

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

**Financial Statements and
Supplementary Information**

December 31, 2020



Upper Saucon Township

Table of Contents

December 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 to 12
FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21 and 22
Statement of Fiduciary Net Position - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25 to 64

Upper Saucon Township

Table of Contents (continued)

December 31, 2020

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	65
Budgetary Comparison Schedule - Recreation Fund	66
Note to Budgetary Comparison Schedule	67
Schedule of Changes in Net Pension Liability and Related Ratios - Police Pension Plan	68
Schedule of Changes in Net Pension Liability and Related Ratios - Non-Uniformed Employees' Pension Plan	69
Schedule of Changes in Net Pension Liability and Related Ratios - Volunteer Fire Fighters Length of Service Awards Program	70
Schedule of Pension Contributions - Police Pension Plan	71
Schedule of Pension Contributions - Non-Uniformed Employees' Pension Plan	72
Schedule of Pension Contributions - Volunteer Fire Fighters Length of Service Awards Program	73
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	75
Combining Statement of Fiduciary Net Position - Pension Trust Funds	76
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	77



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, 2020, 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, 2020, 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 3 to 12 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.

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, reading "RKL LLP".

September 3, 2021
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, 2020.

Financial Highlights

- 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 \$25,666,202. Of this amount, \$4,615,526 may be used to meet the government's on-going obligations to citizens and creditors.
- Upper Saucon Township's net assets increased by \$1,549,991.
- As of the close of fiscal year 2020, Upper Saucon Township's governmental funds reported combined ending fund balances of \$9,472,930. Approximately 43% of this total amount is available for spending at the Township's discretion. The remaining 57% is held for specific expenditures and capital projects.
- At the end of fiscal year 2020, the general fund had a fund balance of \$4,099,882, of which \$4,056,731 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 13 and 14 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 15 through 18 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 19 through 22 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 23 and 24 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 25 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 \$55,276,003 at the close of the fiscal year 2020. Of this amount, \$39,183,631 (or 71%) 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 10,247,854	\$ 12,313,825	\$ 9,029,584	\$ 9,962,299	\$ 19,277,438	\$ 22,276,124
Capital assets	28,169,619	26,706,380	23,557,605	22,835,035	51,727,224	49,541,415
Deferred outflow of resources	1,003,597	947,610	104,954	130,143	1,108,551	1,077,753
Total assets and deferred outflow of resources	<u>39,421,070</u>	<u>39,967,815</u>	<u>32,692,143</u>	<u>32,927,477</u>	<u>72,113,213</u>	<u>72,895,292</u>
Long-term liabilities	9,770,275	11,564,856	2,896,964	2,917,835	12,667,239	14,482,691
Other liabilities	1,399,975	2,231,361	185,378	577,635	1,585,353	2,808,996
Total liabilities	<u>11,170,250</u>	<u>13,796,217</u>	<u>3,082,342</u>	<u>3,495,470</u>	<u>14,252,592</u>	<u>17,291,687</u>
Deferred inflows of resources						
Pensions	2,584,618	2,054,487	-	-	2,584,618	2,054,487
Net position:						
Invested in capital assets, net of debt	18,418,036	16,283,441	20,765,595	19,827,343	39,183,631	36,110,784
Restricted	2,632,640	2,927,633	-	-	2,632,640	2,927,633
Unrestricted	4,615,526	4,906,037	8,844,206	9,604,664	13,459,732	14,510,701
Total net position	<u>\$ 25,666,202</u>	<u>\$ 24,117,111</u>	<u>\$ 29,609,801</u>	<u>\$ 29,432,007</u>	<u>\$ 55,276,003</u>	<u>\$ 53,549,118</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 (\$13,459,732) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2020, 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	
	2020	2019	2020	2019	2020	2019
Revenues						
Taxes licenses & permits	\$ 9,017,979	\$ 8,690,936	\$ -	\$ -	\$ 9,017,979	\$ 8,690,936
Interest & rents	114,759	292,930	63,565	206,560	178,324	499,490
Operating grants and contributions	882,089	846,940	-	7,950	882,089	854,890
Charges for service	166,198	688,426	3,877,843	4,023,992	4,044,041	4,712,418
Other financing sources	403,754	409,640	-	-	403,754	409,640
Miscellaneous revenue	19,572	35,434	-	-	19,572	35,434
Capital contribution	32,490	167,078	434,043	3,076,683	466,533	3,243,761
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
	<u>10,536,841</u>	<u>11,031,384</u>	<u>4,475,451</u>	<u>7,415,185</u>	<u>15,012,292</u>	<u>18,446,569</u>
Expenditures						
General government	1,147,976	1,191,522	-	-	1,147,976	1,191,522
Public safety	4,043,722	4,308,509	-	-	4,043,722	4,308,509
Highway and streets	2,699,618	2,855,798	-	-	2,699,618	2,855,798
Culture and recreation	699,729	1,260,330	-	-	699,729	1,260,330
Miscellaneous	99,099	726,880	-	-	99,099	726,880
Enterprise expenses	-	-	4,297,657	4,092,966	4,297,657	4,092,966
Debt service - interest & fiscal charges	297,606	243,763	-	122,774	297,606	366,537
	<u>8,987,750</u>	<u>10,586,802</u>	<u>4,297,657</u>	<u>4,215,740</u>	<u>13,285,407</u>	<u>14,802,542</u>
Net Change	1,549,091	444,582	177,794	3,199,445	1,726,885	3,644,027
Net Position Beginning 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>
Net Position End of Year	<u>\$ 25,666,202</u>	<u>\$ 24,117,111</u>	<u>\$ 29,609,801</u>	<u>\$ 29,432,007</u>	<u>\$ 55,276,003</u>	<u>\$ 53,549,118</u>

Governmental activities. Governmental activities increased Upper Saucon Township's net position by \$1,549,091.

The following table depicts revenues by source for governmental activities:

Revenues by Source - Governmental Activities

	2020		2019	
Charges for services	\$ 166,198	2 %	\$ 688,426	6 %
Operating Grants	1,285,843	12	1,256,580	11
Capital Grants	32,490	-	167,078	1
Property Taxes	3,170,949	30	3,145,953	29
Real Estate Transfer Tax	935,755	9	660,350	6
Earned Income Taxes	4,442,545	42	4,387,141	40
Other	388,302	4	432,926	4
Interest and Rents	114,759	1	292,930	3
Total	<u>\$ 10,536,841</u>	<u>100 %</u>	<u>\$ 11,031,384</u>	<u>100 %</u>

For 2020, Government-wide revenues were primarily derived from earned income tax collections at 42% and property tax collections at 30% of the total. Operating grants, at 12%, are the third largest source of revenue.

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.

The following table depicts expenses by programs for governmental activities:

Expenses by Program - Governmental Activities

	2020		2019	
General government	\$ 1,147,976	13 %	\$ 1,191,522	11 %
Public safety	4,043,722	45	4,308,509	41
Highways and streets	2,699,618	30	2,855,798	27
Culture and recreation	699,729	8	1,260,330	12
Miscellaneous	99,099	1	726,880	7
Interest on long-term debt	297,606	3	243,763	2
Total Governmental Activities	<u>\$ 8,987,750</u>	<u>100 %</u>	<u>\$ 10,586,802</u>	<u>100 %</u>

Total expenses for all programs in 2020 were \$8,987,750. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 45%. The second largest program is highways and streets at 30%.

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%.

The following table depicts the net program expenses/revenues by function/program for the periods ending December 31, 2020 and 2019:

Net Program Expenses/Revenues

	<u>2020</u>	<u>2019</u>
General government	\$ (1,036,826)	\$ (1,049,212)
Public safety	(3,654,063)	(3,492,133)
Public works	(2,156,050)	(2,282,090)
Culture and recreation	(663,329)	(1,090,280)
Other	304,655	(317,240)
Interest	<u>(297,606)</u>	<u>(243,763)</u>
Total	<u>\$ (7,503,219)</u>	<u>\$ (8,474,718)</u>

For 2020, 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 \$3.7 million in 2020. Public works expenses required approximately \$2.2 million in general revenues for support.

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.

Business-type activities. Business-type activities increased Upper Saucon Township's net position by \$177,794 and \$3,199,445 for the years ended December 31, 2020 and 2019, respectively.

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

Expenses and Program Revenues - Business-type Activities - 2020

<u>Program</u>	<u>Operating Revenue</u>	<u>Operating Expenses, Net*</u>
Water	\$ 1,379,440	\$ 854,102
Sewer	2,498,403	1,759,976

*depreciation removed

Expenses and Program Revenues - Business-type Activities - 2019

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

*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 2020, Upper Saucon Township's governmental funds reported combined ending fund balances of \$9,472,930. As stated previously, approximately 43% of this total amount is available for spending at the government's discretion. The remaining 57% 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 2020, the unassigned fund balance of the general fund was \$4,056,731. The general fund balance increased by \$535,476 during the fiscal year 2020.

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 \$2,031,525, and the sewer fund \$6,812,681. The unrestricted position is comprised of cash and cash equivalents totaling \$1,795,256 and \$6,059,145 for the water and sewer fund, respectively.

General Fund Budgetary Highlights

Revenues were over budgetary estimates by 5%. The major increase was in taxes. Expenditures were 66% over budget due to the refinancing of long-term debt.

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, 2020 and 2019 amounts to \$51,727,224 and \$49,541,415, 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 - 2020

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,684,673	\$ 723,951	\$ 6,408,624
Construction in Progress	1,507,208	3,920,954	5,428,162
Total Non-Depreciable Assets	7,191,881	4,644,905	11,836,786
Land Improvements	12,306,755	27,908,513	40,215,268
Roads	11,757,308	-	11,757,308
Computer	81,093	-	81,093
Building and Improvements	3,526,596	1,486,385	5,012,981
Vehicles	3,585,486	1,658,951	5,244,437
Machinery	2,384,579	2,031,342	4,415,921
Total Depreciable Assets	33,641,817	33,085,191	66,727,008
Accumulated Depreciation	(12,664,079)	(14,172,491)	(26,836,570)
Total Depreciable Assets, Net	20,977,738	18,912,700	39,890,438
Total Capital Assets	\$ 28,169,619	\$ 23,557,605	\$ 51,727,224

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
Total Non-Depreciable Assets	14,975,352	3,631,508	18,606,860
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
Total Depreciable Assets	23,126,244	31,890,551	55,016,795
Accumulated Depreciation	(11,395,216)	(12,687,024)	(24,082,240)
Total Depreciable Assets, Net	11,731,028	19,203,527	30,934,555
Total Capital Assets	\$ 26,706,380	\$ 22,835,035	\$ 49,541,415

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 2020 and 2019, Upper Saucon Township had total debt outstanding of \$12,499,000 and \$13,388,000, respectively.

Upper Saucon Township's Outstanding Debt - 2020

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 9,689,000</u>	<u>\$ 2,810,000</u>	<u>\$ 12,499,000</u>

Upper Saucon Township's Outstanding Debt - 2019

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 10,358,000</u>	<u>\$ 3,030,000</u>	<u>\$ 13,388,000</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 2021 budget, tax rates, and fees that will be charged for the business-type activities.

The 2021 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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
Assets					
Cash and cash equivalents	\$ 9,655,768	\$ 7,854,401	\$ 17,510,169	\$ 358	\$ 358
Prepaid expenses	43,151	16,234	59,385	-	-
Taxes receivable	259,789	-	259,789	-	-
Accounts receivable	289,146	1,158,949	1,448,095	-	-
Capital assets not being depreciated	7,191,881	4,644,905	11,836,786	-	-
Capital assets being depreciated, net	20,977,738	18,912,700	39,890,438	-	-
Total Assets	38,417,473	32,587,189	71,004,662	358	358
Deferred Outflows of Resources					
Pensions	984,905	-	984,905	-	-
Loss on debt refinancing	18,692	104,954	123,646	-	-
Total Deferred Outflows of Resources	1,003,597	104,954	1,108,551	-	-
Liabilities					
Accounts payable	437,951	144,161	582,112	-	-
Advances from developers	122,582	-	122,582	-	-
Accrued salaries and benefits	131,840	28,844	160,684	-	-
Accrued interest	14,819	8,542	23,361	-	-
Deferred revenue	-	3,831	3,831	-	-
Net pension liabilities	692,783	-	692,783	-	-
Bonds payable, current portion	288,000	225,000	513,000	-	-
Bonds payable, long-term portion	9,482,275	2,671,964	12,154,239	-	-
Total Liabilities	11,170,250	3,082,342	14,252,592	-	-
Deferred Inflow of Resources					
Pensions	2,584,618	-	2,584,618	-	-
Net Position					
Net investment in capital assets	18,418,036	20,765,595	39,183,631	-	-
Restricted	2,632,640	-	2,632,640	358	358
Unrestricted	4,615,526	8,844,206	13,459,732	-	-
Total Net Position	\$ 25,666,202	\$ 29,609,801	\$ 55,276,003	\$ 358	\$ 358

See accompanying notes.

Upper Saucon Township

Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities									
General government	\$ 1,147,976	\$ 102,754	\$ 8,396	\$ -	\$ (1,036,826)	\$ -	\$ (1,036,826)	\$ -	\$ -
Public safety	4,043,722	58,494	331,165	-	(3,654,063)	-	(3,654,063)	-	-
Public works - highways and streets	2,699,618	-	542,528	1,040	(2,156,050)	-	(2,156,050)	-	-
Culture and recreation	699,729	4,950	-	31,450	(663,329)	-	(663,329)	-	-
Other	99,099	-	403,754	-	304,655	-	304,655	-	-
Interest	297,606	-	-	-	(297,606)	-	(297,606)	-	-
Total governmental activities	8,987,750	166,198	1,285,843	32,490	(7,503,219)	-	(7,503,219)	-	-
Business-type activities									
Sewer	2,820,267	2,498,403	-	415,743	-	93,879	93,879	-	-
Water	1,477,390	1,379,440	-	18,300	-	(79,650)	(79,650)	-	-
Total business-type activities	4,297,657	3,877,843	-	434,043	-	14,229	14,229	-	-
Total Primary Government	\$ 13,285,407	\$ 4,044,041	\$ 1,285,843	\$ 466,533	(7,503,219)	14,229	(7,488,990)	-	-
Component Units									
Upper Saucon Sewage Treatment Authority	\$ 109	\$ -	\$ -	\$ -	-	-	-	(109)	-
Upper Saucon Township Municipal Authority	104	-	-	-	-	-	-	-	(104)
Total Component Units	\$ 213	\$ -	\$ -	\$ -	-	-	-	(109)	(104)
General Revenues									
Real estate taxes					3,170,949	-	3,170,949	-	-
Earned income taxes					4,442,545	-	4,442,545	-	-
Emergency services taxes					441,660	-	441,660	-	-
Amusement taxes					27,070	-	27,070	-	-
Real estate transfer taxes					935,755	-	935,755	-	-
Interest income and rents					114,759	63,565	178,324	-	-
Miscellaneous income					19,572	-	19,572	-	-
Transfers (to) from Other Funds					(100,000)	100,000	-	-	-
Total General Revenues and Transfers					9,052,310	163,565	9,215,875	-	-
Change in Net Position					1,549,091	177,794	1,726,885	(109)	(104)
Net Position at Beginning of Year, As Restated					24,117,111	29,432,007	53,549,118	462	462
Net Position at End of Year					\$ 25,666,202	\$ 29,609,801	\$ 55,276,003	\$ 353	\$ 358

See accompanying notes.

Upper Saucon Township

Balance Sheet - Governmental Funds

December 31, 2020

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,963,803	\$ 186,565	\$ 1,232,438	\$ 4,272,962	\$ 9,655,768
Prepaid expenses	43,151	-	-	-	43,151
Accounts receivable	289,146	-	-	-	289,146
Taxes receivable	223,532	-	-	36,257	259,789
Total Assets	\$ 4,519,632	\$ 186,565	\$ 1,232,438	\$ 4,309,219	\$ 10,247,854
Liabilities					
Accounts payable	\$ 117,318	\$ 4,871	\$ 314,288	\$ 1,474	\$ 437,951
Unearned revenue	122,582	-	-	-	122,582
Accrued expenses	131,840	-	-	-	131,840
Total Liabilities	371,740	4,871	314,288	1,474	692,373
Deferred Inflow of Resources					
Unavailable revenue - property taxes	48,010	-	-	34,541	82,551
Fund Balances					
Nonspendable	43,151	-	-	-	43,151
Restricted	-	-	-	2,632,640	2,632,640
Committed	-	181,694	-	1,391,648	1,573,342
Assigned	-	-	918,150	248,916	1,167,066
Unassigned	4,056,731	-	-	-	4,056,731
Total Fund Balances	4,099,882	181,694	918,150	4,273,204	9,472,930
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 4,519,632	\$ 186,565	\$ 1,232,438	\$ 4,309,219	\$ 10,247,854

Upper Saucon Township

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances, Governmental Funds **\$ 9,472,930**

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 \$40,833,698 and the accumulated depreciation is \$12,664,079. **28,169,619**

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. **82,551**

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. **(1,599,713)**

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. **18,692**

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, 2020:

Bonds payable	(9,689,000)
Bond premium	(81,275)
Accrued interest on bonds payable	(14,819)
Accrued net pension liability	(692,783)

Total Net Position, Governmental Activities **\$ 25,666,202**

Upper Saucon Township

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,882,921	\$ -	\$ -	\$ 135,766	\$ 9,018,687
Licenses and permits	301,736	-	-	-	301,736
Fines and forfeits	46,598	-	-	-	46,598
Interest, rents, and royalties	57,961	7,024	12,440	35,209	112,634
Intergovernmental revenue	745,440	-	-	542,528	1,287,968
Charges for services	(182,136)	-	-	-	(182,136)
Developer contributions	-	31,450	-	1,040	32,490
Miscellaneous revenue	282,653	-	-	-	282,653
Total Revenues	10,135,173	38,474	12,440	714,543	10,900,630
Expenditures					
Current					
General government	948,141	-	-	-	948,141
Public safety	3,763,042	-	-	17,688	3,780,730
Public works - highways and streets	1,327,203	-	16,675	886,814	2,230,692
Culture and recreation	418,904	-	-	-	418,904
Other	1,040,052	-	-	-	1,040,052
Debt service					
Principal	8,618,000	-	-	-	8,618,000
Interest	304,599	-	-	-	304,599
Capital outlay	403,756	1,300,926	935,968	45,593	2,686,243
Total Expenditures	16,823,697	1,300,926	952,643	950,095	20,027,361
Deficiency of Revenues under Expenditures	(6,688,524)	(1,262,452)	(940,203)	(235,552)	(9,126,731)
Other Financing Sources (Uses)					
Transfers in	-	100,000	600,000	25,000	725,000
Transfers out	(725,000)	-	-	(100,000)	(825,000)
Proceeds from debt issuance	7,949,000	-	-	-	7,949,000
Total Other Financing Sources (Uses)	7,224,000	100,000	600,000	(75,000)	7,849,000
Net Change in Fund Balances	535,476	(1,162,452)	(340,203)	(310,552)	(1,277,731)
Fund Balances at Beginning of Year	3,564,406	1,344,146	1,258,353	4,583,756	10,750,661
Fund Balances at End of Year	\$ 4,099,882	\$ 181,694	\$ 918,150	\$ 4,273,204	\$ 9,472,930

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, 2020

Net Change in Fund Balances, Governmental Funds **\$ (1,277,731)**

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	\$ 2,732,102	
Depreciation	<u>(1,268,863)</u>	
		1,463,239

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. 4,637

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. (708)

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	(7,949,000)	
Principal repayments	8,618,000	
Amortization of premium/refunding loss on bond issue	<u>2,356</u>	
		671,356

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

Net pension expense	<u>688,298</u>
---------------------	----------------

Change in Net Position, Governmental Activities **\$ 1,549,091**

Upper Saucon Township

Statement of Net Position - Proprietary Funds

December 31, 2020

	Water Fund	Sewer Fund	Total
Assets			
Cash and cash equivalents	\$ 1,795,256	\$ 6,059,145	\$ 7,854,401
Prepaid expenses	5,097	11,137	16,234
Accounts receivable	303,819	855,130	1,158,949
Capital assets not being depreciated	1,628,571	3,016,334	4,644,905
Capital assets being depreciated	7,824,134	11,088,566	18,912,700
Total Assets	11,556,877	21,030,312	32,587,189
Deferred Outflow of Resources			
Loss on debt refinancing	104,954	-	104,954
Liabilities			
Accounts payable	54,698	89,463	144,161
Accrued expenses	17,949	19,437	37,386
Deferred revenue	-	3,831	3,831
Bonds payable, current portion	225,000	-	225,000
Bonds payable, long-term portion	2,671,964	-	2,671,964
Total Liabilities	2,969,611	112,731	3,082,342
Net Position			
Net investment in capital assets	6,660,695	14,104,900	20,765,595
Unrestricted	2,031,525	6,812,681	8,844,206
Total Net Position	\$ 8,692,220	\$ 20,917,581	\$ 29,609,801

Upper Saucon Township

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

Year Ended December 31, 2020

	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	<u>\$ 1,379,440</u>	<u>\$ 2,498,403</u>	<u>\$ 3,877,843</u>
Operating Expenses			
Personnel services	502,623	1,122,696	1,625,319
Contracted services	117,471	236,486	353,957
Materials and supplies	110,670	375,562	486,232
Other operating expense	123,338	99,794	223,132
Depreciation expense	<u>499,738</u>	<u>985,729</u>	<u>1,485,467</u>
Total Operating Expenses	<u>1,353,840</u>	<u>2,820,267</u>	<u>4,174,107</u>
Operating Income (Loss)	<u>25,600</u>	<u>(321,864)</u>	<u>(296,264)</u>
Nonoperating Revenues (Expenses)			
Interest income	19,971	43,594	63,565
Tapping fees	18,300	96,040	114,340
Interest expense	(123,550)	-	(123,550)
Transfers from other funds	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Nonoperating Revenues (Expenses)	<u>14,721</u>	<u>139,634</u>	<u>154,355</u>
Income (Loss) before Capital Contributions	<u>40,321</u>	<u>(182,230)</u>	<u>(141,909)</u>
Capital Contributions	<u>-</u>	<u>319,703</u>	<u>319,703</u>
Change in Net Position	<u>40,321</u>	<u>137,473</u>	<u>177,794</u>
Net Position at Beginning of Year	<u>8,651,899</u>	<u>20,780,108</u>	<u>29,432,007</u>
Net Position at End of Year	<u><u>\$ 8,692,220</u></u>	<u><u>\$ 20,917,581</u></u>	<u><u>\$ 29,609,801</u></u>

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2020

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,373,275	\$ 2,593,283	\$ 3,966,558
Payments to suppliers	(401,794)	(835,631)	(1,237,425)
Payments to employees	(497,412)	(1,122,144)	(1,619,556)
Net Cash Provided by Operating Activities	474,069	635,508	1,109,577
Cash Flows from Noncapital Financing Activities			
Interfund activity	100,000	-	100,000
Net Cash Provided by Noncapital Financing Activities	100,000	-	100,000
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(798,909)	(1,089,425)	(1,888,334)
Tapping fees	18,300	96,040	114,340
Interest paid	(128,666)	-	(128,666)
Principal paid on notes and bonds	(220,000)	-	(220,000)
Net Cash Used in Capital and Related Financing Activities	(1,129,275)	(993,385)	(2,122,660)
Cash Flows from Investing Activities			
Interest income	19,971	43,594	63,565
Net Cash Provided by Investing Activities	19,971	43,594	63,565
Net Decrease in Cash and Cash Equivalents	(535,235)	(314,283)	(849,518)
Cash and Cash Equivalents at Beginning of Year	2,330,491	6,373,428	8,703,919
Cash and Cash Equivalents at End of Year	\$ 1,795,256	\$ 6,059,145	\$ 7,854,401

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds (continued)

Year Ended December 31, 2020

	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 25,600	\$ (321,864)	\$ (296,264)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	499,738	985,729	1,485,467
Amortization expense	4,318	-	4,318
(Increase) decrease in assets			
Accounts receivable	(6,165)	91,049	84,884
Prepaid expenses	(494)	(1,193)	(1,687)
Increase (decrease) in liabilities			
Accounts payable	(54,139)	(122,596)	(176,735)
Accrued expenses	5,211	552	5,763
Deferred revenue	-	3,831	3,831
Net Cash Provided by Operating Activities	\$ 474,069	\$ 635,508	\$ 1,109,577
Schedule of Noncash Capital and Related Financing Activities			
Contributions of capital assets	\$ -	\$ 319,703	\$ 319,703

Upper Saucon Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2020

	Pension Trust Funds	Custodial Fund	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 1,608,669	\$ 1,894,266	\$ 3,502,935
Investments	19,117,633	-	19,117,633
Accrued interest receivable	24,273	-	24,273
Total Assets	\$ 20,750,575	\$ 1,894,266	\$ 22,644,841
<i>Net Position</i>			
Assets held in trust for pension benefits	\$ 20,750,575	\$ -	\$ 20,750,575
Funds held in escrow	-	1,894,266	1,894,266
Total Net Position	\$ 20,750,575	\$ 1,894,266	\$ 22,644,841

Upper Saucon Township

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2020

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 792,171	\$ -	\$ 792,171
Employee	227,222	-	227,222
	<u>1,019,393</u>	<u>-</u>	<u>1,019,393</u>
Total contributions			
	<u>1,019,393</u>	<u>-</u>	<u>1,019,393</u>
Investment income			
Net increase in fair value of investments	2,591,232	-	2,591,232
Interest and dividends	3,358	11,229	14,587
	<u>2,594,590</u>	<u>11,229</u>	<u>2,605,819</u>
Total investment income			
	<u>2,594,590</u>	<u>11,229</u>	<u>2,605,819</u>
Developer deposits	-	3,287,873	3,287,873
	<u>-</u>	<u>3,287,873</u>	<u>3,287,873</u>
Total Additions	<u>3,613,983</u>	<u>3,299,102</u>	<u>6,913,085</u>
Deductions			
Benefit payments	857,296	-	857,296
Administrative expenses	123,617	-	123,617
Developer expenses	-	3,597,248	3,597,248
	<u>980,913</u>	<u>3,597,248</u>	<u>4,578,161</u>
Total Deductions	<u>980,913</u>	<u>3,597,248</u>	<u>4,578,161</u>
Change in Net Position	<u>2,633,070</u>	<u>(298,146)</u>	<u>2,334,924</u>
Net Position at Beginning of Year	<u>18,117,505</u>	<u>2,192,412</u>	<u>20,309,917</u>
Net Position at End of Year	<u>\$ 20,750,575</u>	<u>\$ 1,894,266</u>	<u>\$ 22,644,841</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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.

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.

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.

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.

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, 2020 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, 2020.

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.

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.

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 2020 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.

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.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - an Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (a) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (b) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities and is effective for periods beginning after June 15, 2021.

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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, 2019 and the cash received for the year ended December 31, 2020. For the year ended December 31, 2020, expenditures exceeded appropriations in the general fund by approximately \$6,755,000 due to the current refunding of debt of \$7,785,000.

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, 2020:

Cash deposits	\$ 21,013,820
Investments	<u>19,117,633</u>
	<u>\$ 40,131,453</u>

Reconciliation to Statement of Net Position/Balance Sheet

Cash

Governmental activities	\$ 9,655,768
Business-type activities	7,854,401
Component units	716
Fiduciary funds	<u>3,502,935</u>
	21,013,820

Investments

Fiduciary	<u>19,117,633</u>
	<u>\$ 40,131,453</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

Note 4 - Deposits and Investments (continued)

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, 2020, the carrying amounts of the Township's bank deposits were \$21,013,820 and the corresponding bank balances were \$21,381,670, of which \$250,000 was covered by Federal Depository Insurance. Deposits totaling \$20,035,194 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 \$1,096,476 were uninsured and uncollateralized.

Investments

The Township's pension funds have the following investments as of December 31, 2020:

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	\$ 942,968	\$ 987,997	\$ 301,328	\$ 686,669	\$ -	Aaa - Aa3
Equities	1,825,760	2,825,144	2,825,144	-	-	N/A
Exchange traded and mutual funds	3,687,023	4,712,479	4,712,479	-	-	N/A
	<u>\$ 6,455,751</u>	<u>\$ 8,525,620</u>	<u>\$ 7,838,951</u>	<u>\$ 686,669</u>	<u>\$ -</u>	

Non-Uniformed Employees' Pension Fund

Fixed income, bonds	\$ 1,142,414	\$ 1,193,422	\$ 401,671	\$ 791,751	\$ -	Aaa - Aa3
Equities	2,543,088	3,972,893	3,972,893	-	-	N/A
Exchange traded and mutual funds	4,078,530	5,224,020	5,224,020	-	-	N/A
	<u>\$ 7,764,032</u>	<u>\$ 10,390,335</u>	<u>\$ 9,598,584</u>	<u>\$ 791,751</u>	<u>\$ -</u>	

Non-Uniformed Employees' Retirement Fund

Exchange traded and mutual funds	<u>\$ 158,108</u>	<u>\$ 201,678</u>	<u>\$ 201,678</u>	<u>\$ -</u>	<u>\$ -</u>	N/A
--	-------------------	-------------------	-------------------	-------------	-------------	-----

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, 2020, \$17,163,387 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, 2020

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, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value				
Fixed Income				
Corporate bonds	\$ -	\$ 2,181,419	\$ -	\$ 2,181,419
Equities				
Consumer discretionary	1,009,811	-	-	1,009,811
Consumer staples	414,931	-	-	414,931
Energy	150,712	-	-	150,712
Financial	622,464	-	-	622,464
Health care	773,850	-	-	773,850
Industrials	501,027	-	-	501,027
Information technology	2,089,402	-	-	2,089,402
Materials	106,170	-	-	106,170
Real estate	61,974	-	-	61,974
Telecommunication services	855,432	-	-	855,432
Utilities	212,263	-	-	212,263
Total Equities	6,798,036	-	-	6,798,036
Exchange Traded Funds				
Fixed income	1,415,234	-	-	1,415,234
Equities	4,940,567	-	-	4,940,567
Total Exchange Traded Funds	6,355,801	-	-	6,355,801
Mutual Funds				
Fixed income	1,317,007	-	-	1,317,007
Equities	2,465,370	-	-	2,465,370
Total Mutual Funds	3,782,377	-	-	3,782,377
	\$ 16,936,214	\$ 2,181,419	\$ -	\$ 19,117,633

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, 2020

Note 6 - Capital Assets

Capital assets activity of the primary government was as follows for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Deletions/ Transfers	Balance December 31, 2020
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,684,673	\$ -	\$ -	\$ 5,684,673
Construction in progress	9,290,679	1,711,920	9,495,391	1,507,208
Total capital assets not being depreciated	14,975,352	1,711,920	9,495,391	7,191,881
Capital assets being depreciated				
Land improvements	2,811,362	9,495,393	-	12,306,755
Roads	10,945,979	811,329	-	11,757,308
Computer	81,093	-	-	81,093
Buildings and improvements	3,526,596	-	-	3,526,596
Vehicles	3,387,823	197,663	-	3,585,486
Machinery and equipment	2,373,391	11,188	-	2,384,579
Total capital assets being depreciated	23,126,244	10,515,573	-	33,641,817
Less accumulated depreciation for				
Land improvements	1,041,747	140,567	-	1,182,314
Roads	3,765,933	556,931	-	4,322,864
Computer	23,979	16,219	-	40,198
Buildings and improvements	2,256,354	94,310	-	2,350,664
Vehicles	2,405,041	332,156	-	2,737,197
Machinery and equipment	1,902,162	128,680	-	2,030,842
Total accumulated depreciation	11,395,216	1,268,863	-	12,664,079
Total capital assets being depreciated, net	11,731,028	9,246,710	-	20,977,738
Total governmental activities, capital assets, net	\$ 26,706,380	\$ 10,958,630	\$ 9,495,391	\$ 28,169,619

Upper Saucon Township**Notes to Financial Statements**

December 31, 2020

Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following functions:

General government	\$ 83,257
Public safety	136,749
Public works - highways and streets	941,462
Culture and recreation	107,395
	<u>\$ 1,268,863</u>

	Balance January 1, 2020	Additions	Deletions/ Transfers	Balance December 31, 2020
Business-type activities				
Capital assets not being depreciated				
Land	\$ 723,951	\$ -	\$ -	\$ 723,951
Construction in progress	2,907,557	1,213,397	200,000	3,920,954
Total capital assets not being depreciated	3,631,508	1,213,397	200,000	4,644,905
Capital assets being depreciated				
Plant and improvements	27,388,810	519,703	-	27,908,513
Buildings and improvements	1,188,833	297,552	-	1,486,385
Vehicles	1,281,566	377,385	-	1,658,951
Machinery and equipment	2,031,342	-	-	2,031,342
Total capital assets being depreciated	31,890,551	1,194,640	-	33,085,191
Less accumulated depreciation for				
Plant and improvements	9,833,136	1,188,086	-	11,021,222
Buildings and improvements	566,958	26,371	-	593,329
Vehicles	716,724	163,196	-	879,920
Machinery and equipment	1,570,206	107,814	-	1,678,020
Total accumulated depreciation	12,687,024	1,485,467	-	14,172,491
Total capital assets being depreciated, net	19,203,527	(290,827)	-	18,912,700
Total business-type activities, capital assets, net	\$ 22,835,035	\$ 922,570	\$ 200,000	\$ 23,557,605

Upper Saucon Township**Notes to Financial Statements**

December 31, 2020

Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following funds:

Water Fund	\$ 499,738
Sewer Fund	985,729
	<u>\$ 1,485,467</u>

Capital assets activity for the component units was as follows for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Capital assets being depreciated				
Plant and improvements	\$ 9,914,805	\$ -	\$ -	\$ 9,914,805
Accumulated depreciation	(9,914,805)	-	-	(9,914,805)
Total capital assets being depreciated	\$ -	\$ -	\$ -	\$ -

Note 7 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2020:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 725,000
Road Construction Capital Reserve Fund	600,000	-
Recreation Fund	100,000	-
Nonmajor governmental funds	25,000	100,000
Water Fund	100,000	-
	<u>\$ 825,000</u>	<u>\$ 825,000</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, 2020

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2020:

	<u>Balance Outstanding January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Outstanding December 31, 2020</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Bonds, Series of 2020, original amount \$7,949,000 due in semiannual installments of principal plus interest at 1.44% to December 2033	\$ -	\$ 7,949,000	\$ -	\$ 7,949,000	\$ 103,000
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	8,433,000	-	8,433,000	-	-
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	1,925,000	-	185,000	1,740,000	185,000
Total governmental activities	10,358,000	7,949,000	8,618,000	9,689,000	288,000
Business-type activities					
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	3,030,000	-	220,000	2,810,000	225,000
Total business-type activities	3,030,000	-	220,000	2,810,000	225,000
Total long-term debt	<u>\$ 13,388,000</u>	<u>\$ 7,949,000</u>	<u>\$ 8,838,000</u>	<u>\$ 12,499,000</u>	<u>\$ 513,000</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

Note 8 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt are as follows at December 31, 2020:

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 288,000	\$ 178,148	\$ 466,148
2022	798,000	167,732	965,732
2023	822,000	149,299	971,299
2024	751,000	129,966	880,966
2025	765,000	117,144	882,144
2026-2030	4,016,000	384,654	4,400,654
2031-2032	2,249,000	65,266	2,314,266
	<u>9,689,000</u>	<u>\$ 1,192,209</u>	<u>\$ 10,881,209</u>
Current maturities	(288,000)		
Unamortized issuance premium	<u>81,275</u>		
	<u>\$ 9,482,275</u>		

Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	90,000	48,963	138,963
2026-2030	505,000	252,213	757,213
2031-2035	570,000	171,383	741,383
2036-2040	670,000	71,444	741,444
	<u>2,810,000</u>	<u>\$ 883,554</u>	<u>\$ 3,693,554</u>
Current maturities	(225,000)		
Unamortized issuance premium	<u>86,964</u>		
	<u>\$ 2,671,964</u>		

During 2020, the Township issued the General Obligation Bond Series of 2020 in the amount of \$7,949,000. The proceeds were used to currently refund the General Obligation Note, Series of 2016 and pay issuance costs. The refunding resulted in estimated savings approximating \$506,800.

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

Note 8 - Long-Term Debt (continued)

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.

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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the Police Pension Plan:

Active employees	23
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits, but not yet receiving them	2
	<u>34</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, 2020, 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, 2020, 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
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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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

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

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

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

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, 2020

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, 2020:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2019	\$ 8,264,439	\$ 7,906,467	\$ 357,972
Changes for the year			
Service cost	236,944	-	236,944
Interest cost	667,371	-	667,371
Contributions, employer	-	305,542	(305,542)
Contributions, member	-	99,670	(99,670)
Net investment income	-	1,076,125	(1,076,125)
Benefit payments, including refunds of member contributions	(318,500)	(318,500)	-
Balance at December 31, 2020	\$ 8,850,254	\$ 9,069,304	\$ (219,050)

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset)	\$ 966,806	\$ (219,050)	\$ (1,200,308)

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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, 2020, the Township recognized pension expense of \$(55,865). For the 2020 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2020.

The components of pension expense are as follows:

Service cost	\$ 236,944
Interest on the total pension liability	667,371
Difference between expected and actual experience	(132,461)
Changes of assumptions	35,277
Member contributions	(99,670)
Projected earnings on pension plan investments	(635,986)
Difference between projected and actual earnings on investments	(127,340)
	<u>\$ (55,865)</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, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 854,618
Change of assumptions	241,710	-
Net difference between projected and actual earnings on Police Pension Plan investments	-	556,370
	<u>\$ 241,710</u>	<u>\$ 1,410,988</u>

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

2021	\$ (259,474)
2022	(157,583)
2023	(342,840)
2024	(185,213)
2025	(76,309)
Thereafter	(147,859)

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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, 2020, the following employees were covered by the plan:

Active employees	33
Retirees and beneficiaries currently receiving benefits	21
Terminated employees entitled to benefits, but not yet receiving them	7
	<u>61</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Non-Uniformed Pension Plan be based upon the Non-Uniformed Pension Plan's MMO, which is based on the Non-Uniformed Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. For the year ended December 31, 2020, 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, 2020

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, 2020, 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:

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

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, 2020

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, 2020:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$ 10,415,743	\$ 9,594,119	\$ 821,624
Changes for the year			
Service cost	281,638	-	281,638
Interest cost	838,447	-	838,447
Contributions, employer	-	380,743	(380,743)
Contributions, member	-	95,767	(95,767)
Net investment income	-	1,381,451	(1,381,451)
Benefit payments, including refunds of member contributions	(433,577)	(433,577)	-
Balance at December 31, 2020	\$ 11,102,251	\$ 11,018,503	\$ 83,748

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, 2020

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 (asset) 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	\$ 1,382,653	\$ 83,748	\$ (1,027,833)

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

For the year ended December 31, 2020, the Township recognized pension expense of \$84,140. For the 2020 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2020.

The components of pension expense are as follows:

Service cost	\$ 281,638
Interest on the total pension liability	838,447
Difference between expected and actual experience	(94,075)
Changes of assumptions	91,480
Member contributions	(95,767)
Projected earnings on pension plan investments	(769,247)
Difference between projected and actual earnings on investments	(168,336)
	\$ 84,140

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, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 733,386
Changes of assumptions	555,751	
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	-	440,244
	\$ 555,751	\$ 1,173,630

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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:

2021	\$	(209,384)
2022		(77,846)
2023		(299,253)
2024		(108,911)
2025		13,536
Thereafter		63,979

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, 2020.

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, 2020

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

Employees Covered by Benefit Terms

At December 31, 2020, 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, 2020, 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, 2020

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2020:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$ 1,067,216	\$ 393,261	\$ 673,955
Changes for the year			
Service cost	29,309	-	29,309
Interest cost	37,842	-	37,842
Change for experience	(12,360)	-	(12,360)
Change for assumptions	200,171	-	200,171
Contributions, employer	-	98,000	(98,000)
Net investment income	-	2,832	(2,832)
Benefit payments, including refunds of member contributions	(45,885)	(45,885)	-
Balance at December 31, 2020	\$ 1,276,293	\$ 448,208	\$ 828,085

Upper Saucon Township**Notes to Financial Statements**

December 31, 2020

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:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net pension asset (liability)	\$ 1,031,571	\$ 828,085	\$ 664,315

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

For the year ended December 31, 2020, the Township recognized pension expense of \$67,712. For the 2020 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2020.

The components of net pension expense are as follows:

Service cost	\$ 29,309
Interest on the total pension liability	37,842
Difference between expected and actual experience	(687)
Projected earnings on pension plan investments	(12,580)
Changes of assumptions	11,121
Difference between projected and actual earnings on investments	2,707
	\$ 67,712

The Township reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Volunteer Fire Fighters Length of Service Awards Program investments	\$ 187,444	\$ -

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

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

2021	\$	13,141
2022		13,141
2023		13,139
2024		12,382
2025		10,434
Thereafter		125,207

Note 14 - Fund Balances

Fund balances of the Township's governmental funds consist of the following at December 31, 2020:

	<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	\$ -	\$ -	\$ -	\$ -	\$ 4,056,731	\$ 4,056,731
Prepaid items	43,151	-	-	-	-	43,151
Special Revenue Funds						
Highways and streets	-	1,185,772	-	-	-	1,185,772
Transportation improvements	-	1,446,868	-	-	-	1,446,868
Fire hydrants	-	-	187,401	-	-	187,401
Recreation	-	-	181,694	-	-	181,694
Stormwater	-	-	1,204,247	-	-	1,204,247
Capital Improvement Funds						
Capital projects	-	-	-	190,995	-	190,995
Road construction	-	-	-	918,150	-	918,150
Library capital	-	-	-	57,921	-	57,921
	<u>\$ 43,151</u>	<u>\$ 2,632,640</u>	<u>\$ 1,573,342</u>	<u>\$ 1,167,066</u>	<u>\$ 4,056,731</u>	<u>\$ 9,472,930</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.

Note 14 - Fund Balance (continued)

Fund Balance Policy (continued)

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.

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.

Note 14 - Fund Balance (continued)

Reservations of Fund Balance (continued)

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.

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.

Note 14 - Fund Balance (continued)

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.

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, 2020, 2019, and 2018, claims settled were not in excess of insurance coverage.

There have been no significant reductions in insurance coverage during the year ended December 31, 2020.

Upper Saucon Township

Notes to Financial Statements

December 31, 2020

Note 17 - 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.

Note 18 - Subsequent Events

The Township has evaluated subsequent events through September 3, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2020 were noted.

Upper Saucon Township

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,363,000	\$ 8,363,000	\$ 8,882,921	\$ 519,921
Licenses and permits	397,650	397,650	301,736	(95,914)
Fines and forfeits	59,000	59,000	46,598	(12,402)
Interest, rents, and royalties	62,000	62,000	57,961	(4,039)
Intergovernmental revenue	648,000	648,000	745,440	97,440
Charges for services	79,000	79,000	(182,136)	(261,136)
Miscellaneous revenue	55,000	55,000	282,653	227,653
Total Revenues	9,663,650	9,663,650	10,135,173	471,523
Expenditures				
Current				
General government	1,118,893	1,118,893	948,141	170,752
Public safety	4,431,422	4,431,422	3,763,042	668,380
Public works, highways and streets	1,622,558	1,622,558	1,327,203	295,355
Culture and recreation	486,500	486,500	418,904	67,596
Other	1,055,316	1,055,316	1,040,052	15,264
Debt service	976,496	976,496	8,922,599	(7,946,103)
Capital outlay	448,100	448,100	403,756	44,344
Total Expenditures	10,139,285	10,139,285	16,823,697	(6,684,412)
Deficiency of Revenues under Expenditures	(475,635)	(475,635)	(6,688,524)	(6,212,889)
Other Financing Sources (Uses)				
Transfers out	(925,000)	(925,000)	(725,000)	200,000
Proceeds from debt issuance	-	-	7,949,000	7,949,000
Total Other Financing Sources (Uses)	(925,000)	(925,000)	7,224,000	8,149,000
Net Change in Fund Balance	\$ (1,400,635)	\$ (1,400,635)	535,476	\$ 1,936,111
Fund Balance at Beginning of Year			3,564,406	
Fund Balance at End of Year			\$ 4,099,882	

Upper Saucon Township

Budgetary Comparison Schedule - Recreation Fund

Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest, rents, and royalties	\$ 4,000	\$ 4,000	\$ 7,024	\$ 3,024
Developer contributions	470,000	470,000	31,450	(438,550)
Total Revenues	474,000	474,000	38,474	(435,526)
Expenditures				
Capital outlay	2,130,000	2,130,000	1,300,926	829,074
Total Expenditures	2,130,000	2,130,000	1,300,926	829,074
Deficiency of Revenues under Expenditures	(1,656,000)	(1,656,000)	(1,262,452)	393,548
Other Financing Sources				
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources	100,000	100,000	100,000	-
Net Change in Fund Balance	\$ (1,556,000)	\$ (1,556,000)	(1,162,452)	\$ 393,548
Fund Balance at Beginning of Year			1,344,146	
Fund Balance at End of Year			\$ 181,694	

Upper Saucon Township, Lehigh County, Pennsylvania

Note to Budgetary Comparison Schedule

December 31, 2020

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 2020 budgets.

Upper Saucon Township

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

	2020	2019	Years Ended December 31,		2016	2015
			2018	2017		
Total Pension Liability						
Service cost	\$ 236,944	\$ 225,661	\$ 209,297	\$ 199,330	\$ 187,425	\$ 178,500
Interest cost	667,371	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	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Net Change in Total Pension Liability	585,815	174,888	505,344	100,706	980,634	169,352
Total Pension Liability, Beginning	8,264,439	8,089,551	7,584,207	7,483,501	6,502,867	6,333,515
Total Pension Liability, Ending	\$ 8,850,254	\$ 8,264,439	\$ 8,089,551	\$ 7,584,207	\$ 7,483,501	\$ 6,502,867
Plan Fiduciary Net Position						
Contributions - employer	\$ 305,542	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716
Contributions - member	99,670	93,404	103,165	102,553	104,899	126,264
Net investment income (loss)	1,076,125	1,313,100	(373,192)	983,253	273,563	100,807
Benefit payments, including refunds of member contributions	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Administrative expense	-	(6,000)	(3,200)	(6,900)	(11,300)	-
Net Change in Plan Fiduciary Net Position	1,162,837	1,375,740	(392,760)	1,018,967	327,756	151,848
Plan Fiduciary Net Position, Beginning	7,906,467	6,530,727	6,923,489	5,904,522	5,576,766	5,424,918
Plan Fiduciary Net Position, Ending	\$ 9,069,304	\$ 7,906,467	\$ 6,530,729	\$ 6,923,489	\$ 5,904,522	\$ 5,576,766
Township's Net Pension (Asset) Liability	\$ (219,050)	\$ 357,972	\$ 1,558,822	\$ 660,718	\$ 1,578,979	\$ 926,101
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.5%	95.7%	80.7%	91.3%	78.9%	85.8%
Covered Employee Payroll	\$ 2,026,583	\$ 1,923,785	\$ 1,700,683	\$ 1,708,253	\$ 1,748,322	\$ 1,599,296
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	-10.8%	18.6%	91.7%	38.7%	90.3%	57.9%

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

** 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*

	2020	2019	Years Ended December 31,		2016	2015
			2018	2017		
Total Pension Liability						
Service cost	\$ 281,638	\$ 268,227	\$ 260,309	\$ 247,913	\$ 245,221	\$ 233,544
Interest cost	838,447	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	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Net Change in Total Pension Liability	686,508	983,106	642,824	490,983	620,531	460,106
Total Pension Liability, Beginning	10,415,743	9,432,637	8,789,813	8,298,830	7,678,299	7,218,193
Total Pension Liability, Ending	\$ 11,102,251	\$ 10,415,743	\$ 9,432,637	\$ 8,789,813	\$ 8,298,830	\$ 7,678,299
Plan Fiduciary Net Position						
Contributions - employer	\$ 380,743	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319
Contributions - member	95,767	101,799	99,003	99,048	142,907	139,090
Net investment income (loss)	1,381,451	1,588,131	(442,979)	1,139,202	329,717	107,834
Benefit payments, including refunds of member contributions	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Administrative expense	-	(6,000)	(3,800)	(6,400)	(9,900)	-
Net Change in Plan Fiduciary Net Position	1,424,384	1,689,367	(348,890)	1,314,502	499,154	360,088
Plan Fiduciary Net Position, Beginning	9,594,119	7,904,752	8,253,549	6,939,047	6,439,893	6,079,805
Plan Fiduciary Net Position, Ending	\$ 11,018,503	\$ 9,594,119	\$ 7,904,659	\$ 8,253,549	\$ 6,939,047	\$ 6,439,893
Township's Net Pension Liability	\$ 83,748	\$ 821,624	\$ 1,527,978	\$ 536,264	\$ 1,359,783	\$ 1,238,406
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.2%	92.1%	83.8%	93.9%	83.6%	83.9%
Covered Employee Payroll	\$ 2,178,680	\$ 2,199,064	\$ 2,147,759	\$ 2,170,300	\$ 2,074,733	\$ 2,058,369
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	3.8%	37.4%	71.1%	24.7%	65.5%	60.2%

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

** 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*

	Years Ended December 31,	
	2020	2019
Total Pension Liability		
Service cost	\$ 29,309	\$ 21,662
Interest cost	37,842	31,734
Difference between expected and actual experience	(12,360)	-
Change of assumptions**	200,171	-
Benefit payments, including refunds of member contributions	(45,885)	(44,649)
Net Change in Total Pension Liability	209,077	8,747
Total Pension Liability, Beginning	1,067,216	1,058,469
Total Pension Liability, Ending	\$ 1,276,293	\$ 1,067,216
Plan Fiduciary Net Position		
Contributions - employer	\$ 98,000	\$ 98,000
Net investment income	2,832	7,004
Benefit payments, including refunds of member contributions	(45,885)	(44,649)
Net Change in Plan Fiduciary Net Position	54,947	60,355
Plan Fiduciary Net Position, Beginning	393,261	332,906
Plan Fiduciary Net Position, Ending	\$ 448,208	\$ 393,261
Township's Net Pension Liability	\$ 828,085	\$ 673,955
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	35.1%	36.8%

* 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 Pension Contributions - Police Pension Plan Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 305,542	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716	\$ 183,338	\$ 180,007	\$ 203,777	\$ 201,781
Contributions in relation to the actuarially determined contribution	305,542	292,207	195,307	207,556	192,909	217,716	183,338	180,007	203,777	204,545
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,764)
Covered employee payroll	\$ 2,026,583	\$ 1,923,785	\$ 1,700,683	\$ 1,708,253	\$ 1,748,322	\$ 1,599,296	\$ 1,536,689			
Contributions as a percentage of covered employee payroll	15.1%	15.2%	11.5%	12.2%	11.0%	13.6%	11.9%			

Notes to Schedule

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

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

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	12 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Active members are assumed to retire after attainment of age 53 and completion of 25 years of service, or age on valuation date, if greater. Vested former members are assumed to retire at normal retirement age, or age on valuation date, if greater.
Mortality	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 January 1, 2017

Upper Saucon Township

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 380,743	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319	\$ 311,745	\$ 294,072	\$ 205,598	\$ 234,363
Contributions in relation to the actuarially determined contribution	380,743	363,271	327,246	333,820	285,057	351,319	312,524	294,072	205,598	237,573
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,210)</u>
Covered employee payroll	<u>\$ 2,178,680</u>	<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>17.5%</u>	<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:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	10 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Later of attainment of age 65 and completion of 10 years of vesting service or age on valuation date, if greater.
Mortality	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 January 1, 2017

Upper Saucon Township

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 97,965	\$ 97,965	\$ 97,965	\$ 96,069	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995	\$ 46,091
Contributions in relation to the actuarially determined contribution	98,000	98,000	98,000	96,100	52,995	52,995	52,995	52,995	52,995	46,091
Contribution Excess	\$ (35)	\$ (35)	\$ (35)	\$ (31)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A			

Notes to Schedule

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

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

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	13 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	3.00%
Retirement Age	Age 65
Mortality	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, 2020

	Special Revenue Funds				Capital Projects Funds		
	State Liquid						
	Fire Hydrant	Fuels Highway Aid	Transportation Improvement	Maintenance Trust	Library Capital Fund	Capital Projects	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 187,159	\$ 1,185,772	\$ 1,446,868	\$ 1,204,247	\$ 57,921	\$ 190,995	\$ 4,272,962
Taxes receivable	36,257	-	-	-	-	-	36,257
Total Assets	\$ 223,416	\$ 1,185,772	\$ 1,446,868	\$ 1,204,247	\$ 57,921	\$ 190,995	\$ 4,309,219
Liabilities							
Accounts payable	\$ 1,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,474
Total Liabilities	1,474	-	-	-	-	-	1,474
Deferred Inflow of Resources							
Unavailable revenue - property taxes	34,541	-	-	-	-	-	34,541
Fund Balances							
Restricted	-	1,185,772	1,446,868	-	-	-	2,632,640
Committed	187,401	-	-	1,204,247	-	-	1,391,648
Assigned	-	-	-	-	57,921	190,995	248,916
Total Fund Balances	187,401	1,185,772	1,446,868	1,204,247	57,921	190,995	4,273,204
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 223,416	\$ 1,185,772	\$ 1,446,868	\$ 1,204,247	\$ 57,921	\$ 190,995	\$ 4,309,219

Upper Saucon Township

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

Year Ended December 31, 2020

	Special Revenue Funds				Capital Projects Funds		
	State Liquid Fuels				Library Capital Fund	Capital Projects	Total Governmental Funds
	Fire Hydrant	Highway Aid	Transportation Improvement	Maintenance Trust			
Revenues							
Taxes	\$ 135,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,766
Interest, rents, and royalties	1,409	12,858	10,418	8,855	256	1,413	35,209
Intergovernmental revenue	-	542,528	-	-	-	-	542,528
Developer contributions	-	-	1,040	-	-	-	1,040
Total Revenues	137,175	555,386	11,458	8,855	256	1,413	714,543
Expenditures							
Current							
Public safety	17,688	-	-	-	-	-	17,688
Public works - highways and streets	-	861,837	-	24,977	-	-	886,814
Capital outlay	-	-	-	-	-	45,593	45,593
Total Expenditures	17,688	861,837	-	24,977	-	45,593	950,095
Excess (Deficiency) of Revenues over (under) Expenditures	119,487	(306,451)	11,458	(16,122)	256	(44,180)	(235,552)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	25,000	-	25,000
Transfers out	(100,000)	-	-	-	-	-	(100,000)
Total Other Financing Sources (Uses)	(100,000)	-	-	-	25,000	-	(75,000)
Net Change in Fund Balances	19,487	(306,451)	11,458	(16,122)	25,256	(44,180)	(310,552)
Fund Balances at Beginning of Year	167,914	1,492,223	1,435,410	1,220,369	32,665	235,175	4,583,756
Fund Balances at End of Year	\$ 187,401	\$ 1,185,772	\$ 1,446,868	\$ 1,204,247	\$ 57,921	\$ 190,995	\$ 4,273,204

Upper Saucon Township

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2020

	Police Pension Fund	Non-Uniformed Employees' Pension Fund	Non-Uniformed Employees' Retirement Fund	Volunteer Fire Firefighters Length of Service Fund	Total Pension Funds
Assets					
Cash and cash equivalents	\$ 530,428	\$ 603,394	\$ 26,639	\$ 448,208	\$ 1,608,669
Investments	8,525,620	10,390,335	201,678	-	19,117,633
Accrued receivables	5,755	15,680	2,838	-	24,273
Total Assets	9,061,803	11,009,409	231,155	448,208	20,750,575
Net Position					
Assets held in trust for pension benefits	<u>\$ 9,061,803</u>	<u>\$ 11,009,409</u>	<u>\$ 231,155</u>	<u>\$ 448,208</u>	<u>\$ 20,750,575</u>

Upper Saucon Township

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended December 31, 2020

	Police Pension Fund	Non-Uniformed Employees' Pension Fund	Non-Uniformed Employees' Retirement Fund	Volunteer Fire Firefighters Length of Service Fund	Total Pension Funds
Additions					
Contributions					
Employer	\$ 305,542	\$ 380,743	\$ 7,886	\$ 98,000	\$ 792,171
Employee	99,670	95,767	31,785	-	227,222
Total contributions	405,212	476,510	39,671	98,000	1,019,393
Investment income					
Net appreciation in value of investments	1,123,545	1,440,622	27,065	-	2,591,232
Interest and dividends	526	-	-	2,832	3,358
Total investment income	1,124,071	1,440,622	27,065	2,832	2,594,590
Total Additions	1,529,283	1,917,132	66,736	100,832	3,613,983
Deductions					
Benefit payments	318,500	433,578	59,333	45,885	857,296
Administrative expenses	55,447	68,170	-	-	123,617
Total Deductions	373,947	501,748	59,333	45,885	980,913
Change in Net Position	1,155,336	1,415,384	7,403	54,947	2,633,070
Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year	7,906,467	9,594,025	223,752	393,261	18,117,505
Net Position of Assets Held in Trust for Pension Benefits at End of Year	\$ 9,061,803	\$ 11,009,409	\$ 231,155	\$ 448,208	\$ 20,750,575