



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

**Financial Statements and
Supplementary Information**

December 31, 2022



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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended December 31, 2021, the Township terminated the Upper Saucon Volunteer Fire Fighters Length of Service Awards Program (the Program) in coordination with a unanimous vote of the members. The Township is under no obligations to make further contributions to the Program. Amounts held by the Township in the fiduciary fund will be utilized to pay any remaining benefits. As a result of the termination, the net position of the Township's governmental activities as of January 1, 2022 was increased by \$635,912 from \$30,195,799 to \$30,831,711. Our opinion is not modified with respect to this matter.

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 63 to 68 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". The letters are cursive and somewhat stylized.

June 14, 2023
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, 2022.

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 \$32,565,000. Of this amount, approximately \$9,649,000 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 net position for the Township's governmental activities increased approximately \$1,733,000 for the year ended December 31, 2022 compared to an increase of approximately \$4,245,000 for the year ended December 31, 2021.
 - During 2022, the Township received approximately \$911,000 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 \$31,143,000. Of this amount, approximately \$10,744,000 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 net position for the Township's business-type activities increased approximately \$497,000 for the year ended December 31, 2022 compared to an increase of approximately \$1,036,000 for the year ended December 31, 2021. The increase/decrease in the business-type activities fund balance for 2022 is primarily the result of the following:
 - Increases in operating revenues approximating \$197,000 while expenses remained relatively constant, increasing approximately \$20,000
 - Tapping fees revenues of approximating \$1,056,000

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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other nine 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 62 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 a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 63 through 68 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 69 through 72 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 \$63,707,000 at the close of the fiscal year 2022. Of this amount, approximately \$40,403,000 (or 63%) 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 is still outstanding.

Upper Saucon Township uses 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 14,009,646	\$ 14,048,096	\$ 10,893,917	\$ 10,225,495	\$ 24,903,563	\$ 24,273,591
Capital assets	28,665,197	30,166,299	22,729,417	23,523,266	51,394,614	53,689,565
Deferred outflow of resources	4,902,609	881,878	54,576	79,765	4,957,185	961,643
Total assets and deferred outflow of resources	<u>47,577,452</u>	<u>45,096,273</u>	<u>33,677,910</u>	<u>33,828,526</u>	<u>81,255,362</u>	<u>78,924,799</u>
Long-term liabilities	7,854,214	8,680,244	2,140,222	2,406,093	9,994,436	11,086,337
Other liabilities	3,742,148	2,671,367	394,956	776,215	4,137,104	3,447,582
Total liabilities	<u>11,596,362</u>	<u>11,351,611</u>	<u>2,535,178</u>	<u>3,182,308</u>	<u>14,131,540</u>	<u>14,533,919</u>
Deferred inflows of resources	3,416,476	3,548,863	-	-	3,416,476	3,548,863
Net position:						
Invested in capital assets, net of debt	20,004,327	20,705,073	20,398,771	20,951,938	40,403,098	41,657,011
Restricted	2,910,809	1,588,025	-	-	2,472,930	1,588,025
Unrestricted	9,649,478	7,902,701	10,743,961	9,694,280	20,831,318	17,596,981
Total net position	<u>\$ 32,564,614</u>	<u>\$ 30,195,799</u>	<u>\$ 31,142,732</u>	<u>\$ 30,646,218</u>	<u>\$ 63,707,346</u>	<u>\$ 60,842,017</u>

A portion of Upper Saucon Township's Governmental Activities net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Governmental Activities net position approximating \$9,649,000 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2022, 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	
	2022	2021	2022	2021	2022	2021
Revenues						
Taxes licenses & permits	\$ 10,377,215	\$ 9,205,316	\$ -	\$ -	\$ 10,377,215	\$ 9,205,316
Interest & rents	228,105	76,246	152,198	28,469	380,303	104,715
Operating grants and contributions	1,744,309	2,570,382	-	-	1,744,309	2,570,382
Charges for service	628,311	1,785,959	4,287,623	4,090,921	4,915,934	5,876,880
Miscellaneous revenue	41,641	75,255	22,400	-	64,041	75,255
Capital contributions	219,200	687,444	1,055,765	1,929,207	1,274,965	2,616,651
	<u>13,238,781</u>	<u>14,400,602</u>	<u>5,517,986</u>	<u>6,048,597</u>	<u>18,756,767</u>	<u>20,449,199</u>
Expenditures						
General government	1,745,894	1,104,666	-	-	1,745,894	1,104,666
Public safety	5,644,701	4,330,349	-	-	5,644,701	4,330,349
Highway and streets	2,871,794	3,420,485	-	-	2,871,794	3,420,485
Culture and recreation	865,621	841,350	-	-	865,621	841,350
Miscellaneous	302,478	283,437	-	-	302,478	283,437
Enterprise expenses	-	-	5,021,472	5,012,180	5,021,472	5,012,180
Debt service - interest & fiscal charges	75,390	175,700	-	-	75,390	175,700
	<u>11,505,878</u>	<u>10,155,987</u>	<u>5,021,472</u>	<u>5,012,180</u>	<u>16,527,350</u>	<u>15,168,167</u>
Net Change	1,732,903	4,244,615	496,514	1,036,417	2,229,417	5,281,032
Net Position Beginning of Year, as Restated	<u>30,831,711</u>	<u>25,951,184</u>	<u>30,646,218</u>	<u>29,609,801</u>	<u>61,477,929</u>	<u>55,560,985</u>
Net Position End of Year	<u>\$ 32,564,614</u>	<u>\$ 30,195,799</u>	<u>\$ 31,142,732</u>	<u>\$ 30,646,218</u>	<u>\$ 63,707,346</u>	<u>\$ 60,842,017</u>

The Township received its final grant payment of \$911,377 under the American Rescue Plan revenue replacement funds.

Charges for services and capital contributions decrease significantly due to a significant decrease in subdivision fees in 2022. Subdivision activity in 2021 was unusually high as a result of increased development activity as the COVID-19 pandemic subsided.

Capital contribution for business-type activities decreased significantly as a result of fewer developer dedication of water and sewer lines to the Township.

The following table depicts revenues by source for governmental activities:

Revenues by Source - Governmental Activities

	<u>2022</u>		<u>2021</u>	
Charges for services	\$ 628,311	5 %	\$ 1,785,959	13 %
Operating Grants	1,744,309	13	1,785,242	13
Capital Grants	219,200	2	687,444	5
Property Taxes	3,233,747	24	3,199,523	22
Real Estate Transfer Tax	1,196,681	9	775,060	5
Earned Income Taxes	5,401,243	41	4,763,671	33
Other	587,185	4	1,327,457	9
Interest and Rents	228,105	2	76,246	-
Total	<u>\$ 13,238,781</u>	<u>100 %</u>	<u>\$ 14,400,602</u>	<u>100 %</u>

For 2022, Government-wide revenues were primarily derived from earned income tax collections at 41% and property tax collections at 24% of the total. Operating grants at 13% are the third largest source of revenue.

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. Charges for services can vary related to the level of development activity within the Township.

The following table depicts expenses by programs for governmental activities:

Expenses by Program - Governmental Activities

	<u>2022</u>		<u>2021</u>	
General government	\$ 1,745,894	15 %	\$ 1,104,666	11 %
Public safety	5,644,701	49	4,330,349	43
Highways and streets	2,871,794	25	3,420,485	34
Culture and recreation	865,621	8	841,350	8
Miscellaneous	302,478	2	283,437	3
Interest on long-term debt	75,390	1	175,700	1
Total Governmental Activities	<u>\$ 11,505,878</u>	<u>100 %</u>	<u>\$ 10,155,987</u>	<u>100 %</u>

Total expenses for all programs in 2022 were \$11,505,878. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 49%. The second largest program is highways and streets at 25%.

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%.

The following table depicts the net program expenses/revenues by function/program for the periods ending December 31, 2022 and 2021:

Net Program Expenses/Revenues

	2022	2021
General government	\$ (628,372)	\$ 140,336
Public safety	(4,895,461)	(2,513,643)
Public works	(2,868,754)	(2,841,042)
Culture and recreation	(641,721)	(223,856)
Other	195,640	501,703
Interest	(75,390)	(175,700)
Total	\$ (8,914,058)	\$ (5,112,202)

For 2022, 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 \$4.9 million in 2022. Public works expenses required approximately \$2.9 million in general revenues for support. The decrease in public works net program expenses in 2022 from 2021 is primarily the result of fluctuations related to the receipt of developer fees and corresponding costs incurred by the Township.

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 increase in public works net program expenses in 2021 from 2020 is primarily the result of increased development activity that was deferred under COVID-19 restrictions.

Business-type activities. Business-type activities increased Upper Saucon Township's net position by approximately \$497,000 and \$1,036,000 for the years ended December 31, 2022 and 2021, respectively.

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

Expenses and Program Revenues - Business-type Activities - 2022

Program	Operating Revenue	Operating Expenses, Net*
Water	\$ 1,618,256	\$ 1,319,106
Sewer	2,669,367	1,882,246

*depreciation removed

Expenses and Program Revenues - Business-type Activities - 2021

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

*depreciation removed

Financial Analysis of the Township's Funds

Water fund operating expenses increased in 2022 from 2021 levels primarily due to increased general operating expenses, personnel costs, and system maintenance and repairs. Sewer fund operating expenses decreased as a result of lower repairs and maintenance costs.

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 2022, Upper Saucon Township's governmental funds reported combined ending fund balances approximating \$13,020,000. As stated previously, approximately 48% of this total amount is available for spending at the government's discretion. The remaining 52% is held for specific projects.

The general fund is the chief operating fund of Upper Saucon Township. At the end of the fiscal year 2022, the unassigned fund balance of the general fund was approximately \$6,368,000. The general fund balance increased by approximately \$905,000 during the fiscal year 2022.

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 \$2,449,000, and the sewer fund \$8,295,000. The unrestricted position is comprised of cash and cash equivalents of approximately \$2,119,000 and \$7,424,000 for the water and sewer fund, respectively, with the majority of the balance held in accounts receivable.

General Fund Budgetary Highlights

Revenues were over budgetary estimates by 25%, as a result of increased real estate transfer tax collections, as well as building permits and subdivision fees. Expenditures were 2% 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, 2022 and 2021 amounts to \$51,394,614 and \$53,689,565, 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 - 2022

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,684,673	\$ 723,951	\$ 6,408,624
Construction in Progress	524,844	1,308,835	1,833,679
Total Non-Depreciable Assets	6,209,517	2,032,786	8,242,303
Land Improvements	17,005,574	30,575,845	47,581,419
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	38,575,717	38,285,729	72,249,994
Accumulated Depreciation	16,120,037	17,589,098	33,709,135
Total Depreciable Assets, Net	22,455,680	20,696,631	43,152,311
Total Capital Assets	\$ 28,665,197	\$ 22,729,417	\$ 51,394,614

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	15,864,559	30,234,595
Total Depreciable Assets, Net	19,986,642	22,421,170	42,407,813
Total Capital Assets	\$ 30,166,299	\$ 23,523,265	\$ 53,689,565

More detailed information about Upper Saucon Township's capital assets can be found in Note 7 of the notes to financial statements.

Long-term debt. At the end of fiscal years 2022 and 2021, Upper Saucon Township had total debt outstanding of \$10,943,000 and \$11,986,000, respectively.

Upper Saucon Township's Outstanding Debt - 2022

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
General Obligation Bonds	<u>\$ 8,603,000</u>	<u>\$ 2,340,000</u>	<u>\$ 10,943,000</u>

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>

More detailed information about Upper Saucon Township's long-term debt can be found in Note 9 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 2023 budget, tax rates, and fees that will be charged for the business-type activities.

The 2023 General Fund budget includes no property tax increase. Increases in costs of services to constituents will be absorbed in the operating budget of the Township.

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, 2022

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Upper Saucon	Upper Saucon
	Activities	Activities		Sewage Treatment Authority	Township Municipal Authority
Assets					
Cash and cash equivalents	\$ 13,010,659	\$ 9,542,917	\$ 22,553,576	\$ 393	\$ 393
Prepaid expenses	57,387	20,801	78,188	-	-
Taxes receivable	237,197	-	237,197	-	-
Accounts receivable	114,079	1,330,199	1,444,278	-	-
Lease receivable	590,324	-	590,324	-	-
Capital assets not being depreciated	6,209,517	2,032,786	8,242,303	-	-
Capital assets being depreciated, net	22,455,680	20,696,631	43,152,311	-	-
Total Assets	42,674,843	33,623,334	76,298,177	393	393
Deferred Outflows of Resources					
Pensions	4,887,265	-	4,887,265	-	-
Loss on debt refinancing	15,344	54,576	69,920	-	-
Total Deferred Outflows of Resources	4,902,609	54,576	4,957,185	-	-
Liabilities					
Accounts payable	182,742	94,332	277,074	-	-
Accrued salaries and benefits	141,083	48,019	189,102	-	-
Accrued interest	12,442	7,605	20,047	-	-
Pension	2,583,881	-	2,583,881	-	-
Bonds payable, current portion	822,000	245,000	1,067,000	-	-
Bonds payable, long-term portion	7,854,214	2,140,222	9,994,436	-	-
Total Liabilities	11,596,362	2,535,178	14,131,540	-	-
Deferred Inflow of Resources					
Lease	590,324	-	590,324	-	-
Pensions	2,826,152	-	2,826,152	-	-
Total Deferred Inflows of Resources	3,416,476	-	3,416,476	-	-
Net Position					
Net investment in capital assets	20,004,327	20,398,771	40,403,098	-	-
Restricted	2,910,809	-	2,910,809	393	393
Unrestricted	9,649,478	10,743,961	20,393,439	-	-
Total Net Position	\$ 32,564,614	\$ 31,142,732	\$ 63,707,346	\$ 393	\$ 393

See accompanying notes.

Upper Saucon Township

Statement of Activities

Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Upper Saucon	Upper Saucon
								Sewage Treatment Authority	Township Municipal Authority
Primary Government									
Governmental activities									
General government	\$ 1,745,894	\$ 197,213	\$ 920,309	\$ -	\$ (628,372)	\$ -	\$ (628,372)	\$ -	\$ -
Public safety	5,644,701	426,398	322,842	-	(4,895,461)	-	(4,895,461)	-	-
Public works, highways and streets	2,871,794	-	3,040	-	(2,868,754)	-	(2,868,754)	-	-
Culture and recreation	865,621	4,700	-	219,200	(641,721)	-	(641,721)	-	-
Other	302,478	-	498,118	-	195,640	-	195,640	-	-
Interest	75,390	-	-	-	(75,390)	-	(75,390)	-	-
Total governmental activities	11,505,878	628,311	1,744,309	219,200	(8,914,058)	-	(8,914,058)	-	-
Business-type activities									
Sewer	3,041,631	2,669,367	-	755,490	-	383,226	383,226	-	-
Water	1,979,841	1,618,256	-	300,275	-	(61,310)	(61,310)	-	-
Total business-type activities	5,021,472	4,287,623	-	1,055,765	-	321,916	321,916	-	-
Total Primary Government	\$ 16,527,350	\$ 4,915,934	\$ 1,744,309	\$ 1,274,965	(8,914,058)	321,916	(8,592,142)	-	-
Component Units									
Upper Saucon Sewage Treatment Authority	\$ 104	\$ -	\$ -	\$ -	-	-	-	-	-
Upper Saucon Township Municipal Authority	104	-	-	-	-	-	-	-	-
Total Component Units	\$ 208	\$ -	\$ -	\$ -	-	-	-	-	-
General Revenues									
Real estate taxes					3,233,747	-	3,233,747	-	-
Earned income taxes					5,401,243	-	5,401,243	-	-
Emergency services taxes					454,778	-	454,778	-	-
Amusement taxes					90,766	-	90,766	-	-
Real estate transfer taxes					1,196,681	-	1,196,681	-	-
Interest income and rents					228,105	152,198	380,303	6	6
Miscellaneous income					41,641	22,400	64,041	34	34
Total General Revenues					10,646,961	174,598	10,821,559	40	40
Change in Net Position					1,732,903	496,514	2,229,417	40	40
Net Position at Beginning of Year, As Restated					30,831,711	30,646,218	61,477,929	353	353
Net Position at End of Year					\$ 32,564,614	\$ 31,142,732	\$ 63,707,346	\$ 393	\$ 393

Upper Saucon Township

Balance Sheet - Governmental Funds

December 31, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,382,458	\$ 6,628,201	\$ 13,010,659
Prepaid expenses	57,387	-	57,387
Accounts receivable	114,079	-	114,079
Due from other funds	6,703	(6,703)	-
Taxes receivable	195,509	41,688	237,197
	-	-	-
Total Assets	<u>\$ 6,756,136</u>	<u>\$ 6,663,186</u>	<u>\$ 13,419,322</u>
Liabilities			
Accounts payable	\$ 149,933	\$ 32,809	\$ 182,742
Accrued expenses	141,083	-	141,083
	-	-	-
Total Liabilities	<u>291,016</u>	<u>32,809</u>	<u>323,825</u>
Deferred Inflow of Resources			
Unavailable revenue, property taxes	39,613	35,475	75,088
Fund Balances (Deficit)			
Nonspendable	57,387	-	57,387
Restricted	-	2,910,809	2,910,809
Assigned	-	3,826,687	3,826,687
Unassigned	6,368,120	(142,594)	6,225,526
	-	-	-
Total Fund Balances (Deficit)	<u>6,425,507</u>	<u>6,594,902</u>	<u>13,020,409</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances (Deficit)	<u>\$ 6,756,136</u>	<u>\$ 6,663,186</u>	<u>\$ 13,419,322</u>

See accompanying notes.

Upper Saucon Township

Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position

December 31, 2022

Total Fund Balances (Deficit), Governmental Funds **\$ 13,020,409**

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 \$44,785,234 and the accumulated depreciation is \$16,120,037 **28,665,197**

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 **75,088**

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 **2,061,113**

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 **15,344**

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, 2022

Bonds payable	(8,603,000)
Bond premium	(73,214)
Accrued interest on bonds payable	(12,442)
Accrued net pension liability	(2,583,881)

Total Net Position, Governmental Activities **\$ 32,564,614**

Upper Saucon Township

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

Year Ended December 31, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,246,329	\$ 132,288	\$ 10,378,617
Licenses and permits	671,874	-	671,874
Fines and forfeits	30,276	-	30,276
Interest, rents, and royalties	120,774	99,935	220,709
Intergovernmental revenue	706,528	914,417	1,620,945
Charges for services	793,880	97,968	891,848
Developer contributions	-	1,410,546	1,410,546
Miscellaneous revenue	172,405	-	172,405
Total Revenues	12,742,066	2,655,154	15,397,220
Expenditures			
Current			
General government	1,048,766	-	1,048,766
Public safety	5,892,440	117,688	6,010,128
Public works, highways and streets	1,595,436	813,953	2,409,389
Culture and recreation	560,083	-	560,083
Other	571,959	-	571,959
Debt service			
Principal	798,000	-	798,000
Interest	79,282	-	79,282
Capital outlay	457,367	743,472	1,200,839
Total Expenditures	11,003,333	1,675,113	12,678,446
Excess (Deficiency) of Revenues over (under) Expenditures	1,738,733	980,041	2,718,774
Other Financing Sources (Uses)			
Transfers in	-	833,400	833,400
Transfers out	(833,400)	-	(833,400)
Total Other Financing Sources (Uses)	(833,400)	833,400	-
Net Change in Fund Balances	905,333	1,813,441	2,718,774
Fund Balances at Beginning of Year	5,520,174	4,781,461	10,301,635
Fund Balances at End of Year	\$ 6,425,507	\$ 6,594,902	\$ 13,020,409

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, 2022

Net Change in Fund Balances, Governmental Funds **\$ 2,718,774**

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	\$ 248,901	
Depreciation	<u>(1,750,000)</u>	
		(1,501,099)

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

1,533

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

(1,402)

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

Principal repayments	798,000	
Amortization of bond premium	4,030	
Amortization of refunding loss on bond issue	<u>(1,674)</u>	
		800,356

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>(285,259)</u>
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Change in Net Position, Governmental Activities **\$ 1,732,903**

Upper Saucon Township

Statement of Net Position - Proprietary Funds

December 31, 2022

	Water Fund	Sewer Fund	Total
Assets			
Cash and cash equivalents	\$ 2,118,801	\$ 7,424,116	\$ 9,542,917
Prepaid expenses	6,618	14,183	20,801
Accounts receivable	373,308	956,891	1,330,199
Capital assets not being depreciated	763,208	1,269,578	2,032,786
Capital assets being depreciated	8,487,575	12,209,056	20,696,631
Total Assets	11,749,510	21,873,824	33,623,334
Deferred Outflow of Resources			
Loss on debt refinancing	54,576	-	54,576
Liabilities			
Accounts payable	24,611	69,721	94,332
Accrued payroll	17,519	30,500	48,019
Accrued interest	7,605	-	7,605
Bonds payable, current portion	245,000	-	245,000
Bonds payable, long-term portion	2,140,222	-	2,140,222
Total Liabilities	2,434,957	100,221	2,535,178
Net Position			
Net investment in capital assets	6,920,137	13,478,634	20,398,771
Unrestricted	2,448,992	8,294,969	10,743,961
Total Net Position	\$ 9,369,129	\$ 21,773,603	\$ 31,142,732

Upper Saucon Township

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

Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 1,618,256	\$ 2,669,367	\$ 4,287,623
Operating Expenses			
Personnel services	566,416	1,030,110	1,596,526
Contracted services	133,831	197,621	331,452
Materials and supplies	145,693	388,504	534,197
Other operating expense	473,166	266,011	739,177
Depreciation expense	565,154	1,159,385	1,724,539
Total Operating Expenses	<u>1,884,260</u>	<u>3,041,631</u>	<u>4,925,891</u>
Operating Loss	<u>(266,004)</u>	<u>(372,264)</u>	<u>(638,268)</u>
Nonoperating Revenues (Expenses)			
Interest income	33,683	118,515	152,198
Tapping fees	300,275	755,490	1,055,765
Interest expense	(95,581)	-	(95,581)
Miscellaneous	22,400	-	22,400
Total Nonoperating Revenues (Expenses)	<u>260,777</u>	<u>874,005</u>	<u>1,134,782</u>
Change in Net Position	<u>(5,227)</u>	<u>501,741</u>	<u>496,514</u>
Net Position at Beginning of Year	<u>9,374,356</u>	<u>21,271,862</u>	<u>30,646,218</u>
Net Position at End of Year	<u>\$ 9,369,129</u>	<u>\$ 21,773,603</u>	<u>\$ 31,142,732</u>

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2022

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,603,881	\$ 2,578,065	\$ 4,181,946
Payments to suppliers	(811,538)	(1,177,355)	(1,988,893)
Payments to employees	(556,657)	(1,023,172)	(1,579,829)
Net Cash Provided by Operating Activities	235,686	377,538	613,224
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(141,431)	(789,260)	(930,691)
Tapping fees	300,275	755,490	1,055,765
Interest paid	(91,262)	-	(91,262)
Principal paid on notes and bonds	(245,000)	-	(245,000)
Net Cash Used in Capital and Related Financing Activities	(177,418)	(33,770)	(211,188)
Cash Flows from Investing Activities			
Interest income	33,683	118,515	152,198
Net Cash Provided by Investing Activities	33,683	118,515	152,198
Net Increase in Cash and Cash Equivalents	91,951	462,283	554,234
Cash and Cash Equivalents at Beginning of Year	2,026,850	6,961,833	8,988,683
Cash and Cash Equivalents at End of Year	\$ 2,118,801	\$ 7,424,116	\$ 9,542,917

Upper Saucon Township

Statement of Cash Flows - Proprietary Funds (continued)

Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (266,004)	\$ (372,264)	\$ (638,268)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense	565,154	1,159,385	1,724,539
Miscellaneous revenue	22,400	-	22,400
(Increase) decrease in assets			
Accounts receivable	(36,775)	(74,636)	(111,411)
Prepaid expenses	(595)	(2,182)	(2,777)
Increase (decrease) in liabilities			
Accounts payable	(58,253)	(323,037)	(381,290)
Accrued payroll	9,759	6,938	16,697
Deferred revenue	-	(16,666)	(16,666)
	<u>-</u>	<u>(16,666)</u>	<u>(16,666)</u>
Net Cash Provided by Operating Activities	<u>\$ 235,686</u>	<u>\$ 377,538</u>	<u>\$ 613,224</u>

Upper Saucon Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2022

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,386,903	\$ 1,460,072	\$ 3,846,975
Investments	17,607,474	-	17,607,474
Accrued interest receivable	39,646	-	39,646
Total Assets	<u>\$ 20,034,023</u>	<u>\$ 1,460,072</u>	<u>\$ 21,494,095</u>
Net Position			
Assets held in trust for pension benefits	\$ 20,034,023	\$ -	\$ 20,034,023
Funds held in escrow	-	1,460,072	1,460,072
Total Net Position	<u>\$ 20,034,023</u>	<u>\$ 1,460,072</u>	<u>\$ 21,494,095</u>

Upper Saucon Township

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended December 31, 2022

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 413,751	\$ -	\$ 413,751
Employee	202,734	-	202,734
Total contributions	<u>616,485</u>	<u>-</u>	<u>616,485</u>
Investment income			
Net decrease in fair value of investments	(4,980,320)	-	(4,980,320)
Interest and dividends	1,470,458	5,474	1,475,932
Total investment income	<u>(3,509,862)</u>	<u>5,474</u>	<u>(3,504,388)</u>
Developer deposits	-	592,255	592,255
Total Additions	<u>(2,893,377)</u>	<u>597,729</u>	<u>(2,295,648)</u>
Deductions			
Benefit payments	1,071,396	-	1,071,396
Administrative expenses	117,393	-	117,393
Developer expenses	-	228,583	228,583
Total Deductions	<u>1,188,789</u>	<u>228,583</u>	<u>1,417,372</u>
Change in Net Position	<u>(4,082,166)</u>	<u>369,146</u>	<u>(3,713,020)</u>
Net Position at Beginning of Year	<u>24,116,189</u>	<u>1,090,926</u>	<u>25,207,115</u>
Net Position at End of Year	<u>\$ 20,034,023</u>	<u>\$ 1,460,072</u>	<u>\$ 21,494,095</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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. GAAP requires 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 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.

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

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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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 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.

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.

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

Proprietary Funds

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

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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 and employee 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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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, 2022 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, 2022.

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. 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.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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 2022 was 1.3691 mills as established by the Board of Supervisors. Current tax collections for the Township were approximately 99% of the total tax levy.

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

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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. The implementation of this standard did not have a material 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. The implementation of this standard did not impact the Township.

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 requirements of this Statement are effective for accounting periods beginning after December 15, 2023.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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

Note 3 - Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

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

Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2021 and the cash received for the year ended December 31, 2022, except for the State Liquid Fuels Highway Aid Fund which had a deficit of \$142,594 that will be funded through future resources.

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, 2022:

Cash and cash equivalents	\$ 26,401,337
Investments	<u>17,607,474</u>
	<u>\$ 44,008,811</u>

Reconciliation to Statement of Net Position/Balance Sheet

Cash and Cash Equivalents	
Governmental activities	\$ 13,010,659
Business-type activities	9,542,917
Component units	786
Fiduciary funds	<u>3,846,975</u>
	26,401,337
Investments	
Fiduciary	<u>17,607,474</u>
	<u>\$ 44,008,811</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 4 - Deposits and Investments (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2022, the carrying amounts of the Township's bank deposits were \$26,401,337 and the corresponding bank balances were \$24,838,047, of which \$250,000 was covered by Federal Depository Insurance Corporation. Deposits totaling \$22,616,049 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 \$1,971,998 were uninsured and uncollateralized.

Investments

The Township has the following investments as of December 31, 2022:

	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	
Corporate bonds	\$ 892,949	\$ 892,949	\$ -	\$ -	\$ -	Aaa-Aa2
US treasury bonds	535,918	535,918	-	-	-	N/A
Equities	4,712,524	4,712,524	-	-	-	N/A
Exchange traded and mutual funds	11,466,083	7,183,785	2,668,385	1,613,913	-	N/A
	<u>\$ 17,607,474</u>	<u>\$ 13,325,176</u>	<u>\$ 2,668,385</u>	<u>\$ 1,613,913</u>	<u>\$ -</u>	

Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2022, \$17,607,474 is held by the investment's counterparties, not in the name of the Township.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

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.

The following table presents the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2022:

	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	\$ -	\$ 892,949	\$ -	\$ 892,949
US Treasury bonds	-	535,918	-	535,918
Total Fixed Income	-	1,428,867	-	1,428,867
Equities				
Industrials	305,430	-	-	305,430
Consumer discretionary	392,876	-	-	392,876
Consumer staples	464,719	-	-	464,719
Energy	382,673	-	-	382,673
Financial	622,881	-	-	622,881
Materials	97,982	-	-	97,982
Information technology	923,004	-	-	923,004
Real estate	98,406	-	-	98,406
Utilities	236,671	-	-	236,671
Health care	800,440	-	-	800,440
Telecommunication	387,442	-	-	387,442
Total Equities	4,712,524	-	-	4,712,524

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 5 - Fair Value Measurement (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value (continued)				
Exchange Traded Funds				
Fixed income	\$ 1,248,267	\$ -	\$ -	\$ 1,248,267
Equities	3,857,709	-	-	3,857,709
Total Exchange Traded Funds	5,105,976	-	-	5,105,976
Mutual Funds				
Fixed income	3,034,032	-	-	3,034,032
Equities	3,326,075	-	-	3,326,075
Total Mutual Funds	6,360,107	-	-	6,360,107
	\$ 16,178,607	\$ 1,428,867	\$ -	\$ 17,607,474

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

Note 6- Lease

On December 14, 2014, the Township entered into a five-year lease agreement with four additional five-year lessee renewal options to lease a parcel of property to the lessee for the purpose of constructing and maintaining a cell tower. The lease term began March 1, 2015 upon completion of the installation of the applicable equipment. The monthly lease payment is increased 3% annually effective March 31. At December 31, 2022, the monthly lease payment was \$2,429. As of December 31, 2022, the Township recognized a lease receivable and a deferred inflow of resources of \$590,324. Under the terms of the agreement, the Township recognized the following lease related income for the year ended December 31, 2022.

Rental income	\$ 21,079
Interest on lease receivable	7,928
	<u>\$ 29,007</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 6 - Lease (continued)

Maturity Analysis

Future minimum lease payments under noncancellable leases as of December 31, 2022, are as follows:

	<u>Lease Receivable</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2023	\$ 21,517	\$ 8,360	\$ 29,877
2024	22,731	8,042	30,773
2025	23,990	7,706	31,696
2026	25,295	7,352	32,647
2027	27,498	6,975	34,473
2028-2032	161,078	28,323	189,401
2033-2037	204,327	15,240	219,567
2038-2040	103,888	1,707	105,595
	<u>\$ 590,324</u>	<u>\$ 83,705</u>	<u>\$ 674,029</u>
Lease receivable, short-term		\$ 21,517	
Lease receivable, long-term		<u>568,807</u>	
		<u>\$ 590,324</u>	

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 7 - Capital Assets

Capital assets activity of the primary government was as follows for the year ended December 31, 2022:

	Balance January 1, 2022	Additions	Deletions/ Transfers	Balance December 31, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,684,673	\$ -	\$ -	\$ 5,684,673
Construction in progress	4,494,981	248,901	(4,219,038)	524,844
Total capital assets not being depreciated	<u>10,179,654</u>	<u>248,901</u>	<u>(4,219,038)</u>	<u>6,209,517</u>
Capital assets being depreciated				
Land improvements	12,786,536	4,219,038	-	17,005,574
Roads	11,757,308	-	-	11,757,308
Computer	81,093	-	-	81,093
Buildings and improvements	3,526,596	-	-	3,526,596
Vehicles	3,689,812	-	-	3,689,812
Machinery and equipment	2,515,334	-	-	2,515,334
Total capital assets being depreciated	<u>34,356,679</u>	<u>4,219,038</u>	<u>-</u>	<u>38,575,717</u>
Less accumulated depreciation for				
Land improvements	1,796,350	710,174	-	2,506,524
Roads	4,886,556	563,692	-	5,450,248
Computer	56,417	16,219	-	72,636
Buildings and improvements	2,444,269	93,605	-	2,537,874
Vehicles	3,022,906	251,277	-	3,274,183
Machinery and equipment	2,163,539	115,033	-	2,278,572
Total accumulated depreciation	<u>14,370,037</u>	<u>1,750,000</u>	<u>-</u>	<u>16,120,037</u>
Total capital assets being depreciated, net	<u>19,986,642</u>	<u>2,469,038</u>	<u>-</u>	<u>22,455,680</u>
Total governmental activities, capital assets, net	<u>\$ 30,166,296</u>	<u>\$ 2,717,939</u>	<u>\$ (4,219,038)</u>	<u>\$ 28,665,197</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 7 - Capital Assets (continued)

Depreciation expense was charged to the following functions:

General government	\$ 305,538
Public safety	130,780
Public works, highways and streets	1,227,457
Culture and recreation	86,225
	<u>\$ 1,750,000</u>

	Balance January 1, 2022	Additions	Deletions/ Transfers	Balance December 31, 2022
Business-type activities				
Capital assets not being depreciated				
Land	\$ 723,951	\$ -	\$ -	\$ 723,951
Construction in progress	378,144	930,691	-	1,308,835
Total capital assets not being depreciated	<u>1,102,095</u>	<u>930,691</u>	<u>-</u>	<u>2,032,786</u>
Capital assets being depreciated				
Plant and improvements	30,575,845	-	-	30,575,845
Buildings and improvements	3,913,367	-	-	3,913,367
Vehicles	1,700,399	-	-	1,700,399
Machinery and equipment	2,096,118	-	-	2,096,118
Total capital assets being depreciated	<u>38,285,729</u>	<u>-</u>	<u>-</u>	<u>38,285,729</u>
Less accumulated depreciation for				
Plant and improvements	12,304,122	1,299,753	-	13,603,875
Buildings and improvements	660,150	87,046	-	747,196
Vehicles	1,052,327	171,306	-	1,223,633
Machinery and equipment	1,847,960	166,434	-	2,014,394
Total accumulated depreciation	<u>15,864,559</u>	<u>1,724,539</u>	<u>-</u>	<u>17,589,098</u>
Total capital assets being depreciated, net	<u>22,421,170</u>	<u>(1,724,539)</u>	<u>-</u>	<u>20,696,631</u>
Total business-type activities, capital assets, net	<u>\$ 23,523,265</u>	<u>\$ (793,848)</u>	<u>\$ -</u>	<u>\$ 22,729,417</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 7 - Capital Assets (continued)

Depreciation expense was charged to the following funds:

Water Fund	\$ 565,154
Sewer Fund	<u>1,159,385</u>
	<u>\$ 1,724,539</u>

Capital assets activity for the component units was as follows for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2022</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 8 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 833,400
Library Capital Fund	33,400	-
Road Construction Capital Reserve Fund	100,000	-
Capital Projects Fund	<u>700,000</u>	<u>-</u>
	<u>\$ 833,400</u>	<u>\$ 833,400</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, 2022

Note 9 - Long-Term Debt

Long-term debt consists of the following at December 31, 2022:

	<u>Balance Outstanding January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Outstanding December 31, 2022</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Bonds, Series of 2020, original amount \$7,949,000 due in semiannual installments of principal plus interest at 1.44% to December 2033	\$ 7,846,000	\$ -	\$ 603,000	\$ 7,243,000	\$ 612,000
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	<u>1,555,000</u>	<u>-</u>	<u>195,000</u>	<u>1,360,000</u>	<u>210,000</u>
Total governmental activities	9,401,000	-	798,000	8,603,000	822,000
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	<u>2,585,000</u>	<u>-</u>	<u>245,000</u>	<u>2,340,000</u>	<u>245,000</u>
Total long-term debt	<u>\$ 11,986,000</u>	<u>\$ -</u>	<u>\$ 1,043,000</u>	<u>\$ 10,943,000</u>	<u>\$ 1,067,000</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 9 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt are as follows at December 31, 2022:

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	789,000	90,756	879,756
2028-2032	3,994,000	244,961	4,238,961
2033-2034	707,000	10,181	717,181
	<u>8,603,000</u>	<u>\$ 846,349</u>	<u>\$ 9,449,349</u>
Current maturities	(822,000)		
Unamortized issuance premium	73,214		
	<u>\$ 7,854,214</u>		

Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 245,000	\$ 79,012	\$ 324,012
2024	260,000	66,763	326,763
2025	90,000	58,963	148,963
2026	95,000	56,263	151,263
2027	95,000	53,413	148,413
2028-2032	530,000	221,433	751,433
2033-2037	610,000	134,531	744,531
2038-2041	415,000	29,400	444,400
	<u>2,340,000</u>	<u>\$ 699,778</u>	<u>\$ 3,039,778</u>
Current maturities	(245,000)		
Unamortized issuance premium	45,222		
	<u>\$ 2,140,222</u>		

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 9 - Long-Term Debt (continued)

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

Note 10 - Operating Agreement Commitment

The Township has entered into an operating agreement with the Upper Saucon Sewage Treatment Authority for the sewer plant. The operating agreement 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 and usage.

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

Note 11 - 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% for members retired before January 1, 2016 and up to 2.5% for members retiring after January 1, 2016, with a maximum total cost-of-living increase of 15%. The Police Pension Plan provides retirement, disability, and death benefits to the Police Pension Plan members and beneficiaries. The Police Pension Plan's assets may be used only for the payment of benefits to the members of the Police Pension Plan in accordance with the terms of the Police Pension Plan.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the Police Pension Plan:

Active employees	23
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits, but not yet receiving them	2
	<hr/>
	36
	<hr/>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 11 - Upper Saucon Township Police Pension Plan (continued)

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, 2022, 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, 2022, 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, 2022

Note 11 - 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, 2022

Note 11 - 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, 2022:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 9,384,367	\$ 10,564,939	\$ (1,180,572)
Changes for the year			
Service cost	259,841	-	259,841
Interest cost	753,539	-	753,539
Contributions, employer	-	174,404	(174,404)
Contributions, member	-	90,128	(90,128)
Net investment income (loss)	-	(1,591,054)	1,591,054
Administrative expenses	-	(5,900)	5,900
Benefit payments, including refunds of member contributions	(449,929)	(449,929)	-
Net Changes	563,451	(1,782,351)	2,345,802
Balance at December 31, 2022	\$ 9,947,818	\$ 8,782,588	\$ 1,165,230

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	\$ 2,490,834	\$ 1,165,230	\$ 66,128

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 11 - 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, 2022, the Township recognized pension income of \$282,203. For the 2022 measurement period, the Township had no outstanding amount of employer contribution due to the pension plan required for the year ended December 31, 2022.

The components of pension expense are as follows:

Service cost	\$	259,841
Interest on the total pension liability		753,539
Difference between expected and actual experience		(133,980)
Changes of assumptions		35,277
Member contributions		(90,128)
Projected earnings on pension plan investments		(837,543)
Administrative expenses		5,900
Difference between projected and actual earnings on investments		289,297
		<u>289,297</u>
	\$	<u>282,203</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, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 601,850
Change of assumptions	171,153	-
Net difference between projected and actual earnings on Police Pension Plan investments	1,942,877	741,757
	<u>\$ 2,114,030</u>	<u>\$ 1,343,607</u>

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

2023	\$	5,337
2024		162,964
2025		271,866
2026		407,883
2027		(37,294)
Thereafter		(40,333)

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 12 - 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 eligible 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, 2022, the following employees were covered by the plan:

Active employees	31
Retirees and beneficiaries currently receiving benefits	25
Terminated employees entitled to benefits, but not yet receiving them	5
	<hr/>
	61
	<hr/> <hr/>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Non-Uniformed Pension Plan be based upon the Non-Uniformed Pension Plan's MMO, which is based on the Non-Uniformed Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. For the year ended December 31, 2022, 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, 2022

Note 12 - Upper Saucon Township Non-Uniformed Employees' Pension Plan (continued)

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2022, 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, 2022

Note 12 - 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, 2022:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2021	\$ 11,403,303	\$ 12,852,395	\$ (1,449,092)
Changes for the year			
Service cost	253,076	-	253,076
Interest cost	910,266	-	910,266
Contributions, employer	-	208,941	(208,941)
Contributions, member	-	75,404	(75,404)
Net investment income (loss)	-	(1,983,446)	1,983,446
Administrative expenses	-	(5,300)	5,300
Benefit payments, including refunds of member contributions	(556,096)	(556,096)	-
Net Changes	607,246	(2,260,497)	2,867,743
Balance at December 31, 2022	\$ 12,010,549	\$ 10,591,898	\$ 1,418,651

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, 2022

Note 12 - 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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net pension liability	<u>\$ 2,741,094</u>	<u>\$ 1,418,651</u>	<u>\$ 283,329</u>

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

For the year ended December 31, 2022, the Township recognized pension income of \$386,399. For the 2022 measurement period, the Township had no outstanding amount of employer contribution due to the pension plan required for the year ended December 31, 2022.

The components of pension expense are as follows:

Service cost	\$ 253,076
Interest on the total pension liability	910,266
Difference between expected and actual experience	(113,731)
Changes of assumptions	91,480
Member contributions	(75,404)
Projected earnings on pension plan investments	(1,017,110)
Administrative expense	5,300
Difference between projected and actual earnings on investments	<u>332,522</u>
	<u>\$ 386,399</u>

The Township reported deferred outflows of resources and deferred inflows of resources related to the Non-Uniformed Pension Plan from the following sources at December 31, 2022:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 518,679
Changes of assumptions	372,791	-
Net difference between projected and actual earnings on Non-Uniformed Pension Plan investments	<u>2,400,444</u>	<u>963,866</u>
	<u>\$ 2,773,235</u>	<u>\$ 1,482,545</u>

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 12 - 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:

2023	\$	88,864
2024		279,206
2025		401,652
2026		596,320
2027		(3,793)
Thereafter		(71,559)

Note 13 - 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 required 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, 2022.

Note 14 - Upper Saucon Township Volunteer Fire Fighters Length of Service Awards Program and Prior Period Adjustment

During the year ended December 31, 2021, the Township terminated the Upper Saucon Volunteer Fire Fighters Length of Service Awards Program (the Program) in coordination with a unanimous vote of the members. The Township is under no further obligations to make further contributions to the Program. Amounts held by the Township in the fiduciary fund will be utilized to pay any remaining benefits. As a result of the termination, the net position of the Township's governmental activities as of January 1, 2022 was increased by \$635,912 from \$30,195,766 to \$30,831,711.

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 15 - Fund Balances (Deficit)

Fund balances (deficit) of the Township's governmental funds consist of the following at December 31, 2022:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in					
General Fund					
Unassigned	\$ -	\$ -	\$ -	\$ 6,368,120	\$ 6,368,120
Prepaid items	57,387	-	-	-	57,387
Special Revenue Funds					
Highways and streets	-	-	-	(142,594)	(142,594)
Transportation impact	-	977,397	-	-	977,397
Fire hydrants	-	194,970	-	-	194,970
Recreation	-	308,990	-	-	308,990
Stormwater	-	1,429,452	-	-	1,429,452
COVID relief	-	-	1,765,903	-	1,765,903
Capital projects					
Capital improvements fund	-	-	779,411	-	779,411
Road construction	-	-	1,186,543	-	1,186,543
Library capital	-	-	94,830	-	94,830
	<u>\$ 57,387</u>	<u>\$ 2,910,809</u>	<u>\$ 3,826,687</u>	<u>\$ 6,225,526</u>	<u>\$ 13,020,409</u>

Fund Balance Policy

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

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

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

Spending Policy

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 15 - Fund Balances (Deficit) (continued)

Minimum Fund Balance Policy

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

Committed Fund Balance

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

Assigned Fund Balance

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

Reservations of Fund Balance

Nonspendable - General Fund

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

Restricted - Special Revenue Funds

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

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

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

Committed - Special Revenue Funds

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

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 15 - Fund Balances (Deficit) (continued)

Reservations of Fund Balance (continued)

Assigned - Capital Projects Funds

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

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

Disbursement of Fund Balance Reserves

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

Annual Review and Determination of Fund Balance Reserve Amounts

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

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

Note 16 - 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 17 - Risk Management

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

Upper Saucon Township

Notes to Financial Statements

December 31, 2022

Note 17 - Risk Management (continued)

The Township also participates in a self-funded minimum premium plan with several other municipalities to cover its workers' compensation claims. The plan is administered by a third-party administrator and requires the payment of quarterly premiums based on the Township's payroll. Costs related to claims are expensed as incurred. For the years ended December 31, 2022, 2021, and 2020, claims settled were not in excess of insurance coverage.

There have been no significant reductions in insurance coverage during the year ended December 31, 2022.

Note 18 - Contingencies

Concentration of Labor

The Township entered into a collective-bargaining agreement with the Upper Saucon Township Police Officers' Association through December 31, 2026. 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 19 - Subsequent Events

The Township has evaluated subsequent events through June 14, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.

Upper Saucon Township

Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,292,000	\$ 8,292,000	\$ 10,246,329	\$ 1,954,329
Licenses and permits	393,900	393,900	671,874	277,974
Fines and forfeits	59,000	59,000	30,276	(28,724)
Interest, rents, and royalties	45,000	45,000	120,774	75,774
Intergovernmental revenue	680,500	680,500	706,528	26,028
Charges for services	664,000	664,000	793,880	129,880
Miscellaneous revenue	55,000	55,000	172,405	117,405
Total Revenues	10,189,400	10,189,400	12,742,066	2,552,666
Expenditures				
Current				
General government	1,180,826	1,180,826	1,048,766	132,060
Public safety	5,615,794	5,615,794	5,892,440	(276,646)
Public works, highways and streets	1,745,724	1,745,724	1,595,436	150,288
Culture and recreation	678,400	678,400	560,083	118,317
Other	612,352	612,352	571,959	40,393
Debt service	876,532	876,532	877,282	(750)
Capital outlay	531,200	531,200	457,367	73,833
Total Expenditures	11,240,828	11,240,828	11,003,333	237,495
Excess (Deficiency) of Revenues over (under) Expenditures	(1,051,428)	(1,051,428)	1,738,733	2,790,161
Other Financing Sources (Uses)				
Transfers out	(833,400)	(833,400)	(833,400)	-
Net Change in Fund Balance	\$ (1,884,828)	\$ (1,884,828)	905,333	\$ 2,790,161
Fund Balance at Beginning of Year			5,520,174	
Fund Balance at End of Year			\$ 6,425,507	

Upper Saucon Township, Lehigh County, Pennsylvania

Note to Budgetary Comparison Schedule

December 31, 2022

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 2022 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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 259,841	\$ 247,468	\$ 236,944	\$ 225,661	\$ 209,297	\$ 199,330	\$ 187,425	\$ 178,500
Interest cost	753,539	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	(449,929)	(408,428)	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Net Change in Total Pension Liability	563,451	534,113	585,815	174,888	505,344	100,706	980,634	169,352
Total Pension Liability, Beginning	9,384,367	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	\$ 9,947,818	\$ 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	\$ 174,404	\$ 379,019	\$ 305,542	\$ 292,207	\$ 195,307	\$ 207,556	\$ 192,909	\$ 217,716
Contributions, member	90,128	129,617	99,670	93,404	103,165	102,553	104,899	126,264
Net investment income (loss)	(1,591,054)	1,409,127	1,076,125	1,313,100	(373,192)	983,253	273,563	100,807
Benefit payments, including refunds of member contributions	(449,929)	(408,428)	(318,500)	(316,971)	(314,840)	(267,495)	(232,315)	(292,939)
Administrative expense	(5,900)	(13,700)	-	(6,000)	(3,200)	(6,900)	(11,300)	-
Net Change in Plan Fiduciary Net Position	(1,782,351)	1,495,635	1,162,837	1,375,740	(392,760)	1,018,967	327,756	151,848
Plan Fiduciary Net Position, Beginning	10,564,939	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	\$ 8,782,588	\$ 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	\$ 1,165,230	\$ (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	88.3%	112.6%	102.5%	95.7%	80.7%	91.3%	78.9%	85.8%
Covered Employee Payroll	\$ 2,275,874	\$ 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	51.2%	(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*

	Years Ended December 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 253,076	\$ 241,025	\$ 281,638	\$ 268,227	\$ 260,309	\$ 247,913	\$ 245,221	\$ 233,544
Interest cost	910,266	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	(556,096)	(480,437)	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Net Change in Total Pension Liability	607,246	301,052	686,508	983,106	642,824	490,983	620,531	460,106
Total Pension Liability, Beginning	11,403,303	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	\$ 12,010,549	\$ 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	\$ 208,941	\$ 465,521	\$ 380,743	\$ 363,271	\$ 327,246	\$ 333,820	\$ 285,057	\$ 351,319
Contributions, member	75,404	98,510	95,767	101,799	99,003	99,048	142,907	139,090
Net investment income (loss)	(1,983,446)	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	(556,096)	(480,437)	(433,577)	(357,834)	(328,360)	(251,168)	(248,627)	(238,155)
Administrative expense	(5,300)	(15,000)	-	(6,000)	(3,800)	(6,400)	(9,900)	-
Net Change in Plan Fiduciary Net Position	(2,260,497)	1,833,892	1,424,384	1,689,367	(348,890)	1,314,502	499,154	360,088
Plan Fiduciary Net Position, Beginning	12,852,395	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	\$ 10,591,898	\$ 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	\$ 1,418,651	\$ (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	88.2%	112.7%	99.2%	92.1%	83.8%	93.9%	83.6%	83.9%
Covered Employee Payroll	\$ 2,207,624	\$ 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	64.3%	(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 Pension Contributions - Police Pension Plan
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 174,404	\$ 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	<u>174,404</u>	<u>379,019</u>	<u>305,542</u>	<u>292,207</u>	<u>195,307</u>	<u>207,556</u>	<u>192,909</u>	<u>217,716</u>	<u>183,338</u>	<u>180,007</u>	<u>203,777</u>
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	<u>\$ 2,275,874</u>	<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>7.7%</u>	<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 nonannuitants 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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 208,941	\$ 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	<u>208,941</u>	<u>465,521</u>	<u>380,743</u>	<u>363,271</u>	<u>327,246</u>	<u>333,820</u>	<u>285,057</u>	<u>351,319</u>	<u>312,524</u>	<u>294,072</u>	<u>205,598</u>
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (779)	\$ -	\$ -
Covered employee payroll	<u>\$ 2,207,624</u>	<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>9.5%</u>	<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 nonannuitants projected 15 years using Scale AA to reflect mortality improvement.

Changes in benefit terms: None since January 1, 2017

Upper Saucon Township

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds					Capital Projects Funds			Total Governmental Funds	
	Fire Hydrant Fund	State Liquid Fuels Highway Aid Fund	Transportation Impact Fund	Recreation Fund	Maintenance Trust Fund	COVID Relief Fund	Library Capital Fund	Road Construction Capital Reserve Fund		Capital Improvements Fund
Assets										
Cash and cash equivalents	\$ 190,231	\$ (115,542)	\$ 977,397	\$ 312,200	\$ 1,429,452	\$ 1,770,666	\$ 94,830	\$ 1,188,903	\$ 780,064	\$ 6,628,201
Taxes receivable	41,688	-	-	-	-	-	-	-	-	41,688
Total Assets	\$ 231,919	\$ (115,542)	\$ 977,397	\$ 312,200	\$ 1,429,452	\$ 1,770,666	\$ 94,830	\$ 1,188,903	\$ 780,064	\$ 6,669,889
Liabilities										
Accounts payable	\$ 1,474	\$ 20,349	\$ -	\$ 3,210	\$ -	\$ 4,763	\$ -	\$ 2,360	\$ 653	\$ 32,809
Due to other funds	-	6,703	-	-	-	-	-	-	-	6,703
Total Liabilities	1,474	27,052	-	3,210	-	4,763	-	2,360	653	39,512
Deferred Inflow of Resources										
Unavailable revenue, property taxes	35,475	-	-	-	-	-	-	-	-	35,475
Fund Balances (Deficit)										
Restricted	194,970	-	977,397	308,990	1,429,452	-	-	-	-	2,910,809
Assigned	-	-	-	-	-	1,765,903	94,830	1,186,543	779,411	3,826,687
Unassigned	-	(142,594)	-	-	-	-	-	-	-	(142,594)
Total Fund Balances (Deficit)	194,970	(142,594)	977,397	308,990	1,429,452	1,765,903	94,830	1,186,543	779,411	6,594,902
Total Liabilities, Deferred Inflow of Resources, and Fund Balances (Deficit)	\$ 231,919	\$ (115,542)	\$ 977,397	\$ 312,200	\$ 1,429,452	\$ 1,770,666	\$ 94,830	\$ 1,188,903	\$ 780,064	\$ 6,669,889

Upper Saucon Township

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds
 Year Ended December 31, 2022

	Special Revenue Funds					Capital Projects Funds				Total Governmental Funds
	Fire Hydrant Fund	State Liquid Fuels Highway Aid Fund	Transportation Impact Fund	Recreation Fund	Maintenance Trust Fund	COVID Relief Fund	Library Capital Fund	Road Construction Capital Reserve Fund	Capital Improvements Fund	
Revenues										
Taxes	\$ 132,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,288
Interest, rents, and royalties	4,250	3,676	16,229	5,724	22,693	21,233	1,155	20,443	4,532	99,935
Intergovernmental revenue	-	3,040	-	-	-	911,377	-	-	-	914,417
Charges for services	-	-	-	-	-	-	-	97,968	-	97,968
Developer contributions	-	-	-	219,200	-	-	-	1,191,346	-	1,410,546
Total Revenues	136,538	6,716	16,229	224,924	22,693	932,610	1,155	1,309,757	4,532	2,655,154
Expenditures										
Current										
Public safety	117,688	-	-	-	-	-	-	-	-	117,688
Public works, highways and streets	-	535,413	240,754	-	16,366	-	-	21,420	-	813,953
Capital outlay	-	-	-	185,172	-	73,787	-	320,284	164,229	743,472
Total Expenditures	117,688	535,413	240,754	185,172	16,366	73,787	-	341,704	164,229	1,675,113
Excess (Deficiency) of Revenues over (under) Expenditures	18,850	(528,697)	(224,525)	39,752	6,327	858,823	1,155	968,053	(159,697)	980,041
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	33,400	100,000	700,000	833,400
Net Change in Fund Balances	18,850	(528,697)	(224,525)	39,752	6,327	858,823	34,555	1,068,053	540,303	1,813,441
Fund Balances at Beginning of Year	176,120	386,103	1,201,922	269,238	1,423,125	907,080	60,275	118,490	239,108	4,781,461
Fund Balances (Deficit) at End of Year	\$ 194,970	\$ (142,594)	\$ 977,397	\$ 308,990	\$ 1,429,452	\$ 1,765,903	\$ 94,830	\$ 1,186,543	\$ 779,411	\$ 6,594,902

Upper Saucon Township

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2022

	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	\$ 927,858	\$ 1,061,629	\$ 56,920	\$ 340,496	\$ 2,386,903
Investments	7,836,079	9,509,570	261,825	-	17,607,474
Accrued receivables	18,651	20,728	267	-	39,646
Total Assets	8,782,588	10,591,927	319,012	340,496	20,034,023
Net Position					
Assets held in trust for pension benefits	\$ 8,782,588	\$ 10,591,927	\$ 319,012	\$ 340,496	\$ 20,034,023

Upper Saucon Township

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

Year Ended December 31, 2022

	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	\$ 174,404	\$ 208,941	\$ 30,406	\$ -	\$ 413,751
Employee	90,128	75,404	37,202	-	202,734
Total contributions	264,532	284,345	67,608	-	616,485
Investment income					
Net depreciation in fair value of investments	(2,213,033)	(2,712,285)	(55,002)	-	(4,980,320)
Interest and dividends	669,469	787,631	7,438	5,920	1,470,458
Total investment income	(1,543,564)	(1,924,654)	(47,564)	5,920	(3,509,862)
Total Additions	(1,279,032)	(1,640,309)	20,044	5,920	(2,893,377)
Deductions					
Benefit payments	449,928	556,066	6,221	59,181	1,071,396
Administrative expenses	53,394	63,999	-	-	117,393
Total Deductions	503,322	620,065	6,221	59,181	1,188,789
Change in Net Position	(1,782,354)	(2,260,374)	13,823	(53,261)	(4,082,166)
Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year	10,564,942	12,852,301	305,189	393,757	24,116,189
Net Position of Assets Held in Trust for Pension Benefits at End of Year	\$ 8,782,588	\$ 10,591,927	\$ 319,012	\$ 340,496	\$ 20,034,023