

**UPPER SOUTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Upper Southampton Township
Southampton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Southampton Township, Bucks County, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Basis for Adverse Opinion

The financial statements do not include financial data for the Township's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that include the financial data for its component units. The Township has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units have not been presented. The amounts are not available so the effect of the omission cannot be determined.

Adverse Opinion

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component units of Upper Southampton Township, Bucks County, Pennsylvania, as of December 31, 2020, and the changes in its financial position thereof for the year then ended.

Unmodified Opinion

In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, and each major fund of Upper Southampton Township, Bucks County, Pennsylvania, as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general and garbage and refuse funds, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and the historical trend information on pages 57 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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 our opinion or provide any assurance.

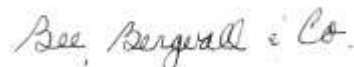
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Southampton Township, Bucks County, Pennsylvania, financial statements. The combining nonmajor and fiduciary fund financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects 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 dated July 19, 2021, 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 solely 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 effectiveness of Upper Southampton Township, Bucks County, Pennsylvania's 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 Upper Southampton Township, Bucks County, Pennsylvania's internal control over financial reporting and compliance



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
July 19, 2021

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

This is the Management Discussion and Analysis (MDA) section. The objective of the MDA is to “enhance the understandability and usefulness of the general purpose financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.” It is a discussion of the municipality’s financial performance during the year that ended on December 31, 2020.

FINANCIAL HIGHLIGHTS (OVERVIEW):

There are several “Financial Highlights” that can be identified in 2020. Those that are of the greatest significance include:

GOVERNMENT-WIDE STATEMENTS (Full Accrual):

- Total assets have increased over last year from \$21.144 million in 2019 to \$22.695 million in 2020. This represents a 7.34% increase during the identified time period.
- Total liabilities have decreased from \$10.127 million in 2019 to \$9.886 million in 2020. This represents a 2.38% decrease during the identified time period.
- Net Position increased from \$10.114 million in 2019 to \$11.715 million in 2020. The amount represents a 15.82% increase from the prior year.

FUND FINANCIAL STATEMENTS (Modified Accrual):

- Total revenues (not including other financing sources) increased from \$12.985 million in 2019 to \$14.111 million in 2020. This amount represents an increase of 8.67%.
- Total expenditures (not including other financing uses) increased from \$13.119 million in 2019 to \$14.819 in 2020. This represents an increase of 12.96%.
- The ending fund balance decreased from \$8.936 million in 2019 to \$8.741 million in 2020. This represents a decrease of approximately 2.18%.

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two kinds of financial statements that present distinctly different views of the Township:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the municipality's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the municipality, reporting its operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services like police and parks were financed in the short term as well as what remains for future spending.

Fiduciary fund statements include notes that explain some of the financial statement information and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statement information.

GOVERNMENT-WIDE STATEMENTS (Full Accrual):

The government-wide statements report information about the municipality as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the municipality's net position and how it has changed. Net position, the difference between the municipality's assets and liabilities, is one way to measure the municipality's financial health or position.

- Over time, increases or decreases in the municipality's net position is an indicator of whether its financial health is improving or deteriorating. Recent history has shown that municipal assets are increasing, and there are several reasons that explain this trend including capitalization of expenses, and inflation pressures.

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

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

FUND FINANCIAL STATEMENTS (Modified Accrual):

The fund financial statements provide detailed information about the municipality's most significant funds - not the municipality as a whole.

- Some funds are required by state law and by bond covenants.
- The Upper Southampton Board of Supervisors establishes other funds to control and manage money for particular purposes (like open space purchases) or to show that it is properly using certain taxes.

The municipality has two kinds of funds:

- Governmental funds - Most of the municipality's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and on the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance municipal programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship (or difference) between them at the bottom of the governmental fund statements.
- Fiduciary funds - The municipality is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The municipality is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the municipality's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the municipalities-wide statements because the municipality cannot use these assets to finance its operations.

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Position. The municipality's combined governmental activities net position increased from a year-ago. It increased by \$1.601 million to \$11.715 million in 2020. This increase represents a 15.83% increase from the prior year, and is due, in a large part, to an increase in current and other assets. Note that Upper Southampton Township only reports government-type activities. It does not record business-type activities.

There are two types of asset categories. The two asset categories are "restricted assets" and "unrestricted assets." Restricted assets are limited as to the type of governmental activity they can be used for, or they are invested in capital assets (buildings, roads, bridges, etc.). Unrestricted assets, such as cash and cash equivalents, can readily be converted to services or products.

Changes in Net Position. The municipality's largest increase in asset classes was that which is designated as "Capital Assets." The increase went from \$10.657 million to \$11.653 million, mainly due to increased capital assets in accordance with grant agreements.

Statement of Activities. The cost of total governmental activity decreased from \$12.732 million to \$12.518 million. This represented a decrease of approximately 1.68%. Of the six categories identified in the annual audit, General Government, Codes & Planning, Public Works and Solid Waste had increases in expenditures from the prior year, Police and emergency services, and Park & Recreation decreased from the prior year. Increases in those categories, respectively, were 1.33% General Government, 10.22% Codes & Planning, 6.09% Public Works, and 5.34% Solid Waste. The decrease of 6.62% was in the Police and Emergency Services and 16.99% was in the Park and Recreation category.

As for total revenues, about sixty-one cents of every dollar raised comes from some type of tax. Another thirty-seven of every dollar comes from charges for services and from intergovernmental revenue. Real estate taxes increased by approximately \$588 thousand, which represented a 12.23% increase from the prior year. Earned Income taxes decreased by 1.53%, Real Estate Transfer Tax increased by 22.40%, Local Services taxes increased by 5.30%, and Mercantile taxes decreased by 4.74%.

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of Upper Southampton Township finances in a manner similar to private-sector reporting.

The Statement of Net Position (on page 15) presents information on all Township assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The following table reflects the condensed statement of net position:

Table 1
Statement of Net Position

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|----------------------|----------------------|
| Current and other assets | \$ 11,042,274 | \$ 10,486,428 |
| Capital assets | <u>11,653,215</u> | <u>10,657,333</u> |
| Total Assets | <u>22,695,489</u> | <u>21,143,761</u> |
| | | |
| Deferred outflows | <u>1,312,049</u> | <u>525,310</u> |
| | | |
| Long term liabilities | 7,858,846 | 8,413,687 |
| Other liabilities | <u>2,027,109</u> | <u>1,713,003</u> |
| Total Liabilities | <u>9,885,955</u> | <u>10,126,690</u> |
| | | |
| Deferred inflows | <u>2,406,893</u> | <u>1,428,151</u> |
| | | |
| Net investment in capital assets | 8,864,215 | 7,471,853 |
| Restricted | 635,145 | 489,876 |
| Unrestricted | <u>2,215,330</u> | <u>2,152,501</u> |
| Total Net Position | <u>\$ 11,714,690</u> | <u>\$ 10,114,230</u> |

It should be noted that the chart shows that “current and other assets” increased by approximately \$556 thousand from the prior year for reasons mentioned earlier in this discussion. Also, a second item the chart shows is that “capital assets” increased by approximately \$996 thousand for reasons previously noted.

The Statement of Activities (on pages 16 and 17) presents information showing how the municipality’s net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis of accounting. This accounting method records revenues and expenses as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused sick leave).

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

The following chart shows the revenues and expenses of the governmental activities for 2020.

Table 2
Statements of Activities

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for services | \$ 2,586,532 | \$ 2,900,261 |
| Operating grants and contributions | 1,777,974 | 1,756,119 |
| Capital grants and contributions | 889,863 | 136,902 |
| General Revenues: | | |
| Real estate | 5,397,393 | 4,809,261 |
| Earned income and local service tax | 2,672,612 | 2,691,467 |
| Other taxes | 586,075 | 516,504 |
| Grants and contributions not restricted to specific programs | - | - |
| Investment earnings | 16,078 | 28,139 |
| Miscellaneous | 178,571 | 137,691 |
| Proceeds from sale of capital assets | <u>13,750</u> | <u>10,000</u> |
| Total Revenues | <u>14,118,848</u> | <u>12,986,344</u> |
| Expenses | | |
| General government | 3,867,948 | 3,817,284 |
| Codes and planning | 302,628 | 274,575 |
| Police and emergency services | 3,460,092 | 3,705,544 |
| Public works | 1,935,941 | 1,824,819 |
| Solid waste | 1,748,459 | 1,659,888 |
| Park and recreation | <u>1,203,320</u> | <u>1,449,550</u> |
| Total Expenses | <u>12,518,388</u> | <u>12,731,660</u> |
| Changes in Net Position | 1,600,460 | 254,684 |
| Net Position - Beginning, restated | <u>10,114,230</u> | <u>9,859,546</u> |
| Net Position - Ending | <u>\$ 11,714,690</u> | <u>\$ 10,114,230</u> |

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

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

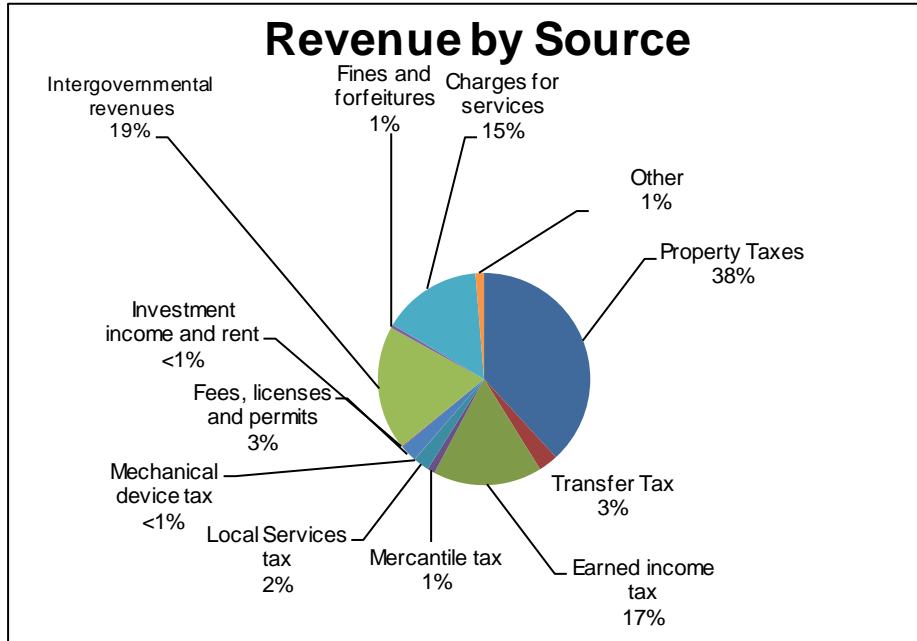
UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Upper Southampton Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet (on page 18) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (on page 20) for the general fund, garbage and refuse fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Reconciliations are provided (on pages 19 and 21) for the comparison of the governmental fund Balance Sheet to the government-wide Statement of Net Position and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the government-wide Statement of Activities. A review of these charts identifies certain prevalent themes, and among these are the following:

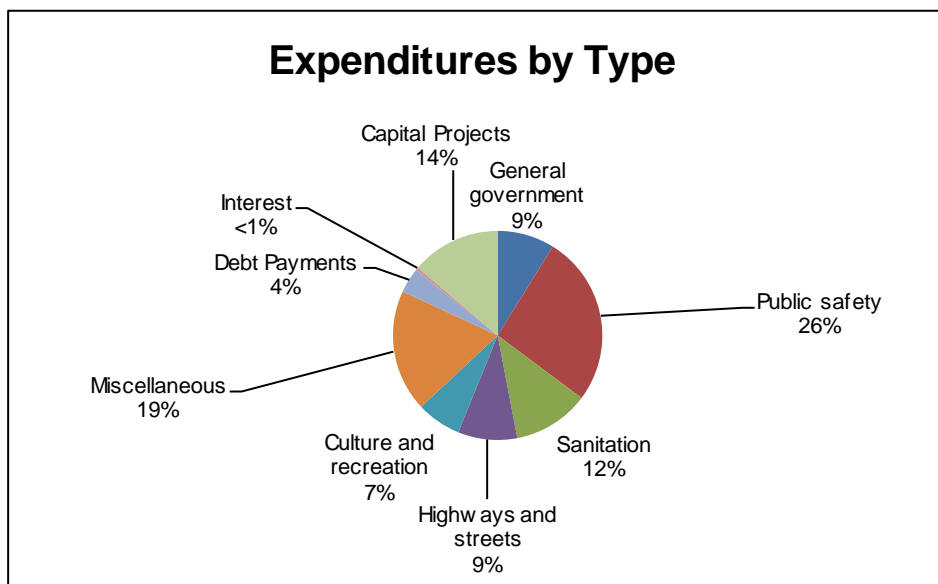
- The fund balance for all governmental funds as a whole decreased by \$194 thousand or 2.18% from the prior year. The main explanation for this is additional monies for capital projects.
- As a whole the single greatest source of revenue is property tax, and it represents approximately 38% of all revenue. Intergovernmental is the second largest source of revenue representing approximately 19% of all revenue. The third largest source of revenue is Earned Income Tax which represents about 17% of all revenue. When examined by fund, however, the percentages change greatly. For example, general fund property taxes comprise 33% of the General Fund, while Earned Income Taxes comprises about 28% of the General Fund.

Revenue, Expenditures and Changes in Fund Balance. The municipality's total revenues (excluding other financing sources) increased by about \$1.1 million from \$12.985 to \$14.111 million. The primary reason was the increase in revenue generated from intergovernmental revenues. Minor changes, however, are also evidenced in other revenue categories. It is important to note that virtually half of all revenues are from property taxes and trash fees.

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020



The municipality's expenditures cover a range of services. The total cost of all programs and services increased from the prior year - \$13.119 million vs. \$14.819 million (increasing about 13%). Of the total amount about 26% of all expenditures were related to public safety.



UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDING

As the municipality completed the year its governmental funds reported a combined balance of \$8.741 million.

General Fund Budgetary Highlights

- Upper Southampton Township did not amend the General Fund budget in 2020.
- General Fund actual revenues were higher than, but deviated from budgeted revenue amounts by \$386,308 or approximately 4.9%. The explanation for the deviation is that the Township received more revenues than anticipated.
- General Fund actual expenditures deviated from budgeted expenditure amounts by \$855,218 due to COVID 19 restrictions as well as closures.
- The Township budgeted less revenue than actually received, and budgeted less expenditures than actually expended.

Garbage & Refuse Fund Budgetary Highlights

- Upper Southampton Township did not amend the Garbage & Refuse Fund budget in 2020.
- Garbage & Refuse Fund actual revenues deviated from budgeted revenue amounts by \$20,664 or approximately 1.2%. The municipality received more than budgeted.
- Garbage & Refuse Fund actual expenditures deviated from budgeted expenditure amounts by \$206,980 or approximately 10.6%. The municipality spent less than budgeted and this is due, in large part, to less tonnage than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 Upper Southampton Township had approximately \$11.653 million in net capital assets; this represents an investment in a broad range of capital assets: including buildings, park facilities, roads, etc. The municipality's 2021 budget provides spending for capital projects, and improving infrastructure. This includes funding for road work, storm water management, vehicle purchases, building maintenance, etc.

In 2020 the Upper Southampton Township expended \$68,390 on two vehicles for the Police Department, \$10,713 on gloves, as well as \$5,910 on tasers.

UPPER SOUTHAMPTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

In 2020, additional municipal departments made several capital purchases. The Township improved two handicapped accessible bathrooms at a total cost of \$54,640, \$271,086 on storm water, and \$21,571 to replace doors and install a railing for the Park and Recreation Department.

At year-end Upper Southampton Township had \$3.289 million in outstanding notes and bonds, a decrease of \$72 thousand or 2%, from the prior year. For more detailed information about the municipality's long-term debt see Section III of the Notes section of the Financial Statements.

**MAINTAINING THE CONDITION OF UPPER SOUTHAMPTON TOWNSHIP'S
INFRASTRUCTURE**

A large portion of the Township's 2020 Budget was dedicated to maintaining the municipality's infrastructure. Upper Southampton Township will continue to work in 2021 toward the maintenance and preservation of its infrastructure.

At the time of this report, the world is enduring the COVID-19 pandemic and the United States is in a state of "shutdown" and economic turmoil. We are unable to determine how long this shutdown will last nor can we fully understand the economic impact of this unchartered event. The 2020 budget was adopted prior to this pandemic. In the months to come, Township staff will carefully monitor budgeted receipts and expenditures, and amend as needed.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The elected officials of Upper Southampton Township considered many factors in the process used to establish the 2021 budget. The primary factor was the economy, but underneath that umbrella were a host of influences. First, employment affects the amount of revenue generated by the earned income tax, and the earned income tax represents 25% of General Fund revenue, and 11% of all Township revenue. Second, property values affect the amount of revenue generated by the real estate transfer tax, and the real estate transfer tax represents approximately 4% of General Fund revenue. Third, building construction affects the amount of revenue generated by permits, escrow administration, and real estate taxes. Other influences include the economy, consumer confidence which impacts mercantile taxes, amounts of discretionary income which impacts cable television fees, interest rates which affect such varied revenue sources as contractor registrations, and real estate transfers. These and other influences are monitored throughout the budget cycle, and will continue to be gauged in future years.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional municipal financial information, contact Ann Alker, Assistant Township Manager, at Upper Southampton Township, 939 Street Road, Southampton, PA 18966.

UPPER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 8,797,002 |
| Receivables | 1,192,058 |
| Restricted assets | |
| Cash and cash equivalents | 510,967 |
| Net pension asset | 542,247 |
| Land | 2,275,696 |
| Other capital assets (net of accumulated depreciation) | <u>9,377,519</u> |
| Total Assets | <u>22,695,489</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Police Pension related | 228,919 |
| Non-Uniformed Pension related | 110,559 |
| OPEB related | <u>972,571</u> |
| Total Deferred Outflows of Resources | <u>1,312,049</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 24,007,538</u></u> |
| LIABILITIES | |
| Accounts payable and other current liabilities | \$ 262,453 |
| Interest payable | 21,520 |
| Liabilities payable from restricted assets | 510,967 |
| Due to FEMA | 553,169 |
| Non-current liabilities: | |
| Due within one year | 679,000 |
| Due after one year | <u>7,858,846</u> |
| Total Liabilities | <u>9,885,955</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Police Pension related | 1,175,013 |
| Non-Uniformed Pension related | 829,261 |
| OPEB related | <u>402,619</u> |
| Total Deferred Inflows of Resources | <u>2,406,893</u> |
| NET POSITION | |
| Net investment in capital assets | 8,864,215 |
| Restricted for: | |
| Police and emergency services | 140,049 |
| Highways and streets | 233,035 |
| Open space | 142,825 |
| Debt service | 82,384 |
| Culture and Recreation | 36,852 |
| Sanitation | - |
| Unrestricted | <u>2,215,330</u> |
| Total Net Position | <u>11,714,690</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u><u>\$ 24,007,538</u></u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Primary Government Governmental Activities | | | |
|--------------------------------------|---|-----------------------|---------------------|-------------------------------------|
| | Total | General Government | Codes & Planning | Police and Emergency Services |
| Expenses: | | | | |
| Program expenses | \$ 11,951,625 | \$ 3,711,046 | \$ 301,357 | \$ 3,337,064 |
| Depreciation | 503,196 | 93,335 | 1,271 | 123,028 |
| Interest on debt | 63,567 | 63,567 | - | - |
| Total Expenses | <u>12,518,388</u> | <u>3,867,948</u> | <u>302,628</u> | <u>3,460,092</u> |
| Program Revenues: | | | | |
| Charges for services | 2,586,532 | 382,366 | 369,597 | 86,096 |
| Operating grants and contributions | 1,777,974 | 356,242 | - | 871,385 |
| Capital grants and contributions | 889,863 | - | - | - |
| Total Program Revenues | <u>5,254,369</u> | <u>738,608</u> | <u>369,597</u> | <u>957,481</u> |
| Net (Expense) Revenue | (7,264,019) | (3,129,340) | 66,969 | (2,502,611) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Real estate | 5,397,393 | | | |
| Transfer tax | 424,213 | | | |
| Earned income tax | 2,329,776 | | | |
| Mercantile tax | 161,862 | | | |
| Local services tax | 342,836 | | | |
| Investment earnings | 16,078 | | | |
| Miscellaneous | 178,571 | | | |
| Proceeds from sale of capital assets | 13,750 | | | |
| Total General Revenues | <u>8,864,479</u> | | | |
| Change in Net Position | 1,600,460 | | | |
| Net Position - Beginning | <u>10,114,230</u> | | | |
| Net Position - Ending | <u>\$ 11,714,690</u> | | | |

Primary Government
Governmental Activities

| Public Works | Solid Waste | Park & Recreation |
|-----------------|--------------|----------------------|
| \$ 1,710,759 | \$ 1,748,459 | \$ 1,142,940 |
| 225,182 | - | 60,380 |
| - | - | - |
| 1,935,941 | 1,748,459 | 1,203,320 |
| 56,558 | 1,657,643 | 34,272 |
| 477,062 | 72,985 | 300 |
| - | - | 889,863 |
| 533,620 | 1,730,628 | 924,435 |
| (1,402,321) | (17,831) | (278,885) |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | <u>General</u> | <u>Garbage & Refuse</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------------------|-----------------------------|---|---|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 3,053,690 | \$ 946,113 | \$ 1,649,126 | \$ 3,148,073 | \$ 8,797,002 |
| Receivables | | | | | |
| Taxes | 653,017 | 26,071 | - | 45,908 | 724,996 |
| Accounts | 127,852 | - | - | - | 127,852 |
| Cash - restricted | 510,967 | - | - | - | 510,967 |
| Total Assets | <u>\$ 4,345,526</u> | <u>\$ 972,184</u> | <u>\$ 1,649,126</u> | <u>\$ 3,193,981</u> | <u>\$ 10,160,817</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable and accrued wages | \$ 174,012 | \$ 36,434 | \$ 1,905 | \$ 50,102 | \$ 262,453 |
| Due to other governments | 553,169 | - | - | - | 553,169 |
| Developers escrow | 510,967 | - | - | - | 510,967 |
| Total Liabilities | <u>1,238,148</u> | <u>36,434</u> | <u>1,905</u> | <u>50,102</u> | <u>1,326,589</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Unavailable revenues - property taxes | 37,700 | 18,910 | - | 35,897 | 92,507 |
| Total Deferred Inflows of Resources | <u>37,700</u> | <u>18,910</u> | <u>-</u> | <u>35,897</u> | <u>92,507</u> |
| <u>FUND BALANCES</u> | | | | | |
| Reserved for: | | | | | |
| Restricted for | | | | | |
| Police and emergency services | - | - | - | 132,726 | 132,726 |
| Open space | - | - | - | 142,825 | 142,825 |
| Highways and streets | - | - | - | 229,378 | 229,378 |
| Debt service | - | - | - | 74,716 | 74,716 |
| Library | - | - | - | 19,603 | 19,603 |
| Capital projects | - | - | - | - | - |
| Committed for | | | | | |
| Sanitation | - | 916,840 | - | - | 916,840 |
| Park and recreation | - | - | - | 485,104 | 485,104 |
| Highways and streets | - | - | - | 491,578 | 491,578 |
| Post employment benefits | 267,546 | - | - | - | 267,546 |
| Assigned for | | | | | |
| Capital projects | - | - | 1,647,221 | 1,516,130 | 3,163,351 |
| Highways and streets | - | - | - | 15,922 | 15,922 |
| Unassigned | 2,802,132 | - | - | - | 2,802,132 |
| Total Fund Balances | <u>3,069,678</u> | <u>916,840</u> | <u>1,647,221</u> | <u>3,107,982</u> | <u>8,741,721</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 4,345,526</u> | <u>\$ 972,184</u> | <u>\$ 1,649,126</u> | <u>\$ 3,193,981</u> | <u>\$ 10,160,817</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

| | | |
|--|--------------------|----------------------|
| Total fund balances-total governmental funds (page 18) | | \$ 8,741,721 |
| Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds. | | |
| Cost of capital assets | \$ 18,068,383 | |
| Accumulated depreciation | <u>(6,415,168)</u> | 11,653,215 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | 289,027 |
| Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. | | |
| | | 142,690 |
| Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Net difference between projected and actual earnings on pension plan investments | (1,535,239) | |
| Differences between expected and actual experience on pension plan liability | (469,035) | |
| Change in assumptions-pension | 339,478 | |
| Differences between expected and actual experience on OPEB liability | 751,328 | |
| Change in assumptions-OPEB | <u>(181,376)</u> | (1,094,844) |
| Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Bonds and notes payable | (3,289,000) | |
| Capital lease payable | - | |
| Interest payable | (21,520) | |
| Net pension asset (liability) | 253,404 | |
| Post-retirement benefits | (4,730,648) | |
| Compensated absences | <u>(229,355)</u> | <u>(8,017,119)</u> |
| Total net position (page 15) | | <u>\$ 11,714,690</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>General</u> | <u>Garbage & Refuse</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|---------------------------------|-----------------------------|---|---|
| Revenues | | | | | |
| Taxes: | | | | | |
| Property | \$ 2,756,565 | \$ - | \$ - | \$ 2,627,310 | \$ 5,383,875 |
| Transfer | 424,213 | - | - | - | 424,213 |
| Earned income tax | 2,341,291 | - | - | - | 2,341,291 |
| Mercantile tax | 161,862 | - | - | - | 161,862 |
| Local services tax | 342,836 | - | - | - | 342,836 |
| Mechanical devices tax | 4,100 | - | - | - | 4,100 |
| Fees, licenses and permits | 373,366 | - | - | - | 373,366 |
| Investment income and rent | 7,957 | 1,932 | 2,432 | 5,557 | 17,878 |
| Intergovernmental revenues | 1,227,627 | 72,985 | - | 1,366,925 | 2,667,537 |
| Fines and forfeitures | 72,107 | - | - | - | 72,107 |
| Charges for services | 449,094 | 1,653,593 | - | 34,272 | 2,136,959 |
| Other | 174,776 | - | - | 10,159 | 184,935 |
| Total Revenues | <u>8,335,794</u> | <u>1,728,510</u> | <u>2,432</u> | <u>4,044,223</u> | <u>14,110,959</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,256,452 | - | 49,704 | 3,300 | 1,309,456 |
| Public safety | 3,383,002 | - | - | 523,459 | 3,906,461 |
| Sanitation | - | 1,748,459 | - | - | 1,748,459 |
| Highways and streets | 689,120 | - | - | 666,771 | 1,355,891 |
| Culture and recreation | - | - | - | 1,022,050 | 1,022,050 |
| Miscellaneous | 2,795,960 | - | - | 125 | 2,796,085 |
| Debt service: | | | | | |
| Principal | - | - | - | 572,000 | 572,000 |
| Interest | - | - | - | 67,662 | 67,662 |
| Capital projects | 37,671 | - | 305,079 | 1,698,500 | 2,041,250 |
| Total Expenditures | <u>8,162,205</u> | <u>1,748,459</u> | <u>354,783</u> | <u>4,553,867</u> | <u>14,819,314</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | <u>173,589</u> | <u>(19,949)</u> | <u>(352,351)</u> | <u>(509,644)</u> | <u>(708,355)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from long-term debt | - | - | 500,000 | - | 500,000 |
| Proceeds from sale of fixed assets | - | - | - | 13,750 | 13,750 |
| Transfers in | 6,720 | - | - | 322,120 | 328,840 |
| Transfers out | (282,620) | (30,000) | - | (16,220) | (328,840) |
| Total Other Financing Sources (Uses) | <u>(275,900)</u> | <u>(30,000)</u> | <u>500,000</u> | <u>319,650</u> | <u>513,750</u> |
| Net Change in Fund Balances | (102,311) | (49,949) | 147,649 | (189,994) | (194,605) |
| Fund Balance - Beginning | <u>3,171,989</u> | <u>966,789</u> | <u>1,499,572</u> | <u>3,297,976</u> | <u>8,936,326</u> |
| Fund Balance - Ending | <u>\$ 3,069,678</u> | <u>\$ 916,840</u> | <u>\$ 1,647,221</u> | <u>\$ 3,107,982</u> | <u>\$ 8,741,721</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in Net Position

Amounts reported for governmental activities in the statement of activities (page 16-17) are different because:

| | | |
|--|------------------|---------------------|
| Net change in fund balances-total governmental funds (page 20) | | \$ (194,605) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | \$ 1,506,942 | |
| Depreciation expense | <u>(503,196)</u> | 1,003,746 |
| The effect of sales of capital assets is to decrease net assets. | | |
| | | (7,864) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | 2,003 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| New debt | (500,000) | |
| Repayment of debt | 572,000 | |
| Interest payable | <u>4,095</u> | 76,095 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Net pension liability and deferred items | 1,042,109 | |
| Post-retirement benefits | (313,795) | |
| Compensated absences | <u>(7,229)</u> | <u>721,085</u> |
| Change in net position of governmental activities (page 16-17) | | <u>\$ 1,600,460</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

| | GENERAL FUND | | | Variance with Final Budget - Over (Under) |
|--|--------------------|--------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 2,741,134 | \$ 2,741,134 | \$ 2,756,565 | \$ 15,431 |
| Transfer | 400,000 | 400,000 | 424,213 | 24,213 |
| Earned income tax | 2,250,000 | 2,250,000 | 2,341,291 | 91,291 |
| Mercantile tax | 163,000 | 163,000 | 161,862 | (1,138) |
| Local services tax | 300,000 | 300,000 | 342,836 | 42,836 |
| Mechanical devices tax | 5,300 | 5,300 | 4,100 | (1,200) |
| Fees, licenses and permits | 386,300 | 386,300 | 373,366 | (12,934) |
| Interest and rent | 11,400 | 11,400 | 7,957 | (3,443) |
| Intergovernmental revenues | 1,046,342 | 1,046,342 | 1,227,627 | 181,285 |
| Fines and forfeitures | 83,860 | 83,860 | 72,107 | (11,753) |
| Charges for services | 387,919 | 387,919 | 449,094 | 61,175 |
| Other | 174,231 | 174,231 | 174,776 | 545 |
| Total Revenues | <u>7,949,486</u> | <u>7,949,486</u> | <u>8,335,794</u> | <u>386,308</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,374,219 | 1,374,219 | 1,256,452 | (117,767) |
| Public safety | 4,084,665 | 4,084,665 | 3,383,002 | (701,663) |
| Highways and roads | 784,380 | 784,380 | 689,120 | (95,260) |
| Miscellaneous | 2,717,456 | 2,717,456 | 2,795,960 | 78,504 |
| Debt service | - | - | - | - |
| Capital projects | 56,703 | 56,703 | 37,671 | (19,032) |
| Total Expenditures | <u>9,017,423</u> | <u>9,017,423</u> | <u>8,162,205</u> | <u>(855,218)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,067,937)</u> | <u>(1,067,937)</u> | <u>173,589</u> | <u>1,241,526</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 3,000 | 3,000 | 6,720 | 3,720 |
| Transfers out | (290,330) | (290,330) | (282,620) | 7,710 |
| Total Other Financing Sources (Uses) | <u>(287,330)</u> | <u>(287,330)</u> | <u>(275,900)</u> | <u>11,430</u> |
| Net Change in Fund Balance | (1,355,267) | (1,355,267) | (102,311) | 1,252,956 |
| Beginning Fund Balance | <u>1,355,267</u> | <u>1,355,267</u> | <u>3,171,989</u> | <u>1,816,722</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,069,678</u> | <u>\$ 3,069,678</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
GARBAGE AND REFUSE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>GARBAGE AND REFUSE FUND</u> | | | Variance with Final Budget - Over (Under) |
|--|--------------------------------|------------------|-------------------|---|
| | <u>Budgeted Amounts</u> | | <u>Actual</u> | |
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Charges for services | \$ 1,631,730 | \$ 1,631,730 | \$ 1,653,593 | \$ 21,863 |
| Interest and rent | 3,000 | 3,000 | 1,932 | (1,068) |
| Intergovernmental revenues | <u>73,116</u> | <u>73,116</u> | <u>72,985</u> | <u>(131)</u> |
| Total Revenues | <u>1,707,846</u> | <u>1,707,846</u> | <u>1,728,510</u> | <u>20,664</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 85,351 | 85,351 | 81,661 | (3,690) |
| Sanitation | <u>1,870,088</u> | <u>1,870,088</u> | <u>1,666,798</u> | <u>(203,290)</u> |
| Total Expenditures | <u>1,955,439</u> | <u>1,955,439</u> | <u>1,748,459</u> | <u>(206,980)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(247,593)</u> | <u>(247,593)</u> | <u>(19,949)</u> | <u>227,644</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(30,000)</u> | <u>(30,000)</u> | <u>(30,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(30,000)</u> | <u>(30,000)</u> | <u>(30,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (277,593) | (277,593) | (49,949) | 227,644 |
| Beginning Fund Balance | <u>277,593</u> | <u>277,593</u> | <u>966,789</u> | <u>689,196</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 916,840</u> | <u>\$ 916,840</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

| | <u>Pension Trust Funds</u> |
|--------------------------------|------------------------------------|
| <u>ASSETS</u> | |
| Current Assets | |
| Cash and cash equivalents | \$ 502,009 |
| Investments, at fair value | |
| Corporate bonds | 6,748,703 |
| Common stocks | 18,006,216 |
| Other investments | <u>453,704</u> |
| Total Current Assets | <u>25,710,632</u> |
| TOTAL ASSETS | <u>\$ 25,710,632</u> |
| <u>NET POSITION</u> | |
| Net Position - Restricted for: | |
| Pension Benefits | <u>\$ 25,710,632</u> |
| TOTAL NET POSITION | <u>\$ 25,710,632</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Pension Trust Funds</u> |
|--|------------------------------------|
| Additions | |
| Contributions | |
| Township | \$ 751,781 |
| Employee | 204,940 |
| State | <u>344,668</u> |
| Total Contributions | <u>1,301,389</u> |
| Investment Earnings | |
| Net appreciation in fair value of investments | 2,133,505 |
| Investment income | <u>544,012</u> |
| Total Investment Earnings | 2,677,517 |
| Less investment expense | <u>(101,878)</u> |
| Net Investment Earnings | <u>2,575,639</u> |
| Total Additions | <u>3,877,028</u> |
| Deductions | |
| Professional fees | 10,400 |
| Retiree benefits | <u>1,135,841</u> |
| Total Deductions | <u>1,146,241</u> |
| Net Increase (Decrease) | 2,730,787 |
| Net Position - Restricted for Pension Benefits | |
| Beginning of Year | <u>22,979,845</u> |
| End of Year | <u>\$ 25,710,632</u> |

The notes to the financial statements are an integral part of this statement.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies

A. *Reporting entity*

Upper Southampton Township is a municipal corporation existing and operating under the Second Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. There are two component units, described as an entity for which the government is considered to be financially accountable.

The following component units are not included in the financial statements because the Township chose to prepare a primary government only financial statement:

Southampton Free Library
Upper Southampton Sewer and Water Authority

Complete financial statements for those component units may be obtained at the entity's administrative offices as follows: Southampton Free Library, 947 Street Road, Southampton, PA 18966; Municipal Authority of the Township of Upper Southampton, 945 Street Road, Southampton, PA 18966; Upper Southampton Sewer Authority, 945 Street Road, Southampton, PA 18966.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, if any, which rely to a significant extent on fees and charges for support.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*
(continued)

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Garbage and Refuse Fund* accounts revenue derived from tax millage and charges for services. Major expenditures are for the sanitation services of the Township.

The *Capital Projects* account for revenues restricted or assigned to capital projects.

Additionally, the government reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension, benefit payments to qualified employees.

As a general rule the effect of interfund activity has been eliminated from the government - wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. *Assets, liabilities, and net position or equity*

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

1. Deposits and investments (continued)

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity.

The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of Treasury strips, collateralized mortgage obligations, and U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area saving's accounts rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. PLGIT activities are invested directly in a portfolio, which is held by a third party custodian. There are no limitations or restrictions on withdrawals.

2. Restricted assets

Certain cash deposits have been classified as restricted assets on the balance sheet because they are held by the Township in a custodial capacity for developers and others. There is a corresponding restricted liability on the balance sheet for these funds.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported 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”.

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.

At December 31, 2020, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore not included in outstanding property taxes at December 31, 2020.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. The Township employs an elected tax collector to collect the property tax and the garbage fees levied. The tax collector remits Township taxes and refuse fees at least monthly and is paid on a per parcel basis.

5. *Use of estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

6. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 20-40 |
| Roads and bridges | 45 |
| Storm sewers | 100 |
| Lighting | 20 |
| Trucks and heavy equipment | 8-15 |
| Vehicles | 8 |
| Park improvements | 45 |

7. *Compensated absences*

For police employees, unused sick time is accumulated and employees receive payment for them when they leave Township employment. At December 31, 2020, the Township's liability of unused sick time is \$229,355.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

8. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has the following items that qualify for reporting in this category:

1. *Change in pension assumption* is reported in the government-wide statement of net position. This amount is deferred and amortized over a five-year period.
2. *Differences between expected and actual experience on OPEB liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

9. Deferred Outflows/Inflows of Resources (continued)

The government has the following types of items that qualify for reporting in this category:

1. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
3. *Differences between expected and actual experience on OPEB liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
4. *Change in OPEB assumption* is reported in the government-wide statement of net position. This amount is deferred and amortized over a 13.49 - year period.
5. *Unavailable revenue - property taxes* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Net position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

10. *Net position (continued)*

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

11. *Fund balance*

The governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. The governing body, the Board of Commissioners, has by resolution authorized the Township Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

11. Fund balance (continued)

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

12. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report which is the date the financial statements were available to be issued. No events occurred which required adjustment or disclosure in the financial statements.

II. Stewardship, Compliance, and Accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All annual appropriations lapse at fiscal year-end.

Prior to passage, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31st through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Supervisors. There were budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2020.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

II. Stewardship, Compliance, and Accountability (Continued)

B. Excess of expenditures over appropriations

For the year ended December 31, 2020, expenditures exceeded budget in the miscellaneous category of the general fund. The overage was funded by higher than budget revenues.

III. Detailed Notes on all Funds

A. Deposits and investments

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

| | | |
|-----------------------------|-------|----------------------|
| GOVERNMENTAL FUNDS | | |
| External Investment Pool | 1 day | \$ 321,661 |
| Total Governmental Funds | | <u>\$ 321,661</u> |
| FIDUCIARY FUNDS | | |
| Mutual Funds - Equity | --- | \$ 18,006,216 |
| Mutual Funds - Fixed Income | --- | 6,748,703 |
| Other investments | --- | <u>453,704</u> |
| Total Fiduciary Funds | | <u>\$ 25,208,623</u> |

Interest Rate Risk. This is the risk that changes in interest will adversely affect the fair value of an investment. The government 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. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note I, D, 1. The government's investment in the external investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the government's policy that the fiduciary assets may not be invested in more than 5% of the total equity portfolio in the common stock of one corporation and not more than 25% of the stock value at market may be held in any one industry.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2020, the government's carrying amount of deposits was \$9,307,969 and the bank balance was \$9,634,441. Of the bank balance, \$250,000 was covered by federal depository insurance.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on all Funds (Continued)

A. *Deposits and investments (continued)*

Any balances exceeding federal depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, D, 1.

Investment Pool- The Township has carrying deposits in external investment pools held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above the investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. Pool amount as are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. There are no limitations or restrictions on withdrawals.

Custodial Credit Risk - Investment. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, D, 1.

Fair Value Measurement. The Township categorizes its fair value measurements within the 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 that include quoted prices for similar assets in active markets and inputs that are observable for the asset, either directly, or indirectly, for substantially the full term of the financial instrument. Fair values of these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows; Level 3 inputs are significant unobservable inputs, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. The Township has the following recurring fair value measurements as of December 31, 2020:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------|----------------------|----------------------|----------------|----------------|
| GOVERNMENTAL FUNDS | | | | |
| External Investment Pool | \$ 321,661 | \$ - | \$ 321,661 | \$ - |
| FIDUCIARY FUNDS | | | | |
| Mutual Funds - Equity | \$ 18,006,216 | \$ 18,006,216 | \$ - | \$ - |
| Mutual Funds - Fixed Income | 6,748,703 | 6,748,703 | - | - |
| Other Investments | 453,704 | 453,704 | - | - |
| Total Fiduciary Funds | <u>\$ 25,208,623</u> | <u>\$ 25,208,623</u> | <u>\$ -</u> | <u>\$ -</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on all Funds (Continued)

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

| | <u>General</u> | <u>Garbage and Refuse</u> | <u>Capital Projects</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|-------------------|-------------------|-----------------------------------|-----------------------------|---|-------------------|
| Receivables: | | | | | |
| Taxes | \$ 653,017 | \$ 26,071 | \$ - | \$ 45,908 | \$ 724,996 |
| Accounts | <u>127,852</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>127,852</u> |
| Total Receivables | <u>\$ 780,869</u> | <u>\$ 26,071</u> | <u>\$ -</u> | <u>\$ 45,908</u> | <u>\$ 852,848</u> |

C. Capital assets

Capital asset activity for the year ended December 31, 2020 was as follows:

| Primary Government | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,275,696 | \$ - | \$ - | \$ 2,275,696 |
| Total capital assets, not being depreciated | <u>2,275,696</u> | <u>-</u> | <u>-</u> | <u>2,275,696</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,613,906 | 54,640 | - | 5,668,546 |
| Machinery, vehicles, and equipment | 3,027,791 | 68,390 | (133,726) | 2,962,455 |
| Infrastructure | 4,260,048 | 1,383,912 | - | 5,643,960 |
| Park improvement | <u>1,517,726</u> | <u>-</u> | <u>-</u> | <u>1,517,726</u> |
| Total capital assets being depreciated | <u>14,419,471</u> | <u>1,506,942</u> | <u>(133,726)</u> | <u>15,792,687</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,258,963 | 121,367 | - | 3,380,330 |
| Machinery, vehicles, and equipment | 2,017,134 | 249,933 | (125,862) | 2,141,205 |
| Infrastructure | 484,741 | 95,274 | - | 580,015 |
| Park improvement | <u>276,996</u> | <u>36,622</u> | <u>-</u> | <u>313,618</u> |
| Total accumulated depreciation | <u>6,037,834</u> | <u>503,196</u> | <u>(125,862)</u> | <u>6,415,168</u> |
| Total capital assets, being depreciated, net | <u>8,381,637</u> | <u>1,003,746</u> | <u>(7,864)</u> | <u>9,377,519</u> |
| Governmental activities capital assets, net | <u>\$ 10,657,333</u> | <u>\$ 1,003,746</u> | <u>\$ (7,864)</u> | <u>\$ 11,653,215</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on all Funds (Continued)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Administrative | \$ 93,335 |
| Codes and planning | 1,271 |
| Police and emergency services | 123,028 |
| Public works, including depreciation of general infrastructure except park systems | 225,182 |
| Parks and recreation, including depreciation related to park systems | <u>60,380</u> |
| Total depreciation expense-governmental activities | <u>\$ 503,196</u> |

D. Interfund receivables, payables, and transfers

Interfund transfers:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|-----------------------|--------------------|---------------------|
| General Fund | \$ 6,720 | \$ 282,620 |
| Garbage & Refuse | - | 30,000 |
| Capital Reserve | - | - |
| Other Non Major Funds | <u>322,120</u> | <u>16,220</u> |
| Total | <u>\$ 328,840</u> | <u>\$ 328,840</u> |

The interfund transfers are a result of various funds sharing the cost of pension and capital project expense. Additionally, funds that actually pay expenditures are reimbursed by the fund incurring the expense in accordance with budgetary authorizations.

E. Long-term debt

General Obligation Bonds and Notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds and notes have been issued for governmental type activities. The original amount of general obligation bonds and notes issued in prior years was \$7,200,000. In 2020, the township secured a \$500,000 5-year note bearing interest at a rate of .745%. The proceeds will be used to fund capital expenditures.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on all Funds (Continued)

E. Long-term debt (continued)

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. The bonds are generally issued as 15-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds and notes currently outstanding are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|-------------------------|-----------------------|---------------------|
| Governmental Activities | 1.27 to 3.9% | <u>\$ 3,289,000</u> |

Annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2020 are as follows:

| Year Ending December 31 | Bonds Payable | | Notes Payable | | Total | |
|----------------------------|---------------------|-------------------|---------------------|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 287,000 | \$ 34,409 | \$ 392,000 | \$ 24,796 | \$ 679,000 | \$ 59,205 |
| 2022 | 297,000 | 28,311 | 399,000 | 18,189 | 696,000 | 46,500 |
| 2023 | 273,000 | 21,996 | 406,000 | 11,245 | 679,000 | 33,241 |
| 2024 | 177,000 | 16,276 | 413,000 | 4,170 | 590,000 | 20,446 |
| 2025 | 185,000 | 12,290 | 102,000 | 760 | 287,000 | 13,050 |
| 2026-2028 | 358,000 | 12,024 | - | - | 358,000 | 12,024 |
| Total | <u>\$ 1,577,000</u> | <u>\$ 125,306</u> | <u>\$ 1,712,000</u> | <u>\$ 59,160</u> | <u>\$ 3,289,000</u> | <u>\$ 184,466</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | Ending <u>Balance</u> | Due Within <u>One Year</u> |
|---------------------------------|-----------------------------|---------------------|-----------------------|--------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 1,861,000 | \$ - | \$ (284,000) | \$ 1,577,000 | \$ 287,000 |
| Notes payable | 1,500,000 | 500,000 | (288,000) | 1,712,000 | 392,000 |
| Capital leases | - | - | - | - | - |
| Net pension liability | 1,487,069 | 2,339,596 | (3,537,822) | 288,843 | - |
| Compensated absences | 222,126 | 7,229 | - | 229,355 | - |
| OPEB | <u>3,910,492</u> | <u>1,162,430</u> | <u>(342,274)</u> | <u>4,730,648</u> | <u>-</u> |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 8,980,687</u> | <u>\$ 4,009,255</u> | <u>\$ (4,452,096)</u> | <u>\$ 8,537,846</u> | <u>\$ 679,000</u> |

Debt service for general obligation bonds, notes, and capital leases are funded primarily from taxes for governmental activities. Any liabilities for compensated absences, net pension liabilities, or OPEB obligations are generally liquidated by the general fund for governmental activities.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township participates in the Delaware Valley Property and Liability Trust pool. The insurance expense for the year ended December 31, 2020 as \$142,567. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2020 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Upper Southampton's share was \$35,930.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2020 was \$143,779. The Trust declared a dividend in 2020. Upper Southampton Township's share of the dividend distribution was \$23,666. As a result of the 2019 payroll audit, the Township received \$15,991. There were no additional assessments due or anticipated. An audit of the 2020 payroll will be performed in 2021.

The Township is also a member of the Delaware Valley Health Trust, a public risk retention pool. Trust underwriting and rate setting policies are established after consultation with independent insurance consultants. Any member may withdraw by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2020 was \$993,512. There were no additional assessments due or anticipated. At December 31, 2020, the pool did not declare a dividend.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

C. Employee retirement systems and pension plans

Defined Benefit Pension Plan

The Township sponsors two single employer defined benefit pension plans, the Police Pension Plan and the Non-Uniformed Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Defined Benefit Pension Plan (continued)

The Plans are administered by the Township. The most recent valuation was as of January 1, 2019. Details below are from the valuation.

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. An employee enters the plan on the date of hire.

Non-Uniformed Employees' Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the plan on the first day of the month coincident with or following the completion of one year of service and attainment of age 21.

Plan Description and Membership

The Pension Plans are governed by the Board of Supervisors who has established Pension Committees to serve as administrators and trustees of the pension fund. The Committees shall administer the pension funds by regulations established by the Code of Ordinances of Upper Southampton Township as necessary for the effective management of the funds. The Police Pension Committee consists of five members, one appointed and chosen from among the Board of Supervisors, the Township Manager, two appointed by the Police Benevolent Association of Upper Southampton Township and one citizen at large, preferably from the business community, appointed by the other four Committee members. The Municipal Pension Committee consists of five members, one appointed and chosen from among the Board of Supervisors, the Township Manager, two appointed by and from among non-uniformed employees of Upper Southampton Township, and one citizen at larger, preferably from the business community, appointed by the other four Committee members. The Committee meets no less than twice a year for the purpose of reviewing the investment performance with the investment manager.

At December 31, 2020, Upper Southampton Pension Plans consisted of the following:

| | <u>Police</u> | <u>Non-Uniformed</u> |
|--|---------------|----------------------|
| Inactive Members or Beneficiaries Currently receiving Benefits | 24 | 16 |
| Inactive Members Entitled to but not yet Receiving Benefits | 2 | 2 |
| Active Members | <u>21</u> | <u>27</u> |
| Total membership | <u>47</u> | <u>45</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Benefits Provided

Police Pension Plan: The Plan provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Officers may retire at age 52 with 25 years of credited service. Officers are entitled to an annual retirement benefit, payable in the normal form of a ten year certain and continuous annuity, in an amount equal to 50% of their final-average salary plus a service increment of \$100 per each year of service in excess of 25 years, with a maximum increment of \$500 per month. Final-average salary is the employee's average salary over the last thirty-six months of credit services. If an employee leaves covered employment or dies before 12 years of credited service, accumulated employee contributions of the Pension Fund plus related investment earnings are refunded to the employee or designated beneficiary.

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not more than 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

Non-Uniformed Pension Plan: The Pension Plan provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of credited service. Employees who retire at or after age 61 after 20 years of service, are entitled to an annual retirement benefit, payable monthly, in the normal form of a ten year certain and continuous annuity, in an amount equal to 2.6% multiplied by years of service multiplied by the monthly benefit compensation (not to exceed 70% of final year salary). If an employee leaves covered employment or dies before 5 years of credited service, accumulated employee contributions of the Pension Fund plus related investment earnings are refunded to the employee or designated beneficiary. Covered employees are currently required to contribute 4% to the Pension Fund. The Township is required by statute, principally Pennsylvania Act 600, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by state statutes.

Method Used to Value Investments: Pension Plan equity securities are reported at fair value. Fixed income securities are reported at fair value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions Required and Contributions Made

Employees of the Police Pension Plan and Non-Uniformed are required to make contributions, 5% of salary and 4% of salary, respectively. Contributions are credited with interest at 6% per annum. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. For the year ended December 31, 2020, the average active member contribution was 4.5% of annual pay, and the Township's average contribution rate was 15% of annual payroll.

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$344,668 for the pensions for the year ended December 31, 2020.

Investments

Investment Policy: The Pension Plan's policies in regard to the allocations of invested assets are established and may be amended by the Police and Municipal Pension Committees. The policy is established to create the framework for a well-diversified asset mix that can help achieve acceptable long-term returns at a level of risk suitable to the Pension Committees. The investment objective is to maximize long term return through a combination of capital appreciation and income with sound investment practice.

Rate of Return: For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of pension investment expense was 11.54% for the police plan and 12.04% for the non-uniform plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2020 were as follows:

| | <u>Police</u> | <u>Non-Uniformed</u> |
|---|---------------------|----------------------|
| Total pension liability | \$ 17,681,355 | \$ 7,775,883 |
| Plan fiduciary net position | <u>(17,392,512)</u> | <u>(8,318,130)</u> |
| Net pension liability (asset) | <u>\$ 288,843</u> | <u>\$ (542,247)</u> |
| | | |
| Plan fiduciary net position as a percentage of the total pension liability | 98% | 107% |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Net Pension Liability (continued)

Actuarial Assumptions: The total pension liability at December 31, 2020 was based on actuarial valuation using the following economic assumptions, applied to all periods included in the measurement:

| | <u>Police</u> | <u>Non-Uniformed</u> | |
|--|---------------|----------------------|--------------------------------|
| Inflation | 3.00% | 3.00% | |
| Salary Increases | 4.25% | 4.25% | (average, including inflation) |
| Investment Rate of Return | 7.25% | 7.25% | (including inflation) |
| Postretirement Cost of Living Increase | ** | 5.00% | |

** Cost of Living Increases will be granted pursuant to Act 600 with a cap of 30%

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) for males and females with generational improvement using Scale AA.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

The net pension liabilities for both plans were measured as of December 31, 2020 and the total pension liabilities were determined by rolling forward the liabilities from the actuarial valuations as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| US Large Cap | 35.00% | 6.03% |
| US Mid-Cap | 8.50% | 6.79% |
| US Small Cap | 5.50% | 7.47% |
| International Stocks | 17.00% | 7.94% |
| Emerging Markets Stocks | 4.00% | 10.43% |
| Bonds | 29.00% | 4.06% |
| Cash | 1.00% | 2.00% |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Net Pension Liability (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.25% for all three plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

| | Increase (Decrease) | | |
|---|------------------------------------|--|----------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| <u>Police Pension Plan</u> | | | |
| Balance at December 31, 2019 | \$ 17,112,075 | \$ 15,782,436 | \$ 1,329,639 |
| Changes for the year: | | | |
| Service cost | 339,092 | - | 339,092 |
| Interest | 1,230,096 | - | 1,230,096 |
| Change of benefit terms | - | - | - |
| Differences between expected and actual experience | (31,250) | - | (31,250) |
| Change of assumptions | - | - | - |
| Contributions - employer | - | 733,241 | (733,241) |
| Contributions - employee | - | 129,907 | (129,907) |
| Net investment income | - | 1,789,597 | (1,789,597) |
| Benefit payments, including refunds of employee contributions | (968,658) | (968,658) | - |
| Administrative expense | - | (74,011) | 74,011 |
| Other changes | - | - | - |
| Net Changes | <u>569,280</u> | <u>1,610,076</u> | <u>(1,040,796)</u> |
| Balance at December 31, 2020 | <u>\$ 17,681,355</u> | <u>\$ 17,392,512</u> | <u>\$ 288,843</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Net Pension Liability (continued)

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---------------------------------|
| | Total Pension <u>Liability</u> | Plan Fiduciary <u>Net Position</u> | Net Pension <u>Liability</u> |
| <u>Non-Uniformed Pension Plan</u> | | | |
| Balance at December 31, 2019 | \$ 7,349,157 | \$ 7,191,727 | \$ 157,430 |
| Changes for the year: | | | |
| Service cost | 227,184 | - | 227,184 |
| Interest | 543,224 | - | 543,224 |
| Change of benefit terms | - | - | - |
| Differences between expected and actual experience | (176,499) | - | (176,499) |
| Change of assumptions | - | - | - |
| Contributions - employer | - | 363,208 | (363,208) |
| Contributions - employee | - | 75,033 | (75,033) |
| Net investment income | - | 893,612 | (893,612) |
| Benefit payments, including refunds of employee contributions | (167,183) | (167,183) | - |
| Administrative expense | - | (38,267) | 38,267 |
| Other changes | - | - | - |
| Net Changes | <u>426,726</u> | <u>1,126,403</u> | <u>(699,677)</u> |
| Balance at December 31, 2020 | <u>\$ 7,775,883</u> | <u>\$ 8,318,130</u> | <u>\$ (542,247)</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (estimate based on plan demographics):

| | 1% Decrease <u>(6.25%)</u> | Current Discount Rate <u>(7.25%)</u> | 1% Increase <u>(8.25%)</u> |
|-----------------------|----------------------------------|--|----------------------------------|
| Net pension liability | | | |
| Police | \$ 2,346,134 | \$ 288,843 | \$ (1,424,142) |
| Non-Uniformed | 304,259 | (542,247) | (1,271,210) |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the Township recognized pension expense of \$90,827 for Police Pension and -\$41,432 for Non-Uniformed Pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| <u>Police Pension</u> | | |
| Differences between expected and actual experience | \$ - | \$ 159,629 |
| Changes in assumptions | 228,919 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,015,384 |
| Total | <u>\$ 228,919</u> | <u>\$ 1,175,013</u> |
| <u>Non-Uniformed Pension</u> | | |
| Differences between expected and actual experience | \$ - | \$ 309,406 |
| Changes in assumptions | 110,559 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 519,855 |
| Total | <u>\$ 110,559</u> | <u>\$ 829,261</u> |

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

| Year Ended | <u>Police</u> | <u>Non-Uniform</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|-----------------------|
| <u>December 31:</u> | | | |
| 2021 | \$ (312,140) | \$ (231,472) | \$ (543,612) |
| 2022 | (71,504) | (125,885) | (197,389) |
| 2023 | (430,056) | (258,490) | (688,546) |
| 2024 | (132,394) | (97,716) | (230,110) |
| 2025 | - | (5,139) | (5,139) |
| Thereafter | - | - | - |
| Total | <u>\$ (946,094)</u> | <u>\$ (718,702)</u> | <u>\$ (1,664,796)</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Deferred Retirement Option Program

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. An active member is eligible to enter the DROP program at age 54 and 25 years of service. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into a self-directed account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The member must retire within 36 months after entering the DROP. As of December 31, 2020, the DROP account balance of \$573,380 is held by the plan pursuant to the DROP and is included in the total pension liability.

D. Post-employment benefits

Description of the Plan to Date

Established through police contract, the Township administers a single-employer defined benefit plan to provide for certain post-employment healthcare benefits. The Township will provide for certain medical and prescription drug coverage in the Township's insurance plan for a period of 12 years or the number of years necessary for the retiree to reach Medicare age, whichever is greater. Where coverage extends beyond the Medicare eligibility, the Township may coordinate its obligation to provide post-retirement medical coverage with available Medicare coverage. Furthermore, the coverage for spouses and dependents may not exceed five years.

The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The most recent valuation was as of January 1, 2020.

The plan does not issue a stand-alone financial report.

At December 31, 2020, the Post-Employment Plan consisted of the following:

| | <u>Police</u> |
|---|---------------|
| Inactive employees (or their beneficiaries) currently receiving benefits | 7 |
| Inactive employees entitled to benefits but not yet receiving them | 0 |
| Active employees | <u>21</u> |
| | <u>28</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

D. Post-employment benefits (continued)

Eligibility

The Plan covers all officers who have retired after January 1, 2013 at age 50 or greater with at least 25 years of service.

Benefits provided

The Township will provide a retired officer and his or her spouse with continued medical and prescription drug coverage in the Township's plan, given that the officer is not eligible for comparable coverage.

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The contribution requirements of the Township and plan members have been established and may be amended through Board Resolution and Police Labor Contracts. The Township is accounting for these expenditures on a "pay-as-you-go" basis.

Net OPEB Liability

The Township's net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

| | <u>Police</u> | |
|-----------------------------|--|-----------------------|
| Inflation | 3.00% | |
| Salary Increases | 4.25% | (including inflation) |
| Investment Rate of Return | 2.12% | |
| Healthcare Cost Trend Rates | Medical inflation of 6.5% in the first year gradually decreasing by .5% per year to an ultimate rate of 5% | |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

D. Post-employment benefits (continued)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females with generational mortality projections using Scale BB.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study from the period January 1, 2018 to December 31, 2019.

The net OPEB liability was measured as of December 31, 2020 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. The discount rate decreased from 2.74% to 2.12%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.12 percent and is based on a 20 year Municipal Bond Index rated at least AA for non-funded trust at December 31, 2019.

Change in Net OPEB Liability

| | <u>Increase (Decrease)</u> | | |
|---|----------------------------|-----------------------|---------------------|
| | <u>Total Pension</u> | <u>Plan Fiduciary</u> | <u>Net Pension</u> |
| | <u>Liability</u> | <u>Net Position</u> | <u>Liability</u> |
| <u>Police OPEB Plan</u> | | | |
| Balance at December 31, 2019 | \$ 3,910,492 | \$ - | \$ 3,910,492 |
| Changes for the year: | | | |
| Service cost | 300,224 | - | 300,224 |
| Interest | 113,368 | - | 113,368 |
| Change of benefit terms | - | - | - |
| Differences between expected and actual experience | 748,838 | - | 748,838 |
| Change of assumptions | (195,898) | - | (195,898) |
| Contributions - employer | - | 146,376 | (146,376) |
| Contributions - employee | - | - | - |
| Net investment income | - | - | - |
| Benefit payments, including refunds of employee contributions | (146,376) | (146,376) | - |
| Administrative expense | - | - | - |
| Other changes | - | - | - |
| Net Changes | <u>820,156</u> | <u>-</u> | <u>820,156</u> |
| Balance at December 31, 2020 | <u>\$ 4,730,648</u> | <u>\$ -</u> | <u>\$ 4,730,648</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

D. Post-employment benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 2.12 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.12 percent) or one percentage point higher (3.12 percent) than the current rate:

| | 1% Decrease | Current Discount Rate (2.12%) | 1% Increase |
|--------|----------------|-------------------------------------|----------------|
| | <u>1.12%</u> | <u>Rate (2.12%)</u> | <u>(3.12%)</u> |
| Police | \$ 5,288,942 | \$ 4,730,648 | \$ 4,286,215 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates (6.5% in 2020. Rates gradually decrease from .5% per year to an ultimate rate of 5%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease Valuation Rates | Healthcare Cost Trend Valuation Rates | 1% Increase Valuation Rates |
|--------|-----------------------------------|---|-----------------------------------|
| Police | \$ 4,091,956 | \$ 4,730,648 | \$ 5,513,029 |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

D. Post-employment benefits (continued)

OPEB Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020, the Township recognized OPEB expense of \$460,170. At December 31, 2020, the Township reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| <u>Police</u> | | |
| Differences between expected and actual experience | \$ 972,571 | \$ 221,243 |
| Changes in assumptions | - | 181,376 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| Total | <u>\$ 972,571</u> | <u>\$ 402,619</u> |

The deferred amounts related to OPEB will be recognized in expense as follows:

| Year Ended December 31: | <u>Police</u> |
|----------------------------|-------------------|
| 2021 | \$ 46,579 |
| 2022 | 46,579 |
| 2023 | 46,579 |
| 2024 | 46,579 |
| 2025 | 46,579 |
| Thereafter | <u>337,057</u> |
| Total | <u>\$ 569,952</u> |

Payable to the OPEB Plan: For the year ended December 31, 2020, there was no amount payable for contributions to the OPEB plan.

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

E. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, administrative, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2020, \$510,967 represents the balance of these monies held in escrow.

F. New Accounting Pronouncements

GASB Codification Section L20, Leases (GASB 87): GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This statement is expected to have an implementation date for fiscal years beginning after June 15, 2021.

G. Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Township is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTAL INFORMATION

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS - POLICE PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 339,092 | \$ 341,144 | \$ 276,250 |
| Interest | 1,230,096 | 1,208,907 | 1,176,017 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (31,250) | (127,327) | (106,006) |
| Changes of assumptions | - | 379,525 | - |
| Benefit payments, including refunds of employee contributions | <u>(968,658)</u> | <u>(935,591)</u> | <u>(1,009,635)</u> |
| Net change in total pension liability | 569,280 | 866,658 | 336,626 |
| Total pension liability - beginning | <u>17,112,075</u> | <u>16,245,417</u> | <u>15,908,791</u> |
| Total pension liability - ending (a) | <u>\$ 17,681,355</u> | <u>\$ 17,112,075</u> | <u>\$ 16,245,417</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 733,241 | \$ 576,192 | \$ 544,727 |
| Contributions - employee | 129,907 | 112,100 | 103,521 |
| Net investment income | 1,789,597 | 2,707,264 | (781,056) |
| Benefit payments, including refunds of employee contributions | (968,658) | (935,591) | (1,009,635) |
| Administrative expense | (74,011) | (74,679) | (74,195) |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 1,610,076 | 2,385,286 | (1,216,638) |
| Plan fiduciary net position - beginning | <u>15,782,436</u> | <u>13,397,150</u> | <u>14,613,788</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 17,392,512</u> | <u>\$ 15,782,436</u> | <u>\$ 13,397,150</u> |
| Township's net pension liability - ending (a)-(b) | <u>\$ 288,843</u> | <u>\$ 1,329,639</u> | <u>\$ 2,848,267</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 98.4% | 92.2% | 82.5% |
| Covered payroll | \$ 2,551,914 | \$ 2,357,900 | \$ 1,970,673 |
| Township's net pension liability as a percentage of covered payroll | 11.3% | 56.4% | 144.5% |
| Annual money weighted return, net of investment expenses | 11.54% | 20.43% | -6.08% |

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a 10-year trend is complete, available information is presented.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------|----------------------|---------------------|----------------------|
| \$ 277,134 | \$ 268,280 | \$ 287,081 | \$ 274,063 |
| 1,139,806 | 1,140,711 | 1,094,926 | 1,010,913 |
| - | - | - | - |
| (107,917) | (625,901) | (77,282) | 139,144 |
| - | 346,510 | - | - |
| <u>(641,030)</u> | <u>(678,747)</u> | <u>(711,561)</u> | <u>(592,091)</u> |
| 667,993 | 450,853 | 593,164 | 832,029 |
| <u>15,240,798</u> | <u>14,789,945</u> | <u>14,196,781</u> | <u>13,364,752</u> |
| <u>\$ 15,908,791</u> | <u>\$ 15,240,798</u> | <u>\$14,789,945</u> | <u>\$ 14,196,781</u> |
| | | | |
| \$ 418,126 | \$ 429,139 | \$ 460,972 | \$ 330,152 |
| 97,188 | 100,743 | 111,527 | 110,737 |
| 2,000,578 | 800,223 | (123,725) | 559,176 |
| (641,030) | (678,747) | (711,561) | (597,129) |
| (69,654) | (64,795) | (66,322) | (65,065) |
| - | - | - | - |
| <u>1,805,208</u> | <u>586,563</u> | <u>(329,109)</u> | <u>337,871</u> |
| | | | |
| <u>12,808,580</u> | <u>12,222,017</u> | <u>12,551,126</u> | <u>12,213,255</u> |
| <u>\$ 14,613,788</u> | <u>\$12,808,580</u> | <u>\$12,222,017</u> | <u>\$12,551,126</u> |
| | | | |
| <u>\$ 1,295,003</u> | <u>\$ 2,432,218</u> | <u>\$ 2,567,928</u> | <u>\$ 1,645,655</u> |
| | | | |
| 91.9% | 84.0% | 82.6% | 88.4% |
| | | | |
| \$ 2,355,240 | \$ 2,018,578 | \$ 2,355,240 | \$ 2,248,439 |
| | | | |
| 55.0% | 120.5% | 109.0% | 73.2% |
| | | | |
| 15.71% | 6.17% | -1.49% | 4.14% |

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

| Fiscal Year Ended December 31, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|--------------------------------------|---|------------------------------------|--|--------------------|--|
| 2011 | \$ 279,187 | \$ 279,187 | \$ - | \$ 1,588,396 | (1) 17.58% |
| 2012 | 290,360 | 290,360 | - | 1,905,310 | (1) 15.24% |
| 2013 | 318,394 | 318,394 | - | 1,905,310 | (1) 16.71% |
| 2014 | 330,152 | 330,152 | - | 2,248,439 | 14.68% |
| 2015 | 460,972 | 460,972 | - | 2,355,240 | 19.57% |
| 2016 | 429,139 | 429,139 | - | 2,018,578 | 21.26% |
| 2017 | 418,126 | 418,126 | - | 2,005,003 | 20.85% |
| 2018 | 544,727 | 544,727 | - | 1,970,673 | 27.64% |
| 2019 | 576,192 | 576,192 | - | 2,357,900 | 24.44% |
| 2020 | 733,241 | 733,241 | - | 2,551,914 | 28.73% |

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Valuation date | 1/1/2019 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | 10 years |
| Asset valuation method | Market value |
| Inflation | 3.00% |
| Salary increases | 4.5%, average, including inflation |
| Investment rate of return | 7.25% |
| Retirement age | Age 52 and 25 years of service |
| Mortality | RP-2000 Mortality table (Blue Collar) with Scale AA |

Change in benefit terms: None since 1/1/2019

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS – NON-UNIFORM PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|
| Total pension liability | | | |
| Service cost | \$ 227,184 | \$ 226,184 | \$ 215,194 |
| Interest | 543,224 | 512,922 | 482,163 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (176,499) | (65,426) | (130,651) |
| Changes of assumptions | - | 144,216 | - |
| Benefit payments, including refunds of employee contributions | <u>(167,183)</u> | <u>(163,052)</u> | <u>(172,084)</u> |
| Net change in total pension liability | 426,726 | 654,844 | 394,622 |
| Total pension liability - beginning | <u>7,349,157</u> | <u>6,694,313</u> | <u>6,299,691</u> |
| Total pension liability - ending (a) | <u>\$ 7,775,883</u> | <u>\$ 7,349,157</u> | <u>\$ 6,694,313</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 363,208 | \$ 328,562 | \$ 324,109 |
| Contributions - employee | 75,033 | 71,052 | 67,181 |
| Net investment income | 893,612 | 1,215,988 | (342,367) |
| Benefit payments, including refunds of employee contributions | (167,183) | (163,052) | (172,084) |
| Administrative expense | (38,267) | (36,936) | (34,762) |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 1,126,403 | 1,415,614 | (157,923) |
| Plan fiduciary net position - beginning | <u>7,191,727</u> | <u>5,776,113</u> | <u>5,934,036</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 8,318,130</u> | <u>\$ 7,191,727</u> | <u>\$ 5,776,113</u> |
| Township's net pension liability - ending (a)-(b) | <u>\$ (542,247)</u> | <u>\$ 157,430</u> | <u>\$ 918,200</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 107.0% | 97.9% | 86.3% |
| Covered payroll | \$ 1,879,289 | \$ 1,712,398 | \$ 1,650,307 |
| Township's net pension liability as a percentage of covered payroll | -28.9% | 9.2% | 55.6% |
| Annual money weighted return, net of investment expenses | 12.04% | 20.39% | -6.23% |

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------|---------------------|---------------------|---------------------|
| \$ 238,118 | \$ 226,206 | \$ 223,848 | \$ 213,697 |
| 464,727 | 441,139 | 408,180 | 359,422 |
| - | - | - | - |
| (88,963) | (344,483) | (30,249) | 6,648 |
| - | 122,558 | - | - |
| <u>(145,107)</u> | <u>(160,838)</u> | <u>(196,883)</u> | <u>(165,898)</u> |
| 468,775 | 284,582 | 404,896 | 413,869 |
| <u>5,830,916</u> | <u>5,546,334</u> | <u>5,141,438</u> | <u>4,727,569</u> |
| <u>\$ 6,299,691</u> | <u>\$ 5,830,916</u> | <u>\$ 5,546,334</u> | <u>\$ 5,141,438</u> |

| | | | |
|---------------------|---------------------|---------------------|---------------------|
| \$ 289,393 | \$ 283,533 | \$ 275,268 | \$ 230,841 |
| 65,266 | 63,020 | 63,997 | 59,868 |
| 798,095 | 304,304 | (45,975) | 195,781 |
| (145,107) | (160,838) | (196,883) | (164,616) |
| (31,097) | (27,612) | (27,001) | (26,192) |
| - | - | - | - |
| <u>976,550</u> | <u>462,407</u> | <u>69,406</u> | <u>295,682</u> |
| <u>4,957,486</u> | <u>4,495,079</u> | <u>4,425,673</u> | <u>4,129,991</u> |
| <u>\$ 5,934,036</u> | <u>\$ 4,957,486</u> | <u>\$ 4,495,079</u> | <u>\$ 4,425,673</u> |

| | | | |
|-------------------|-------------------|---------------------|-------------------|
| <u>\$ 365,655</u> | <u>\$ 873,430</u> | <u>\$ 1,051,255</u> | <u>\$ 715,765</u> |
|-------------------|-------------------|---------------------|-------------------|

| | | | |
|-------|-------|-------|-------|
| 94.2% | 85.0% | 81.0% | 86.1% |
|-------|-------|-------|-------|

| | | | |
|--------------|--------------|--------------|--------------|
| \$ 1,579,451 | \$ 1,579,451 | \$ 1,579,451 | \$ 1,507,829 |
|--------------|--------------|--------------|--------------|

| | | | |
|-------|-------|-------|-------|
| 23.2% | 55.3% | 66.6% | 47.5% |
|-------|-------|-------|-------|

| | | | |
|--------|-------|--------|-------|
| 15.20% | 6.24% | -1.52% | 4.22% |
|--------|-------|--------|-------|

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CONTRIBUTIONS – NON-UNIFORM PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

| Fiscal Year Ended <u>December 31,</u> | Actuarially Determined <u>Contribution</u> | Actual Employer <u>Contribution</u> | Contribution Deficiency <u>(Excess)</u> | Covered <u>Payroll</u> | Contribution as a Percentage of Covered <u>Payroll</u> |
|---|--|---|---|---------------------------|---|
| 2011 | \$ 222,968 | \$ 222,968 | \$ - | \$ 1,384,338 (1) | 16.11% |
| 2012 | 226,766 | 226,766 | - | 1,384,338 (1) | 16.38% |
| 2013 | 232,501 | 232,501 | - | 1,424,224 (1) | 16.32% |
| 2014 | 230,841 | 230,841 | - | 1,507,829 | 15.31% |
| 2015 | 275,268 | 275,268 | - | 1,579,451 | 17.43% |
| 2016 | 283,533 | 283,533 | - | 1,579,241 | 17.95% |
| 2017 | 289,393 | 289,393 | - | 1,654,307 | 17.49% |
| 2018 | 324,109 | 324,109 | - | 1,702,782 | 19.03% |
| 2019 | 328,562 | 328,562 | - | 1,712,398 | 19.19% |
| 2020 | 363,208 | 363,208 | - | 1,879,289 | 19.33% |

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Valuation date | 1/1/2019 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | 8 years |
| Asset valuation method | Market value |
| Inflation | 3.00% |
| Salary increases | 4.25% , average, including inflation |
| Investment rate of return | 7.25% |
| Retirement age | Age 62 and 20 years of service |
| Mortality | RP-2000 Mortality Table (Blue Collar) with Scale AA |

Change in benefit terms: None since 1/1/2019

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED
RATIOS - OPEB PLAN
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

| | Police <u>2020</u> | Police <u>2019</u> | Police <u>2018</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total OPEB liability | | | |
| Service cost | \$ 300,224 | \$ 178,702 | \$ 180,376 |
| Interest | 113,368 | 120,794 | 125,705 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 748,838 | 347,519 | (306,886) |
| Changes of assumptions | (195,898) | - | - |
| Benefit payments | <u>(146,376)</u> | <u>(138,543)</u> | <u>(142,024)</u> |
| Net change in total OPEB liability | 820,156 | 508,472 | (142,829) |
| Total OPEB liability - beginning | <u>3,910,492</u> | <u>3,402,020</u> | <u>3,544,849</u> |
| Total OPEB liability - ending (a) | <u>\$ 4,730,648</u> | <u>\$ 3,910,492</u> | <u>\$ 3,402,020</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 146,376 | \$ 138,543 | \$ 142,024 |
| Contributions - employee | - | - | - |
| Net investment income | - | - | - |
| Benefit payments | (146,376) | (138,543) | (142,024) |
| Administrative expense | - | - | - |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | - | - | - |
| Plan fiduciary net position - beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| Plan fiduciary net position - ending (b) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Township's net OPEB liability - ending (a)-(b) | <u>\$ 4,730,648</u> | <u>\$ 3,910,492</u> | <u>\$ 3,402,020</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.0% | 0.0% | 0.0% |
| Covered payroll | \$ 2,496,340 | \$ 2,485,278 | \$ 2,401,557 |
| Net OPEB liability as a percentage of covered payroll | 189.5% | 157.3% | 141.7% |
| Annual money-weighted return, net of investment expenses | Not Applicable | Not Applicable | Not Applicable |

Notes to Schedule:

Change in benefit terms: None since 1/1/2018

Long term investment rate decreased from 2.74% to 2.12% in 2020

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

OTHER INFORMATION

UPPER SOUTHAMPTON TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | Special Revenue Funds | | | | | | | | Total |
|---|-----------------------|------------------|--------------------|------------------|------------------|-------------------|----------------------|-------------------|-------------------|
| | Street Light | Fire Hydrant | Fire Protection | Library | Rescue Squad | Road Machinery | Park & Recreation | Highway Aid | |
| <u>ASSETS</u> | | | | | | | | | |
| Cash and cash equivalents | \$ 67,767 | \$ 24,027 | \$ 9,635 | \$ 18,172 | \$ 10,881 | \$ 15,922 | \$ 493,371 | \$ 171,568 | \$ 811,343 |
| Receivables | 4,677 | 437 | 5,074 | 10,156 | 3,850 | - | 10,156 | - | 34,350 |
| Total Assets | <u>\$ 72,444</u> | <u>\$ 24,464</u> | <u>\$ 14,709</u> | <u>\$ 28,328</u> | <u>\$ 14,731</u> | <u>\$ 15,922</u> | <u>\$ 503,527</u> | <u>\$ 171,568</u> | <u>\$ 845,693</u> |
| <u>LIABILITIES</u> | | | | | | | | | |
| Accounts payable and accrued wages | \$ 10,124 | \$ 11 | \$ - | \$ 785 | \$ - | \$ - | \$ 10,483 | \$ 853 | \$ 22,256 |
| Total Liabilities | <u>10,124</u> | <u>11</u> | <u>-</u> | <u>785</u> | <u>-</u> | <u>-</u> | <u>10,483</u> | <u>853</u> | <u>22,256</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | | | | |
| Unavailable revenue - property taxes | 3,657 | 346 | 3,967 | 7,940 | 3,010 | - | 7,940 | - | 26,860 |
| Total Deferred Inflows or Resources | <u>3,657</u> | <u>346</u> | <u>3,967</u> | <u>7,940</u> | <u>3,010</u> | <u>-</u> | <u>7,940</u> | <u>-</u> | <u>26,860</u> |
| <u>FUND BALANCES</u> | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Police and emergency services | - | 24,107 | 10,742 | - | 11,721 | - | - | - | 46,570 |
| Open space | - | - | - | - | - | - | - | - | - |
| Highways and streets | 58,663 | - | - | - | - | - | - | 170,715 | 229,378 |
| Debt service | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | 19,603 | - | - | - | - | 19,603 |
| Capital projects | - | - | - | - | - | - | - | - | - |
| Committed for: | | | | | | | | | |
| Park and recreation | - | - | - | - | - | - | 485,104 | - | 485,104 |
| Highways and streets | - | - | - | - | - | - | - | - | - |
| Assigned for: | | | | | | | | | |
| Highways and streets | - | - | - | - | - | 15,922 | - | - | 15,922 |
| Capital projects | - | - | - | - | - | - | - | - | - |
| Total Fund Balances | <u>58,663</u> | <u>24,107</u> | <u>10,742</u> | <u>19,603</u> | <u>11,721</u> | <u>15,922</u> | <u>485,104</u> | <u>170,715</u> | <u>796,577</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 72,444</u> | <u>\$ 24,464</u> | <u>\$ 14,709</u> | <u>\$ 28,328</u> | <u>\$ 14,731</u> | <u>\$ 15,922</u> | <u>\$ 503,527</u> | <u>\$ 171,568</u> | <u>\$ 845,693</u> |

| Capital Projects Funds | | | | | | Debt Service Fund | Total Nonmajor Governmental Funds |
|------------------------|------------------------|--------------------|-------------------|------------------------|---------------------|----------------------|---|
| Rescue Capital | Vehicle Replacement | Capital Reserve | Open Space | Storm Water Capital | Total | | |
| \$ 86,156 | \$ 707,451 | \$ 828,075 | \$ 142,443 | \$ 499,401 | \$ 2,263,526 | \$ 73,204 | \$ 3,148,073 |
| - | - | - | 1,751 | - | 1,751 | 9,807 | 45,908 |
| <u>\$ 86,156</u> | <u>\$ 707,451</u> | <u>\$ 828,075</u> | <u>\$ 144,194</u> | <u>\$ 499,401</u> | <u>\$ 2,265,277</u> | <u>\$ 83,011</u> | <u>\$ 3,193,981</u> |
| \$ - | \$ 18,899 | \$ 497 | \$ - | \$ 7,823 | \$ 27,219 | \$ 627 | \$ 50,102 |
| - | 18,899 | 497 | - | 7,823 | 27,219 | 627 | 50,102 |
| - | - | - | 1,369 | - | 1,369 | 7,668 | 35,897 |
| - | - | - | 1,369 | - | 1,369 | 7,668 | 35,897 |
| 86,156 | - | - | - | - | 86,156 | - | 132,726 |
| - | - | - | 142,825 | - | 142,825 | - | 142,825 |
| - | - | - | - | - | - | - | 229,378 |
| - | - | - | - | - | - | 74,716 | 74,716 |
| - | - | - | - | - | - | - | 19,603 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 485,104 |
| - | - | - | - | 491,578 | 491,578 | - | 491,578 |
| - | - | - | - | - | - | - | 15,922 |
| - | 688,552 | 827,578 | - | - | 1,516,130 | - | 1,516,130 |
| <u>86,156</u> | <u>688,552</u> | <u>827,578</u> | <u>142,825</u> | <u>491,578</u> | <u>2,236,689</u> | <u>74,716</u> | <u>3,107,982</u> |
| <u>\$ 86,156</u> | <u>\$ 707,451</u> | <u>\$ 828,075</u> | <u>\$ 144,194</u> | <u>\$ 499,401</u> | <u>\$ 2,265,277</u> | <u>\$ 83,011</u> | <u>\$ 3,193,981</u> |

UPPER SOUTHAMPTON TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Special Revenue Funds | | | | | | | | Total |
|---|-----------------------|------------------|--------------------|------------------|------------------|-------------------|----------------------|-------------------|-------------------|
| | Street Light | Fire Hydrant | Fire Protection | Library | Rescue Squad | Road Machinery | Park & Recreation | Highway Aid | |
| Revenues | | | | | | | | | |
| Property | \$ 267,820 | \$ 24,565 | \$ 290,760 | \$ 581,238 | \$ 219,116 | \$ - | \$ 581,782 | \$ - | \$ 1,965,281 |
| Investment income and rent | 138 | 35 | 59 | 111 | 83 | 24 | 857 | 496 | 1,803 |
| Intergovernmental revenues | - | - | - | - | - | - | - | 477,062 | 477,062 |
| Charges for services | - | - | - | - | - | - | 34,272 | - | 34,272 |
| Other | 9,859 | - | - | - | - | - | 300 | - | 10,159 |
| Total Revenues | <u>277,817</u> | <u>24,600</u> | <u>290,819</u> | <u>581,349</u> | <u>219,199</u> | <u>24</u> | <u>617,211</u> | <u>477,558</u> | <u>2,488,577</u> |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - |
| Public safety | - | 24,557 | 294,772 | - | 204,130 | - | - | - | 523,459 |
| Highways and roads | 267,251 | - | - | - | - | - | - | 399,520 | 666,771 |
| Culture and recreation | - | - | - | 575,445 | - | - | 446,605 | - | 1,022,050 |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | 120,260 | - | 120,260 |
| Total Expenditures | <u>267,251</u> | <u>24,557</u> | <u>294,772</u> | <u>575,445</u> | <u>204,130</u> | <u>-</u> | <u>566,865</u> | <u>399,520</u> | <u>2,332,540</u> |
| Excess (Deficiency) of Revenues | | | | | | | | | |
| Over Expenditures | <u>10,566</u> | <u>43</u> | <u>(3,953)</u> | <u>5,904</u> | <u>15,069</u> | <u>24</u> | <u>50,346</u> | <u>78,038</u> | <u>156,037</u> |
| Other Financing Sources (Uses) | | | | | | | | | |
| Proceeds from sale of fixed assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | (9,500) | - | - | - | (9,500) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,500)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,500)</u> |
| Net Changes in Fund Balance | | | | | | | | | |
| Net Changes in Fund Balance | 10,566 | 43 | (3,953) | 5,904 | 5,569 | 24 | 50,346 | 78,038 | 146,537 |
| Fund Balance - Beginning | 48,097 | 24,064 | 14,695 | 13,699 | 6,152 | 15,898 | 434,758 | 92,677 | 650,040 |
| Fund Balance - Ending | <u>\$ 58,663</u> | <u>\$ 24,107</u> | <u>\$ 10,742</u> | <u>\$ 19,603</u> | <u>\$ 11,721</u> | <u>\$ 15,922</u> | <u>\$ 485,104</u> | <u>\$ 170,715</u> | <u>\$ 796,577</u> |

| Capital Projects Funds | | | | | | Debt Service Fund | Total Nonmajor Governmental Funds |
|------------------------|------------------------|--------------------|-------------------|------------------------|---------------------|----------------------|---|
| Rescue Capital | Vehicle Replacement | Capital Reserve | Open Space | Storm Water Capital | Total | | |
| \$ - | \$ - | \$ - | \$ 100,308 | \$ - | \$ 100,308 | \$ 561,721 | \$ 2,627,310 |
| 119 | 900 | 1,420 | 204 | 891 | 3,534 | 220 | 5,557 |
| - | - | 889,863 | - | - | 889,863 | - | 1,366,925 |
| - | - | - | - | - | - | - | 34,272 |
| - | - | - | - | - | - | - | 10,159 |
| <u>119</u> | <u>900</u> | <u>891,283</u> | <u>100,512</u> | <u>891</u> | <u>993,705</u> | <u>561,941</u> | <u>4,044,223</u> |
| - | - | - | - | - | - | 3,300 | 3,300 |
| - | - | - | - | - | - | - | 523,459 |
| - | - | - | - | - | - | - | 666,771 |
| - | - | - | - | - | - | - | 1,022,050 |
| - | - | - | - | - | - | 125 | 125 |
| - | - | - | 125,000 | - | 125,000 | 447,000 | 572,000 |
| - | - | - | 7,702 | - | 7,702 | 59,960 | 67,662 |
| - | 89,269 | 1,167,466 | 630 | 320,875 | 1,578,240 | - | 1,698,500 |
| - | 89,269 | 1,167,466 | 133,332 | 320,875 | 1,710,942 | 510,385 | 4,553,867 |
| <u>119</u> | <u>(88,369)</u> | <u>(276,183)</u> | <u>(32,820)</u> | <u>(319,984)</u> | <u>(717,237)</u> | <u>51,556</u> | <u>(509,644)</u> |
| - | 13,750 | - | - | - | 13,750 | - | 13,750 |
| 9,500 | 175,270 | 350 | - | 137,000 | 322,120 | - | 322,120 |
| - | - | - | - | (6,720) | (6,720) | - | (16,220) |
| <u>9,500</u> | <u>189,020</u> | <u>350</u> | <u>-</u> | <u>130,280</u> | <u>329,150</u> | <u>-</u> | <u>319,650</u> |
| 9,619 | 100,651 | (275,833) | (32,820) | (189,704) | (388,087) | 51,556 | (189,994) |
| 76,537 | 587,901 | 1,103,411 | 175,645 | 681,282 | 2,624,776 | 23,160 | 3,297,976 |
| <u>\$ 86,156</u> | <u>\$ 688,552</u> | <u>\$ 827,578</u> | <u>\$ 142,825</u> | <u>\$ 491,578</u> | <u>\$ 2,236,689</u> | <u>\$ 74,716</u> | <u>\$ 3,107,982</u> |

UPPER SOUTHAMPTON TOWNSHIP
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

| | Pension Trust Funds | | |
|--------------------------------|---------------------|------------------------|-------------------|
| | Police Pension | Non-Uniform Pension | Total |
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash | \$ 429,574 | \$ 72,435 | \$ 502,009 |
| Investments, at fair value | | | |
| Mutual Funds - Fixed Income | 4,465,763 | 2,282,940 | 6,748,703 |
| Mutual Funds - Equity | 12,043,471 | 5,962,745 | 18,006,216 |
| Other investments | 453,704 | - | 453,704 |
| Total Current Assets | 17,392,512 | 8,318,120 | 25,710,632 |
| TOTAL ASSETS | \$ 17,392,512 | \$ 8,318,120 | \$ 25,710,632 |
| <u>NET POSITION</u> | | | |
| Net Position - Restricted for: | | | |
| Pension benefits | \$ 17,392,512 | \$ 8,318,120 | \$ 25,710,632 |
| TOTAL NET POSITION | \$ 17,392,512 | \$ 8,318,120 | \$ 25,710,632 |

UPPER SOUTHAMPTON TOWNSHIP
COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Pension Trust Funds | | |
|--|----------------------|------------------------|----------------------|
| | Police Pension | Non-Uniform Pension | Total |
| Additions | | | |
| Contributions | | | |
| Township | \$ 526,440 | \$ 225,341 | \$ 751,781 |
| Employee | 129,907 | 75,033 | 204,940 |
| State | 206,801 | 137,867 | 344,668 |
| Total Contributions | <u>863,148</u> | <u>438,241</u> | <u>1,301,389</u> |
| Investment Earnings | | | |
| Net appreciation in fair value of investments | 1,418,559 | 714,946 | 2,133,505 |
| Investment income | 365,345 | 178,667 | 544,012 |
| Total Investment Earnings | 1,783,904 | 893,613 | 2,677,517 |
| Less investment expense | (68,811) | (33,067) | (101,878) |
| Net Investment Earnings | <u>1,715,093</u> | <u>860,546</u> | <u>2,575,639</u> |
| Total Additions | <u>2,578,241</u> | <u>1,298,787</u> | <u>3,877,028</u> |
| Deductions | | | |
| Professional fees | 5,200 | 5,200 | 10,400 |
| Retiree benefits | 968,658 | 167,183 | 1,135,841 |
| Total Deductions | <u>973,858</u> | <u>172,383</u> | <u>1,146,241</u> |
| Net Increase (Decrease) | 1,604,383 | 1,126,404 | 2,730,787 |
| Net Position - Restricted for Pension Benefits | | | |
| Beginning of Year | <u>15,788,129</u> | <u>7,191,716</u> | <u>22,979,845</u> |
| End of Year | <u>\$ 17,392,512</u> | <u>\$ 8,318,120</u> | <u>\$ 25,710,632</u> |

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| <u>Federal Grantor/Pass-Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass Through Number</u> | <u>Passed Through to Subrecipients</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|--|---------------------------------|
| United States Department of Homeland Security | | | | |
| Flood Mitigation Assistance | 97.029 | | | <u>\$ 750,718</u> |
| | | Total Federal Awards | | <u>\$ 750,718</u> |

UPPER SOUTHAMPTON TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the federal grant activity of Upper Southampton Township under programs of the Federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 220, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. Summary of Significant Accounting Policies

- (1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Township did not elect to use the 10% de minimis indirect cost rate.



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INDEPENDENT AUDITORS' 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*

To the Board of Supervisors
Upper Southampton Township
Southampton, Pennsylvania

We were engaged to audit, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Southampton Township, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Upper Southampton Township's primary government, and have issued our report thereon dated July 19, 2021. Our report issued an adverse opinion because the financial statements do not include financial data for the Township's legally separate component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Southampton Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Southampton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Southampton Township's internal control.

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.

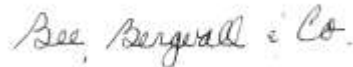
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Southampton Township's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
July 19, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
Upper Southampton Township
Southampton, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Upper Southampton Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Upper Southampton, State of Pennsylvania major federal programs for the year ended December 31, 2020. Upper Southampton Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upper Southampton Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upper Southampton Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Upper Southampton Township's compliance.

Opinion on Each Major Federal Program

In our opinion, Upper Southampton Township, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

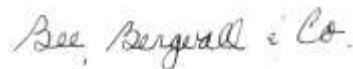
Report on Internal Control over Compliance

Management of Upper Southampton Township, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper Southampton Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper Southampton Township's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
July 19, 2021

UPPER SOUTHAMPTON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ Report Issued: Adverse Opinion because of the omission of the discretely presented component units

Internal Control over Financial Reporting:

- Material Weaknesses Identified? ___yes x none reported
- Significant Deficiencies Identified? ___yes x none reported

Noncompliance Material to Financial Statements noted? ___yes x none reported

Federal Awards

Internal Control over Major Programs:

- Material Weaknesses Identified? ___yes x none reported
- Significant Deficiencies Identified? ___yes x none reported

Type of Auditors’ Report Issued on Compliance For Major Programs Unmodified

Any Audit Findings Disclosed that are Required to be Reported in accordance with Uniform Guidance? ___yes x no

Identification of Major Programs

CFDA Number
97.029

Name of Federal Program
Flood Mitigation Assistance

Dollar Threshold used to Distinguish between Type A and Type B Programs: \$750,000

Auditee Qualified as Low-Risk Auditee ___yes x no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None