



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

**Financial Statements and
Supplementary Information**

December 31, 2021



Upper Saucon Township

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Independent Auditor's Report

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

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly in all material respects, the 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, 2021, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information on Pages 4 to 13 and Pages 66 to 74 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 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 the Township's basic financial statements. The accompanying financial information, listed as other supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Handwritten signature in black ink that reads "RKL LLP".

September 30, 2022
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, 2021.

Financial Highlights

- The assets and deferred outflows of resources of the governmental activities of Upper Saucon Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$30,200,000. Of this amount, approximately \$7,900,000 may be used to meet the government's on-going obligations to citizens and creditors. The remaining amounts are invested in capital assets and restricted by external parties. The fund balance for the Township's governmental activities increased approximately \$4,200,000 for the year ended December 31, 2021 compared to an increase of approximately \$1,800,000 for the year ended December 31, 2020.
 - During 2021, the Township received approximately \$900,000 of revenue replacement funds under the American Recue Plan. The funds were received to replace lost revenue as a result of the COVID-19 pandemic.
- The assets and deferred outflows of resources of the business activities of Upper Saucon Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$30,600,000. Of this amount, approximately \$9,600,000 may be used to meet the business type activities on-going obligations to its customers and creditors. The remaining amounts are invested in capital assets. The fund balance for the Township's business-type activities increased approximately \$1,000,000 for the year ended December 31, 2021 compared to an increase of approximately \$200,000 for the year ended December 31, 2020. The increase in the business type activities fund balance for 2021 is primarily the result of the following:
 - Capital contributions from developers increasing by approximately \$800,000
 - Increases in tapping fees approximating \$700,000

These increases were partially offset by increased personnel costs

Overview of Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

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

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 65 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 66 through 74 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 75 through 78 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 approximately \$26,000,000 at the close of the fiscal year 2021. Of this amount, approximately \$20,705,000 (or 80%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 14,048,096	\$ 10,247,854	\$ 10,225,495	\$ 9,029,584	\$ 24,273,591	\$ 19,277,438
Capital assets	30,166,299	28,169,619	23,523,266	23,557,605	53,689,565	51,727,224
Deferred outflow of resources	881,878	1,003,597	79,765	104,954	961,643	1,108,551
Total assets and deferred outflow of resources	45,096,273	39,421,070	33,828,526	32,692,143	78,924,799	72,113,213
Long-term liabilities	8,680,244	9,482,275	2,406,093	2,671,964	11,086,337	12,154,239
Other liabilities	2,671,367	1,402,993	776,215	410,378	3,447,582	1,813,371
Total liabilities	11,351,611	10,885,268	3,182,308	3,082,342	14,533,919	13,967,610
Deferred inflows of resources						
Pensions	3,548,863	2,584,618	-	-	3,548,863	2,584,618
Net position:						
Invested in capital assets, net of debt	20,705,073	18,418,036	20,951,938	20,765,595	41,657,011	39,183,631
Restricted	1,588,025	2,632,640	-	-	1,588,025	2,632,640
Unrestricted	7,902,701	4,900,508	9,694,280	8,844,206	17,596,981	13,744,714
Total net position	\$ 30,195,799	\$ 25,951,184	\$ 30,646,218	\$ 29,609,801	\$ 60,842,017	\$ 55,560,985

A portion of Upper Saucon Township's Governmental Activities net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Governmental Activities net position approximating \$8,000,000 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2021, 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Taxes licenses & permits	\$ 9,205,316	\$ 9,017,979	\$ -	\$ -	\$ 9,205,316	\$ 9,017,979
Interest & rents	76,246	114,759	28,469	63,565	104,715	178,324
Operating grants and contributions	1,785,242	882,089	-	-	1,785,242	882,089
Charges for service	1,785,959	166,198	4,090,921	3,877,843	5,876,880	4,044,041
Other financing sources	75,255	403,754	-	-	75,255	403,754
Miscellaneous revenue	785,140	19,572	-	-	785,140	19,572
Capital contribution	687,444	32,490	1,929,207	434,043	2,616,651	466,533
Transfers	-	(100,000)	-	100,000	-	-
	<u>14,400,602</u>	<u>10,536,841</u>	<u>6,048,597</u>	<u>4,475,451</u>	<u>20,449,199</u>	<u>15,012,292</u>
Expenditures						
General government	1,104,666	1,147,976	-	-	1,104,666	1,147,976
Public safety	4,330,349	4,043,722	-	-	4,330,349	4,043,722
Highway and streets	3,420,485	2,414,636	-	-	3,420,485	2,414,636
Culture and recreation	841,350	699,729	-	-	841,350	699,729
Miscellaneous	283,437	99,099	-	-	283,437	99,099
Enterprise expenses	-	-	5,012,180	4,297,657	5,012,180	4,297,657
Debt service - interest & fiscal charges	175,700	297,606	-	-	175,700	297,606
	<u>10,155,987</u>	<u>8,702,768</u>	<u>5,012,180</u>	<u>4,297,657</u>	<u>15,168,167</u>	<u>13,000,425</u>
Net Change	4,244,615	1,834,073	1,036,417	177,794	5,281,032	2,011,867
Net Position Beginning of Year	<u>25,951,184</u>	<u>24,117,111</u>	<u>29,609,801</u>	<u>29,432,007</u>	<u>55,560,985</u>	<u>53,549,118</u>
Net Position End of Year	<u>\$ 30,195,799</u>	<u>\$ 25,951,184</u>	<u>\$ 30,646,218</u>	<u>\$ 29,609,801</u>	<u>\$ 60,842,017</u>	<u>\$ 55,560,985</u>

Operating grants and contributions increased due to the American Rescue Plan revenue replacement funds

Charges for services and capital contributions increase significantly due to a significant increase in development activity that was delayed in 2020 due to the COVID-19 pandemic. This resulted in an increase in development fees and subdivision fees.

Capital contribution for business type activities increased significantly as a result of a significant increase in tapping fees and developer dedication of water and sewer lines to the Township delayed in 2020 as a result of COVID-19.

The following table depicts revenues by source for governmental activities:

Revenues by Source - Governmental Activities

	2021		2020	
Charges for services	\$ 1,785,959	13 %	\$ 166,198	2 %
Operating Grants	1,785,242	13	1,285,843	12
Capital Grants	687,444	5	32,490	-
Property Taxes	3,199,523	22	3,170,949	30
Real Estate Transfer Tax	775,060	5	935,755	9
Earned Income Taxes	4,763,671	33	4,442,545	42
Other	1,327,457	9	388,302	4
Interest and Rents	76,246	-	114,759	1
Total	<u>\$ 14,400,602</u>	<u>100 %</u>	<u>\$ 10,536,841</u>	<u>100 %</u>

For 2021, Government-wide revenues were primarily derived from earned income tax collections at 33% and property tax collections at 22% of the total. Charges for services at 13% are the third largest source of revenue. Other revenues listed above are primarily revenues from development projects delayed by COVID-19 and are anticipated to recede to more normal levels in subsequent years.

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.

The following table depicts expenses by programs for governmental activities:

Expenses by Program - Governmental Activities

	2021		2020	
General government	\$ 1,104,666	11 %	\$ 1,147,976	13 %
Public safety	4,330,349	43	4,043,722	47
Highways and streets	3,420,485	34	2,414,636	28
Culture and recreation	841,350	8	699,729	8
Miscellaneous	283,437	3	99,099	1
Interest on long-term debt	175,700	1	297,606	3
Total Governmental Activities	<u>\$ 10,155,987</u>	<u>100 %</u>	<u>\$ 8,702,768</u>	<u>100 %</u>

Total expenses for all programs in 2021 were \$10,155,987. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 43%. The second largest program is highways and streets at 34%.

Total expenses for all programs in 2020 were \$8,702,768. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 47%. The second largest program is highways and streets at 28%.

The following table depicts the net program expenses/revenues by function/program for the periods ending December 31, 2021 and 2020:

Net Program Expenses/Revenues

	<u>2021</u>	<u>2020</u>
General government	\$ 140,336	\$ (1,036,826)
Public safety	(2,513,643)	(3,654,063)
Public works	(2,841,042)	(1,871,068)
Culture and recreation	(223,856)	(663,329)
Other	501,703	304,655
Interest	(175,700)	(297,606)
Total	<u>\$ (5,112,202)</u>	<u>\$ (7,218,237)</u>

For 2021, 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 \$2.5 million in 2021. Public works expenses required approximately \$2.8 million in general revenues for support. The decrease in public works net program expenses in 2021 from 2020 is primarily the result of significant increase in developer fees, as a result of increased development activity that was deferred under COVID-19 restrictions.

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.

Business-type activities. Business-type activities increased Upper Saucon Township's net position by approximately \$1,000,000 and \$200,000 for the years ended December 31, 2021 and 2020, respectively.

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

Expenses and Program Revenues - Business-type Activities - 2021

<u>Program</u>	<u>Operating Revenue</u>	<u>Operating Expenses, Net*</u>
Water	\$ 1,453,755	\$ 1,024,320
Sewer	2,637,166	2,189,899

*depreciation removed

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

Financial Analysis of the Township's Funds

Operating expenses increased in 2021 from 2020 levels primarily due to increased general operating expenses and personnel costs.

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 2021, Upper Saucon Township's governmental funds reported combined ending fund balances approximating \$10,302,000. As stated previously, approximately 53% of this total amount is available for spending at the government's discretion. The remaining 47% is held for specific projects.

The general fund is the chief operating fund of Upper Saucon Township. At the end of the fiscal year 2021, the unassigned fund balance of the general fund was approximately \$5,500,000. The general fund balance increased by approximately \$1,400,000 during the fiscal year 2021.

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 approximately \$2,300,000, and the sewer fund \$7,400,000. The unrestricted position is comprised of cash and cash equivalents of approximately \$2,000,000 and \$7,000,000 for the water and sewer fund, respectively.

General Fund Budgetary Highlights

Revenues were over budgetary estimates by 20%, as a result of increased real estate transfer tax collections, as well as building permits and subdivision fees. Expenditures were 6% under budget.

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, 2021 and 2020 amounts to \$53,689,565 and \$51,727,224, 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 - 2021

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,684,673	\$ 723,951	\$ 6,408,624
Construction in Progress	4,494,984	378,144	4,873,128
Total Non-Depreciable Assets	10,179,657	1,102,095	11,281,752
Land Improvements	12,786,536	30,575,845	43,362,381
Roads	11,757,308	-	11,757,308
Computer	81,093	-	81,093
Building and Improvements	3,526,596	3,913,367	7,439,963
Vehicles	3,689,812	1,700,399	5,390,211
Machinery	2,515,334	2,096,118	4,611,452
Total Depreciable Assets	34,356,679	38,285,729	72,642,408
Accumulated Depreciation	14,370,037	15,864,558	30,234,595
Total Depreciable Assets, Net	19,986,642	22,421,171	42,407,813
Total Capital Assets	\$ 30,166,299	\$ 23,523,266	\$ 53,689,565

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

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 2021 and 2020, Upper Saucon Township had total debt outstanding of \$11,986,000 and \$12,499,000, respectively.

Upper Saucon Township's Outstanding Debt - 2021

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 9,401,000</u>	<u>\$ 2,585,000</u>	<u>\$ 11,986,000</u>

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>

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 2022 budget, tax rates, and fees that will be charged for the business-type activities.

The 2022 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, 2021

				Component Units	
	Primary Government			Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
	Governmental Activities	Business-Type Activities	Total		
Assets					
Cash and cash equivalents	\$ 10,894,821	\$ 8,988,683	\$ 19,883,504	\$ 249	\$ 249
Prepaid expenses	47,361	18,024	65,385	-	-
Taxes receivable	129,235	-	129,235	-	-
Accounts receivable	347,015	1,218,788	1,565,803	-	-
Pension	2,629,664	-	2,629,664	-	-
Capital assets not being depreciated	10,179,657	1,102,095	11,281,752	-	-
Capital assets being depreciated, net	19,986,642	22,421,171	42,407,813	-	-
Total Assets	44,214,395	33,748,761	77,963,156	249	249
Deferred Outflows of Resources					
Pensions	864,860	-	864,860	-	-
Loss on debt refinancing	17,018	79,765	96,783	-	-
Total Deferred Outflows of Resources	881,878	79,765	961,643	-	-
Liabilities					
Accounts payable	909,985	475,622	1,385,607	-	-
Accrued salaries and benefits	130,322	31,322	161,644	-	-
Accrued interest	13,978	7,605	21,583	-	-
Unearned revenue	-	16,666	16,666	-	-
Pension	819,082	-	819,082	-	-
Bonds payable, current portion	798,000	245,000	1,043,000	-	-
Bonds payable, long-term portion	8,680,244	2,406,093	11,086,337	-	-
Total Liabilities	11,351,611	3,182,308	14,533,919	-	-
Deferred Inflow of Resources					
Pensions	3,548,863	-	3,548,863	-	-
Net Position					
Net investment in capital assets	20,705,073	20,951,938	41,657,011	-	-
Restricted	1,588,025	-	1,588,025	249	249
Unrestricted	7,902,701	9,694,280	17,596,981	-	-
Total Net Position	\$ 30,195,799	\$ 30,646,218	\$ 60,842,017	\$ 249	\$ 249

See accompanying notes.

Upper Saucon Township

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Upper Saucon Sewage Treatment Authority	Upper Saucon Township Municipal Authority
Primary Government									
Governmental activities									
General government	\$ 1,104,666	\$ 330,669	\$ 914,333	\$ -	\$ 140,336	\$ -	\$ 140,336	\$ -	\$ -
Public safety	4,330,349	1,455,040	361,666	-	(2,513,643)	-	(2,513,643)	-	-
Public works - highways and streets	3,420,485	-	509,243	70,200	(2,841,042)	-	(2,841,042)	-	-
Culture and recreation	841,350	250	-	617,244	(223,856)	-	(223,856)	-	-
Other	283,437	-	785,140	-	501,703	-	501,703	-	-
Interest	175,700	-	-	-	(175,700)	-	(175,700)	-	-
Total governmental activities	10,155,987	1,785,959	2,570,382	687,444	(5,112,202)	-	(5,112,202)	-	-
Business-type activities									
Sewer	3,335,991	2,637,166	-	1,092,811	-	393,986	393,986	-	-
Water	1,676,189	1,453,755	-	836,396	-	613,962	613,962	-	-
Total business-type activities	5,012,180	4,090,921	-	1,929,207	-	1,007,948	1,007,948	-	-
Total Primary Government	\$ 15,168,167	\$ 5,876,880	\$ 2,570,382	\$ 2,616,651	(5,112,202)	1,007,948	(4,104,254)	-	-
Component Units									
Upper Saucon Sewage Treatment Authority	\$ 104	\$ -	\$ -	\$ -	-	-	-	(104)	-
Upper Saucon Township Municipal Authority	104	-	-	-	-	-	-	-	(104)
Total Component Units	\$ 208	\$ -	\$ -	\$ -	-	-	-	(104)	(104)
General Revenues									
Real estate taxes					3,199,523	-	3,199,523	-	-
Earned income taxes					4,763,671	-	4,763,671	-	-
Emergency services taxes					426,703	-	426,703	-	-
Amusement taxes					40,359	-	40,359	-	-
Real estate transfer taxes					775,060	-	775,060	-	-
Interest income and rents					76,246	28,469	104,715	-	-
Miscellaneous income					75,255	-	75,255	-	-
Total General Revenues and Transfers					9,356,817	28,469	9,385,286	-	-
Change in Net Position					4,244,615	1,036,417	5,281,032	(104)	(104)
Net Position at Beginning of Year, As Restated					25,951,184	29,609,801	55,560,985	353	353
Net Position at End of Year					\$ 30,195,799	\$ 30,646,218	\$ 60,842,017	\$ 249	\$ 249

See accompanying notes.

Upper Saucon Township

Balance Sheet - Governmental Funds

December 31, 2021

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,382,260	\$ 343,695	\$ 771,408	\$ 4,397,458	\$ 10,894,821
Prepaid expenses	47,361	-	-	-	47,361
Accounts receivable	347,015	-	-	-	347,015
Taxes receivable	92,091	-	-	37,144	129,235
Total Assets	\$ 5,868,727	\$ 343,695	\$ 771,408	\$ 4,434,602	\$ 11,418,432
Liabilities					
Accounts payable	\$ 177,387	\$ 74,457	\$ 652,918	\$ 5,223	\$ 909,985
Accrued expenses	130,322	-	-	-	130,322
Total Liabilities	307,709	74,457	652,918	5,223	1,040,307
Deferred Inflow of Resources					
Unavailable revenue - property taxes	40,844	-	-	35,646	76,490
Fund Balances					
Nonspendable	47,361	-	-	-	47,361
Restricted	-	-	-	1,588,025	1,588,025
Committed	-	269,238	-	1,599,245	1,868,483
Assigned	-	-	118,490	1,206,463	1,324,953
Unassigned	5,472,813	-	-	-	5,472,813
Total Fund Balances	5,520,174	269,238	118,490	4,393,733	10,301,635
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 5,868,727	\$ 343,695	\$ 771,408	\$ 4,434,602	\$ 11,418,432

Upper Saucon Township

Reconciliation of the Governmental Funds -
Balance Sheet to the Statement of Net Position
December 31, 2021

Total Fund Balances, Governmental Funds **\$ 10,301,635**

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 \$44,536,336 and the accumulated depreciation is \$14,370,037 **30,166,299**

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 **76,490**

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 **(2,684,003)**

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 **17,018**

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, 2021:

Bonds payable	(9,401,000)
Bond premium	(77,244)
Accrued interest on bonds payable	(13,978)
Accrued net pension liability	1,810,582

Total Net Position, Governmental Activities **\$ 30,195,799**

Upper Saucon Township

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

Year Ended December 31, 2021

	General Fund	Recreation Fund	Road Construction Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,105,796	\$ -	\$ -	\$ 105,581	\$ 9,211,377
Licenses and permits	704,497	-	-	-	704,497
Fines and forfeits	28,282	-	-	-	28,282
Interest, rents, and royalties	47,684	1,818	4,235	17,267	71,004
Intergovernmental revenue	826,309	-	-	1,414,893	2,241,202
Charges for services	343,796	-	-	229,603	573,399
Developer contributions	-	617,244	-	70,200	687,444
Miscellaneous revenue	389,952	-	222,221	-	612,173
Total Revenues	11,446,316	619,062	226,456	1,837,544	14,129,378
Expenditures					
Current					
General government	1,006,582	-	-	-	1,006,582
Public safety	4,249,923	-	-	117,688	4,367,611
Public works - highways and streets	1,505,445	-	22,070	1,649,223	3,176,738
Culture and recreation	505,821	-	-	-	505,821
Other	1,119,712	-	-	-	1,119,712
Debt service					
Principal	198,800	-	-	-	198,800
Interest	178,897	-	-	-	178,897
Capital outlay	731,544	531,518	1,589,028	179,404	3,031,494
Total Expenditures	9,496,724	531,518	1,611,098	1,946,315	13,585,655
Excess (Deficiency) of Revenues over (under) Expenditures	1,949,592	87,544	(1,384,642)	(108,771)	543,723
Other Financing Sources (Uses)					
Transfers in	-	-	300,000	229,300	529,300
Transfers out	(529,300)	-	-	-	(529,300)
Total Other Financing Sources (Uses)	(529,300)	-	300,000	229,300	-
Net Change in Fund Balances	1,420,292	87,544	(1,084,642)	120,529	543,723
Fund Balances at Beginning of Year, As Restated	4,099,882	181,694	1,203,132	4,273,204	9,757,912
Fund Balances at End of Year	\$ 5,520,174	\$ 269,238	\$ 118,490	\$ 4,393,733	\$ 10,301,635

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, 2021

Net Change in Fund Balances, Governmental Funds **\$ 543,723**

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	\$ 3,702,639
Depreciation	<u>(1,705,959)</u>

1,996,680

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

841

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

(6,061)

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	-
Principal repayments	288,000
Amortization of bond premium	4,030
Amortization of refunding loss on bond issue	<u>(1,674)</u>

290,356

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>1,419,076</u>
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Change in Net Position, Governmental Activities **\$ 4,244,615**

Upper Saucon Township

Statement of Net Position - Proprietary Funds

December 31, 2021

	Water Fund	Sewer Fund	Total
Assets			
Cash and cash equivalents	\$ 2,026,850	\$ 6,961,833	\$ 8,988,683
Prepaid expenses	6,023	12,001	18,024
Accounts receivable	336,533	882,255	1,218,788
Capital assets not being depreciated	621,778	480,317	1,102,095
Capital assets being depreciated	9,052,729	13,368,442	22,421,171
Total Assets	12,043,913	21,704,848	33,748,761
Deferred Outflow of Resources			
Loss on debt refinancing	79,765	-	79,765
Liabilities			
Accounts payable	82,864	392,758	475,622
Accrued payroll	7,760	23,562	31,322
Accrued interest	7,605	-	7,605
Deferred revenue	-	16,666	16,666
Bonds payable, current portion	245,000	-	245,000
Bonds payable, long-term portion	2,406,093	-	2,406,093
Total Liabilities	2,749,322	432,986	3,182,308
Net Position			
Net investment in capital assets	7,103,179	13,848,759	20,951,938
Unrestricted	2,271,177	7,423,103	9,694,280
Total Net Position	\$ 9,374,356	\$ 21,271,862	\$ 30,646,218

Upper Saucon Township

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended December 31, 2021

	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	<u>\$ 1,453,755</u>	<u>\$ 2,637,166</u>	<u>\$ 4,090,921</u>
Operating Expenses			
Personnel services	574,630	1,048,755	1,623,385
Contracted services	72,065	184,766	256,831
Materials and supplies	107,446	379,425	486,871
Other operating expense	270,179	576,953	847,132
Depreciation expense	<u>545,975</u>	<u>1,146,092</u>	<u>1,692,067</u>
Total Operating Expenses	<u>1,570,295</u>	<u>3,335,991</u>	<u>4,906,286</u>
Operating Loss	<u>(116,540)</u>	<u>(698,825)</u>	<u>(815,365)</u>
Nonoperating Revenues (Expenses)			
Interest income	6,380	22,089	28,469
Tapping fees	279,775	523,160	802,935
Interest expense	(105,894)	-	(105,894)
Transfers (to) from other funds	<u>61,794</u>	<u>(61,794)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>242,055</u>	<u>483,455</u>	<u>725,510</u>
Income (Loss) before Capital Contributions	<u>125,515</u>	<u>(215,370)</u>	<u>(89,855)</u>
Capital Contributions	<u>556,621</u>	<u>569,651</u>	<u>1,126,272</u>
Change in Net Position	<u>682,136</u>	<u>354,281</u>	<u>1,036,417</u>
Net Position at Beginning of Year	<u>8,692,220</u>	<u>20,917,581</u>	<u>29,609,801</u>
Net Position at End of Year	<u><u>\$ 9,374,356</u></u>	<u><u>\$ 21,271,862</u></u>	<u><u>\$ 30,646,218</u></u>

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2021

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,421,041	\$ 2,902,036	\$ 4,323,077
Payments to suppliers	(422,450)	(837,849)	(1,260,299)
Payments to employees	(576,277)	(1,044,630)	(1,620,907)
Net Cash Provided by Operating Activities	422,314	1,019,557	1,441,871
Cash Flows from Noncapital Financing Activities			
Interfund activity	61,794	(61,794)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	61,794	(61,794)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(211,156)	(320,300)	(531,456)
Tapping fees	279,775	523,160	802,935
Interest paid	(102,513)	-	(102,513)
Principal paid on notes and bonds	(225,000)	-	(225,000)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(258,894)	202,860	(56,034)
Cash Flows from Investing Activities			
Interest income	6,380	22,089	28,469
Net Cash Provided by Investing Activities	6,380	22,089	28,469
Net Increase in Cash and Cash Equivalents	231,594	1,182,712	1,414,306
Cash and Cash Equivalents at Beginning of Year	1,795,256	6,059,145	7,854,401
Cash and Cash Equivalents at End of Year	\$ 2,026,850	\$ 7,241,857	\$ 9,268,707

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds (continued)

Year Ended December 31, 2021

	Water Fund	Sewer Fund	Total
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (116,540)	\$ (698,825)	\$ (815,365)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense	545,975	1,146,092	1,692,067
(Increase) decrease in assets			
Accounts receivable	(32,714)	(27,125)	(59,839)
Prepaid expenses	(926)	(864)	(1,790)
Increase (decrease) in liabilities			
Accounts payable	28,166	303,295	331,461
Accrued payroll	(1,647)	4,125	2,478
Deferred revenue	-	12,835	12,835
Net Cash Provided by Operating Activities	\$ 422,314	\$ 739,533	\$ 1,161,847
Schedule of Noncash Capital and Related Financing Activities			
Contributions of capital assets	\$ 556,621	\$ 569,651	\$ 1,126,272

Upper Saucon Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2021

	Pension Trust Funds	Custodial Fund	Total
Assets			
Cash and cash equivalents	\$ 2,203,050	\$ 1,090,926	\$ 3,293,976
Investments	21,869,636	-	21,869,636
Accrued interest receivable	43,503	-	43,503
Total Assets	\$ 24,116,189	\$ 1,090,926	\$ 25,207,115
Net Position			
Assets held in trust for pension benefits	\$ 24,116,189	\$ -	\$ 24,116,189
Funds held in escrow	-	1,090,926	1,090,926
Total Net Position	\$ 24,116,189	\$ 1,090,926	\$ 25,207,115

Upper Saucon Township

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

	Pension Trust Funds	Custodial Fund	Total
Additions			
Contributions			
Employer	\$ 865,283	\$ -	\$ 865,283
Employee	261,316	-	261,316
Total contributions	1,126,599	-	1,126,599
Investment income			
Net increase in fair value of investments	3,326,649	-	3,326,649
Interest and dividends	1,787	3,124	4,911
Total investment income	3,328,436	3,124	3,331,560
Developer deposits	-	525,641	525,641
Total Additions	4,455,035	528,765	4,983,800
Deductions			
Benefit payments	960,661	-	960,661
Administrative expenses	128,760	-	128,760
Developer expenses	-	1,332,105	1,332,105
Total Deductions	1,089,421	1,332,105	2,421,526
Change in Net Position	3,365,614	(803,340)	2,562,274
Net Position at Beginning of Year	20,750,575	1,894,266	22,644,841
Net Position at End of Year	\$ 24,116,189	\$ 1,090,926	\$ 25,207,115

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

Note 1 - Nature of Activity

Upper Saucon Township (the Township), Lehigh County, Pennsylvania, founded in 1753, has an approximate population of 17,000, based on a 2020 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.

COVID-19 Relief Fund - is used to account for intergovernmental grants and other resources received that are restricted for expenditures related to the COVID-19 public health emergency. Funds can be utilized to replace lost revenues, respond to negative economic impacts, certain infrastructure and other eligible expenditures.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

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.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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

Assets, Liabilities, and Deferred Outflows/Inflows of Resources

Cash and Cash Equivalents

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

Investments

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

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, 2021 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, 2021.

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.

Unearned Revenues

Unearned revenues represents the receipt of funds for which eligible expenditures have not been incurred. Revenue will be recognized when eligible expenditures are incurred by the Township.

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 2021 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 June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after June 15, 2021.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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.

In June 2022, the GASB issued Statement No. 100, *Accounting for Changes and Error Corrections-An Amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to, or within, the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that a liability for certain types of compensated absences-including parental leave, military leave, and jury duty leave-not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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, 2020 and the cash received for the year ended December 31, 2021.

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, 2021:

Cash and cash equivalents	\$ 23,177,978
Investments	<u>21,869,636</u>
	<u>\$ 45,047,614</u>

Reconciliation to Statement of Net Position/Balance Sheet

Cash and Cash Equivalents

Governmental activities	\$ 10,894,821
Business-type activities	8,988,683
Component units	498
Fiduciary funds	<u>3,293,976</u>
	23,177,978

Investments

Fiduciary	<u>21,869,636</u>
	<u>\$ 45,047,614</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2021, the carrying amounts of the Township's bank deposits were \$23,177,978 and the corresponding bank balances were \$22,658,318, of which \$250,000 was covered by Federal Depository Insurance. Deposits totaling \$20,672,269 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 \$1,736,049 were uninsured and uncollateralized.

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

Note 4 - Deposits and Investments (continued)

Investments

The Township's pension funds have the following investments as of December 31, 2021:

Police Pension Fund

	Fair Value	Less Than One Year	Investment Maturities (in Years)			Ratings as of Year-End
			One to Five Years	Six to Ten Years	Greater than Ten Years	
Fixed income, bonds	\$ 2,461,128	\$ 201,942	\$ 1,071,612	\$ 969,049	\$ 218,525	Aaa-Aa2
Equities	3,193,304	3,193,304	-	-	-	N/A
Exchange traded and mutual funds	4,072,510	4,072,510	-	-	-	N/A
	<u>\$ 9,726,942</u>	<u>\$ 7,467,756</u>	<u>\$ 1,071,612</u>	<u>\$ 969,049</u>	<u>\$ 218,525</u>	

Non-Uniformed Employees' Pension Fund

Fixed income, bonds	\$ 2,852,993	\$ 201,942	\$ 1,317,965	\$ 1,114,561	\$ 218,525	Aaa-Aa2
Equities	4,561,874	4,561,874	-	-	-	N/A
Exchange traded and mutual funds	4,466,090	4,466,090	-	-	-	N/A
	<u>\$ 11,880,957</u>	<u>\$ 9,229,906</u>	<u>\$ 1,317,965</u>	<u>\$ 1,114,561</u>	<u>\$ 218,525</u>	

Non-Uniformed Employees' Retirement Fund

Exchange traded and mutual funds	<u>\$ 261,737</u>	<u>\$ 186,125</u>	<u>\$ 16,739</u>	<u>\$ 58,873</u>	<u>\$ -</u>	N/A
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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.

Note 4 - Deposits and Investments (continued)

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, 2021, \$21,869,636 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, 2021

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, 2021:

	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	\$ -	\$ 1,335,979	\$ -	\$ 1,335,979
Equities				
Industrials	554,712	-	-	554,712
Consumer discretionary	1,121,237	-	-	1,121,237
Consumer staples	486,628	-	-	486,628
Energy	251,929	-	-	251,929
Financial	826,451	-	-	826,451
Materials	122,413	-	-	122,413
Information technology	2,291,525	-	-	2,291,525
Real estate	97,501	-	-	97,501
Utilities	231,835	-	-	231,835
Health care	886,324	-	-	886,324
Telecommunication	884,623	-	-	884,623
Total Equities	7,755,178	-	-	7,755,178
Exchange Traded Funds				
Fixed income	2,177,752	-	-	2,177,752
Equities	6,546,973	-	-	6,546,973
Total Exchange Traded Funds	8,724,725	-	-	8,724,725
Mutual Funds				
Fixed income	1,771,670	-	-	1,771,670
Equities	2,282,084	-	-	2,282,084
Total Mutual Funds	4,053,754	-	-	4,053,754
	\$ 20,533,657	\$ 1,335,979	\$ -	\$ 21,869,636

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, 2021

Note 6 - Capital Assets

Capital assets activity of the primary government was as follows for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Deletions/ Transfers	Balance December 31, 2021
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,684,673	\$ -	\$ -	\$ 5,684,673
Construction in progress	1,507,208	2,987,776	-	4,494,984
Total capital assets not being depreciated	7,191,881	2,987,776	-	10,179,657
Capital assets being depreciated				
Land improvements	12,306,753	479,783	-	12,786,536
Roads	11,757,308	-	-	11,757,308
Computer	81,093	-	-	81,093
Buildings and improvements	3,526,596	-	-	3,526,596
Vehicles	3,585,487	104,325	-	3,689,812
Machinery and equipment	2,384,579	130,755	-	2,515,334
Total capital assets being depreciated	33,641,816	714,863	-	34,356,679
Less accumulated depreciation for				
Land improvements	1,182,313	614,037	-	1,796,350
Roads	4,322,864	563,692	-	4,886,556
Computer	40,198	16,219	-	56,417
Buildings and improvements	2,350,664	93,605	-	2,444,269
Vehicles	2,737,197	285,709	-	3,022,906
Machinery and equipment	2,030,842	132,697	-	2,163,539
Total accumulated depreciation	12,664,078	1,705,959	-	14,370,037
Total capital assets being depreciated, net	20,977,738	(991,096)	-	19,986,642
Total governmental activities, capital assets, net	\$ 28,169,619	\$ 1,996,680	\$ -	\$ 30,166,299

Upper Saucon Township**Notes to Financial Statements**

December 31, 2021

Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following functions:

General government	\$ 142,470
Public safety	100,786
Public works - highways and streets	1,172,278
Culture and recreation	290,425
	<u>\$ 1,705,959</u>

	Balance January 1, 2021	Additions	Deletions/ Transfers	Balance December 31, 2021
Business-type activities				
Capital assets not being depreciated				
Land	\$ 723,951	\$ -	\$ -	\$ 723,951
Construction in progress	3,920,954	425,232	3,968,042	378,144
Total capital assets not being depreciated	<u>4,644,905</u>	<u>425,232</u>	<u>3,968,042</u>	<u>1,102,095</u>
Capital assets being depreciated				
Plant and improvements	27,908,513	2,667,332	-	30,575,845
Buildings and improvements	1,486,385	2,426,982	-	3,913,367
Vehicles	1,658,951	41,448	-	1,700,399
Machinery and equipment	2,031,342	64,776	-	2,096,118
Total capital assets being depreciated	<u>33,085,191</u>	<u>5,200,538</u>	<u>-</u>	<u>38,285,729</u>
Less accumulated depreciation for				
Plant and improvements	11,021,222	1,282,900	-	12,304,122
Buildings and improvements	593,329	66,821	-	660,150
Vehicles	879,920	172,406	-	1,052,326
Machinery and equipment	1,678,020	169,940	-	1,847,960
Total accumulated depreciation	<u>14,172,491</u>	<u>1,692,067</u>	<u>-</u>	<u>15,864,558</u>
Total capital assets being depreciated, net	<u>18,912,700</u>	<u>3,508,471</u>	<u>-</u>	<u>22,421,171</u>
Total business-type activities, capital assets, net	<u>\$ 23,557,605</u>	<u>\$ 3,933,703</u>	<u>\$ 3,968,042</u>	<u>\$ 23,523,266</u>

Upper Saucon Township**Notes to Financial Statements**

December 31, 2021

Note 6 - Capital Assets (continued)

Depreciation expense was charged to the following funds:

Water Fund	\$ 545,975
Sewer Fund	<u>1,146,092</u>
	<u>\$ 1,692,067</u>

Capital assets activity for the component units was as follows for the year ended December 31, 2021:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
Capital assets being depreciated				
Plant and improvements	\$ 9,914,805	\$ -	\$ -	\$ 9,914,805
Accumulated depreciation	<u>(9,914,805)</u>	<u>-</u>	<u>-</u>	<u>(9,914,805)</u>
Total capital assets being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 529,300
Road Construction Capital Reserve Fund	300,000	-
Nonmajor Governmental Funds	229,300	-
Water Fund	61,794	-
Sewer Fund	<u>-</u>	<u>61,794</u>
	<u>\$ 591,094</u>	<u>\$ 591,094</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, 2021

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2021:

	Balance Outstanding January 1, 2021	Additions	Deletions	Balance Outstanding December 31, 2021	Due Within One Year
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	\$ -	\$ 103,000	\$ 7,846,000	\$ 603,000
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	1,740,000	-	185,000	1,555,000	195,000
Total governmental activities	9,689,000	-	288,000	9,401,000	798,000
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	2,810,000	-	225,000	2,585,000	245,000
Total business-type activities	2,810,000	-	225,000	2,585,000	245,000
Total long-term debt	\$ 12,499,000	\$ -	\$ 513,000	\$ 11,986,000	\$ 1,043,000

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

Note 8 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt are as follows at December 31, 2021:

Governmental Activities

	Principal	Interest	Total Debt Service
2022	\$ 798,000	\$ 167,732	\$ 965,732
2023	822,000	149,299	971,299
2024	751,000	129,986	880,986
2025	765,000	117,144	882,144
2026	775,000	104,022	879,022
2027-2031	4,087,000	315,514	4,402,514
2032-2033	1,403,000	30,384	1,433,384
	<u>9,401,000</u>	<u>\$ 1,014,081</u>	<u>\$ 10,415,081</u>
Current maturities	(798,000)		
Unamortized issuance premium	<u>77,244</u>		
	<u>\$ 8,680,244</u>		

Business-Type Activities

	Principal	Interest	Total Debt Service
2022	\$ 245,000	\$ 91,263	\$ 336,263
2023	245,000	79,012	324,012
2024	260,000	66,763	326,763
2025	90,000	58,962	148,962
2026	95,000	56,263	151,263
2027-2031	515,000	237,062	752,062
2032-2036	590,000	153,401	743,401
2037-2040	545,000	48,313	593,313
	<u>2,585,000</u>	<u>\$ 791,039</u>	<u>\$ 3,376,039</u>
Current maturities	(245,000)		
Unamortized issuance premium	<u>66,093</u>		
	<u>\$ 2,406,093</u>		

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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 Police Pension 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, 2021

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

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the Police Pension Plan:

Active employees	20
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits, but not yet receiving them	<u>2</u>
	<u>33</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Police Pension Plan be based upon the Police Pension Plan's Minimum Municipal Obligation (MMO), which is based on the Police Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are required to contribute a percentage of total compensation equal to or between 0% and 8%, as determined by the Township. For the year ended December 31, 2021, 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, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. 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, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

Note 10 - Upper Saucon Township Police Pension Plan (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
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, 2021

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, 2021:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2020	\$ 8,850,254	\$ 9,069,304	\$ (219,050)
Changes for the year			
Service cost	247,468	-	247,468
Interest cost	710,265	-	710,265
Change for experience	(15,192)	-	(15,192)
Contributions, employer	-	379,019	(379,019)
Contributions, member	-	129,617	(129,617)
Net investment income	-	1,409,127	(1,409,127)
Administrative expenses	-	(13,700)	13,700
Benefit payments, including refunds of member contributions	(408,428)	(408,428)	-
Balance at December 31, 2021	\$ 9,384,367	\$ 10,564,939	\$ (1,180,572)

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 (asset) liability	\$ 73,979	\$ (1,180,572)	\$ (2,220,208)

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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, 2021, the Township recognized pension income of \$284,204. For the 2021 measurement period, the Township had no outstanding amount of employer contribution due to the pension plan required for the year ended December 31, 2021.

The components of pension expense are as follows:

Service cost	\$	247,468
Interest on the total pension liability		710,265
Difference between expected and actual experience		(133,980)
Changes of assumptions		35,277
Member contributions		(129,617)
Projected earnings on pension plan investments		(729,005)
Administrative expenses		13,700
Difference between projected and actual earnings on investments		(298,312)
	\$	<u>(284,204)</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, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 735,830
Change of assumptions	206,433	-
Net difference between projected and actual earnings on Police Pension Plan investments	-	938,180
	<u>\$ 206,433</u>	<u>\$ 1,674,010</u>

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

2022	\$	(295,126)
2023		(480,383)
2024		(322,756)
2025		(213,854)
2026		(77,834)
Thereafter		(77,624)

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, 2021, the following employees were covered by the plan:

Active employees	34
Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits, but not yet receiving them	6
	<u>62</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, 2021, 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, 2021

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, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. 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, 2020 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
Post retirement cost of living increase	0.00%

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, 2021

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, 2021:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 11,102,251	\$ 11,018,503	\$ 83,748
Changes for the year			
Service cost	241,025	-	241,025
Interest cost	862,483	-	862,483
Change for experience	(322,019)	-	(322,019)
Contributions, employer	-	465,521	(465,521)
Contributions, member	-	98,510	(98,510)
Net investment income	-	1,765,298	(1,765,298)
Administrative expenses	-	(15,000)	15,000
Benefit payments, including refunds of member contributions	(480,437)	(480,437)	-
Balance at December 31, 2021	\$ 11,403,303	\$ 12,852,395	\$ (1,449,092)

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, 2021

Note 11 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)**Net Pension Asset Sensitivity**

The following is a sensitivity analysis of the net pension 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 (asset) liability	\$ (173,326)	\$ (1,449,092)	\$ (2,543,180)

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

For the year ended December 31, 2021, the Township recognized pension income of \$285,603. For the 2021 measurement period, the Township had no outstanding amount of employer contribution due to the pension plan required for the year ended December 31, 2021.

The components of pension expense are as follows:

Service cost	\$ 241,025
Interest on the total pension liability	862,483
Difference between expected and actual experience	(129,853)
Changes of assumptions	91,480
Member contributions	(98,510)
Projected earnings on pension plan investments	(884,224)
Administrative expense	15,000
Difference between projected and actual earnings on investments	(383,004)
	\$ (285,603)

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, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 632,410
Changes of assumptions	464,271	-
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	-	1,231,457
	\$ 464,271	\$ 1,863,867

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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:

2022	\$ (289,841)
2023	(511,248)
2024	(320,906)
2025	(198,461)
2026	(3,788)
Thereafter	(75,352)

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, 2021.

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, 2021

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

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the Program:

Active member	30
Inactive members currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	14
	<u>44</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, 2021, 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, 2020 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, 2021

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, 2021:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 1,276,293	\$ 448,208	\$ 828,085
Changes for the year			
Service cost	29,309	-	29,309
Interest cost	38,328	-	38,328
Change of benefit terms	(75,117)	-	(75,117)
Net investment income	-	1,523	(1,523)
Benefit payments, including refunds of member contributions	(55,973)	(55,973)	-
Balance at December 31, 2021	\$ 1,212,840	\$ 393,758	\$ 819,082

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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 liability	\$ 1,002,484	\$ 819,082	\$ 670,262

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

For the year ended December 31, 2021, the Township recognized pension income of \$4,729. For the 2021 measurement period, the Township had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2021.

The components of net pension expense are as follows:

Service cost	\$ 29,309
Interest on the total pension liability	38,328
Change of benefit terms	(75,117)
Difference between expected and actual experience	(687)
Change of assumptions	11,121
Projected earnings on pension plan investments	(12,607)
Difference between projected and actual earnings on investments	4,924
	\$ (4,729)

The Township reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources at December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 10,986
Change of assumptions	177,929	-
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	16,227	-
	\$ 194,156	\$ 10,986

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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:

2022	\$	15,358
2023		15,356
2024		14,599
2025		12,650
2026		10,434
Thereafter		114,773

During December 2021, the Township adopted December 31, 2021 a resolution to terminate the Program effective December 31, 2021. Pursuant to the resolution, the Township shall continue to pay benefits to eligible beneficiaries until the fund is exhausted or another entity continues to administer the Program.

Note 14 - Fund Balances

Fund balances of the Township's governmental funds consist of the following at December 31, 2021:

	<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	\$ -	\$ -	\$ -	\$ -	\$ 5,472,813	\$ 5,472,813
Prepaid items	47,361	-	-	-	-	47,361
Special Revenue Funds						
Highways and streets	-	386,103	-	-	-	386,103
Transportation improvements	-	1,201,922	-	-	-	1,201,922
Fire hydrants	-	-	176,120	-	-	176,120
Recreation	-	-	269,238	-	-	269,238
Stormwater	-	-	1,423,125	-	-	1,423,125
COVID relief	-	-	-	907,080	-	907,080
Capital Improvement Funds						
Capital projects	-	-	-	239,108	-	239,108
Road construction	-	-	-	118,490	-	118,490
Library capital	-	-	-	60,275	-	60,275
	<u>\$ 47,361</u>	<u>\$ 1,588,025</u>	<u>\$ 1,868,483</u>	<u>\$ 1,324,953</u>	<u>\$ 5,472,813</u>	<u>\$ 10,301,635</u>

Note 14 - Fund Balance (continued)

Fund Balance Policy

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

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

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

Spending Policy

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

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

Minimum Fund Balance Policy

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

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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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, 2021, 2020, and 2019, claims settled were not in excess of insurance coverage.

There have been no significant reductions in insurance coverage during the year ended December 31, 2021.

Upper Saucon Township

Notes to Financial Statements

December 31, 2021

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. 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 - Restatement

The fund balance of the road construction capital reserve fund as of January 1, 2021 was restated and increased by \$284,981 as the result of an over accrual of construction payables at December 31, 2020. The previously reported balance of \$918,150 increased to \$1,203,132. Entity-wide governmental activities net position was increased from \$25,666,202 to \$25,951,185.

Note 19 - Subsequent Events

The Township has evaluated subsequent events through September 30, 2022. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2021 were noted.

Upper Saucon Township

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 8,272,000	\$ 8,272,000	\$ 9,105,796	\$ 833,796
Licenses and permits	393,900	393,900	704,497	310,597
Fines and forfeits	59,000	59,000	28,282	(30,718)
Interest, rents, and royalties	48,500	48,500	47,684	(816)
Intergovernmental revenue	648,000	648,000	826,309	178,309
Charges for services	74,000	74,000	343,796	269,796
Miscellaneous revenue	55,000	55,000	389,952	334,952
Total Revenues	9,550,400	9,550,400	11,446,316	1,895,916
Expenditures				
Current				
General government	1,175,281	1,175,281	1,006,582	168,699
Public safety	4,557,342	4,557,342	4,249,923	307,419
Public works, highways and streets	1,598,117	1,598,117	1,505,445	92,672
Culture and recreation	649,900	649,900	505,821	144,079
Other	1,258,987	1,258,987	1,119,712	139,275
Debt service	376,948	376,948	377,697	(749)
Capital outlay	536,100	536,100	731,544	(195,444)
Total Expenditures	10,152,675	10,152,675	9,496,724	655,951
Excess (Deficiency) of Revenues over (under) Expenditures	(602,275)	(602,275)	1,949,592	2,551,867
Other Financing Sources (Uses)				
Transfers out	(529,300)	(529,300)	(529,300)	-
Proceeds from debt issuance	-	-	-	-
Total Other Financing Sources (Uses)	(529,300)	(529,300)	(529,300)	-
Net Change in Fund Balance	\$ (1,131,575)	\$ (1,131,575)	1,420,292	\$ 2,551,867
Fund Balance at Beginning of Year			4,099,882	
Fund Balance at End of Year			\$ 5,520,174	

Upper Saucon Township

Budgetary Comparison Schedule - Recreation Fund

Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest, rents, and royalties	\$ 950,000	\$ 950,000	\$ 1,818	\$ (948,182)
Developer contributions	2,000	2,000	617,244	615,244
Total Revenues	952,000	952,000	619,062	(332,938)
Expenditures				
Capital outlay	989,000	989,000	531,518	457,482
Total Expenditures	989,000	989,000	531,518	457,482
Excess (Deficiency) of Revenues over (under) Expenditures	(37,000)	(37,000)	87,544	124,544
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	\$ (37,000)	\$ (37,000)	87,544	\$ 124,544
Fund Balance at Beginning of Year			181,694	
Fund Balance at End of Year			\$ 269,238	

Upper Saucon Township, Lehigh County, Pennsylvania

Note to Budgetary Comparison Schedule

December 31, 2021

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 2021 budgets.

Upper Saucon Township

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

	Years Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 247,468	\$ 236,944	\$ 225,661	\$ 209,297	\$ 199,330	\$ 187,425	\$ 178,500
Interest cost	710,265	667,371	623,920	610,887	571,700	562,938	492,543
Difference between expected and actual experience	(15,192)	-	(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	(408,428)	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Net Change in Total Pension Liability	534,113	585,815	174,888	505,344	100,706	980,634	169,352
Total Pension Liability, Beginning	8,850,254	8,264,439	8,089,551	7,584,207	7,483,501	6,502,867	6,333,515
Total Pension Liability, Ending	\$ 9,384,367	\$ 8,850,254	\$ 8,264,439	\$ 8,089,551	\$ 7,584,207	\$ 7,483,501	\$ 6,502,867
Plan Fiduciary Net Position							
Contributions - employer	\$ 379,019	\$ 305,542	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716
Contributions - member	129,617	99,670	93,404	103,165	102,553	104,899	126,264
Net investment income (loss)	1,409,127	1,076,125	1,313,100	(373,192)	983,253	273,563	100,807
Benefit payments, including refunds of member contributions	(408,428)	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Administrative expense	(13,700)	-	(6,000)	(3,200)	(6,900)	(11,300)	-
Net Change in Plan Fiduciary Net Position	1,495,635	1,162,837	1,375,740	(392,760)	1,018,967	327,756	151,848
Plan Fiduciary Net Position, Beginning	9,069,304	7,906,467	6,530,727	6,923,489	5,904,522	5,576,766	5,424,918
Plan Fiduciary Net Position, Ending	\$ 10,564,939	\$ 9,069,304	\$ 7,906,467	\$ 6,530,729	\$ 6,923,489	\$ 5,904,522	\$ 5,576,766
Township's Net Pension (Asset) Liability	\$ (1,180,572)	\$ (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	112.6%	102.5%	95.7%	80.7%	91.3%	78.9%	85.8%
Covered Employee Payroll	\$ 1,901,602	\$ 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	-62.1%	-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*

	2021	2020	2019	Years Ended December 31,		2016	2015
				2018	2017		
Total Pension Liability							
Service cost	\$ 241,025	\$ 281,638	\$ 268,227	\$ 260,309	\$ 247,913	\$ 245,221	\$ 233,544
Interest cost	862,483	838,447	784,790	710,875	660,400	623,937	577,583
Difference between expected and actual experience	(322,019)	-	(154,649)	-	(546,911)	-	(112,866)
Change of assumptions**	-	-	442,572	-	380,749	-	-
Benefit payments, including refunds of member contributions	(480,437)	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Net Change in Total Pension Liability	301,052	686,508	983,106	642,824	490,983	620,531	460,106
Total Pension Liability, Beginning	11,102,251	10,415,743	9,432,637	8,789,813	8,298,830	7,678,299	7,218,193
Total Pension Liability, Ending	\$ 11,403,303	\$ 11,102,251	\$ 10,415,743	\$ 9,432,637	\$ 8,789,813	\$ 8,298,830	\$ 7,678,299
Plan Fiduciary Net Position							
Contributions - employer	\$ 465,521	\$ 380,743	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319
Contributions - member	98,510	95,767	101,799	99,003	99,048	142,907	139,090
Net investment income (loss)	1,765,298	1,381,451	1,588,131	(442,979)	1,139,202	329,717	107,834
Benefit payments, including refunds of member contributions	(480,437)	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Administrative expense	(15,000)	-	(6,000)	(3,800)	(6,400)	(9,900)	-
Net Change in Plan Fiduciary Net Position	1,833,892	1,424,384	1,689,367	(348,890)	1,314,502	499,154	360,088
Plan Fiduciary Net Position, Beginning	11,018,503	9,594,119	7,904,752	8,253,549	6,939,047	6,439,893	6,079,805
Plan Fiduciary Net Position, Ending	\$ 12,852,395	\$ 11,018,503	\$ 9,594,119	\$ 7,904,659	\$ 8,253,549	\$ 6,939,047	\$ 6,439,893
Township's Net Pension Liability	\$ (1,449,092)	\$ 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	112.7%	99.2%	92.1%	83.8%	93.9%	83.6%	83.9%
Covered Employee Payroll	\$ 2,331,575	\$ 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	-62.2%	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,		
	2021	2020	2019
Total Pension Liability			
Service cost	\$ 29,309	\$ 29,309	\$ 21,662
Interest cost	38,328	37,842	31,734
Change in benefit terms	(75,117)	-	-
Difference between expected and actual experience	-	(12,360)	-
Change of assumptions**	-	200,171	-
Benefit payments, including refunds of member contributions	(55,973)	(45,885)	(44,649)
Net Change in Total Pension Liability	(63,453)	209,077	8,747
Total Pension Liability, Beginning	1,276,293	1,067,216	1,058,469
Total Pension Liability, Ending	\$ 1,212,840	\$ 1,276,293	\$ 1,067,216
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ 98,000	\$ 98,000
Net investment income	1,523	2,832	7,004
Benefit payments, including refunds of member contributions	(55,973)	(45,885)	(44,649)
Net Change in Plan Fiduciary Net Position	(54,450)	54,947	60,355
Plan Fiduciary Net Position, Beginning	448,208	393,261	332,906
Plan Fiduciary Net Position, Ending	\$ 393,758	\$ 448,208	\$ 393,261
Township's Net Pension Liability	\$ 819,082	\$ 828,085	\$ 673,955
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.5%	35.1%	36.8%
Covered Employee Payroll	N/A	N/A	
Township's Net Pension Liability as a Percentage Covered Employee Payroll	N/A	N/A	

* 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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 379,019	\$ 305,542	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716	\$ 183,338	\$ 180,007	\$ 203,777
Contributions in relation to the actuarially determined contribution	379,019	305,542	292,207	195,307	207,556	192,909	217,716	183,338	180,007	203,777
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	<u>\$ 1,901,602</u>	<u>\$ 2,026,583</u>	<u>\$ 1,923,785</u>	<u>\$ 1,700,683</u>	<u>\$ 1,708,253</u>	<u>\$ 1,748,322</u>	<u>\$ 1,599,296</u>	<u>\$ 1,536,689</u>		
Contributions as a percentage of covered employee payroll	<u>19.9%</u>	<u>15.1%</u>	<u>15.2%</u>	<u>11.5%</u>	<u>12.2%</u>	<u>11.0%</u>	<u>13.6%</u>	<u>11.9%</u>		

Notes to Schedule

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 465,521	\$ 380,743	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319	\$ 311,745	\$ 294,072	\$ 205,598
Contributions in relation to the actuarially determined contribution	465,521	380,743	363,271	327,246	333,820	285,057	351,319	312,524	294,072	205,598
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (779)	\$ -	\$ -
Covered employee payroll	<u>\$ 2,331,575</u>	<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>20.0%</u>	<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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 122,374	\$ 97,965	\$ 97,965	\$ 97,965	\$ 96,069	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995	\$ 52,995
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
Contribution (Excess) Deficiency	\$ 122,374	\$ (35)	\$ (35)	\$ (35)	\$ (31)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	N/A	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	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, 2021

	Special Revenue Funds					Capital Projects Funds		
	Fire Hydrant	State Liquid Fuels Highway Aid	Transportation Improvement	Maintenance Trust	COVID Relief	Library Capital Fund	Capital Projects	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 176,096	\$ 386,103	\$ 1,205,671	\$ 1,423,125	\$ 907,080	\$ 60,275	\$ 239,108	\$ 4,397,458
Taxes receivable	37,144	-	-	-	-	-	-	37,144
Total Assets	\$ 213,240	\$ 386,103	\$ 1,205,671	\$ 1,423,125	\$ 907,080	\$ 60,275	\$ 239,108	\$ 4,434,602
Liabilities								
Accounts payable	\$ 1,474	\$ -	\$ 3,749	\$ -	\$ -	\$ -	\$ -	\$ 5,223
Total Liabilities	1,474	-	3,749	-	-	-	-	5,223
Deferred Inflow of Resources								
Unavailable revenue, property taxes	35,646	-	-	-	-	-	-	35,646
Fund Balances								
Restricted	-	386,103	1,201,922	-	-	-	-	1,588,025
Committed	176,120	-	-	1,423,125	-	-	-	1,599,245
Assigned	-	-	-	-	907,080	60,275	239,108	1,206,463
Total Fund Balances	176,120	386,103	1,201,922	1,423,125	907,080	60,275	239,108	4,393,733
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 213,240	\$ 386,103	\$ 1,205,671	\$ 1,423,125	\$ 907,080	\$ 60,275	\$ 239,108	\$ 4,434,602

Upper Saucon Township

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

Year Ended December 31, 2021

	Special Revenue Funds					Capital Projects Funds		
	Fire Hydrant	State Liquid Fuels Highway Aid	Transportation Improvement	Maintenance Trust	COVID Relief	Library Capital Fund	Capital Projects	Total Governmental Funds
Revenues								
Taxes	\$ 105,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,581
Interest, rents, and royalties	826	4,935	5,199	4,306	1,430	179	392	17,267
Intergovernmental revenue	-	509,243	-	-	905,650	-	-	1,414,893
Charges for services	-	-	-	229,603	-	-	-	229,603
Developer contributions	-	-	70,200	-	-	-	-	70,200
Total Revenues	106,407	514,178	75,399	233,909	907,080	179	392	1,837,544
Expenditures								
Current								
Public safety	117,688	-	-	-	-	-	-	117,688
Public works - highways and streets	-	1,313,847	320,345	15,031	-	-	-	1,649,223
Capital outlay	-	-	-	-	-	27,125	152,279	179,404
Total Expenditures	117,688	1,313,847	320,345	15,031	-	27,125	152,279	1,946,315
Excess (Deficiency) of Revenues over (under) Expenditures	(11,281)	(799,669)	(244,946)	218,878	907,080	(26,946)	(151,887)	(108,771)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	29,300	200,000	229,300
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	29,300	200,000	229,300
Net Change in Fund Balances	(11,281)	(799,669)	(244,946)	218,878	907,080	2,354	48,113	120,529
Fund Balances at Beginning of Year	187,401	1,185,772	1,446,868	1,204,247	-	57,921	190,995	4,273,204
Fund Balances at End of Year	\$ 176,120	\$ 386,103	\$ 1,201,922	\$ 1,423,125	\$ 907,080	\$ 60,275	\$ 239,108	\$ 4,393,733

Upper Saucon Township

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2021

	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	\$ 827,591	\$ 959,075	\$ 22,625	\$ 393,759	\$ 2,203,050
Investments	9,726,942	11,880,957	261,737	-	21,869,636
Accrued receivables	10,408	12,269	20,826	-	43,503
Total Assets	10,564,941	12,852,301	305,188	393,759	24,116,189
Net Position					
Assets held in trust for pension benefits	<u>\$ 10,564,941</u>	<u>\$ 12,852,301</u>	<u>\$ 305,188</u>	<u>\$ 393,759</u>	<u>\$ 24,116,189</u>

Upper Saucon Township

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

Year Ended December 31, 2021

	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	\$ 379,019	\$ 465,521	\$ 20,743	\$ -	\$ 865,283
Employee	129,617	98,510	33,189	-	261,316
Total contributions	508,636	564,031	53,932	-	1,126,599
Investment income					
Net appreciation in value of investments	1,465,071	1,825,650	35,928	-	3,326,649
Interest and dividends	264	-	-	1,523	1,787
Total investment income	1,465,335	1,825,650	35,928	1,523	3,328,436
Total Additions	1,973,971	2,389,681	89,860	1,523	4,455,035
Deductions					
Benefit payments	408,429	480,432	15,826	55,974	960,661
Administrative expenses	62,403	66,357	-	-	128,760
Total Deductions	470,832	546,789	15,826	55,974	1,089,421
Change in Net Position	1,503,139	1,842,892	74,034	(54,451)	3,365,614
Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year	9,061,802	11,009,409	231,154	448,210	20,750,575
Net Position of Assets Held in Trust for Pension Benefits at End of Year	\$ 10,564,941	\$ 12,852,301	\$ 305,188	\$ 393,759	\$ 24,116,189