

**REPORT ON  
LOWER SAUCON TOWNSHIP  
BETHLEHEM, PA  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**LOWER SAUCON TOWNSHIP**  
**Financial Statements - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

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July 9, 2021

Township Council  
Lower Saucon Township  
3700 Old Philadelphia Pike  
Bethlehem, PA 18015

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lower Saucon Township as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2(B), this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **LOWER SAUCON TOWNSHIP**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lower Saucon Township as of December 31, 2020, and the respective changes in financial position-modified cash basis, and, where applicable, cash flows and budgetary comparison of the General Fund for the year then ended in accordance with the basis of accounting as described in Note 2(B).

### ***Emphasis of Matter***

As discussed in Note 15 to the financial statements, the United States is currently operating under a state of National Emergency due to the Coronavirus Pandemic. Our opinion is not modified with respect to this matter.

### ***Basis of Accounting***

We draw attention to Note 2(B) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Lower Saucon Township has presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Lower Saucon Township has presented the Schedule of Funding Progress for the Pension Funds that accounting principles generally accepted in the United States of America has determined is required to be part of 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Saucon Township's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been

## LOWER SAUCON TOWNSHIP

subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the basis of accounting described in the notes to the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report on July 9, 2021, on our consideration of Lower Saucon Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lower Saucon Township's internal control over financial reporting and compliance.

Respectfully submitted,

***Hutchinson, Gillahan & Freeh, P.C.***

July 9, 2021

**LOWER SAUCON TOWNSHIP**  
**Bethlehem, Pennsylvania**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Year Ended December 31, 2020**

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The discussion and analysis of Lower Saucon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

The Discussion and Analysis does not include the discretely presented component unit Lower Saucon Authority. The Township management is not involved in the operations of the Authority; therefore, they are unable to provide any meaningful information as it relates to the operations of the Authority.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

***FINANCIAL HIGHLIGHTS***

The Township's overall financial position, as reflected in total net assets, increased by \$4,449,161 including special and extraordinary items.

The Township paid off all debt during the previous year. As of December 31, 2020, the outstanding debt of Lower Saucon Township is \$0.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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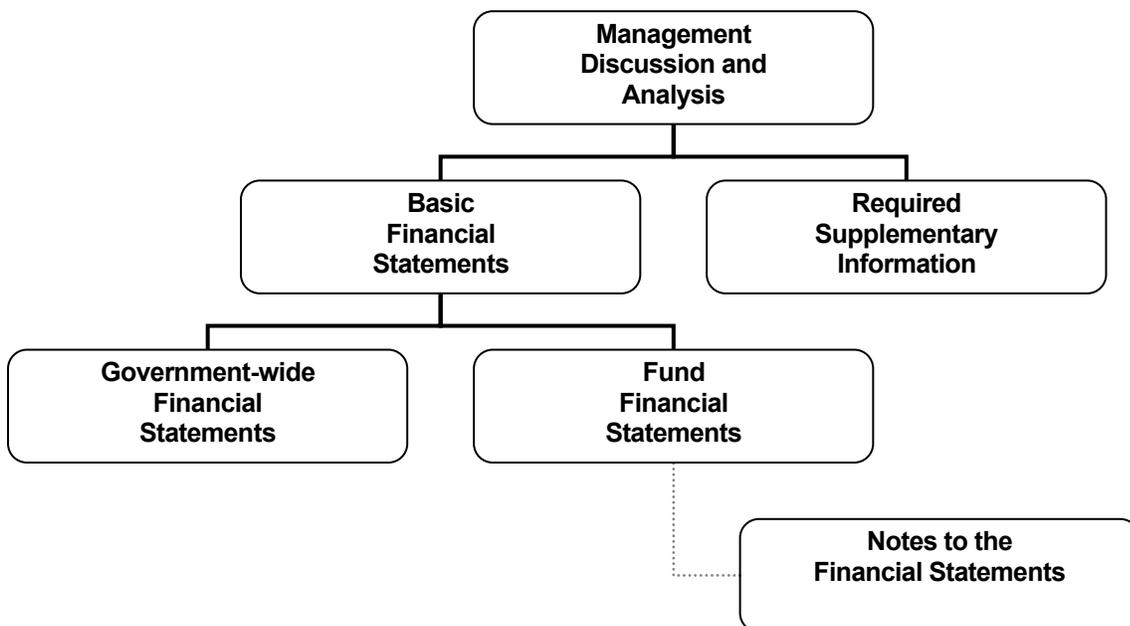
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The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how general Township services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Table 1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Table 1 - Required Components of Lower Saucon Township's Financial Report**



**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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Table 2 summarizes the major features of the Township's financial statements, including the portion of the Township they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Table 2**  
**Major Features of Lower Saucon Township's Government-wide and Fund Financial Statements**

	Fund Statements		
	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary	Instances in which the Township is the trustee or custodian to someone else's resources – Developers Escrow Fund
Required financial statements	Statement of net position Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position, Statement of changes in fiduciary net position
Accounting basis and measurement focus	Modified cash basis	Modified cash basis	Modified cash basis
Type of asset/liability information	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables
Type of inflow-outflow information	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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**OVERVIEW OF FINANCIAL STATEMENTS**

***Government-wide Statements***

The government-wide statements report information about the Township as a whole using the modified cash basis, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. The statement of net assets includes only cash, investments and interfund receivables and payables. All of the current year's revenues and expenses are accounted for in the statement of activities when revenues are received rather than earned and expenses are paid rather than when incurred.

The government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities are one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net assets are an indication of whether its financial health is improving or deteriorating, respectively, based upon the basis of accounting used.

To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the Township's property tax base.

The government-wide financial statements of the Township are divided into two categories:

***Governmental Activities***

All of the Township's basic services are included here, such as General Government, Public Safety, Public Works and Parks. Property Taxes, Earned Income Taxes and Other Public Taxes finance most of these activities.

***Business-Type Activities***

The Township does not have any business-type activities.

The Township's fund financial statements, which begin on page 15, provide detailed information about the most significant funds - not the Township as a whole.

***Governmental Funds***

Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified cash basis of accounting. Under this method revenues are recognized when received rather than earned and expenses are recognized when paid rather than when incurred. The governmental fund statements provide a detailed short-term view of the Township's operations and services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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*Fiduciary Funds*

In August 2005, all of the plan assets for the uniform and non-uniform pension funds were transferred to the PA State Association of Boroughs Municipal Retirement Trust. These activities have been excluded from the Township's financial statements because the Township cannot use these assets to finance their operations. The Developer's Escrow Fund is the only custodial fund of the Township.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

The Township's total net position (Table 3) was \$26,047,899 at December 31, 2020.

**Table 3 - Net Position**  
**Year Ended December 31, 2020 and 2019**

	2020			2019		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and Other Assets	\$ 26,094,898	\$ -	\$ 26,094,898	\$ 21,603,417	\$ -	\$ 21,603,417
Current and Other Liabilities	\$ 46,999	\$ -	\$ 46,999	\$ 4,679	\$ -	\$ 4,679
<b>NET POSITION</b>						
Capital Projects	2,730,982	-	2,730,982	2,439,590	-	2,439,590
Unrestricted	23,316,917	-	23,316,917	19,159,148	-	19,159,148
<b>TOTAL NET POSITION</b>	<b>\$ 26,047,899</b>	<b>\$ -</b>	<b>\$ 26,047,899</b>	<b>\$ 21,598,738</b>	<b>\$ -</b>	<b>\$ 21,598,738</b>

Most of the Township's net assets are invested in cash and cash equivalents.

The results of this year's operations as a whole are reported in the statement of activities on page 14. All expenses are reported in the first column. The two largest revenues are provided by landfill revenue and general public taxes.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

Table 4 takes the information from the statements, rearranges it slightly, so that you can see our total revenues and expenses for the year.

**Table 4 – Change in Net Position**  
**Year Ended December 31, 2020 and 2019**

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>REVENUES</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 2,924,173	\$ -	\$ 2,924,173	\$ 2,889,106	\$ -	\$ 2,889,106
Operating Grants and Contributions	765,574	-	765,574	394,921	-	394,921
Capital Grants and Contributions	505,527	-	505,527	698,910	-	698,910
<i>General Revenues:</i>						
Property Taxes	2,893,013	-	2,893,013	2,838,074	-	2,838,074
Other Taxes	4,790,706	-	4,790,706	4,388,841	-	4,388,841
Grants, Subsidies & Contributions Not Restricted	14,998	-	14,998	-	-	-
Investment Earnings	115,188	-	115,188	80,529	-	80,529
Other Revenue	32,924	-	32,924	100,247	-	100,247
Loan Proceeds	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>12,042,103</b>	<b>-</b>	<b>12,042,103</b>	<b>11,390,628</b>	<b>-</b>	<b>11,390,628</b>
<b>EXPENSES</b>						
<i>Governmental Activities</i>						
General Government	1,556,530	-	1,556,530	1,326,675	-	1,326,675
Public Safety	3,701,894	-	3,701,894	3,775,990	-	3,775,990
Health and Human Services	3,465	-	3,465	3,204	-	3,204
Public Works	1,639,486	-	1,639,486	2,043,204	-	2,043,204
Culture and Recreation	189,759	-	189,759	317,350	-	317,350
Community Development	88,951	-	88,951	316,098	-	316,098
Insurance	109,258	-	109,258	104,225	-	104,225
Employee Benefits	303,599	-	303,599	279,598	-	279,598
Debt Service Payments	-	-	-	1,036,417	-	1,036,417
Other Expenses	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>7,592,942</b>	<b>-</b>	<b>7,592,942</b>	<b>9,202,761</b>	<b>-</b>	<b>9,202,761</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 4,449,161</b>	<b>\$ -</b>	<b>\$ 4,449,161</b>	<b>\$ 2,187,867</b>	<b>\$ -</b>	<b>\$ 2,187,867</b>

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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**DEBT ADMINISTRATION**

As of January 1, 2020, the Township had a total outstanding debt of \$0. As of December 31, 2020, the Township had a total outstanding debt of \$0.

**General Fund Budget**

The Township adopts an annual budget for its General Fund. This adoption, by law, occurs prior to December 31 of each year for the subsequent year. A comprehensive budgetary comparison (Table 5), original to final is provided in this report. Below is a summarized version of the budget comparison.

**Table 5 - Budgetary Comparison 2020 and 2019**

<b>2020</b>				
	<b>Budgeted</b>	<b>Budget</b>	<b>Actual</b>	<b>Variances with</b>
	<b>Original</b>	<b>Amounts Final</b>	<b>(Budgetary</b>	<b>Final Budget</b>
			<b>Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
Revenues	\$ 8,497,122	\$ 8,497,122	\$ 9,626,774	\$ 1,129,652
Expenditures	7,584,681	8,161,127	7,426,108	735,019
Net Change in Fund Balance	912,441	335,995	2,200,666	1,864,671
Fund Balance - January 1, 2020	(912,441)	(335,995)	9,266,593	9,602,588
Fund Balance - December 31, 2020	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,467,259</b>	<b>\$ 11,467,259</b>
<b>2019</b>				
	<b>Budgeted</b>	<b>Budget</b>	<b>Actual</b>	<b>Variances with</b>
	<b>Original</b>	<b>Amounts Final</b>	<b>(Budgetary</b>	<b>Final Budget</b>
			<b>Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
Revenues	\$ 8,628,999	\$ 8,628,999	\$ 8,862,039	\$ 233,040
Expenditures	7,983,671	8,435,166	8,149,971	285,195
Net Change in Fund Balance	645,328	193,833	712,068	518,235
Fund Balance - January 1, 2019	(645,328)	(193,833)	8,554,525	8,748,358
Fund Balance - December 31, 2019	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,266,593</b>	<b>\$ 9,266,593</b>

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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***Economic Factors and Next Year's Budgets and Rates***

***FINANCIAL HIGHLIGHTS***

General Fund receipts were \$2,200,666 more than expenses in 2020, primarily due to an increase in Host Fees in the amount of \$545,992 and an additional \$134,345 in Earned Income Tax. In addition, the Township received \$285,111 more in dividends from self-funded medical insurance, Workman's Compensation, and general liability insurance plans.

In 2020, the Township received \$1,513,383 in additional revenue from 2019 which Council authorized transferring into the Operational Reserves (\$1,013,383) and to the Capital Fund (\$500,000).

The 2020 COVID-19 Pandemic put the Township on heightened alert of the possibility of decreased revenue due to job loss and resident's possible inability to pay taxes. The State provided local governments with an option to modify their tax collection procedures which Lower Saucon Township chose to enact by waiving the 10% penalty until December 31, 2020.

As the Bethlehem Landfill's lifespan steadily approaches its expiration having completed their third year of the estimated five-year remaining operational life, Council appropriated funding be set aside in both the Operational Reserve and Capital funds to maintain future operations in preparation for the landfill closure. Management and staff continue to monitor General Fund revenue and expenses to ensure we are in compliance with the Fund Balance Policy approved by Council and to provide Council with the most cost-effective ways to improve and maintain services to the residents.

In 2020, grant awards were received for the Police Department toward the purchase of body cameras and radios.

We received \$505,527 in State Liquid Fuel funding which was \$9,007 more than anticipated. With that funding, additional roadwork was completed, and a new skid steer was purchased, however we delayed purchasing additional equipment until the financial impact of COVID-19 could be evaluated.

In 2020, the Earned Income Tax (EIT) generated \$1,375,973 to be used toward the purchase and maintenance of open space properties. The Township completed the purchase of one parcel in the amount of \$60,901.

Council focused working with the two (2) volunteer fire departments to try to facilitate a merger in order to provide one unified department for the entire Township. Grant writing assistance was funded to aid them in applying for grants.

In 2020, the Township continued upgrades and repairs to Seidersville Hall. Windows replacement and interior work was completed.

The Township continues to set aside funding for stormwater and MS4 projects. The MS4 permit guidelines have been identified and the Township engineers will evaluate the areas most needed to be brought into compliance. Hanover Engineering was directed to inspect Township bridges and develop a maintenance and repair plan. Permits and PP&L pole relocations are being undertaken for the replacement of the Lower Saucon Road Bridge.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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**Contacting the Township Financial Management**

The Township's financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show Township Council's accountability for the money it receives. If you have questions, please contact the Township Manager, Leslie Huhn, 3700 Old Philadelphia Pike, Bethlehem, PA 18015, phone (610) 865-3291, email: [manager@lowersaucontownship.org](mailto:manager@lowersaucontownship.org).

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**BASIC FINANCIAL STATEMENTS**

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**LOWER SAUCON TOWNSHIP**  
**Statement of Net Position – Modified Cash Basis**  
**As of December 31, 2020**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 22,754,908	\$ -	\$ 22,754,908	\$ 3,800,867
Investments	3,339,990	-	3,339,990	482,959
Internal Balances	-	-	-	(1) -
Other Receivables	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>26,094,898</b>	<b>-</b>	<b>26,094,898</b>	<b>4,283,826</b>
<b>NON-CURRENT ASSETS:</b>				
Restricted Cash and Cash Equivalents	-	-	-	9,653
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,653</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,094,898</b>	<b>\$ -</b>	<b>\$ 26,094,898</b>	<b>\$ 4,293,479</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Internal Balances	\$ -	\$ -	\$ -	(1) \$ -
Other Payables	46,999	-	46,999	-
Due to Developers	-	-	-	10,490
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,999</b>	<b>-</b>	<b>46,999</b>	<b>10,490</b>
<b>TOTAL LIABILITIES</b>	<b>46,999</b>	<b>-</b>	<b>46,999</b>	<b>10,490</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Reserved for Capital Projects	2,730,982	-	2,730,982	-
Unrestricted	23,316,917	-	23,316,917	4,282,989
<b>TOTAL NET POSITION</b>	<b>\$ 26,047,899</b>	<b>\$ -</b>	<b>\$ 26,047,899</b>	<b>\$ 4,282,989</b>

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances, if any, are eliminated in the "total" column (GASB Statement No. 34, para. 58).

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2020**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>GOVERNMENTAL ACTIVITIES:</b>								
General Government	\$ 1,556,530	\$ 128,135	\$ -	\$ -	\$ (1,428,395)	\$ -	\$ (1,428,395)	
Public Safety	3,701,894	192,343	133,454	-	(3,376,097)	-	(3,376,097)	
Health and Human Services	3,465	-	-	-	(3,465)	-	(3,465)	
Public Works	1,639,486	2,583,440	7,985	505,527	1,457,466	-	1,457,466	
Culture and Recreation	189,759	20,255	-	-	(169,504)	-	(169,504)	
Community Development	88,951	-	-	-	(88,951)	-	(88,951)	
Miscellaneous	-	-	-	-	-	-	-	
Insurance	109,258	-	-	-	(109,258)	-	(109,258)	
Employee Benefits	303,599	-	624,135	-	320,536	-	320,536	
Debt Service	-	-	-	-	-	-	-	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>7,592,942</b>	<b>2,924,173</b>	<b>765,574</b>	<b>505,527</b>	<b>(3,397,668)</b>	<b>-</b>	<b>(3,397,668)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>								
No Activities	-	-	-	-	-	-	-	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,592,942</b>	<b>\$ 2,924,173</b>	<b>\$ 765,574</b>	<b>\$ 505,527</b>	<b>\$ (3,397,668)</b>	<b>\$ -</b>	<b>\$ (3,397,668)</b>	
<b>COMPONENT UNITS:</b>								
Lower Saucon Authority	\$ 2,037,671	\$ 1,941,258	\$ -	\$ -				\$ (96,413)
<b>GENERAL REVENUES:</b>								
Property Taxes Levied for General Purposes, Net					\$ 2,893,013	\$ -	\$ 2,893,013	\$ -
Other Taxes for General Purposes					4,790,706	-	4,790,706	-
Grants, Subsidies, & Contributions Not Restricted					14,998	-	14,998	-
Investment Earnings					115,188	-	115,188	21,693
Miscellaneous Income					32,924	-	32,924	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>7,846,829</b>	<b>-</b>	<b>7,846,829</b>	<b>21,693</b>
<b>CHANGE IN NET POSITION</b>					<b>4,449,161</b>	<b>-</b>	<b>4,449,161</b>	<b>(74,720)</b>
<b>NET POSITION - BEGINNING</b>					<b>21,598,738</b>	<b>-</b>	<b>21,598,738</b>	<b>4,357,709</b>
<b>NET POSITION - ENDING</b>					<b>\$ 26,047,899</b>	<b>\$ -</b>	<b>\$ 26,047,899</b>	<b>\$ 4,282,989</b>

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Balance Sheet – Modified Cash Basis**  
**All Governmental Funds**  
**As of December 31, 2020**

	<u>GENERAL</u>	<u>SPECIAL TAX FUND</u>	<u>CAPITAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 10,099,273	\$ 9,878,107	\$ 2,777,528	\$ 22,754,908
Investments	1,368,439	1,971,551	-	3,339,990
Due from Other Funds	-	-	-	-
Other Receivables	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 11,467,712</u></b>	<b><u>\$ 11,849,658</u></b>	<b><u>\$ 2,777,528</u></b>	<b><u>\$ 26,094,898</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Other Payables	453	-	46,546	46,999
<b>TOTAL LIABILITIES</b>	<b><u>453</u></b>	<b><u>-</u></b>	<b><u>46,546</u></b>	<b><u>46,999</u></b>
<b>FUND BALANCES:</b>				
- Nonspendable	-	-	-	-
- Restricted	-	11,849,658	-	11,849,658
- Committed	-	-	-	-
- Assigned	-	-	2,730,982	2,730,982
- Unassigned	11,467,259	-	-	11,467,259
<b>TOTAL FUND BALANCES</b>	<b><u>11,467,259</u></b>	<b><u>11,849,658</u></b>	<b><u>2,730,982</u></b>	<b><u>26,047,899</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 11,467,712</u></b>	<b><u>\$ 11,849,658</u></b>	<b><u>\$ 2,777,528</u></b>	<b><u>\$ 26,094,898</u></b>

**Reconciliation to Statement of Net Assets:**

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis**  
**All Governmental Funds**  
**For the Year Ended December 31, 2020**

<b>REVENUES</b>	<b>GENERAL</b>	<b>SPECIAL TAX FUND</b>	<b>CAPITAL FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
Taxes	\$ 5,736,759	\$ 1,824,569	\$ -	\$ 7,561,328
Licenses and Permits	123,484	-	-	123,484
Fines and Forfeits	44,323	-	-	44,323
Intergovernmental	391,064	505,527	-	896,591
Charges for Services	2,858,024	-	9,930	2,867,954
Investment Earnings	46,940	63,221	5,026	115,187
Miscellaneous	40,822	5,256	-	46,078
<b>TOTAL REVENUES</b>	<b>9,241,416</b>	<b>2,398,573</b>	<b>14,956</b>	<b>11,654,945</b>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
General Government	1,364,941	22,188	169,401	1,556,530
Public Safety	3,458,700	4,499	238,695	3,701,894
Health and Human Services	3,465	-	-	3,465
Public Works	1,238,245	325,832	75,409	1,639,486
Culture and Recreation	182,900	-	6,859	189,759
Community Development	-	88,951	-	88,951
Miscellaneous	-	-	-	-
Insurance	109,258	-	-	109,258
Employee Benefits	303,599	-	-	303,599
<b>DEBT SERVICE:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,661,108</b>	<b>441,470</b>	<b>490,364</b>	<b>7,592,942</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,580,308</b>	<b>1,957,103</b>	<b>(475,408)</b>	<b>4,062,003</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of Prior Year Outflows	385,111	-	-	385,111
Refund of Prior Year Inflows	-	-	-	-
Sale of Fixed Assets	247	-	1,800	2,047
Loan Proceeds	-	-	-	-
Interfund Transfers In	-	-	765,000	765,000
Interfund Transfers Out	(765,000)	-	-	(765,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(379,642)</b>	<b>-</b>	<b>766,800</b>	<b>387,158</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,200,666</b>	<b>1,957,103</b>	<b>291,392</b>	<b>4,449,161</b>
<b>FUND BALANCES - BEGINNING</b>	<b>9,266,593</b>	<b>9,892,555</b>	<b>2,439,590</b>	<b>21,598,738</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 11,467,259</b>	<b>\$ 11,849,658</b>	<b>\$ 2,730,982</b>	<b>\$ 26,047,899</b>

**Reconciliation to Statement of Net Assets:**

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Fiduciary Net Position (Modified Cash Basis)**  
**As of December 31, 2020**

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	<b>CUSTODIAL (DEVELOPERS ESCROW) FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 263,359
Investments	-
Due from Other Funds	-
Other Receivables	-
<b>TOTAL ASSETS</b>	<b>\$ 263,359</b>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ -
Due to Developers	-
Pension Fund Liability	-
Accrued Investment Expense	-
<b>TOTAL LIABILITIES</b>	<b>-</b>
 <b>NET POSITION</b>	
Restricted for:	
Individuals, Organizations, and Other Governments	263,359
<b>TOTAL NET POSITION</b>	<b>\$ 263,359</b>

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2020**

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	<u>CUSTODIAL (DEVELOPERS ESCROW) FUND</u>
<b><u>ADDITIONS</u></b>	
Receipts from Developers	\$ 215,264
Interest Earnings	-
<b>TOTAL ADDITIONS</b>	<u>215,264</u>
<b><u>DEDUCTIONS</u></b>	
Legal	\$ 25,631
Consulting Fees	12,160
Engineering	90,806
Applicant Refunds	58,588
Township Expenses	<u>35</u>
<b>TOTAL DEDUCTIONS</b>	<u>187,220</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	<b>\$ 28,044</b>
<b>NET POSITION - BEGINNING</b>	<u>235,315</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ 263,359</u></b>

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances – Budget and Actual –**  
**Modified Cash Basis – General Fund**  
**Year Ended December 31, 2020**

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO MODIFIED CASH DIFFERENCE	ACTUAL AMOUNTS MODIFIED CASH BASIS
	ORIGINAL	FINAL				
<b>RESOURCES (INFLOWS):</b>						
Taxes	\$ 5,505,000	\$ 5,505,000	\$ 5,736,759	\$ 231,759	\$ -	\$ 5,736,759
Licenses and Permits	121,738	121,738	123,484	1,746	-	123,484
Fines and Forfeits	59,100	59,100	44,323	(14,777)	-	44,323
Intergovernmental	387,884	387,884	391,064	3,180	-	391,064
Charges for Services	2,290,400	2,290,400	2,858,024	567,624	-	2,858,024
Miscellaneous	5,000	5,000	40,822	35,822	-	40,822
Interest Received	27,500	27,500	46,940	19,440	-	46,940
Refund of Prior Year Outflows	100,000	100,000	385,111	285,111	-	385,111
Sale of Fixed Assets	500	500	247	(253)	-	247
Transfers from Other Funds	-	-	-	-	-	-
<b>TOTAL RESOURCES</b>	<b>8,497,122</b>	<b>8,497,122</b>	<b>9,626,774</b>	<b>1,129,652</b>	<b>-</b>	<b>9,626,774</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government:</b>						
Legal	167,500	182,500	174,807	7,693	-	174,807
Mayor, Legislative, Borough Manager	530,281	513,001	482,823	30,178	-	482,823
Finance and Accounting	274,919	277,295	252,421	24,874	-	252,421
Data Processing	25,100	25,100	28,253	(3,153)	-	28,253
Engineering	177,250	177,250	190,341	(13,091)	-	190,341
Buildings and Plant	301,655	301,655	236,296	65,359	-	236,296
<b>Public Safety:</b>						
Police	3,117,768	3,118,632	2,863,999	254,633	-	2,863,999
Fire	389,842	389,842	353,130	36,712	-	353,130
Inspections	275,804	263,180	238,293	24,887	-	238,293
Other	5,300	5,300	3,278	2,022	-	3,278
<b>Health and Human Services:</b>						
Dog Control	6,000	6,000	3,465	2,535	-	3,465
<b>Public Works:</b>						
Public Works Administration	76,636	76,636	76,635	1	-	76,635
Sanitation and Recycling	28,800	105,246	102,847	2,399	-	102,847
Street Maintenance and Lighting	1,288,879	1,300,543	1,058,763	241,780	-	1,058,763
<b>Culture and Recreation:</b>						
Parks	135,428	135,428	82,636	52,792	-	82,636
Library	100,264	100,264	100,264	-	-	100,264
<b>Non-Departmental:</b>						
Miscellaneous	20,000	20,000	-	20,000	-	-
Debt Service	-	-	-	-	-	-
Insurance	265,875	265,875	109,258	156,617	-	109,258
Employee Benefits	130,380	130,380	303,599	(173,219)	-	303,599
Contingencies	-	-	-	-	-	-
Refund of Prior Year Inflows	2,000	2,000	-	2,000	-	-
Transfer to Other Funds	265,000	765,000	765,000	-	-	765,000
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>7,584,681</b>	<b>8,161,127</b>	<b>7,426,108</b>	<b>735,019</b>	<b>-</b>	<b>7,426,108</b>
Excess (Deficiency) of Inflows Over Outflows	912,441	335,995	2,200,666	1,864,671	-	2,200,666
<b>FUND BALANCE - JANUARY 1, 2020</b>	<b>(912,441)</b>	<b>(335,995)</b>	<b>9,266,593</b>	<b>9,602,588</b>	<b>-</b>	<b>9,266,593</b>
<b>FUND BALANCE - DECEMBER 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,467,259</b>	<b>\$ 11,467,259</b>	<b>\$ -</b>	<b>\$ 11,467,259</b>

The accompanying notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Note 1 - Description of the Township and Reporting Entity**

The Township of Lower Saucon was incorporated in 1743 and adopted its first Administrative Code on September 20, 1976, under the provision of Act 62 of 1972, Public Law 184, as amended (Home Rule Charter). The Township operates under a council-manager form of government and provides the following services as authorized by its Administrative Code: Public Safety-Police, Highways and Streets, Sanitation, Health and Social Services, Culture - Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Township are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Lower Saucon Township is a municipal corporation governed by an elected council. As required by generally accepted accounting principles, these financial statements are to present Lower Saucon Township (the primary government) and organizations for which the primary government is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Township in that the Township approved the budget, the issuance of debt, or the levying of taxes. The Lower Saucon Township has one component unit. The Lower Saucon Township Authority is a component unit.

***Component Units***

In conformity with accounting principles, generally accepted in the United States of America, the following component unit has been included in the financial reporting entity as a discretely presented component unit.

***Lower Saucon Authority***

The Authority owns and operates the water and sewer systems, reservoir, and treatment plants. Operation of the water system by the Authority began on January 1, 1996, and operation of the sewer system by the Authority began on July 28, 2000. Any capital improvements are approved jointly by the Township Council and the Authority Board. The Township Council appoints the members serving on the Authority Board.

Copies of separate financial statements of Lower Saucon Authority may be obtained at the Township office, 3700 Old Philadelphia Pike, Bethlehem, PA. 18025.

**Note 2 - Summary of Significant Accounting Policies**

**A. *Basis of Presentation***

The Township's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and discretely presented component units. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end, along with the discretely presented component units. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities of the Township and the discretely presented Component Unit. There are no business-type activities of the Township. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township and the Component Unit, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each Township governmental function or Component Unit is self-financing or draws from the general revenues of the Township or Component Unit.

**Fund Financial Statements** During the year, the Township segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Basis of Accounting**

Lower Saucon Township prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred, with the exception of certain receivables and liabilities. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**C. Fund Accounting**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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The following are the Township's **major** governmental funds:

General Fund

The General Fund is the general operating fund of the Township. Substantially all tax revenues, Federal and State aid (except aid restricted for use in Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Township's day-to-day operations.

Capital Project Fund

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major equipment and facilities. The Township has one Capital Project Fund consisting of the Capital Fund.

Special Revenue Fund

The Township has one major special revenue fund consisting of the Special Tax Fund. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of net income, financial position, and changes in cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Township's Proprietary Funds:

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township does not have any major Enterprise Funds, except for the discretely presented component unit:

*Lower Saucon Authority*

The operations of the water and sewer systems owned and operated by the Lower Saucon Authority are shown as a discretely presented component unit on the modified cash basis of accounting.

The Township follows alternative #1 under GASB Statement No. 20 which requires following the FASB Statements and interpretations, APB opinions, and ARB's issued on or before November 30, 1989, except those that conflict with a GASB Statement.

**Fiduciary Funds** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Custodial funds are custodial in nature and with the implementation of GASB Statement No. 84 involve the measurement of results of operations. The Township has one Custodial Fund consisting of the Developers Escrow Fund.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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***D. Budgets and Budgetary Accounting***

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Code and Township procedures, the Township Manager submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, and insurance, employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the Township are for the General Fund.
7. The budgets are adopted on the modified cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.)
8. The Council may authorize supplemental appropriations during the year. The Council must approve all expenditures of appropriations or transfers of appropriated amounts.

***E. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Since these financial statements are prepared on the modified cash basis, no estimates have been used.

***F. Investments***

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**G. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Any residual balances outstanding between the primary government and discretely presented component units are shown as a separate line item on the Government-wide Statement of Net Assets.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**H. Real Estate Taxes / Special Assessments**

The total taxable assessed real estate valuation for the year ended 2020 is \$454,562,300 at a rate of 5.39 mills that includes a 1 mill fire tax assessment. Real estate taxes are levied on January 1 and are payable by June 30.

Real estate taxes paid by April 30 are subject to a 2% discount. The State provided local governments with an option to modify their tax collection procedures, which Lower Saucon Township chose to enact by waving the 10% penalty until December 31, 2020. Delinquent real estate taxes are generally lien by January 1 of the following year.

The Township collects .25% of the Earned Income Tax Assessment for Open Space Preservation.

**I. Net Position/Fund Balance Classifications**

Net Position

Net position is reported as restricted when their limitations imposed on use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Township applies restricted resources first when an expense is incurred for purposed for which both restricted and unrestricted net assets are available.

Fund Balance

GASB Statement No. 54, effective for financial statements for periods beginning after June 15, 2010, established accounting and financial reporting standards for all governments that report governmental funds. The statement established criteria for classifying fund balances into the following specifically defined classifications:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Township's highest level of decision making is the Township Council.

- **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

**J. Implementation of New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following standards that were scheduled to take effect for calendar year 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

On May 8, 2020, GASB postponed by one year the effective dates of certain provisions in these pronouncements.

The Township has already adopted and implemented all applicable above referenced Statements.

**K. Future Changes in Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following standards with future effective dates:

GASB Statement No. 87, *Leases* – Originally effective for calendar year 2020 – effective date postponed 18 months.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective for calendar year 2021.

GASB Statement No. 91, *Conduit Debt Obligations* – Effective for calendar year 2022

The Township will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable.

**Note 3 - Stewardship, Compliance and Accountability**

**A. Compliance with Finance Related Legal and Contractual Provisions**

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

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**B. Deficit Fund Balance or Retained Earnings of Individual Funds**

There are no deficits in fund balances or net assets at December 31, 2020.

**C. Excess of Expenditures over Appropriations in Individual Funds**

No individual fund, which has a legally adopted budget, had an excess of expenditures over appropriations.

**D. Budgetary Compliance**

The Township has a legally adopted budget for the General Fund. The Township does make budget transfers between expenditure/expense accounts.

**Note 4 - Cash**

**Primary Government**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2020, \$25,973,636 of the Township's bank balance of \$26,973,636 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Township's name	<u>25,973,636</u>
<b>TOTAL</b>	<b><u>\$ 25,973,636</u></b>

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 25,973,636
Plus: Insured Amount	1,000,000
Deposit in Transit	-
Less: Outstanding Checks	<u>(620,380)</u>
Carrying Amount - Bank Balances	26,353,256
Plus: Petty Cash	300
Deposits in Investment Pool Considered Cash Equivalents	4,701
Less: Certificates of Deposit considered Investment by the Township	<u>(3,339,990)</u>
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b><u>\$ 23,018,267</u></b>

Restricted Cash

The cash balance includes \$263,359 held as developer's escrow funds. These funds are held by the Township to guarantee the completion of various construction projects by the developers.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Component Unit**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does have a policy for custodial credit risk.

As of December 31, 2020, \$3,510,066 of the Authority's bank balance of \$3,760,066 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the Township's name		3,510,066
<b>TOTAL</b>		<b>\$ 3,510,066</b>

Reconciliation to Financial Statements

Uninsured Amount Above	\$	3,510,066
Plus: Insured Amount		250,000
Deposit in Transit		(28,034)
Less: Outstanding Checks		-
Carrying Amount - Bank Balances		3,732,032
Plus: Petty Cash		700
Deposits in Investment Pool Considered Cash Equivalents		560,748
Less: Certificates of Deposit considered Investment by the Township		(482,960)
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>		<b>\$ 3,810,520</b>

Restricted Cash

Cash and Cash equivalents have been categorized on the financial statements as either unrestricted or restricted. The restricted cash balance includes \$9,653 held as developer's escrow funds. These funds are held by the Authority to guarantee the completion of various water and sewer lines by the developers.

**Note 5 - Investments**

**Primary Government**

The permitted investments for Pennsylvania Township primary government funds are defined in the Township Code, as Amended by Act 10 of 2016, as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share of accounts of institutions insured by the F.D.I.C.; and,

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
  - The investments of the company are the authorized investments listed above.
  - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
  - The investment company is rated in the highest category by a nationally recognized rating agency.
11. Savings or demand deposits placed in accordance with the following conditions:
  - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
  - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, or the account of the public corporation or municipal authority.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of December 31, 2020, the Township had the following investments:

<i><b>Investment</b></i>	<i><b>Maturities</b></i>	<i><b>Fair Value</b></i>
PA Local Government Investment Trust		\$ 4,701
Certificate of Deposit	12-24 Months	3,339,990
<b>TOTAL</b>		<b>\$ 3,344,691</b>

*Fair Value Reporting*

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of the Township and its component unit are classified as Level 1 investments.

*Interest Rate Risk*

The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's investments are in Certificates of Deposit at Embassy Bank as of December 31, 2020.

*Credit Risk*

The Township has an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2020, the Township's investment in the PA Local Government Investment Trust was rated AAA by Standard & Poors.

*Concentration of Credit Risk*

The Township places a limit on the amount the Township may invest in any one issuer. Of the Township's investment, 100% is in Certificates of Deposit at Embassy Bank as of December 31, 2020.

*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 security that are in the possession of an outside party. The Township had no investments subject to custodial credit risk.

**LOWER SAUCON TOWNSHIP  
Notes to Financial Statements  
Year Ended December 31, 2020**

**Reconciliation to Financial Statements**

Total Investments Above	\$ 3,344,691
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(4,701)</u>
<b>TOTAL INVESTMENTS PER FINANCIAL STATEMENTS</b>	<b><u>\$ 3,339,990</u></b>

**Component Unit**

As of December 31, 2020, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 560,748
Certificate of Deposit	12 Months	<u>482,959</u>
<b>TOTAL</b>		<b><u>\$ 1,043,707</u></b>

**Interest Rate Risk**

The Authority 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.

**Credit Risk**

The Authority has no investment policy that would limit its investment choices to certain credit ratings. The investments in the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

**Concentration of Credit Risk**

The Authority places no limit on the amount the Authority may invest in any one issuer. Of the Authority's investments, 100% is in certificates of deposit with the PA Local Government Investment Trust.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Authority had no investments subject to custodial credit risk and has adopted a formal custodial credit risk policy.

**Reconciliation to Financial Statements**

Total Investments Above	\$ 1,043,707
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(560,748)</u>
<b>TOTAL INVESTMENTS PER FINANCIAL STATEMENTS</b>	<b><u>\$ 482,959</u></b>

**LOWER SAUCON TOWNSHIP  
Notes to Financial Statements  
Year Ended December 31, 2020**

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**Note 6 – Long-Term Debt Commitments**

Lower Saucon Township had no long-term obligations as of December 31, 2020.

**Note 7 - Pension Plans**

***NON-UNIFORMED PENSION PLAN***

***Plan Description***

*Plan Administration*

The Township of Lower Saucon Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time Non-Uniformed employees. The Plan was established effective June 20, 1979, and entered into a custodial agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan is governed by the Township Council. The Township Council has delegated the Authority to manage Plan assets to the PSABMRT.

*Plan Membership*

As of December 31, 2020, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	6
Inactive Plan Members entitled to but not yet Receiving Benefits	2
Active Plan Members	21
<b>TOTAL PLAN MEMBERSHIP</b>	<b>29</b>

*Benefits Provided*

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
  - Normal Retirement: Age 65 with 5 years of service.
  - Early Retirement: 10 years of service.
  - Vesting: 100% after 5 years of service.
- Retirement Benefit:
  - 1.75% of final 36 months compensation multiplied by the member’s benefits service.
- Survivor Benefit:
  - \$5,000 lump sum death benefit.
- Disability Benefit Service & Non-Service Related:
  - Immediate vesting in accrued pension and eligible for an immediate monthly pension equal to the amount of monthly income that can be purchased with a single premium annuity with the funds available from the member’s vested accrued pension.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

- Post Retirement Adjustments:
  - None.
- Member Contributions (Based on 2017 requirements):
  - Amount or Rate: 1% of compensation for salary employees,  
1.5% of compensation for hourly employees.
  - Interest Rate Credited to Member Contributions: 5%.

***Contributions and Funding Policy***

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time salary employees are required to contribute 1.0% and full-time hourly employees are required to contribute 1.5% of compensation to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2020 as shown in the exhibit below:

***Financial Requirement and Minimum Municipal Obligation Budget for 2020:***

Total Annual Payroll	\$ 1,014,758
Normal Cost as a Percentage of Payroll	10.10%
Total Normal Cost	102,491
Amortization Contribution	40,730
Estimated Members' Contributions	(12,020)
Minimum Municipal Obligation	131,201
Less: Actual State Aid Deposited into Plan	(93,553)
<b>TOTAL REQUIRED MUNICIPAL OBLIGATION</b>	<b>\$ 37,648</b>

***Three-Year Funding Trend***

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2018	\$ 166,018	100.0%	0
2019	166,852	100.0%	0
2020	131,201	100.0%	0

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The basis of accounting was changed to modified cash basis for inclusion in these financial statements.

*Method Used to Value Investments*

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Expenses*

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

*Adoption of Accounting Standards*

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

**INVESTMENTS**

*Deposits and Investments*

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, and Section 7302.

*Deposits*

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2020.

*Investments*

As of December 31, 2020, the Plan's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
PSABMRT	<u>\$ 2,989,674</u>	Not Applicable

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Investment Policy Summary

The Plan's investment policy has been delegated to the PSABMRT in regards to the allocation of invested Plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options – the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan's formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The Balanced Fund's investment policy establishes the following target allocation across assets classes:

<b>Asset Class</b>	<b>Target Allocation</b>
U.S. Large Cap Growth	12.0%
U.S. Large Cap Value	12.0%
U.S. Large Cap Core	13.0%
U.S. Small & Mid Cap Equity	8.0%
International Equity	15.0%
Fixed Income	33.0%
Private Real Estate	7.0%
Cash	0.0%
<b>TOTAL</b>	<b>100.0%</b>

Expected Real Rate of Return – 4.9%. Excludes an inflation expectation of 2.0%.

Long-Term Expected Rate of Return including Inflation – 6.9%.

The long-term expected rate of return on the Plan's investments were determined using an asset allocation study conducted by the Plan's investment management consultant in December 2020 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were 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. Best-estimates or arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020 are listed in the table above.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk

The Plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2020.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7 like external investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PSABMRT is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Morningstar, Inc. (Morningstar) or Moody's Investor Services (Moody's), however PSABMRT's formal investment policy requires that any fixed income security maintained within its portfolio should be rated "BBB-" or higher at the time of purchase by a NRSRO. Asset backed securities, mortgage-backed securities, and collateralized mortgage obligations (CMOs) should be rate "AAA" (or its equivalent) at the time of purchase by a NRSRO.

**PENSION LIABILITY**

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2020 were not available.

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Net Pension Liability Sensitivity

The sensitivity analysis of the net pension liability was not available.

**RECONCILIATION OF MEMBERS' CONTRIBUTIONS**

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Members' Contributions Deposited for 2020	\$ 14,551
Less: Members' Contributions deducted from Members' Salaries	<u>(14,551)</u>
<b>VARIANCE</b>	<b><u>\$ -</u></b>

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**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**RECONCILIATION OF PENSION PAYMENTS**

Pensions Paid from Plan for 2020	\$	90,905
Less: Pensioner Register		(90,905)
<b>VARIANCE</b>	<b>\$</b>	<b>-</b>

**Change in Net Assets**

<b><u>REVENUES</u></b>		
State Aid	\$	93,553
Employer Contributions		58,495
Employee Contributions		14,551
Investment Income Net of Investment Fees		53,842
Realized Gains on Investment Sales		(28,684)
Unrealized Gain (Loss) on Investments		<u>279,783</u>
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>471,540</b>
<b><u>EXPENSES</u></b>		
Pension Payments		90,905
Lump Sum Payments		156,319
Administrative Fees		<u>33,401</u>
<b>TOTAL EXPENDITURES</b>		<u>280,625</u>
<b>Changes in Net Assets</b>		190,915
<b>Net Assets - January 1, 2020</b>		<u>2,798,759</u>
<b>Net Assets - December 31, 2020</b>	<b>\$</b>	<b><u>2,989,674</u></b>

**POLICE PENSION PLAN**

***Plan Description***

***Plan Administration***

The Township of Lower Saucon Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The plan was established effective August 1, 1979, and entered into a custodial agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The plan is governed by the Township Council. The Township Council has delegated the authority to manage plan assets to the PSABMRT.

**LOWER SAUCON TOWNSHIP  
Notes to Financial Statements  
Year Ended December 31, 2020**

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Plan Membership

As of December 31, 2020, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	8
Inactive Plan Members entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>15</u>
<b>TOTAL PLAN MEMBERSHIP</b>	<b><u>23</u></b>

Benefits Provided

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
  - Normal Retirement: Age 50 with 25 years of service.
  - Early Retirement: 20 years of service (Act 24).
  - Vesting: 12 years
- Retirement Benefit:
  - 50% of final 36 months' salary plus a service increment of \$100 for each year of service in excess of 25 years, up to a maximum of \$500.
- Survivor Benefit:
  - Before retirement eligibility – Refund of employee contributions with interest. After retirement eligibility – A monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive at the time of death.
- Disability Benefit Service Related:
  - 50% of the participant's monthly salary at time of disablement, offset by the Social Security Disability benefits received for the same injury, or if greater, 50% of the participant's average compensation reduced by non-workers compensation and Social Security disability so total does not exceed 75% of average compensation.
- Post Retirement Adjustments:
  - Cost of Living increase provided in accordance with Act 600. The total of all increases may not exceed 30% of the original benefit or 75% of average compensation.
- Member Contributions:
  - Amount or Rate: 2.5%.
  - Interest Rate Credited to Member Contributions: 5.0%.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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***Contributions and Funding Policy***

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time employees are required to contribute 2.5% of compensation to the Plan, other employees are not required to contribute to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2020 as shown in the exhibit below:

***Financial Requirement and Minimum Municipal Obligation Budget for 2020:***

Total Annual Payroll	\$ 1,354,936
Normal Cost as a Percentage of Payroll	20.6%
Total Normal Cost	279,117
Amortization Contribution	207,449
Estimated Members' Contributions	(31,868)
Minimum Municipal Obligation	454,698
Less: Actual State Aid Deposited into Plan	<u>(147,715)</u>
<b>TOTAL REQUIRED MUNICIPAL OBLIGATION</b>	<b><u>\$ 306,983</u></b>

***Three-Year Funding Trend***

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2018	\$ 397,555	100.0%	0
2019	396,545	100.0%	0
2020	454,698	100.0%	0

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

***Basis of Accounting***

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The basis of accounting was changed to modified cash basis for inclusion in these financial statements.

***Method Used to Value Investments***

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Adoption of Accounting Standards

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

**INVESTMENTS**

Deposits and Investments

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, and Section 7302.

Deposits

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2020.

Investments

As of December 31, 2020, the Plan's investment balances were as follows:

Investment Type	Fair Value	Maturity
PSABMRT	\$ <u>8,838,898</u>	Not Applicable

Investment Policy Summary

The Plan's investment policy has been delegated to the PSABMRT in regards to the allocation of invested plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options – the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

The Balanced Fund's investment policy establishes the following target allocation across assets classes:

Asset Class	Target Allocation
U.S. Large Cap Growth	12.0%
U.S. Large Cap Value	12.0%
U.S. Large Cap Core	13.0%
U.S. Small & Mid Cap Equity	8.0%
International Equity	15.0%
Fixed Income	33.0%
Private Real Estate	7.0%
Cash	0.0%
<b>TOTAL</b>	<b>100.0%</b>

Expected Real Rate of Return – 4.9%. Excludes an inflation expectation of 2.0%.

Long-Term Expected Rate of Return including Inflation – 6.9%.

The long-term expected rate of return on the plan's investments were determined using an asset allocation study conducted by the plan's investment management consultant in December 2020 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were 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. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020 are listed in the table above.

*Rate of Return*

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk*

The Plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2020.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7 like external investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PSABMRT is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Morningstar, Inc. (Morningstar) or Moody's Investor Services (Moody's), however PSABMRT's formal investment policy requires that any fixed income security maintained within its portfolio should be rated "BBB-" or higher at the time of purchase by a NRSRO. Asset backed securities, mortgage-backed securities, and collateralized mortgage obligations (CMOs) should be rated "AAA" (or its equivalent) at the time of purchase by a NRSRO.

**PENSION LIABILITY**

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2020 were not available.

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. 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.

Net Pension Liability Sensitivity

The sensitivity analysis of the net pension liability was not available.

**RECONCILIATION OF MEMBERS' CONTRIBUTIONS**

Members' Contributions Deposited for 2020	\$	35,986
Less: Members' Contributions deducted from Members' Salaries		(35,986)
<b>VARIANCE</b>		<b>\$ -</b>

**RECONCILIATION OF PENSION PAYMENTS**

Pensions Paid from Plan for 2020	\$	318,696
Less: Pensioner Register		(318,696)
<b>VARIANCE</b>		<b>\$ -</b>

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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Changes in Net Assets

<u>REVENUES</u>	
State Aid	\$ 147,715
Employer Contributions	362,684
Employee Contributions	35,986
Investment Income Net of Investment Fees	151,608
Realized Gains on Investment Sales	(79,297)
Unrealized Gain (Loss) on Investments	<u>794,007</u>
<b>TOTAL REVENUE</b>	<b>\$ 1,412,703</b>
<u>EXPENSES</u>	
Pension Payments	318,696
Administrative Fees	<u>89,047</u>
<b>TOTAL EXPENDITURES</b>	<u>407,743</u>
<b>Changes in Net Assets</b>	<b>1,004,960</b>
<b>Net Assets - January 1, 2020</b>	<u>7,833,938</u>
<b>Net Assets - December 31, 2020</b>	<b><u>\$ 8,838,898</u></b>

**Note 8 - Deferred Compensation Plan**

The Township has adopted the Deferred Compensation Plan for voluntary participation of eligible municipal employees. The plan is in accordance with Internal Revenue Code Section 457 and permits the employees to defer a portion of their current salary until future years. The deferred amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property and rights of the participants. Participants' rights created under the plan are equivalent and in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

**Note 9 - Insurance**

The Township is subject to risk of loss from employee act, property damage, personal injury, auto accidents, theft, etc. The Township covers those risks through the purchase of commercial insurance. The Township's workmen's compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Township or its employees did not exceed insurance coverage in any of the last three years.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 10 - Short-Term Debt**

***Interfund Receivables and Payables***

There were no interfund receivables or payables that existed on December 31, 2020.

***Interfund Transfers***

The following interfund transfers were made during the fiscal year ended December 31, 2020:

	INTERFUND TRANSFERS IN	INTERFUND TRANSFERS OUT
General Fund	\$ -	\$ 765,000
Capital (Capital Project) Fund	765,000	-
<b>TOTAL</b>	<b>\$ 765,000</b>	<b>\$ 765,000</b>

**Note 11 – Fund Balance**

Detailed information about aggregated fund balances:

***Assigned Fund Balances***

The assigned fund balance represents amounts intended to be used by government for specific purposes.

Capital Fund	\$ 2,730,982
<b>TOTAL CAPITAL PROJECTS FUND</b>	<b>\$ 2,730,982</b>

***Restricted Fund Balances***

The restricted fund balance represents contributions that are externally restricted for specific purposes;

Special Tax Fund	\$ 11,849,658
<b>TOTAL</b>	<b>\$ 11,849,658</b>

**Note 12 – Joint Venture – “Saucon Valley Compost Center”**

In accordance with Ordinance 2007-11, Lower Saucon Township entered into an agreement with the Borough of Hellertown to establish the Saucon Valley Compost Center. All expenses attributed to this joint venture will be divided equally between the two municipalities. Each municipality contributes to this joint venture to finance the day-to-day operations of the Saucon Valley Compost Center. A separate bank account was opened in order to track the expenditures of this joint venture. Recordkeeping and reporting will be the responsibility of Lower Saucon Township. In the event of closure, any remaining balance will be distributed to the two municipalities evenly.

**Note 13 – Contingencies**

There is a continuing issue regarding the closing of the landfill located in Lower Saucon Township. As of the report date, no Board decision has been reached. Any decision to close the landfill would negatively impact the Township’s future net position. As of the date of these financial statements there was not reasonably estimable or incurred liability.

**LOWER SAUCON TOWNSHIP**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Note 14 - Litigation**

In accordance with the solicitor's legal letter to the auditors, there is no pending litigation that would materially affect the Township's financial position.

**Note 15 – Subsequent Events**

On March 13, 2020, the President of the United States declared a national emergency concerning the novel coronavirus disease (COVID-19) outbreak.

The full impact of the coronavirus continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Township's financial condition and future results of operations. Management is actively monitoring the situation and its impact on the Township's financial condition. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Township is currently not able to estimate the effects of the coronavirus on its results of operations and financial condition.

While the Township considers these disruptions to be temporary, if it continues, the situation could have an adverse effect on the Township's future operations.

The subsequent events have been evaluated through July 9, 2021, which is the date of the financial statements were available to be issued.



July 9, 2021

Township Council  
Lower Saucon Township  
3700 Old Philadelphia Pike  
Bethlehem, PA 18015

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lower Saucon Township, as of and for the year ended December 31, 2020, which collectively comprise the Lower Saucon Township's basic financial statements and have issued our report thereon dated July 9, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Lower Saucon Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lower Saucon Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lower Saucon Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## TOWNSHIP COUNCIL

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Lower Saucon Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lower Saucon Township in a separate letter dated July 9, 2021.

This report is intended solely for the information and use of management, the Township Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

***Hutchinson, Gillahan & Freeh, P.C.***

July 9, 2021

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**LOWER SAUCON TOWNSHIP  
Pension Funds  
Required Supplemental Information  
December 31, 2020**

**SCHEDULE OF FUNDING PROGRESS**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	UNFUNDED AAL	FUNDED RATIO	COVERED PAYROLL	UAAAL AS A % OF COVERED PAYROLL
<b>NON-UNIFORMED PENSION PLAN</b>						
1-1-2009	\$ 971,143	\$ 1,139,351	\$ 168,208	85.2%	\$ 921,512	18.3%
1-1-2011	1,258,815	1,410,742	151,927	89.2%	970,417	15.7%
1-1-2013	1,422,701	1,466,945	44,244	97.0%	903,029	4.9%
1-1-2015	1,803,562	1,808,925	5,363	99.7%	982,041	0.5%
1-1-2017	2,166,451	2,652,299	485,848	81.7%	982,381	49.5%
1-1-2019	2,467,147	2,878,935	411,788	85.7%	956,308	43.1%
<b>POLICE PENSION PLAN</b>						
1-1-2009	\$ 3,738,283	\$ 4,341,068	\$ 602,785	86.1%	\$ 950,288	63.4%
1-1-2011	4,127,761	5,035,073	907,312	82.0%	1,011,579	89.7%
1-1-2013	4,556,557	5,323,791	767,234	85.6%	1,085,736	70.7%
1-1-2015	5,422,624	5,991,490	568,866	90.5%	1,249,966	45.5%
1-1-2017	6,337,126	7,596,733	1,259,607	83.4%	1,261,463	99.9%
1-1-2019	7,064,920	8,449,695	1,384,775	83.6%	1,299,963	106.5%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

NON-UNIFORMED PENSION PLAN				POLICE PENSION PLAN			
YEAR ENDED DECEMBER 31,	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	
2011	\$ 91,646	\$ 91,646	100.0%	\$ 183,105	\$ 183,105	100.0%	
2012	86,983	86,983	100.0%	256,470	256,470	100.0%	
2013	82,475	82,475	100.0%	258,715	258,715	100.0%	
2014	88,962	88,962	100.0%	272,162	272,162	100.0%	
2015	86,546	86,546	100.0%	278,821	278,821	100.0%	
2016	83,613	83,613	100.0%	289,892	289,892	100.0%	
2017	83,720	83,720	100.0%	290,414	290,414	100.0%	
2018	166,018	166,018	100.0%	397,555	397,555	100.0%	
2019	166,852	166,852	100.0%	396,545	396,545	100.0%	
2020	131,201	131,201	100.0%	454,698	454,698	100.0%	

**LOWER SAUCON TOWNSHIP**  
**Schedule of Changes in Net Position Liability, Related Ratios, and Investment Returns**  
**Police Pension Fund**  
**Required Supplemental Information**  
**December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 273,572	\$ 267,158	\$ 240,496	\$ 235,307	\$ -	\$ -	\$ -
Interest on Total Pension Liability	589,772	556,389	530,208	500,548	-	-	-
Differences between expected and actual experience	(127,995)	-	(84,127)	-	-	-	-
Benefit Payments	(318,696)	(314,057)	(306,872)	(262,598)	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>416,653</b>	<b>509,490</b>	<b>379,705</b>	<b>473,257</b>	<b>1,605,243</b>	<b>667,699</b>	<b>288,718</b>
Total Pension Liability, Beginning	8,959,185	8,449,695	8,069,990	7,596,733	5,991,490	5,323,791	5,035,073
Total Pension Liability, Ending (a)	<b>\$ 9,375,838</b>	<b>\$ 8,959,185</b>	<b>\$ 8,449,695</b>	<b>\$ 8,069,990</b>	<b>\$ 7,596,733</b>	<b>\$ 5,991,490</b>	<b>\$ 5,323,791</b>
<b>FIDUCIARY NET POSITION</b>							
State Aid	147,715	143,374	131,163	137,648	131,239	117,625	116,189
Employer Contributions	362,684	310,432	316,100	201,859	200,277	210,157	185,727
Member Contributions	35,986	32,521	31,153	30,933	27,142	25,961	27,146
Investment Income Net of Investment Expenses	866,318	1,079,895	(331,082)	786,723	263,993	(38,949)	315,332
Administration Costs	(89,047)	(54,100)	(49,225)	(47,017)	(44,440)	(42,415)	(39,921)
Benefit payments	(318,696)	(314,057)	(306,872)	(262,598)	(218,825)	(209,056)	(206,088)
Drop Plan Rollover to IRA	-	-	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>1,004,960</b>	<b>1,198,065</b>	<b>(208,763)</b>	<b>847,548</b>	<b>359,386</b>	<b>63,323</b>	<b>398,385</b>
Fiduciary Net Position, Beginning	7,833,938	6,635,873	6,844,636	5,997,088	5,637,702	5,574,379	5,175,994
Fiduciary Net Position, Ending (b)	<b>\$ 8,838,898</b>	<b>\$ 7,833,938</b>	<b>\$ 6,635,873</b>	<b>\$ 6,844,636</b>	<b>\$ 5,997,088</b>	<b>\$ 5,637,702</b>	<b>\$ 5,574,379</b>
Net pension Liability [(a) - (b)]	<b>\$ 536,940</b>	<b>\$ 1,125,247</b>	<b>\$ 1,813,822</b>	<b>\$ 1,225,354</b>	<b>\$ 1,599,645</b>	<b>\$ 353,788</b>	<b>\$ (250,588)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.27%	87.44%	78.53%	84.82%	78.94%	94.10%	104.71%
Covered Payroll	1,354,936	1,372,458	1,386,472	1,367,236	1,324,260	1,274,663	1,227,701
Net Pension Liability as a Percentage of Covered Payroll	39.63%	81.99%	130.82%	89.62%	120.80%	27.76%	-20.41%
Annual Money Weighted Return, Net of Investment Expenses	10.67%	16.26%	-4.83%	13.10%	4.67%	-0.70%	6.09%

**LOWER SAUCON TOWNSHIP**  
**Schedule of Changes in Net Position Liability, Related Ratios, and Investment Returns**  
**Non-Uniformed Pension Fund**  
**Required Supplemental Information**  
**December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 91,862	\$ 96,408	\$ 107,168	\$ 119,423	\$ -	\$ -	\$ -
Interest on Total Pension Liability	198,614	190,836	191,073	177,721	-	-	-
Differences between expected and actual experience	186,320	-	(209,801)	-	-	-	-
Benefit Payments	(247,224)	(78,825)	(83,853)	(75,095)	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>229,572</b>	<b>208,419</b>	<b>4,587</b>	<b>222,049</b>	<b>843,374</b>	<b>341,980</b>	<b>56,203</b>
Total Pension Liability, Beginning	3,087,354	2,878,935	2,874,348	2,652,299	1,808,925	1,466,945	1,410,742
Total Pension Liability, Ending (a)	<b>\$ 3,316,926</b>	<b>\$ 3,087,354</b>	<b>\$ 2,878,935</b>	<b>\$ 2,874,348</b>	<b>\$ 2,652,299</b>	<b>\$ 1,808,925</b>	<b>\$ 1,466,945</b>
<b>FIDUCIARY NET POSITION</b>							
State Aid	93,553	102,410	93,688	91,765	91,868	82,337	81,318
Employer Contributions	58,495	13,710	91,220	3,706	3,438	22,592	18,737
Member Contributions	14,551	86,713	10,165	18,438	15,917	3,907	5,080
Investment Income Net of Investment Expenses	304,941	380,676	(117,278)	267,160	89,982	(13,397)	103,054
Administration Costs	(33,401)	(20,827)	(18,811)	(17,747)	(16,904)	(16,011)	(14,895)
Benefit payments	(247,224)	(78,825)	(83,853)	(75,096)	(39,876)	(21,177)	(19,412)
<b>Net Change in Fiduciary Net Position</b>	<b>190,915</b>	<b>483,857</b>	<b>(24,869)</b>	<b>288,226</b>	<b>144,425</b>	<b>58,251</b>	<b>173,882</b>
Fiduciary Net Position, Beginning	2,798,759	2,314,902	2,339,771	2,051,545	1,907,120	1,848,869	1,674,987
Fiduciary Net Position, Ending (b)	<b>\$ 2,989,674</b>	<b>\$ 2,798,759</b>	<b>\$ 2,314,902</b>	<b>\$ 2,339,771</b>	<b>\$ 2,051,545</b>	<b>\$ 1,907,120</b>	<b>\$ 1,848,869</b>
Net pension Liability [(a) - (b)]	<b>\$ 327,252</b>	<b>\$ 288,595</b>	<b>\$ 564,033</b>	<b>\$ 534,577</b>	<b>\$ 600,754</b>	<b>\$ (98,195)</b>	<b>\$ (381,924)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.13%	90.65%	80.41%	81.40%	77.35%	105.43%	126.04%
Covered Payroll	1,014,758	1,088,476	1,081,034	1,052,528	1,059,570	1,053,660	1,081,446
Net Pension Liability as a Percentage of Covered Payroll	32.25%	26.51%	52.18%	50.79%	56.70%	-9.32%	-35.32%
Annual Money Weighted Return, Net of Investment Expenses	10.51%	16.42%	-5.01%	13.00%	4.65%	-0.71%	6.18%

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**I N D I V I D U A L F U N D S T A T E M E N T S**

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**LOWER SAUCON TOWNSHIP**  
**General Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2020**

**REVENUES RECEIVED**

**TAXES:**

Real Estate Taxes - Current	\$ 2,364,479	
Real Estate Taxes - Prior	15,406	
Real Estate Taxes - Current Interims	1,641	
Real Estate Taxes - Prior Interims	1,461	
Real Estate Taxes - Delinquent	61,430	
Real Estate Transfer Taxes	435,380	
Earned Income Taxes - Current	1,798,272	
Earned Income Taxes - Prior	976,073	
Emergency Municipal Service Tax - Current	64,460	
Emergency Municipal Service Tax - Prior	18,157	\$ 5,736,759

**LICENSES AND PERMITS:**

Franchise Fee Cable	115,434	
Junkyard Licenses	750	
Road Encroachment Permits	6,710	
Moving Permits	590	123,484

**FINES AND FORFEITS:**

Motor Vehicle Violations	28,298	
Fines	9,332	
Ordinance Violations	3,294	
Crimes Code Violations	3,240	
Parking Tickets	159	44,323

**INTERGOVERNMENTAL:**

State Grants	7,985	
Public Safety Grants	9,255	
Beverage Licenses	1,600	
Federal Grants	41,084	
Public Utility Realty Tax	6,958	
Pension State Aid	241,268	
Allotment - Fireman's Relief	82,914	391,064

**CHARGES FOR SERVICES:**

Subdivision Fees/Zoning Permits	23,673	
Tax Collection Services	9,080	
Duplicate Tax Bill Fees	288	
Police Services	4,513	
Accident Report Requests	2,125	
Weed Clearing and Removal	24,500	
Administrative Income	3,151	
Security Alarm Fees	765	
Building Permits	20,220	
Sanitation Permits	35,095	
State UCC Fees	629	
Highway and Street Charges	5,898	
Health Insurance Charges	164,720	
Compost Sales	860	
Landfill Host Fees	2,545,992	
Recreation Fees	10,325	
BRE Sales	6,190	2,858,024

**INVESTMENT EARNINGS:**

Interest Income		46,940
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**MISCELLANEOUS:**

Miscellaneous	30,662	
Donations	10,160	40,822

<b>TOTAL REVENUE RECEIVED</b>		<b>\$ 9,241,416</b>
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**LOWER SAUCON TOWNSHIP**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2020**

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**EXPENDITURES PAID**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor \$ 174,807

**MAYOR, LEGISLATIVE, TOWNSHIP MANAGER:**

Salary 236,251  
 Benefits 138,889  
 Payroll Taxes 18,433  
 Pension Administration Fees 4,320  
 MMO Pension Obligation 26,356  
 General Expense 30,274  
 Grant Expenditures 14,500  
 Other Expense 4,284  
 Newsletter Expense 3,108  
 Minor Equipment -  
 Advertising, Printing and Postage 6,408

**FINANCE AND ACCOUNTING:**

Salary 122,199  
 Benefits 69,452  
 Payroll Taxes 9,529  
 Pension Administration Fees 2,376  
 MMO Pension Obligation 14,021  
 Payroll Services 4,614  
 Auditing 14,600  
 Bank Services 946  
 Office Materials/Supplies 117  
 Tax Collection Services 575  
 Real Estate Tax Prep/Mailing 7,491  
 General Expense 715  
 Contracted Services 5,786

**DATA PROCESSING:**

Website Operation/Maintenance 3,600  
 Office Equipment Maintenance 4,951  
 Equipment - Capital 13,353  
 Software Licenses 6,349

**ENGINEER:**

Engineering Services 136,720  
 Sewage Enforcement Officer 53,621

**BUILDINGS AND PLANT:**

Salary 1,970  
 Payroll Taxes 167  
 Building Materials/Supplies 3,531  
 Heating Oil/Diesel Fuel 23,520  
 Gasoline 35,367  
 Oils/Lubricants 1,807  
 Communication Expense 37,554  
 Utilities 56,980  
 Maintenance/Repairs 58,586  
 Equipment - Capital 1,066  
 Equipment Rental 15,748 \$ 1,364,941

**PUBLIC SAFETY****POLICE:**

Salary of Policemen	\$	1,428,873
Overtime		93,326
Salary of Clerical		50,631
Benefits		547,005
Payroll Taxes		121,283
MMO Pension Obligation		460,098
Pension Administration Fees		59,315
Uniforms		9,678
Firearms Ammunition		6,206
Advertising/Printing		572
Investigation Expense		2,245
Communication Equipment		744
Contracted Services		6,879
Equipment Maintenance		3,957
General Expenses		10,587
Vehicle Maintenance and Repairs		19,343
Equipment - Capital		17,933
Equipment - Non-Capital		5,604
K-9 Expenses		4,670
Training		15,050

**FIRE:**

Contribution to Fire Co.		200,000
Fireman's Relief		82,914
Workmen's Compensation		24,885
Contribution to Dewey Ambulance		15,000
Hydrant/Water Service		22,392
Vehicle Expenses		6,048
General Expenses		1,891

**INSPECTIONS:**

Zoning and Administration		72,169
Salary of Clerical		53,845
Benefits		49,278
Payroll Taxes		9,653
MMO Pension Obligation		13,991
Consulting Services		30,537
Pension Administration Fees		2,376
Advertising/Printing		5,436
Minor Equipment Purchase		-
Vehicle Maintenance and Repairs		84
General Expenses		924

**OTHER PUBLIC SAFETY:**

Crossing Guards		<u>3,278</u>	\$	3,458,700
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**HEALTH AND HUMAN SERVICES**

Dog Control				3,465
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**PUBLIC WORKS****PUBLIC WORKS ADMINISTRATION:**

Salary \$ 76,635

**SANITATION:**

Recycling Collection and Disposal 102,847

**STREET MAINTENANCE AND LIGHTING:**

Salaries - Highways and Streets 483,202

Overtime 25,451

Benefits 305,720

Payroll Taxes 45,753

MMO Pension Obligation 71,433

Pension Administration Fees 15,161

Road Materials 37,398

Materials/Supplies 17,583

Traffic Sign Maintenance 4,532

Vehicle Maintenance 18,820

Contracted Services 12,774

Equipment Rental 2,855

General Expenses 13,195

Equipment 4,886 \$ 1,238,245**CULTURE AND RECREATION****PARKS AND POOL:**

Maintenance/Repairs \$ 13,420

General Expenses 6,621

Contracted Services 48,105

Summer Youth Program -

Senior Program 3,470

Equipment - Capital 1,070

Equipment - Non-Capital -

Pool Pass Reimbursement 9,950

**LIBRARY:**Contribution 100,264 \$ 182,900**DEBT SERVICE**

Debt Principal Payments -

Debt Interest Payments - -**INSURANCE**

Business Insurance 74,592

Vehicle Insurance 34,666 109,258**EMPLOYEE BENEFITS**

Worker Compensation Insurance 143,747

Hospitalization Insurance 159,852 303,599**TOTAL EXPENDITURES PAID** **6,661,108****EXCESS OF REVENUES RECEIVED****OVER EXPENDITURES PAID** 2,580,308**OTHER FINANCING SOURCES RECEIVED AND****OTHER FINANCING USES PAID**

Refund of Prior Year Expenditures \$ 385,111

Sale of Fixed Assets 247

Transfer to Other Funds (765,000) \$ (379,642)**NET CHANGE IN FUND BALANCE** \$ **2,200,666****FUND BALANCE - JANUARY 1, 2020** 9,266,593**FUND BALANCE - DECEMBER 31, 2020** **\$ 11,467,259**

**LOWER SAUCON TOWNSHIP**  
**Special Tax Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2020**

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**FUND BALANCE - JANUARY 1, 2020** \$ 9,892,555

**REVENUES RECEIVED**

**Taxes:**

Fire Tax	\$	448,596
Earned Income Tax - Current Year		910,189
Earned Income Tax - Prior Year		465,784

**Intergovernmental:**

Motor Vehicle Fuel Taxes	505,527
Grants	-

**Investment Income:**

Interest Earnings	63,221
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**Miscellaneous:**

Donations/Contributions	5,038
Miscellaneous	218

**Other Financing Sources:**

Sale of Fixed Assets	-	<u>2,398,573</u>
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**TOTAL FUNDS AVAILABLE** 12,291,128

**EXPENDITURES PAID**

**General Government:**

Bank Fees	\$	13
Legal Fees		9,866
Engineering/Planning Fees		8,309
Open Space Maintenance Funding		-
Appraisal Costs		4,000

**Public Safety:**

Fire Equipment	-
Fire Equipment Consultation	4,499

**Public Works:**

Traffic Signal Maintenance & Repair	2,248
Vehicle Maintenance & Repair	12,194
Highway Major Equipment	-
Snow Removal	33,931
Street Sign & Marking	5,727
Street Lighting	37,887
Road Materials & Supplies	47,506
Equipment and Tools Maintenance & Repair	2,014
Highway Equipment	41,449
Penndot Road Projects	142,876

**Community Development:**

Open Space Purchase	60,901
Open Space Maintenance	28,050

**Other Financing Uses:**

Transfers to Other Funds	-	<u>\$ 441,470</u>
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**FUND BALANCE - DECEMBER 31, 2020** **\$ 11,849,658**

**LOWER SAUCON TOWNSHIP**  
**Capital Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance -**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2020**

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<b>FUND BALANCE - JANUARY 1, 2020</b>		<b>\$ 2,439,590</b>
<b><u>REVENUES RECEIVED</u></b>		
Investment Earnings	\$ 5,026	
Developer Fees	9,930	
<b>Intergovernmental:</b>		
Grants	-	
<b>Other Financing Sources:</b>		
Sale of Fixed Assets	1,800	
Transfer from Other Funds	765,000	781,756
<b>TOTAL FUNDS AVAILABLE</b>	<u>765,000</u>	<u>3,221,346</u>
<b><u>EXPENDITURES PAID</u></b>		
<b>General Government:</b>		
Building Purchase/Improvement	169,401	
<b>Public Safety:</b>		
Vehicle Purchases	48,240	
Police Capital Equipment	190,455	
<b>Public Works:</b>		
Vehicle Purchases	50,000	
Road Improvements	14,410	
Storm Water Improvements	10,999	
<b>Culture and Recreation:</b>		
Park Improvements	3,749	
Historical Building Improvements	3,110	490,364
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b><u>\$ 2,730,982</u></b>

**Developers Escrow Fund**  
**Statement of Additions Received and Deductions Paid**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2020**

<b>NET POSITION - JANUARY 1, 2020</b>		<b>\$ 235,315</b>
<b>ADDITIONS RECEIVED:</b>		
Receipts from Developers	\$ 215,264	
Interest Earnings	<u>-</u>	215,264
<b>DEDUCTIONS PAID:</b>		
Legal	25,631	
Consulting Fees	12,160	
Engineering	90,806	
Applicant Refunds	58,588	
Township Expenses	<u>35</u>	
<b>TOTAL DEDUCTIONS PAID</b>		<u>187,220</u>
<b>NET POSITION - DECEMBER 31, 2020</b>		<b><u>\$ 263,359</u></b>