ 9,256,413</u></b>	<b><u>100 %</u></b>

Total expenses for all programs in 2019 were \$10,586,802. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 41%. The second largest program is highways and streets at 27%.

Total expenses for all programs in 2018 were \$9,256,413. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 43%. The second largest program is highways and streets at 28%.

The following table depicts the net program expenses/revenues by function/program for the periods ending December 31, 2019 and 2018:

**Net Program Expenses/Revenues**

	<b>2019</b>	<b>2018</b>
General government	\$ (1,049,212)	\$ (1,083,133)
Public safety	(3,492,133)	(3,166,298)
Public works	(2,282,090)	(2,071,273)
Culture and recreation	(1,090,280)	(375,363)
Other	(317,240)	(553,147)
Interest	(243,763)	(179,960)
 Total	 <b>\$ (8,474,718)</b>	 <b>\$ (7,429,174)</b>

For 2019, 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 \$3.5 million in 2019. Public works expenses required approximately \$2.3 million in general revenues for support.

For 2018, 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 \$3.1 million in 2018. 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 \$3,199,445 and \$2,026,238 for the years ended December 31, 2019 and 2018, respectively.

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

**Expenses and Program Revenues - Business-type Activities - 2019**

Program	Operating Revenue	Operating Expenses, Net*
Water	\$ 1,412,383	\$ 1,053,150
Sewer	2,611,609	1,759,976

\*depreciation removed

**Expenses and Program Revenues - Business-type Activities - 2018**

Program	Operating Revenue	Operating Expenses, Net*
Water	\$ 1,396,235	\$ 1,015,820
Sewer	2,588,853	1,962,160

\*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 2019, Upper Saucon Township's governmental funds reported combined ending fund balances of \$10,750,661. As stated previously, approximately 33% of this total amount is available for spending at the government's discretion. The remaining 67% 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 2019, the unassigned fund balance of the general fund was \$3,523,340. The general fund balance increased by \$172,217 during the fiscal year 2019.

*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 \$2,506,057, and the sewer fund \$7,098,607. The unrestricted position is comprised of cash and cash equivalents totaling \$2,330,491 and \$6,373,428 for the water and sewer fund, respectively.

### **General Fund Budgetary Highlights**

Revenues were over budgetary estimates by 7%. The major increase was in taxes. Expenditures were 13% under budget. The largest spending reduction was in public safety.

### **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, 2019 and 2018, amounts to \$49,541,415 and \$41,210,028, respectively (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 - 2019

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,684,673	\$ 723,951	\$ 6,408,624
Construction in Progress	9,290,679	2,907,557	12,198,236
<b>Total Non-Depreciable Assets</b>	<b>14,975,352</b>	<b>3,631,508</b>	<b>18,606,860</b>
Land Improvements	2,811,362	27,388,810	30,200,172
Roads	10,945,979	-	10,945,979
Computer	81,093	-	81,093
Building and Improvements	3,526,596	1,188,833	4,715,429
Vehicles	3,387,823	1,281,566	4,669,389
Machinery	2,373,391	2,031,342	4,404,733
<b>Total Depreciable Assets</b>	<b>23,126,244</b>	<b>31,890,551</b>	<b>55,016,795</b>
Accumulated Depreciation	(11,395,216)	(12,687,024)	(24,082,240)
Total Depreciable Assets, Net	11,731,028	19,203,527	30,934,555
<b>Total Capital Assets</b>	<b>\$ 26,706,380</b>	<b>\$ 22,835,035</b>	<b>\$ 49,541,415</b>

### Summary of Upper Saucon Township's Capital Assets - 2018

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,602,843	\$ 723,951	\$ 6,326,794
Construction in Progress	4,339,977	1,502,929	5,842,906
<b>Total Non-Depreciable Assets</b>	<b>9,942,820</b>	<b>2,226,880</b>	<b>12,169,700</b>
Land Improvements	2,811,362	24,089,992	26,901,354
Roads	10,945,980	-	10,945,980
Computer	51,240	-	51,240
Building and Improvements	3,509,494	1,188,833	4,698,327
Vehicles	3,074,763	1,106,956	4,181,719
Machinery	2,300,571	1,937,086	4,237,657
<b>Total Depreciable Assets</b>	<b>22,693,410</b>	<b>28,322,867</b>	<b>51,016,277</b>
Accumulated Depreciation	(10,399,459)	(11,576,490)	(21,975,949)
Total Depreciable Assets, Net	12,293,951	16,746,377	29,040,328
<b>Total Capital Assets</b>	<b>\$ 22,236,771</b>	<b>\$ 18,973,257</b>	<b>\$ 41,210,028</b>

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 years 2019 and 2018, Upper Saucon Township had total debt outstanding of \$13,581,140 and \$8,157,561, respectively.

**Upper Saucon Township's Outstanding Debt - 2019**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 10,443,305</u>	<u>\$ 3,137,835</u>	<u>\$ 13,581,140</u>

**Upper Saucon Township's Outstanding Debt - 2018**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 5,132,561</u>	<u>\$ 3,025,000</u>	<u>\$ 8,157,561</u>

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 2020 budget, tax rates, and fees that will be charged for the business-type activities.

The 2020 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, 2019

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Upper Saucon	Upper Saucon
	Activities	Activities		Sewage Treatment Authority	Township Municipal Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 11,853,083	\$ 8,703,919	\$ 20,557,002	\$ 462	\$ 462
Prepaid expenses	41,066	14,547	55,613	-	-
Taxes receivable	122,012	-	122,012	-	-
Accounts receivable	297,664	1,243,833	1,541,497	-	-
Capital assets not being depreciated	14,975,352	3,631,508	18,606,860	-	-
Capital assets being depreciated, net	11,731,028	19,203,527	30,934,555	-	-
<b>Total Assets</b>	<b>39,020,205</b>	<b>32,797,334</b>	<b>71,817,539</b>	<b>462</b>	<b>462</b>
<b>Deferred Outflows of Resources</b>					
Pensions	927,244	-	927,244	-	-
Loss on debt refinancing	20,366	130,143	150,509	-	-
<b>Total Deferred Outflows of Resources</b>	<b>947,610</b>	<b>130,143</b>	<b>1,077,753</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Accounts payable	1,178,755	320,896	1,499,651	-	-
Advances from developers	152,378	-	152,378	-	-
Accrued salaries and benefits	148,772	27,279	176,051	-	-
Accrued interest	19,456	9,460	28,916	-	-
Net pension liabilities	1,853,551	-	1,853,551	-	-
Bonds payable, current portion	732,000	220,000	952,000	-	-
Bonds payable, long-term portion	9,711,305	2,917,835	12,629,140	-	-
<b>Total Liabilities</b>	<b>13,796,217</b>	<b>3,495,470</b>	<b>17,291,687</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflow of Resources</b>					
Pensions	2,054,487	-	2,054,487	-	-
<b>Net Position</b>					
Net investment in capital assets	16,283,441	19,827,343	36,110,784	-	-
Restricted	2,927,633	-	2,927,633	462	462
Unrestricted	4,906,037	9,604,664	14,510,701	-	-
<b>Total Net Position</b>	<b>\$ 24,117,111</b>	<b>\$ 29,432,007</b>	<b>\$ 53,549,118</b>	<b>\$ 462</b>	<b>\$ 462</b>

See accompanying notes.

**Upper Saucon Township**

Statement of Activities

Year Ended December 31, 2019

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		
<b>Primary Government</b>									
Governmental activities									
General government	\$ 1,191,522	\$ 134,464	\$ 7,846	\$ -	\$ (1,049,212)	\$ -	\$ (1,049,212)	\$ -	\$ -
Public safety	4,308,509	548,912	267,464	-	(3,492,133)	-	(3,492,133)	-	-
Public works - highways and streets	2,855,798	-	571,630	2,078	(2,282,090)	-	(2,282,090)	-	-
Culture and recreation	1,260,330	5,050	-	165,000	(1,090,280)	-	(1,090,280)	-	-
Other	726,880	-	409,640	-	(317,240)	-	(317,240)	-	-
Interest	243,763	-	-	-	(243,763)	-	(243,763)	-	-
Total governmental activities	<u>10,586,802</u>	<u>688,426</u>	<u>1,256,580</u>	<u>167,078</u>	<u>(8,474,718)</u>	<u>-</u>	<u>(8,474,718)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Sewer	2,615,417	2,611,609	-	2,534,488	-	2,530,680	2,530,680	-	-
Water	1,600,323	1,412,383	7,950	542,195	-	362,205	362,205	-	-
Total business-type activities	<u>4,215,740</u>	<u>4,023,992</u>	<u>7,950</u>	<u>3,076,683</u>	<u>-</u>	<u>2,892,885</u>	<u>2,892,885</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 14,802,542</u>	<u>\$ 4,712,418</u>	<u>\$ 1,264,530</u>	<u>\$ 3,243,761</u>	<u>(8,474,718)</u>	<u>2,892,885</u>	<u>(5,581,833)</u>	<u>-</u>	<u>-</u>
<b>Component Units</b>									
Upper Saucon Sewage Treatment Authority	\$ 123,514	\$ -	\$ -	\$ -	-	-	-	(123,514)	-
Upper Saucon Township Municipal Authority	104	-	-	-	-	-	-	-	(104)
<b>Total Component Units</b>	<u>\$ 123,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,514)</u>	<u>(104)</u>
<b>General Revenues</b>									
Real estate taxes					3,145,953	-	3,145,953	-	-
Earned income taxes					4,387,141	-	4,387,141	-	-
Emergency services taxes					470,577	-	470,577	-	-
Amusement taxes					26,915	-	26,915	-	-
Real estate transfer taxes					660,350	-	660,350	-	-
Interest income and rents					292,930	206,560	499,490	-	-
Proceeds from sale of capital assets					11,700	-	11,700	-	-
Miscellaneous income					23,734	-	23,734	-	-
<b>Transfers (to) from Other Funds</b>					<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>					<u>8,919,300</u>	<u>306,560</u>	<u>9,225,860</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>					<u>444,582</u>	<u>3,199,445</u>	<u>3,644,027</u>	<u>(123,514)</u>	<u>(104)</u>
<b>Net Position at Beginning of Year, restated</b>					<u>23,672,529</u>	<u>26,232,562</u>	<u>49,905,091</u>	<u>123,976</u>	<u>566</u>
<b>Net Position at End of Year</b>					<u>\$ 24,117,111</u>	<u>\$ 29,432,007</u>	<u>\$ 53,549,118</u>	<u>\$ 462</u>	<u>\$ 462</u>

## Upper Saucon Township

Balance Sheet - Governmental Funds

December 31, 2019

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,588,855	\$ 1,743,162	\$ 1,900,189	\$ 4,620,877	\$ 11,853,083
Prepaid expenses	41,066	-	-	-	41,066
Accounts receivable	297,664	-	-	-	297,664
Taxes receivable	86,949	-	-	35,063	122,012
<b>Total Assets</b>	<b><u>\$ 4,014,534</u></b>	<b><u>\$ 1,743,162</u></b>	<b><u>\$ 1,900,189</u></b>	<b><u>\$ 4,655,940</u></b>	<b><u>\$ 12,313,825</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 99,353	\$ 399,016	\$ 641,836	\$ 38,550	\$ 1,178,755
Unearned revenue	152,378	-	-	-	152,378
Accrued expenses	148,772	-	-	-	148,772
<b>Total Liabilities</b>	<b><u>400,503</u></b>	<b><u>399,016</u></b>	<b><u>641,836</u></b>	<b><u>38,550</u></b>	<b><u>1,479,905</u></b>
<b>Deferred Inflow of Resources</b>					
Unavailable revenue - property taxes	49,625	-	-	33,634	83,259
<b>Fund Balances</b>					
Nonspendable	41,066	-	-	-	41,066
Restricted	-	-	-	2,927,633	2,927,633
Committed	-	1,344,146	-	1,388,283	2,732,429
Assigned	-	-	1,258,353	267,840	1,526,193
Unassigned	3,523,340	-	-	-	3,523,340
<b>Total Fund Balances</b>	<b><u>3,564,406</u></b>	<b><u>1,344,146</u></b>	<b><u>1,258,353</u></b>	<b><u>4,583,756</u></b>	<b><u>10,750,661</u></b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b><u>\$ 4,014,534</u></b>	<b><u>\$ 1,743,162</u></b>	<b><u>\$ 1,900,189</u></b>	<b><u>\$ 4,655,940</u></b>	<b><u>\$ 12,313,825</u></b>

## Upper Saucon Township

Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
December 31, 2019

**Total Fund Balances, Governmental Funds** **\$ 10,750,661**

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 \$38,101,596, and the accumulated depreciation is \$11,395,216. **26,706,380**

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. **83,259**

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. **(1,127,243)**

Deferred outflows of resources related to the loss on debt refinancing will not be paid in the current period and; therefore, are not reported in the funds. **20,366**

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 are as follows at December 31, 2019

Bonds payable	<b>(10,358,000)</b>
Bond premium	<b>(85,305)</b>
Accrued interest on bonds payable	<b>(19,456)</b>
Accrued net pension liability	<b>(1,853,551)</b>

**Total Net Position, Governmental Activities** **\$ 24,117,111**

## Upper Saucon Township

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
Year Ended December 31, 2019

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 8,543,761	\$ -	\$ -	\$ 135,112	\$ 8,678,873
Licenses and permits	442,211	-	-	-	442,211
Fines and forfeits	57,540	-	-	-	57,540
Interest, rents, and royalties	123,218	37,766	24,940	103,561	289,485
Intergovernmental revenue	703,420	-	-	556,605	1,260,025
Charges for services	156,539	-	32,136	-	188,675
Developer contributions	-	165,000	-	2,078	167,078
Miscellaneous revenue	124,541	-	-	-	124,541
<b>Total Revenues</b>	<b>10,151,230</b>	<b>202,766</b>	<b>57,076</b>	<b>797,356</b>	<b>11,208,428</b>
<b>Expenditures</b>					
Current					
General government	998,953	-	-	-	998,953
Public safety	4,009,099	-	-	17,688	4,026,787
Public works - highways and streets	1,341,529	-	13,919	495,594	1,851,042
Culture and recreation	341,486	-	-	-	341,486
Other	968,801	-	-	-	968,801
Debt service					
Principal	3,196,000	-	-	-	3,196,000
Interest	258,740	-	-	-	258,740
Capital outlay	498,768	3,093,038	2,998,218	513,874	7,103,898
<b>Total Expenditures</b>	<b>11,613,376</b>	<b>3,093,038</b>	<b>3,012,137</b>	<b>1,027,156</b>	<b>18,745,707</b>
<b>Deficiency of Revenues under Expenditures</b>	<b>(1,462,146)</b>	<b>(2,890,272)</b>	<b>(2,955,061)</b>	<b>(229,800)</b>	<b>(7,537,279)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	250,000	200,000	271,000	721,000
Transfers out	(721,000)	-	-	(100,000)	(821,000)
Proceeds from debt issuance	2,343,663	2,266,439	3,900,000	-	8,510,102
Proceeds from sale of assets	11,700	-	-	-	11,700
<b>Total Other Financing Sources (Uses)</b>	<b>1,634,363</b>	<b>2,516,439</b>	<b>4,100,000</b>	<b>171,000</b>	<b>8,421,802</b>
<b>Net Change in Fund Balances</b>	<b>172,217</b>	<b>(373,833)</b>	<b>1,144,939</b>	<b>(58,800)</b>	<b>884,523</b>
<b>Fund Balances at Beginning of Year</b>	<b>3,392,189</b>	<b>1,717,979</b>	<b>113,414</b>	<b>4,642,556</b>	<b>9,866,138</b>
<b>Fund Balances at End of Year</b>	<b>\$ 3,564,406</b>	<b>\$ 1,344,146</b>	<b>\$ 1,258,353</b>	<b>\$ 4,583,756</b>	<b>\$ 10,750,661</b>

## 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, 2019

**Net Change in Fund Balances, Governmental Funds** **\$ 884,523**

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	\$ 5,860,083	
Loss on disposal of capital assets	(1,326)	
Depreciation	<u>(1,216,335)</u>	
		4,642,422

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.

(6,784)

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.

12,063

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

Debt issued	(8,510,102)	
Principal repayments	3,196,000	
Amortization of premium/refunding loss on bond issue	<u>12,372</u>	
		(5,301,730)

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

Loss on debt refinancing	21,761
Net pension expense	<u>192,327</u>

**Change in Net Position, Governmental Activities** **\$ 444,582**

## Upper Saucon Township

### Statement of Net Position - Proprietary Funds

December 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,330,491	\$ 6,373,428	\$ 8,703,919
Prepaid expenses	4,603	9,944	14,547
Accounts receivable	297,654	946,179	1,243,833
Capital assets not being depreciated	1,070,820	2,560,688	3,631,508
Capital assets being depreciated	8,082,714	11,120,813	19,203,527
<b>Total Assets</b>	<b>11,786,282</b>	<b>21,011,052</b>	<b>32,797,334</b>
<b>Deferred Outflow of Resources</b>			
Loss on debt refinancing	130,143	-	130,143
<b>Liabilities</b>			
Accounts payable	108,837	212,059	320,896
Accrued expenses	17,854	18,885	36,739
Bonds payable, current portion	220,000	-	220,000
Bonds payable, long-term portion	2,917,835	-	2,917,835
<b>Total Liabilities</b>	<b>3,264,526</b>	<b>230,944</b>	<b>3,495,470</b>
<b>Net Position</b>			
Net investment in capital assets	6,145,842	13,681,501	19,827,343
Unrestricted	2,506,057	7,098,607	9,604,664
<b>Total Net Position</b>	<b>\$ 8,651,899</b>	<b>\$ 20,780,108</b>	<b>\$ 29,432,007</b>

## Upper Saucon Township

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
Year Ended December 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,412,383	\$ 2,611,609	\$ 4,023,992
<b>Operating Expenses</b>			
Personnel services	534,056	1,043,038	1,577,094
Contracted services	114,892	174,227	289,119
Materials and supplies	112,083	340,358	452,441
Other operating expense	292,119	202,353	494,472
Depreciation expense	413,610	855,441	1,269,051
<b>Total Operating Expenses</b>	<u>1,466,760</u>	<u>2,615,417</u>	<u>4,082,177</u>
<b>Operating Loss</b>	<u>(54,377)</u>	<u>(3,808)</u>	<u>(58,185)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenue	7,950	-	7,950
Interest income	66,730	139,830	206,560
Tapping fees	82,530	132,680	215,210
Interest expense	(133,563)	-	(133,563)
Transfers from other funds	100,000	-	100,000
<b>Total Nonoperating Revenues (Expenses)</b>	<u>123,647</u>	<u>272,510</u>	<u>396,157</u>
<b>Income before Capital Contributions</b>	69,270	268,702	337,972
<b>Capital Contributions</b>	<u>459,665</u>	<u>2,401,808</u>	<u>2,861,473</u>
<b>Change in Net Position</b>	528,935	2,670,510	3,199,445
<b>Net Position at Beginning of Year</b>	<u>8,122,964</u>	<u>18,109,598</u>	<u>26,232,562</u>
<b>Net Position at End of Year</b>	<u>\$ 8,651,899</u>	<u>\$ 20,780,108</u>	<u>\$ 29,432,007</u>



## Upper Saucon Township

Statement of Cash Flows - Proprietary Funds  
Year Ended December 31, 2019

	Water Fund	Sewer Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,417,445	\$ 2,575,766	\$ 3,993,211
Payments to suppliers	(432,287)	(672,370)	(1,104,657)
Payments to employees	(533,358)	(1,038,394)	(1,571,752)
<b>Net Cash Provided by Operating Activities</b>	<b>451,800</b>	<b>865,002</b>	<b>1,316,802</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Intergovernmental activity	7,950	-	7,950
Interfund activity	100,000	-	100,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>107,950</b>	<b>-</b>	<b>107,950</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal issued	3,310,228	-	3,310,228
Acquisition of capital assets	(547,452)	(1,721,904)	(2,269,356)
Tapping fees	82,530	132,680	215,210
Interest paid	(289,813)	-	(289,813)
Principal paid on notes and bonds	(3,180,000)	-	(3,180,000)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(624,507)</b>	<b>(1,589,224)</b>	<b>(2,213,731)</b>
<b>Cash Flows from Investing Activities</b>			
Interest income	66,730	139,830	206,560
<b>Net Cash Provided by Investing Activities</b>	<b>66,730</b>	<b>139,830</b>	<b>206,560</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,973</b>	<b>(584,392)</b>	<b>(582,419)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,328,518</b>	<b>6,957,820</b>	<b>9,286,338</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,330,491</b>	<b>\$ 6,373,428</b>	<b>\$ 8,703,919</b>

## Upper Saucon Township

Statement of Cash Flows - Proprietary Funds (continued)

Year Ended December 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating loss	\$ (54,377)	\$ (3,808)	\$ (58,185)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense	413,610	855,441	1,269,051
Amortization expense	10,826	-	10,826
(Increase) decrease in assets			
Accounts receivable	5,062	(35,843)	(30,781)
Prepaid expenses	414	1,801	2,215
Increase (decrease) in liabilities			
Accounts payable	75,567	42,767	118,334
Accrued expenses	698	4,644	5,342
	<u>451,800</u>	<u>865,002</u>	<u>1,316,802</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 451,800</b>	<b>\$ 865,002</b>	<b>\$ 1,316,802</b>
<b>Schedule of Noncash Capital and Related Financing Activities</b>			
Contributions of capital assets	<u>\$ 459,665</u>	<u>\$ 2,401,808</u>	<u>\$ 2,861,473</u>

## Upper Saucon Township

### Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2019

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,346,555	\$ 2,192,412	\$ 4,538,967
Investments	15,741,511	-	15,741,511
Accrued interest receivable	29,439	-	29,439
<b>Total Assets</b>	<b>\$ 18,117,505</b>	<b>\$ 2,192,412</b>	<b>\$ 20,309,917</b>
<b>Net Position</b>			
Assets held in trust for pension benefits	\$ 18,117,505	\$ -	\$ 18,117,505
Funds held in escrow	-	2,192,412	2,192,412
<b>Total Net Position</b>	<b>\$ 18,117,505</b>	<b>\$ 2,192,412</b>	<b>\$ 20,309,917</b>

## Upper Saucon Township

### Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 777,129	\$ -	\$ 777,129
Employee	218,854	-	218,854
	<u>995,983</u>	<u>-</u>	<u>995,983</u>
Total contributions			
Investment income			
Net decrease in fair value of investments	2,990,643	-	2,990,643
Interest and dividends	8,537	-	8,537
	<u>2,999,180</u>	<u>-</u>	<u>2,999,180</u>
Total investment income			
Developer deposits	-	975,416	975,416
	<u>-</u>	<u>975,416</u>	<u>975,416</u>
<b>Total Additions</b>	<b><u>3,995,163</u></b>	<b><u>975,416</u></b>	<b><u>4,970,579</u></b>
<b>Deductions</b>			
Benefit payments	719,454	-	719,454
Administrative expenses	73,489	-	73,489
Developer expenses	-	372,661	372,661
	<u>792,943</u>	<u>372,661</u>	<u>1,165,604</u>
<b>Total Deductions</b>	<b><u>792,943</u></b>	<b><u>372,661</u></b>	<b><u>1,165,604</u></b>
<b>Change in Net Position</b>	<b>3,202,220</b>	<b>602,755</b>	<b>3,804,975</b>
<b>Net Position at Beginning of Year (As Restated)</b>	<b><u>14,915,285</u></b>	<b><u>1,589,657</u></b>	<b><u>16,504,942</u></b>
<b>Net Position at End of Year</b>	<b><u>\$ 18,117,505</u></b>	<b><u>\$ 2,192,412</u></b>	<b><u>\$ 20,309,917</u></b>

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **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 Township Municipal 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 Sewage Treatment 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.

**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

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Notes to Financial Statements

December 31, 2019

### 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 fund as a major governmental fund:

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

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.

**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

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Notes to Financial Statements

December 31, 2019

### 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.

**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

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Notes to Financial Statements

December 31, 2019

### 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 Volunteer Fire Fighters Length of Service Awards Program.

**Custodial Fund** - is used to account for assets held in trust for the benefit of others. 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.

**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.

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Measurement Focus and Basis of Accounting (continued)**

###### **Fund Financial Statements (continued)**

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

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

##### **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:

1. U.S. Treasury Bills.
2. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Bills of exchange or time drafts and accepted by a commercial bank not to exceed 180 days.
6. Short-term, unsecured obligations of corporations or other business entities organized in accordance with federal or state law.
7. 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.

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**Accounts Receivable**

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance at December 31, 2019 was \$-0-.

**Due To and From Other Funds**

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

**Capital Assets**

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially 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

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the year ended December 31, 2019.

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**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 of debt, which represents a loss on the refunding and is being amortized over the debt 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.

**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.

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **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.

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.

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **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.

###### **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 2019 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.

## Upper Saucon Township

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### Notes to Financial Statements

December 31, 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **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.

##### **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**

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 adopted this Statement as of January 1, 2019.



**Note 2 - Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**

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. The Township adopted this Statement as of January 1, 2019.

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 June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for periods beginning after December 15, 2020.

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, 2018 and the cash received for the year ended December 31, 2019. For the year ended December 31, 2019, expenditures exceeded appropriations in the general fund by \$715,589 due to the current refunding of debt of \$2,240,000.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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 consist of the following at December 31, 2019:

Cash deposits	\$ 25,096,892
Investments	<u>15,741,511</u>
	<u>\$ 40,838,403</u>

#### Reconciliation to Statement of Net Position/Balance Sheet

<b>Cash</b>	
Governmental activities	\$ 11,853,083
Business-type activities	8,703,919
Component units	923
Fiduciary funds	<u>4,538,967</u>
	25,096,892
<b>Investments</b>	
Fiduciary	<u>15,741,511</u>
	<u>\$ 40,838,403</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, 2019, the carrying amounts of the Township's bank deposits were \$25,096,892 and the corresponding bank balances were \$25,738,361, of which \$250,000 was covered by Federal Depository Insurance. The remaining \$25,488,361 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 \$1,880,835 were uninsured and uncollateralized.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 4 - Deposits and Investments (continued)

##### Investments

The Township's pension funds have the following investments as of December 31, 2019:

##### 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	\$ 1,141,417	\$ 1,170,354	\$ 200,092	\$ 970,262	\$ -	Aaa - Aa3
Equities	1,725,188	2,426,044	2,426,044	-	-	N/A
Exchange traded and mutual funds	2,803,588	3,460,763	3,460,763	-	-	N/A
	<u>\$ 5,670,193</u>	<u>\$ 7,057,161</u>	<u>\$ 6,086,899</u>	<u>\$ 970,262</u>	<u>\$ -</u>	

##### 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	\$ 1,341,041	\$ 1,372,740	\$ 200,040	\$ 1,172,700	\$ -	Aaa - Aa3
Equities	2,367,338	3,335,910	3,335,910	-	-	N/A
Exchange traded and mutual funds	3,064,664	3,794,801	3,794,801	-	-	N/A
	<u>\$ 6,773,043</u>	<u>\$ 8,503,451</u>	<u>\$ 7,330,751</u>	<u>\$ 1,172,700</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	\$ 157,188	\$ 180,899	\$ 180,899	\$ -	\$ -	N/A

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 4 - Deposits and Investments (continued)**

##### **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, 2019, \$15,741,511 is held by the investment's counterparties, not in the name of the Township.

#### **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 measurements). 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.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 5 - Fair Value Measurement (continued)

The following table presents the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investments Measured at Fair Value</b>				
<b>Fixed Income</b>				
Corporate bonds	\$ -	\$ 2,543,094	\$ -	\$ 2,543,094
<b>Equities</b>				
Consumer discretionary	711,783	-	-	711,783
Consumer staples	430,855	-	-	430,855
Energy	283,877	-	-	283,877
Financial	701,869	-	-	701,869
Health care	729,544	-	-	729,544
Industrials	442,517	-	-	442,517
Information technology	1,289,973	-	-	1,289,973
Materials	107,341	-	-	107,341
Real estate	144,435	-	-	144,435
Telecommunication services	672,091	-	-	672,091
Utilities	247,669	-	-	247,669
<b>Total Equities</b>	<b>5,761,954</b>	<b>-</b>	<b>-</b>	<b>5,761,954</b>
<b>Exchange Traded Funds</b>				
Fixed income	1,136,162	-	-	1,136,162
Equities	3,632,998	-	-	3,632,998
<b>Total Exchange Traded Funds</b>	<b>4,769,161</b>	<b>-</b>	<b>-</b>	<b>4,769,161</b>
<b>Mutual Funds</b>				
Fixed income	482,451	-	-	482,451
Equities	2,184,851	-	-	2,184,851
<b>Total Mutual Funds</b>	<b>2,667,302</b>	<b>-</b>	<b>-</b>	<b>2,667,302</b>
	<b>\$ 13,198,417</b>	<b>\$ 2,543,094</b>	<b>\$ -</b>	<b>\$ 15,741,511</b>

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.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 6 - Capital Assets

Capital asset activity of the primary government was as follows for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Deletions/ Transfers	Balance December 31, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,602,843	\$ 81,830	\$ -	\$ 5,684,673
Construction in progress	4,339,978	5,123,515	172,814	9,290,679
Total capital assets not being depreciated	9,942,821	5,205,345	172,814	14,975,352
Capital assets being depreciated				
Land improvements	2,811,362	-	-	2,811,362
Roads	10,945,979	-	-	10,945,979
Computer	51,240	29,853	-	81,093
Buildings and improvements	3,509,494	17,102	-	3,526,596
Vehicles	3,074,763	534,963	221,903	3,387,823
Machinery and equipment	2,300,571	72,820	-	2,373,391
Total capital assets being depreciated	22,693,409	654,738	221,903	23,126,244
Less accumulated depreciation for				
Land improvements	901,178	140,569	-	1,041,747
Roads	3,242,809	523,124	-	3,765,933
Computer	10,248	13,731	-	23,979
Buildings and improvements	2,161,768	94,586	-	2,256,354
Vehicles	2,307,057	318,561	220,577	2,405,041
Machinery and equipment	1,776,399	125,763	-	1,902,162
Total accumulated depreciation	10,399,459	1,216,334	220,577	11,395,216
Total capital assets being depreciated, net	12,293,950	(561,596)	1,326	11,731,028
Total governmental activities, capital assets, net	\$ 22,236,771	\$ 4,643,749	\$ 174,140	\$ 26,706,380

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following functions:

General government	\$ 136,397
Public safety	108,043
Public works - highways and streets	890,942
Culture and recreation	80,953
	<u>\$ 1,216,335</u>

	Balance January 1, 2019	Additions	Deletions/ Transfers	Balance December 31, 2019
Business-type activities				
Capital assets not being depreciated				
Land	\$ 723,951	\$ -	\$ -	\$ 723,951
Construction in progress	1,502,929	1,841,974	437,346	2,907,557
Total capital assets not being depreciated	<u>2,226,880</u>	<u>1,841,974</u>	<u>437,346</u>	<u>3,631,508</u>
Capital assets being depreciated				
Plant and improvements	24,089,992	3,298,818	-	27,388,810
Buildings and improvements	1,188,833	-	-	1,188,833
Vehicles	1,106,956	317,830	143,220	1,281,566
Machinery and equipment	1,937,086	109,553	15,297	2,031,342
Total capital assets being depreciated	<u>28,322,867</u>	<u>3,726,201</u>	<u>158,517</u>	<u>31,890,551</u>
Less accumulated depreciation for				
Plant and improvements	8,793,470	1,039,666	-	9,833,136
Buildings and improvements	540,587	26,371	-	566,958
Vehicles	737,256	122,688	143,220	716,724
Machinery and equipment	1,505,177	80,326	15,297	1,570,206
Total accumulated depreciation	<u>11,576,490</u>	<u>1,269,051</u>	<u>158,517</u>	<u>12,687,024</u>
Total capital assets being depreciated, net	<u>16,746,377</u>	<u>2,457,150</u>	<u>-</u>	<u>19,203,527</u>
Total business-type activities, capital assets, net	<u>\$ 18,973,257</u>	<u>\$ 4,299,124</u>	<u>\$ 437,346</u>	<u>\$ 22,835,035</u>

**Upper Saucon Township**

Notes to Financial Statements

December 31, 2019

**Note 6 - Capital Assets (continued)**

Depreciation expense was charged to the following funds:

Water Fund	\$ 413,610
Sewer Fund	<u>855,441</u>
	<u>\$ 1,269,051</u>

Capital asset activity for the component units was as follows for the year ended December 31, 2019:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Capital assets being depreciated				
Plant and improvements	\$ 9,914,805	\$ -	\$ -	\$ 9,914,805
Accumulated depreciation	<u>(9,791,395)</u>	<u>(123,410)</u>	<u>-</u>	<u>(9,914,805)</u>
Total capital assets being depreciated	<u>\$ 123,410</u>	<u>\$ (123,410)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to the following entity:

Upper Saucon Sewage Treatment Authority	<u>\$ 123,410</u>
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**Note 7 - Interfund Transfers and Balances**

Transfers between funds were as follows for the year ended December 31, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 721,000
Road Construction Capital Reserve Fund	200,000	-
Recreation Fund	250,000	-
Nonmajor governmental funds	271,000	100,000
Water Fund	<u>100,000</u>	<u>-</u>
	<u>\$ 821,000</u>	<u>\$ 821,000</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, 2019

#### Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2019:

	Balance Outstanding January 1, 2019	Additions	Deletions	Balance Outstanding December 31, 2019	Due Within One Year
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	\$ 2,240,000	\$ -	\$ 2,240,000	\$ -	\$ -
General Obligation Note, Series B of 2013, original amount \$492,000, due in semiannual installments of principal plus interest at 2.75% through 2019	79,000	-	79,000	-	-
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 2034	2,813,561	6,166,439	547,000	8,433,000	547,000
General Obligation Note, Series of 2019, original amount \$5,440,000, due in semiannual installments of principal plus interest ranging from 3.00% to 5.00% through 2031	-	2,255,000	330,000	1,925,000	185,000
Total governmental activities	<u>5,132,561</u>	<u>8,421,439</u>	<u>3,196,000</u>	<u>10,358,000</u>	<u>732,000</u>
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	935,000	-	935,000	-	-
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	2,090,000	-	2,090,000	-	-

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 8 - Long-Term Debt (continued)

	Balance Outstanding January 1, 2019	Additions	Deletions	Balance Outstanding December 31, 2019	Due Within One Year
Business-type activities (continued)					
General Obligation Bonds, Series of 2019, original amount \$5,440,000, due in semiannual installments of principal plus interest ranging from 3.00% to 5.00% through 2040	\$ -	\$ 3,185,000	\$ 155,000	\$ 3,030,000	\$ 220,000
Total business-type activities	<u>3,025,000</u>	<u>3,185,000</u>	<u>3,180,000</u>	<u>3,030,000</u>	<u>220,000</u>
Total long-term debt	<u>\$ 8,157,561</u>	<u>\$ 11,606,439</u>	<u>\$ 6,376,000</u>	<u>\$ 13,388,000</u>	<u>\$ 952,000</u>

Aggregate maturities required on long-term debt are as follows at December 31, 2019:

#### Governmental Activities

	Principal	Interest	Total Debt Service
2020	\$ 732,000	\$ 165,536	\$ 897,536
2021	743,000	219,031	962,031
2022	763,000	193,982	956,982
2023	788,000	173,440	961,440
2024	719,000	151,958	870,958
2025-2029	3,654,000	528,665	4,182,665
2030-2031	2,959,000	148,922	3,107,922
	<u>10,358,000</u>	<u>\$ 1,581,534</u>	<u>\$ 11,939,534</u>
Current maturities	(732,000)		
Unamortized issuance premium	85,305		
	<u>\$ 9,711,305</u>		

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 8 - Long-Term Debt (continued)

##### Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 220,000	\$ 113,512	\$ 333,512
2021	225,000	102,513	327,513
2022	245,000	91,263	336,263
2023	245,000	79,012	324,012
2024	260,000	66,763	326,763
2025-2029	485,000	266,763	751,763
2030-2034	560,000	188,764	748,764
2035-2039	645,000	93,400	738,400
2040	145,000	5,075	150,075
	<u>3,030,000</u>	<u>\$ 1,007,065</u>	<u>\$ 4,037,065</u>
Current maturities	(220,000)		
Unamortized issuance premium	<u>107,835</u>		
	<u>\$ 2,917,835</u>		

The Township's outstanding debt from direct borrowings and direct placements is secured by substantially all assets of the Township. The Township's debt agreements contain a covenant requiring the Township to include in its budget, in each fiscal year, the amount required to pay debt service on the debt for each such year; that it will appropriate from its general revenues in each fiscal year, the amount required to pay debt service on the debt for such year, and that it will duly and punctually pay or cause to be paid when due, principal and interest on the debt. For such budgeting, appropriation, and payment, the Township has irrevocably pledged its full faith, credit, and taxing power.

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.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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. The plan does not issue separately prepared financial statements.

##### 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, 2019, the following employees were covered by the Police Pension Plan:

Active employees	22
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits, but not yet receiving them	2
	<u>33</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, 2019, the required participant contribution was 5.0% 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, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. 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, 2019

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

##### Actuarial Assumptions

The total pension liability in the January 1, 2019 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 PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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>	

The real rate of return represents the long-term expected rate of return on investments net of inflation.

##### Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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, 2019:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2018</b>	<b>\$ 8,089,551</b>	<b>\$ 6,530,727</b>	<b>\$ 1,558,824</b>
Changes for the year			
Service cost	225,661	-	225,661
Interest cost	623,920	-	623,920
Change for experience	(507,999)	-	(507,999)
Change for assumptions	150,277	-	150,277
Contributions, employer	-	292,207	(292,207)
Contributions, member	-	93,404	(93,404)
Net investment income	-	1,313,100	(1,313,100)
Benefit payments, including refunds of member contributions	(316,971)	(316,971)	-
Administrative expense	-	(6,000)	6,000
<b>Balance at December 31, 2019</b>	<b>\$ 8,264,439</b>	<b>\$ 7,906,467</b>	<b>\$ 357,972</b>

##### Change in Assumptions

Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

##### 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 asset (liability)	<u>\$ 1,479,389</u>	<u>\$ 357,972</u>	<u>\$ (569,328)</u>

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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, 2019, the Township recognized pension expense of \$167,760. For the 2019 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2019.

The components of pension expense are as follows:

Service cost	\$	225,661
Interest on the total pension liability		623,920
Difference between expected and actual experience		(132,461)
Changes of assumptions		35,277
Member contributions		(93,404)
Projected earnings on pension plan investments		(524,964)
Difference between projected and actual earnings on investments		27,731
Pension plan administrative expense		6,000
		<u>6,000</u>
	\$	<u>167,760</u>

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, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 987,079
Change of assumptions	276,987	-
Net difference between projected and actual earnings on Police Pension Plan investments	-	243,571
	<u>\$ 276,987</u>	<u>\$ 1,230,650</u>

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

2020	\$	(136,496)
2021		(171,444)
2022		(69,555)
2023		(254,812)
2024		(97,186)
Thereafter		(224,170)

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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.

##### 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. The plan does not issue separately prepared financial statements.

##### Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the plan:

Active employees	34
Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits, but not yet receiving them	7
	<hr/>
	59
	<hr/>

##### 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, 2019, 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.



## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

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

##### Net Pension Liability

The Township's net pension liability was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

##### Actuarial Assumptions

The total pension liability in the January 1, 2019 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 PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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>	

The real rate of return represents the long-term expected rate of return on investments net of inflation.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

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

##### Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

##### Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2019:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2018</b>	<b>\$ 9,432,637</b>	<b>\$ 7,904,752</b>	<b>\$ 1,527,885</b>
Changes for the year			
Service cost	268,227	-	268,227
Interest cost	784,790	-	784,790
Change for experience	(154,649)	-	(154,649)
Change for assumptions	442,572	-	442,572
Contributions, employer	-	363,271	(363,271)
Contributions, member	-	101,799	(101,799)
Net investment income	-	1,588,131	(1,588,131)
Benefit payments, including refunds of member contributions	(357,834)	(357,834)	-
Administrative expense	-	(6,000)	6,000
<b>Balance at December 31, 2019</b>	<b>\$ 10,415,743</b>	<b>\$ 9,594,119</b>	<b>\$ 821,624</b>

##### Change in Assumptions

Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

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

##### 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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net pension asset (liability)	<u>\$ 2,063,656</u>	<u>\$ 821,624</u>	<u>\$ (239,294)</u>

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

For the year ended December 31, 2019, the Township recognized pension expense of \$350,025. For the 2019 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2019.

The components of pension expense are as follows:

Service cost	\$ 268,227
Interest on the total pension liability	784,790
Change of benefit terms	-
Difference between expected and actual experience	(94,075)
Changes of assumptions	91,480
Member contributions	(101,799)
Projected earnings on pension plan investments	(636,430)
Difference between projected and actual earnings on investments	31,832
Pension plan administrative expense	6,000
Other changes in fiduciary net position	-
	<u>\$ 350,025</u>

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, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 534,319
Changes of assumptions	647,231	-
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	-	289,518
	<u>\$ 647,231</u>	<u>\$ 823,837</u>

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### 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 (continued)

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

2020	\$	(48,491)
2021		(86,943)
2022		44,595
2023		(176,811)
2024		13,529
Thereafter		77,515

#### 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, 2019. For the year ended December 31, 2019, the amount contributed to the Plan by the Township, and recognized as pension expense was \$23,651.

#### Note 13 - Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program

##### Plan Description

The Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program (the Program) is a single-employer defined benefit pension plan that covers all active members in good standing of the Upper Saucon Volunteer Fire Department No. 1 at any time on or after January 1, 2020. The Program provides pension benefits for normal retirement at the age of 65. The plan does not issue separately prepared financial statements.

##### Benefits Provided

The monthly benefit paid under the Program consists of a Basic Benefit and an Officer Premium as follows:

- The Basic Benefit is \$12 per month per year of credited service up to a maximum of 30 years.
- The Officer Premium is \$8 per month per year of credited service as an officer up to a maximum of 30 years.

The monthly benefit is payable during the member's lifetime, with payments ceasing upon death.

## Upper Saucon Township

Notes to Financial Statements

December 31, 2019

### Note 13 - Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program (continued)

#### Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the Program:

Active member	59
Inactive members currently receiving benefits	11
Inactive members entitled to but not yet receiving benefits	-
	<u>70</u>

#### Contributions

The Township pays the full cost of the Program. Member contributions are not required.

#### Net Pension Liability

The Township's net pension liability was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2016. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

#### Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	0.00%, average, including inflation
Investment rate of return	3.00%, including inflation
Postretirement cost of living increase	0.00%

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

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.

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 13 - Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program (continued)

##### Actuarial Assumptions (continued)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	100.00	0.00-1.00%

The real rate of return represents the long-term expected rate of return on investments net of inflation.

##### Discount Rate

The discount rate used to measure the total pension liability was 3.00%. The pension plan's fiduciary net position is 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

##### Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2019:

	<b>Increase/(Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance at December 31, 2018</b>	<b>\$ 1,058,469</b>	<b>\$ 332,906</b>	<b>\$ 725,563</b>
Changes for the year			
Service cost	21,662	-	21,662
Interest cost	31,734	-	31,734
Contributions, employer	-	98,000	(98,000)
Net investment income	-	7,004	(7,004)
Benefit payments, including refunds of member contributions	(44,649)	(44,649)	-
<b>Balance at December 31, 2019</b>	<b>\$ 1,067,216</b>	<b>\$ 393,261</b>	<b>\$ 673,955</b>

## Upper Saucon Township

Notes to Financial Statements

December 31, 2019

### Note 13 - Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program (continued)

#### 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 3.00%, as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (2.00%) or one percentage point higher (4.00%) than the current rate:

	<u>1% Decrease (2.00%)</u>	<u>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net pension asset (liability)	<u>\$ 817,479</u>	<u>\$ 673,955</u>	<u>\$ 555,757</u>

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

For the year ended December 31, 2019, the Township recognized pension expense of \$43,366. For the 2019 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2019.

The components of net pension expense are as follows:

Service cost	\$ 21,662
Interest on the total pension liability	31,734
Projected earnings on pension plan investments	(10,787)
Difference between projected and actual earnings on investments	<u>757</u>
	<u>\$ 43,366</u>

The Township reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources at December 31, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Volunteer Fire Fighters Length of Service Awards Program investments	<u>\$ 3,026</u>	<u>\$ -</u>

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

2020	\$ 757
2021	757
2022	757
2023	755

## Upper Saucon Township

### Notes to Financial Statements

December 31, 2019

#### Note 14 - Fund Balance

Fund balances of the Township's governmental funds consist of the following at December 31, 2019:

	<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	\$ -	\$ -	\$ -	\$ -	\$ 3,523,340	\$ 3,523,340
Prepaid items	41,066	-	-	-	-	41,066
Special Revenue Funds						
Highways and streets	-	1,492,223	-	-	-	1,492,223
Transportation improvements	-	1,435,410	-	-	-	1,435,410
Fire hydrants	-	-	167,914	-	-	167,914
Recreation	-	-	1,344,146	-	-	1,344,146
Stormwater	-	-	1,220,369	-	-	1,220,369
Capital Improvement Funds						
Capital projects	-	-	-	235,175	-	235,175
Road construction	-	-	-	1,258,353	-	1,258,353
Library capital	-	-	-	32,665	-	32,665
	<u>\$ 41,066</u>	<u>\$ 2,927,633</u>	<u>\$ 2,732,429</u>	<u>\$ 1,526,193</u>	<u>\$ 3,523,340</u>	<u>\$ 10,750,661</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.

#### Minimum Fund Balance Policy

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



## Upper Saucon Township

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### Notes to Financial Statements

December 31, 2019

#### Note 14 - Fund Balance (continued)

##### 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**

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Notes to Financial Statements

December 31, 2019

### **Note 14 - 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 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 15 - 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 16 - 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, 2019

#### Note 16 - 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 years ended December 31, 2019, 2018, and 2017, claims settled were not in excess of insurance coverage.

There have been no significant reductions in insurance coverage during the year ended December 31, 2019.

#### Note 17 - Prior Period Adjustment

The Township's net position as of January 1, 2019 has been restated to adjust the Township's net pension liability as it relates to the Volunteer Fire Fighters Length of Service Awards Program. The effect on previously reported net position of governmental activities is as follows:

<b>Beginning Net Position, as Previously Reported</b>	<b>\$ 24,398,092</b>
Net pension liability	<u>(725,563)</u>
<b>Beginning Net Position, as Restated</b>	<b><u>\$ 23,672,529</u></b>

#### Note 18 - Contingencies

##### Concentration of Labor

The Township entered into a collective-bargaining agreement with the Upper Saucon Township Police Officers' Association through December 31, 2022. Of the Township's total workforce, approximately 34% 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 44% 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.

## **Upper Saucon Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 19 - Subsequent Events**

The Township has evaluated subsequent events through September 9, 2020. This date is the date the financial statements were available to be issued. The following material event subsequent to December 31, 2019 was noted:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area of the Township. It is unknown how long these conditions will last and what the complete financial effect will be to the Township.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.

## Upper Saucon Township

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,223,000	\$ 8,223,000	\$ 8,543,761	\$ 320,761
Licenses and permits	447,400	447,400	442,211	(5,189)
Fines and forfeits	59,000	59,000	57,540	(1,460)
Interest, rents, and royalties	53,500	53,500	123,218	69,718
Intergovernmental revenue	585,800	585,800	703,420	117,620
Charges for services	74,000	74,000	156,539	82,539
Miscellaneous revenue	55,000	55,000	124,541	69,541
<b>Total Revenues</b>	<b>9,497,700</b>	<b>9,497,700</b>	<b>10,151,230</b>	<b>653,530</b>
<b>Expenditures</b>				
Current				
General government	1,153,152	1,153,152	998,953	154,199
Public safety	4,263,983	4,263,983	4,009,099	254,884
Public works, highways and streets	1,531,199	1,531,199	1,341,529	189,670
Culture and recreation	451,500	451,500	341,486	110,014
Other	987,668	987,668	968,801	18,867
Debt service	1,309,555	1,309,555	3,454,740	(2,145,185)
Capital outlay	547,200	547,200	498,768	48,432
<b>Total Expenditures</b>	<b>10,244,257</b>	<b>10,244,257</b>	<b>11,613,376</b>	<b>(1,369,119)</b>
<b>Deficiency of Revenues under Expenditures</b>	<b>(746,557)</b>	<b>(746,557)</b>	<b>(1,462,146)</b>	<b>(715,589)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(721,000)	(721,000)	(721,000)	-
Proceeds from debt issuance	-	-	2,343,663	2,343,663
Proceeds from sale of assets	-	-	11,700	11,700
<b>Total Other Financing Sources (Uses)</b>	<b>(721,000)</b>	<b>(721,000)</b>	<b>1,634,363</b>	<b>2,355,363</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,467,557)</b>	<b>\$ (1,467,557)</b>	<b>172,217</b>	<b>\$ 1,639,774</b>
<b>Fund Balance at Beginning of Year</b>			<b>3,392,189</b>	
<b>Fund Balance at End of Year</b>			<b>\$ 3,564,406</b>	

## Upper Saucon Township

Budgetary Comparison Schedule - Recreation Fund

Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Interest, rents, and royalties	\$ 4,000	\$ 4,000	\$ 37,766	\$ 33,766
Intergovernmental revenue	750,000	750,000	-	(750,000)
Developer contributions	500,000	500,000	165,000	(335,000)
<b>Total Revenues</b>	<b>1,254,000</b>	<b>1,254,000</b>	<b>202,766</b>	<b>(1,051,234)</b>
<b>Expenditures</b>				
Capital outlay	5,234,000	5,234,000	3,093,038	2,140,962
<b>Total Expenditures</b>	<b>5,234,000</b>	<b>5,234,000</b>	<b>3,093,038</b>	<b>2,140,962</b>
<b>Deficiency of Revenues under Expenditures</b>	<b>(3,980,000)</b>	<b>(3,980,000)</b>	<b>(2,890,272)</b>	<b>1,089,728</b>
<b>Other Financing Sources</b>				
Transfers in	250,000	250,000	250,000	-
Proceeds from debt issuance	2,300,000	2,300,000	2,266,439	(33,561)
<b>Total Other Financing Sources</b>	<b>2,550,000</b>	<b>2,550,000</b>	<b>2,516,439</b>	<b>(33,561)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,430,000)</b>	<b>\$ (1,430,000)</b>	<b>(373,833)</b>	<b>\$ 1,056,167</b>
<b>Fund Balance at Beginning of Year</b>			<b>1,717,979</b>	
<b>Fund Balance at End of Year</b>			<b>\$ 1,344,146</b>	

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

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Note to Budgetary Comparison Schedule

December 31, 2019

### **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 2019 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,				
	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 225,661	\$ 209,297	\$ 199,330	\$ 187,425	\$ 178,500
Interest cost	623,920	610,887	571,700	562,938	492,543
Difference between expected and actual experience	(507,999)	-	(607,861)	-	(208,752)
Changes of benefit terms	-	-	2,547	462,586	-
Changes of assumptions**	150,277	-	202,485	-	-
Benefit payments, including refunds of member contributions	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
<b>Net Change in Total Pension Liability</b>	<b>174,888</b>	<b>505,344</b>	<b>100,706</b>	<b>980,634</b>	<b>169,352</b>
<b>Total Pension Liability, Beginning</b>	<b>8,089,551</b>	<b>7,584,207</b>	<b>7,483,501</b>	<b>6,502,867</b>	<b>6,333,515</b>
<b>Total Pension Liability, Ending</b>	<b>\$ 8,264,439</b>	<b>\$ 8,089,551</b>	<b>\$ 7,584,207</b>	<b>\$ 7,483,501</b>	<b>\$ 6,502,867</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716
Contributions - member	93,404	103,165	102,553	104,899	126,264
Net investment income (loss)	1,313,100	(373,192)	983,253	273,563	100,807
Benefit payments, including refunds of member contributions	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Administrative expense	(6,000)	(3,200)	(6,900)	(11,300)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,375,740</b>	<b>(392,760)</b>	<b>1,018,967</b>	<b>327,756</b>	<b>151,848</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>6,530,727</b>	<b>6,923,489</b>	<b>5,904,522</b>	<b>5,576,766</b>	<b>5,424,918</b>
<b>Plan Fiduciary Net Position, Ending</b>	<b>\$ 7,906,467</b>	<b>\$ 6,530,729</b>	<b>\$ 6,923,489</b>	<b>\$ 5,904,522</b>	<b>\$ 5,576,766</b>
<b>Township's Net Pension Liability</b>	<b>\$ 357,972</b>	<b>\$ 1,558,822</b>	<b>\$ 660,718</b>	<b>\$ 1,578,979</b>	<b>\$ 926,101</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>95.7%</b>	<b>80.7%</b>	<b>91.3%</b>	<b>78.9%</b>	<b>85.8%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,923,785</b>	<b>\$ 1,700,683</b>	<b>\$ 1,708,253</b>	<b>\$ 1,748,322</b>	<b>\$ 1,599,296</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>18.6%</b>	<b>91.7%</b>	<b>38.7%</b>	<b>90.3%</b>	<b>57.9%</b>

\* 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.

\*\* Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.



## 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,				
	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 268,227	\$ 260,309	\$ 247,913	\$ 245,221	\$ 233,544
Interest cost	784,790	710,875	660,400	623,937	577,583
Difference between expected and actual experience	(154,649)	-	(546,911)	-	(112,866)
Change of assumptions**	442,572	-	380,749	-	-
Benefit payments, including refunds of member contributions	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
<b>Net Change in Total Pension Liability</b>	<b>983,106</b>	<b>642,824</b>	<b>490,983</b>	<b>620,531</b>	<b>460,106</b>
<b>Total Pension Liability, Beginning</b>	<b>9,432,637</b>	<b>8,789,813</b>	<b>8,298,830</b>	<b>7,678,299</b>	<b>7,218,193</b>
<b>Total Pension Liability, Ending</b>	<b>\$ 10,415,743</b>	<b>\$ 9,432,637</b>	<b>\$ 8,789,813</b>	<b>\$ 8,298,830</b>	<b>\$ 7,678,299</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319
Contributions - member	101,799	99,003	99,048	142,907	139,090
Net investment income (loss)	1,588,131	(442,979)	1,139,202	329,717	107,834
Benefit payments, including refunds of member contributions	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Administrative expense	(6,000)	(3,800)	(6,400)	(9,900)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,689,367</b>	<b>(348,890)</b>	<b>1,314,502</b>	<b>499,154</b>	<b>360,088</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>7,904,752</b>	<b>8,253,549</b>	<b>6,939,047</b>	<b>6,439,893</b>	<b>6,079,805</b>
<b>Plan Fiduciary Net Position, Ending</b>	<b>\$ 9,594,119</b>	<b>\$ 7,904,659</b>	<b>\$ 8,253,549</b>	<b>\$ 6,939,047</b>	<b>\$ 6,439,893</b>
<b>Township's Net Pension Liability</b>	<b>\$ 821,624</b>	<b>\$ 1,527,978</b>	<b>\$ 536,264</b>	<b>\$ 1,359,783</b>	<b>\$ 1,238,406</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>92.1%</b>	<b>83.8%</b>	<b>93.9%</b>	<b>83.6%</b>	<b>83.9%</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,199,064</b>	<b>\$ 2,147,759</b>	<b>\$ 2,170,300</b>	<b>\$ 2,074,733</b>	<b>\$ 2,058,369</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>37.4%</b>	<b>71.1%</b>	<b>24.7%</b>	<b>65.5%</b>	<b>60.2%</b>

\* 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.

\*\* Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

## Upper Saucon Township

Schedule of Changes in Net Pension Liability and Related Ratios - Volunteer Fire  
Fighters Length of Service Awards Program  
Last Ten Fiscal Years\*

	<u>Year Ended December 31, 2019</u>
<b>Total Pension Liability</b>	
Service cost	\$ 21,662
Interest cost	31,734
Benefit payments, including refunds of member contributions	<u>(44,649)</u>
<b>Net Change in Total Pension Liability</b>	<b>8,747</b>
<b>Total Pension Liability, Beginning</b>	<u>1,058,469</u>
<b>Total Pension Liability, Ending</b>	<u><u>\$ 1,067,216</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 98,000
Net investment income (loss)	7,004
Benefit payments, including refunds of member contributions	<u>(44,649)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>60,355</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<u>332,906</u>
<b>Plan Fiduciary Net Position, Ending</b>	<u><u>\$ 393,261</u></u>
<b>Township's Net Pension Liability</b>	<u><u>\$ 673,955</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u><u>36.8%</u></u>

\* 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716	\$ 183,338	\$ 180,007	\$ 203,777	\$ 201,781	\$ 200,237
Contributions in relation to the actuarially determined contribution	<u>292,207</u>	<u>195,307</u>	<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>
<b>Contribution Excess</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,764)</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,923,785</u>	<u>\$ 1,700,683</u>	<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>15.2%</u>	<u>11.5%</u>	<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:

<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	12 years
<b>Asset Valuation Method</b>	Market value of assets as determined by the trustee
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	8.00%
<b>Retirement Age</b>	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.
<b>Mortality</b>	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement

Changes in benefit terms: None since 1/1/2017

**Upper Saucon Township**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319	\$ 311,745	\$ 294,072	\$ 205,598	\$ 234,363	\$ 232,682
Contributions in relation to the actuarially determined contribution	<u>363,271</u>	<u>327,246</u>	<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>
<b>Contribution Excess</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,210)</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 2,199,064</u>	<u>\$ 2,147,759</u>	<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>16.5%</u>	<u>15.2%</u>	<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:

<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	10 years
<b>Asset Valuation Method</b>	Market value of assets as determined by the trustee
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	8.00%
<b>Retirement Age</b>	Later of attainment of age 65 and completion of 10 years of vesting service or age on valuation date, if greater.
<b>Mortality</b>	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement

Changes in benefit terms: None since 1/1/2017

**Upper Saucon Township**

Schedule of Pension Contributions - Volunteer Fire Fighters Length of Service Awards Program  
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 97,965	\$ 97,965	\$ 96,069	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995	\$ 46,091	\$ 46,091
Contributions in relation to the actuarially determined contribution	<u>98,000</u>	<u>98,000</u>	<u>96,100</u>	<u>52,995</u>	<u>52,995</u>	<u>52,995</u>	<u>52,995</u>	<u>52,995</u>	<u>46,091</u>	<u>46,091</u>
<b>Contribution Excess</b>	<u>\$ (35)</u>	<u>\$ (35)</u>	<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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:

<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	13 years
<b>Asset Valuation Method</b>	Market value of assets as determined by the trustee
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	0.00%
<b>Investment Rate of Return</b>	3.00%
<b>Retirement Age</b>	Age 65
<b>Mortality</b>	RP2000 Table for males and females. This table does not include projected mortality improvements

Changes in benefit terms: None since January 1, 2016

## Upper Saucon Township

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

	Special Revenue Funds				Capital Projects Funds		Total Governmental Funds
	Fire Hydrant	State Liquid Fuels Highway Aid	Transportation Impact	Maintenance Trust	Library Capital Fund	Capital Projects	
<b>Assets</b>							
Cash and cash equivalents	\$ 167,959	\$ 1,512,799	\$ 1,435,410	\$ 1,220,369	\$ 32,665	\$ 251,675	\$ 4,620,877
Taxes receivable	35,063	-	-	-	-	-	35,063
<b>Total Assets</b>	<b>\$ 203,022</b>	<b>\$ 1,512,799</b>	<b>\$ 1,435,410</b>	<b>\$ 1,220,369</b>	<b>\$ 32,665</b>	<b>\$ 251,675</b>	<b>\$ 4,655,940</b>
<b>Liabilities</b>							
Accounts payable	\$ 1,474	\$ 20,576	\$ -	\$ -	\$ -	\$ 16,500	\$ 38,550
<b>Total Liabilities</b>	<b>1,474</b>	<b>20,576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,500</b>	<b>38,550</b>
<b>Deferred Inflow of Resources</b>							
Unavailable revenue - property taxes	33,634	-	-	-	-	-	33,634
<b>Fund Balances</b>							
Restricted	-	1,492,223	1,435,410	-	-	-	2,927,633
Committed	167,914	-	-	1,220,369	-	-	1,388,283
Assigned	-	-	-	-	32,665	235,175	267,840
<b>Total Fund Balances</b>	<b>167,914</b>	<b>1,492,223</b>	<b>1,435,410</b>	<b>1,220,369</b>	<b>32,665</b>	<b>235,175</b>	<b>4,583,756</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>\$ 203,022</b>	<b>\$ 1,512,799</b>	<b>\$ 1,435,410</b>	<b>\$ 1,220,369</b>	<b>\$ 32,665</b>	<b>\$ 251,675</b>	<b>\$ 4,655,940</b>

## Upper Saucon Township

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended December 31, 2019

	Special Revenue Funds				Capital Projects Funds		Total Governmental Funds
	Fire Hydrant	State Liquid Fuels Highway Aid	Transportation Impact	Maintenance Trust	Library Capital Fund	Capital Projects	
<b>Revenues</b>							
Taxes	\$ 135,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,112
Interest, rents, and royalties	4,338	36,624	32,405	26,065	519	3,610	103,561
Intergovernmental revenue	-	556,605	-	-	-	-	556,605
Developer contributions	-	-	2,078	-	-	-	2,078
<b>Total Revenues</b>	<b>139,450</b>	<b>593,229</b>	<b>34,483</b>	<b>26,065</b>	<b>519</b>	<b>3,610</b>	<b>797,356</b>
<b>Expenditures</b>							
Current							
Public safety	17,688	-	-	-	-	-	17,688
Public works - highways and streets	-	384,616	98,862	12,116	-	-	495,594
Capital outlay	-	-	-	-	12,524	501,350	513,874
<b>Total Expenditures</b>	<b>17,688</b>	<b>384,616</b>	<b>98,862</b>	<b>12,116</b>	<b>12,524</b>	<b>501,350</b>	<b>1,027,156</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>121,762</b>	<b>208,613</b>	<b>(64,379)</b>	<b>13,949</b>	<b>(12,005)</b>	<b>(497,740)</b>	<b>(229,800)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	21,000	250,000	271,000
Transfers out	(100,000)	-	-	-	-	-	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,000</b>	<b>250,000</b>	<b>171,000</b>
<b>Net Change in Fund Balances</b>	<b>21,762</b>	<b>208,613</b>	<b>(64,379)</b>	<b>13,949</b>	<b>8,995</b>	<b>(247,740)</b>	<b>(58,800)</b>
<b>Fund Balances at Beginning of Year</b>	<b>146,152</b>	<b>1,283,610</b>	<b>1,499,789</b>	<b>1,206,420</b>	<b>23,670</b>	<b>482,915</b>	<b>4,642,556</b>
<b>Fund Balances at End of Year</b>	<b>\$ 167,914</b>	<b>\$ 1,492,223</b>	<b>\$ 1,435,410</b>	<b>\$ 1,220,369</b>	<b>\$ 32,665</b>	<b>\$ 235,175</b>	<b>\$ 4,583,756</b>

## Upper Saucon Township

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2019

	<u>Police Pension Fund</u>	<u>Non-Uniformed Employees' Pension Fund</u>	<u>Non-Uniformed Employees' Retirement Fund</u>	<u>Volunteer Fire Firefighters Length of Service Fund</u>	<u>Total Pension Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 836,102	\$ 1,074,412	\$ 42,780	\$ 393,261	\$ 2,346,555
Investments	7,057,161	8,503,451	180,899	-	15,741,511
Accrued interest receivable	13,204	16,162	73	-	29,439
<b>Total Assets</b>	<u>7,906,467</u>	<u>9,594,025</u>	<u>223,752</u>	<u>393,261</u>	<u>18,117,505</u>
<b>Net Position</b>					
Assets held in trust for pension benefits	<u>\$ 7,906,467</u>	<u>\$ 9,594,025</u>	<u>\$ 223,752</u>	<u>\$ 393,261</u>	<u>\$ 18,117,505</u>



## Upper Saucon Township

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds  
Year Ended December 31, 2019

	Police Pension Fund	Non-Uniformed Employees' Pension Fund	Non-Uniformed Employees' Retirement Fund	Volunteer Fire Firefighters Length of Service Fund	Total Pension Funds
<b>Additions</b>					
Contributions					
Employer	\$ 292,207	\$ 363,271	\$ 23,651	\$ 98,000	\$ 777,129
Employee	93,404	101,799	23,651	-	218,854
Total contributions	<u>385,611</u>	<u>465,070</u>	<u>47,302</u>	<u>98,000</u>	<u>995,983</u>
Investment income					
Net appreciation in value of investments	1,339,211	1,621,973	29,459	-	2,990,643
Interest and dividends	1,533	-	-	7,004	8,537
Total investment income	<u>1,340,744</u>	<u>1,621,973</u>	<u>29,459</u>	<u>7,004</u>	<u>2,999,180</u>
<b>Total Additions</b>	<u>1,726,355</u>	<u>2,087,043</u>	<u>76,761</u>	<u>105,004</u>	<u>3,995,163</u>
<b>Deductions</b>					
Benefit payments	316,971	357,834	-	44,649	719,454
Administrative expenses	33,646	39,843	-	-	73,489
<b>Total Deductions</b>	<u>350,617</u>	<u>397,677</u>	<u>-</u>	<u>44,649</u>	<u>792,943</u>
<b>Change in Net Position</b>	<u>1,375,738</u>	<u>1,689,366</u>	<u>76,761</u>	<u>60,355</u>	<u>3,202,220</u>
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<u>6,530,729</u>	<u>7,904,659</u>	<u>146,991</u>	<u>332,906</u>	<u>14,915,285</u>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<u>\$ 7,906,467</u>	<u>\$ 9,594,025</u>	<u>\$ 223,752</u>	<u>\$ 393,261</u>	<u>\$ 18,117,505</u>