

TOWNSHIP OF BETHLEHEM

**Financial Statements,
Independent Auditor's Report
and Supplementary Information**

December 31, 2018

**TOWNSHIP OF BETHLEHEM
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Township of Bethlehem
Bethlehem, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bethlehem, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township of Bethlehem's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We did not audit the financial statements of Bethlehem Township Municipal Authority, which represent 49.9%, 94.2% and 26.7%, respectively, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bethlehem Township Municipal Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bethlehem, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussing in Note 2 of the financial statements, management has elected to change its policy for recording net OPEB Liability. Our opinion is not modified with respect to the matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison, pension and other postemployment benefit information on pages 68-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Bethlehem's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the basic 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 August 1, 2019 on our consideration of the Township of Bethlehem's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Township of Bethlehem'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 the Township of Bethlehem's internal control over financial reporting and compliance.



August 1, 2019

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township of Bethlehem's discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Township's financial statements beginning on page 10.

FINANCIAL HIGHLIGHTS

- The net position all government funds (excluding pensions and agency funds) increased by \$4,664,393 during 2018. This is primarily due to Act 511 Tax Proceeds, Permits and Federal, State and Local grants.
- The General Fund balance increased \$1,869,434 during 2018.
- The net position of the Sewer fund increased by \$1,389,637 during 2018.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 10-11 provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. Since the Township of Bethlehem is a general purpose government we have elected to combine fund financial statements into government-wide financial statements for single presentation. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

REPORTING ON THE TOWNSHIP AS A WHOLE

The analysis of the Township as a whole begins on page 10. One of the most important questions asked about the Township's finances is "Is the Township as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position . the difference between assets and liabilities . as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the overall health of the Township.

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In the Statement of Net Position and the Statement of Activities, the Township presents Governmental and Business Type Activities. All of the Township's basic services are reported here. The Township's Governmental Activities include the General Fund, Special Revenue Fund (includes Liquid Fuels Fund and D.A.R.E.-Canine Fund) and Capital Projects Fund (includes Capital Reserve Fund and Parks and Recreation Fund). These fund types are explained in more detail on pages 22-23. The Township has one Business Type Activity which is its Sewer Fund.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Our analysis of the Township's governmental funds begins on page 12 and provides detailed information about the most significant funds . General Fund, Capital Projects Funds and Special Revenue Funds - not the Township as a whole. All of the Township's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting. The general fund statements provide a detailed short term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

THE TOWNSHIP AS TRUSTEE

The Township is the trustee, or fiduciary, over its employees' pension trust funds. It's also responsible for other assets which can only be used for the depositors based on the trust agreement with those depositors. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19-20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP OF BETHLEHEM AS A WHOLE

The Township of Bethlehem's combined net position increased from \$24,298,032 in 2017 to \$28,962,425 in 2018, or a net increase of \$4,664,393, mainly due to Act 511 Tax Proceeds, Permits and Federal, State and Local grants.

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our analysis below focuses on the net position and changes in net position of the Township's governmental and business type activities.

	<u>Governmental Funds</u> 2018	<u>Business Type Activities</u> 2018	<u>Government Wide</u> 2018
Current and Other Assets	\$ 13,459,576	\$ 4,340,881	\$ 17,800,457
Capital Assets, Net	33,413,302	1,723,695	35,136,997
Total Assets	<u>\$ 46,872,878</u>	<u>\$ 6,064,576</u>	<u>\$ 52,937,454</u>
Current Liabilities	\$ 3,560,303	\$ 1,101,489	\$ 4,661,792
Long-Term Liabilities	17,564,549	1,748,688	19,313,237
Total Liabilities	<u>\$ 21,124,852</u>	<u>\$ 2,850,177</u>	<u>\$ 23,975,029</u>
Invested in Capital Assets, Net of Debt	\$ 21,649,683	\$ 889,499	\$ 22,539,182
Restricted	5,299,969	80,660	5,380,629
Unrestricted	(1,201,626)	2,244,240	1,042,614
Total Net Position	<u>\$ 25,748,026</u>	<u>\$ 3,214,399</u>	<u>\$ 28,962,425</u>

Net position of the Township's government activities increased by 14.57% in 2018. Therefore, the Township increased its net position for governmental activities by \$3,274,756 in 2018.

The net position of the Township's Business Type Activities increased by 76.15%. Accordingly, the Township increased its net position for Business Type Activities by \$1,389,637. The unrestricted net position . that part of net position that can be used to finance daily business type activities is \$2,244,240 at the end of 2018.

	<u>Governmental Funds</u> 2018	<u>Business Type Activities</u> 2018	<u>Government Wide</u> 2018
<u>Revenue</u>			
Charges for Services	\$ 2,819,781	\$ 7,440,425	\$ 10,260,206
Operating Grants and Contributions	2,540,499	-	2,540,499
Capital Grants and Contributions	558,902	-	558,902
Taxes	13,322,316	-	13,322,316
Miscellaneous Income	1,301,090	-	1,301,090
Interest Income	99,946	89,764	189,710
Total Revenue	<u>\$ 20,642,534</u>	<u>\$ 7,530,189</u>	<u>\$ 28,172,723</u>
<u>Expenditures</u>			
General Government	\$ 9,128,270	\$ -	\$ 9,128,270
Public Safety	3,658,577	-	3,658,577
Public Works	1,527,782	5,245,008	6,772,790
Cultural and Recreation	1,307,948	-	1,307,948
Miscellaneous	-	-	-
Interest on Long-Term Debt	330,879	134,898	465,777
Unallocated Depreciation	1,770,447	168,847	1,939,294
Bad Debt Expense	-	235,674	235,674
Total Expenses	<u>\$ 17,723,903</u>	<u>\$ 5,784,427</u>	<u>\$ 23,508,330</u>
Transfers	<u>356,125</u>	<u>(356,125)</u>	<u>-</u>
Change in Net Position	<u>\$ 3,274,756</u>	<u>\$ 1,389,637</u>	<u>\$ 4,664,393</u>

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overall, the Township's governmental program revenues, including intergovernmental aid decreased from \$21,091,458 in 2017 to \$20,646,915 in 2018 primarily based on Act 511 Tax Proceeds, Permits and Federal, State and Local grants.

Business Type revenue increased by \$2,113,571 primarily due to an increase sewer rental income, reimbursable industrial waste surcharges and sale of property and equipment.

Governmental Activities

The cost of all governmental activities (government-wide activities) in 2018 was \$23,508,330 compared to \$25,456,530 in 2017. The decrease in cost is mainly costs associated with the repairs and maintenance of related capital improvements and equipment. As shown in the Statement of Activities on page 11, the amount our taxpayers ultimately financed for these activities through Township taxes, fines, licenses, and other revenue was \$15,079,477. Some of the cost was paid by those who directly benefitted from the program which amounted to \$2,819,781. Other governments and organizations that subsidized certain programs with grants and contributions amounted to \$3,099,401.

Business Type Activities

Overall the Sewer Fund (business type activities) net position increased from \$1,824,762 in 2017 to \$3,214,399 in 2018.

The following table presents the cost of each of the Township's largest programs (General Government, Public Safety, Public Works, Culture and Recreation) and business type activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions.

	Expenses	Charges For Service	Operating Grants	Capital Grants	2018 Net (Revenue) Expense
General Government	\$ 9,128,270	\$ 1,439,694	\$ -	\$ -	\$ 7,688,576
Public Safety	3,658,577	78,203	-	-	3,580,374
Public Works	1,527,782	18,660	2,540,499	558,902	(1,590,279)
Culture and Recreation	1,307,948	1,253,224	-	-	54,724
Sewer	5,784,427	7,440,425	-	-	(1,655,998)

THE TOWNSHIP OF BETHLEHEM FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$9,474,005.

A significant contributor to the fund balance is the operating grants and contributions received in 2018. The year end fund balance consists of \$2,979,568 in unassigned funds, \$3,664,895 in restricted funds, \$175,519 in committed funds and \$2,654,023 in assigned funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenue of the general fund (the main operating fund of the Township) was \$1,490,026 above budget projections, with the largest escalation seen in taxes consisting of real estate transfer and earned income tax and intergovernmental revenue consisting of grant reimbursements, permits and pension state aid.

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The actual expenditures of the general fund were \$1,736,297 below budget amounts. The most significant favorable variances of \$566,205 was in public works . highways and streets. Unfavorable variances are due to general government engineering and legal costs as a match to grant funding and public safety personnel costs such as 3rd party inspections and vehicle repairs.

CAPITAL PROJECTS AND DEBT ADMINISTRATION

Capital Projects

2018 Capital improvements:

Parks and recreation improvements, public safety equipment and vehicles, storm sewer rehabilitation and road pavement rehabilitation.

The Township's fiscal year 2018 capital budget calls for it to spend \$3,229,000 in capital improvements or equipment.

Debt

Long-term debt includes notes payable maturing at various dates through April 2027 related to refinance of previous notes and financing capital improvements. Long-term debt balance at December 31, 2018 is \$12,597,815.

The Township is also liable for lease rental debt with the Bethlehem Township Municipal Authority maturing August 2031. Lease rental debt balance at December 31, 2018 is \$1,254,631.

BETHLEHEM TOWNSHIP DEMOGRAPHICS & ECONOMIC OUTLOOK

July 2017 US Census data estimate the population of the Township of Bethlehem is 23,864 with 9,240 housing units and 194 businesses.

The median age of a Bethlehem resident is 44 of which 78 percent of the population is above 18 and 16 percent of the population is above 65.

There are approximately 12,402 residents in the labor force. The median household income is \$80,901.

The median home value is \$262,600, of which 86 percent are owner occupied and 14 percent are rental units.

Township of Bethlehem has a total of 194 businesses. In 2018, the leading industries were Health Care, Social Services, Retail and Food Services. There were 5 new businesses added in 2018.

As of February 2019, the assessed value of all property in the Township of Bethlehem is \$893,616,500. An **assessed** value is the dollar value assigned to a property to measure applicable taxes. **Assessed valuation** determines the value of a residence for tax purposes and takes comparable home sales and inspections into consideration. It is the price placed on a home by the corresponding government municipality to calculate property taxes.

**TOWNSHIP OF BETHLEHEM
2018 FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The U.S. economic outlook is healthy according to the key economic indicators. The gross domestic product, which measures the nation's production output, is expected to remain between 2 and 3 percent.

As of July 2018, the unemployment rate has dropped to 3.9 percent compared to 4.3 percent rate in 2017.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed in writing to the Township Manager, 4225 Easton Avenue, Bethlehem, PA 18020.

**TOWNSHIP OF BETHLEHEM
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 8,757,376	\$ 3,653,796	\$ 12,411,172
Accounts Receivable, Net	394,700	687,085	1,081,785
Taxes Receivable, Net	955,579	-	955,579
Internal Balances	255,830	-	255,830
Total Current Assets	10,363,485	4,340,881	14,704,366
Noncurrent Assets:			
Land	4,059,744	-	4,059,744
Building and Building Improvements	23,678,916	-	23,678,916
Parks	5,649,416	-	5,649,416
Vehicles and Equipment	15,574,757	1,636,449	17,211,206
Road and Systems Improvements	10,748,164	-	10,748,164
Storm Sewer and Drainage	1,639,111	-	1,639,111
Sewer System	-	2,352,301	2,352,301
Accumulated Depreciation	(27,936,806)	(2,265,055)	(30,201,861)
Total Noncurrent Assets	33,413,302	1,723,695	35,136,997
Deferred Outflows of Resources			
Change in Actuarial Assumptions	745,063	-	745,063
Difference between Projected and Actual Earnings on Investments	2,351,028	-	2,351,028
Total Deferred Outflows of Resources	3,096,091	-	3,096,091
TOTAL ASSETS	\$ 46,872,878	\$ 6,064,576	\$ 52,937,454
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 618,141	\$ -	\$ 618,141
Accrued Expenses	271,339	32,812	304,151
Internal Balances	-	245,130	245,130
Current Portion of Capital Lease Obligations	155,027	197,951	352,978
Current Portion of Notes Payable	1,702,497	143,725	1,846,222
Current Portion of Authority Loans Payable	-	481,871	481,871
Total Current Liabilities	2,747,004	1,101,489	3,848,493
Noncurrent Liabilities:			
Net Pension Liability	6,354,719	-	6,354,719
OPEB Liability	566,150	-	566,150
Compensated Absences Provision	129,948	4,251	134,199
Notes Payable	10,061,122	690,471	10,751,593
Capital Lease Obligations	452,610	281,206	733,816
Authority Loans Payable	-	772,760	772,760
Total Noncurrent Liabilities	17,564,549	1,748,688	19,313,237
Deferred Inflows of Resources			
Deferred Revenue	107,575	-	107,575
Change between Expected and Actual Experience	705,724	-	705,724
Deferred Inflows of Resources	813,299	-	813,299
TOTAL LIABILITIES	21,124,852	2,850,177	23,975,029
NET POSITION			
Invested in Capital Assets, Net of Related Debt	21,649,683	889,499	22,539,182
Restricted for:			
Capital Projects	4,960,584	-	4,960,584
Specified Projects	23,516	80,660	104,176
Special Revenue	315,869	-	315,869
Unassigned	(1,201,626)	2,244,240	1,042,614
TOTAL NET POSITION	25,748,026	3,214,399	28,962,425
TOTAL LIABILITIES AND NET POSITION	\$ 46,872,878	\$ 6,064,576	\$ 52,937,454

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

**TOWNSHIP OF BETHLEHEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 9,128,270	\$ 1,439,694	\$ -	\$ -	\$ (7,688,576)	\$ -	\$ (7,688,576)
Public Safety	3,658,577	78,203	-	-	(3,580,374)	-	(3,580,374)
Public Works	1,527,782	18,660	2,540,499	558,902	1,590,279	-	1,590,279
Cultural and Recreation	1,307,948	1,253,224	-	-	(54,724)	-	(54,724)
Miscellaneous	-	30,000	-	-	30,000	-	30,000
Interest on Long-Term Debt	330,879	-	-	-	(330,879)	-	(330,879)
Unallocated Depreciation	1,770,447	-	-	-	(1,770,447)	-	(1,770,447)
Total Governmental Activities	17,723,903	2,819,781	2,540,499	558,902	(11,804,721)	-	(11,804,721)
Business Type Activities:							
Enterprise Fund	5,784,427	7,440,425	-	-	-	1,655,998	1,655,998
Total Business-Type Activities	5,784,427	7,440,425	-	-	-	1,655,998	1,655,998
Total Primary Government	\$ 23,508,330	\$ 10,260,206	\$ 2,540,499	\$ 558,902	\$ (11,804,721)	\$ 1,655,998	\$ (10,148,723)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net					\$ 7,181,540	\$ -	\$ 7,181,540
Local Service Tax					638,890	-	638,890
Earned Income Taxes					4,429,175	-	4,429,175
Other Taxes					1,072,711	-	1,072,711
Miscellaneous Income					1,301,090	-	1,301,090
Interest Income					99,946	89,764	189,710
Transfers In/(Out)					356,125	(356,125)	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					15,079,477	(266,361)	14,813,116
Change in Net Position					3,274,756	1,389,637	4,664,393
Net Position - Beginning, As Restated					22,473,270	1,824,762	24,298,032
Net Position - Ending					\$ 25,748,026	\$ 3,214,399	\$ 28,962,425

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

**TOWNSHIP OF BETHLEHEM
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Major Funds		Non-Major Funds	Total
	General	Capital Projects	Special Revenue	
ASSETS				
Cash and Cash Equivalents	\$ 3,580,923	\$ 4,860,584	\$ 315,869	\$ 8,757,376
Taxes Receivable, Net	955,579	-	-	955,579
Accounts Receivable, Net	294,700	100,000	-	394,700
Due from Other Funds	255,830	-	-	255,830
TOTAL ASSETS	\$ 5,087,032	\$ 4,960,584	\$ 315,869	\$ 10,363,485
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 618,141	\$ -	\$ -	\$ 618,141
Accrued Expenses	271,339	-	-	271,339
TOTAL LIABILITIES	889,480	-	-	889,480
FUND BALANCES				
Assigned	1,194,000	1,460,023	-	2,654,023
Restricted	-	3,392,118	272,777	3,664,895
Committed	23,984	108,443	43,092	175,519
Unassigned	2,979,568	-	-	2,979,568
TOTAL FUND BALANCES	4,197,552	4,960,584	315,869	9,474,005
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,087,032	\$ 4,960,584	\$ 315,869	\$ 10,363,485

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

**TOWNSHIP OF BETHLEHEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,474,005

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$61,350,108 and the accumulated depreciation is \$27,936,806 33,413,302

Deferred revenue represents the portion of the Community Center memberships, which relate to a subsequent period. Such receipts are revenues and available for appropriation in the funds statements, but are recognized when earned in the statement of activities. (107,575)

Net deferred outflows of resources related to pensions and other are applicable to future periods and therefore are not reported in governmental funds. 2,390,367

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Compensated Absences	\$ (129,948)	
Net Pension Liability	(6,354,719)	
OPEB Liability	(566,150)	
Capital Lease Obligations	(607,637)	
Notes Payable	<u>(11,763,619)</u>	<u>(19,422,073)</u>

**TOTAL NET POSITION -
GOVERNMENTAL ACTIVITIES** \$ 25,748,026

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

TOWNSHIP OF BETHLEHEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Major Funds		Non-Major Funds	Total
	General	Capital Projects	Special Revenue	
REVENUES				
Taxes	\$ 13,322,316	\$ -	\$ -	\$ 13,322,316
Licenses and Permits	1,241,330	-	-	1,241,330
Fines and Forfeitures	60,641	-	-	60,641
Interest and Rents	66,321	82,879	16,177	165,377
Intergovernmental Revenues	1,422,879	820,637	829,359	3,072,875
Charges for Services	1,426,761	-	-	1,426,761
Other Revenues	1,301,090	30,000	26,525	1,357,615
TOTAL REVENUES	18,841,338	933,516	872,061	20,646,915
EXPENDITURES				
General Government	8,970,967	-	-	8,970,967
Public Safety	3,659,898	-	-	3,659,898
Public Works	1,141,028	152,272	234,483	1,527,783
Cultural and Recreation	1,307,949	-	-	1,307,949
Interest	1,727,686	-	-	1,727,686
TOTAL EXPENDITURES	16,807,528	152,272	234,483	17,194,283
EXCESS OF REVENUES OVER EXPENDITURES	2,033,810	781,244	637,578	3,452,632
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	125,334	258,957	-	384,291
Operating Transfers Out	(289,710)	(256,998)	(724,948)	(1,271,656)
Total Other Financing Sources (Uses)	(164,376)	1,959	(724,948)	(887,365)
Net Change in Fund Balances	1,869,434	783,203	(87,370)	2,565,267
Fund Balances, January 1	2,328,118	4,177,381	403,239	6,908,738
FUND BALANCES, DECEMBER 31	\$ 4,197,552	\$ 4,960,584	\$ 315,869	\$ 9,474,005

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

**TOWNSHIP OF BETHLEHEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ 2,565,267

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ 2,208,938	
Less: Retirement of Fixed Asset	(12,992)	
Less: Depreciation Expense	<u>(1,770,447)</u>	
		425,499

Repayments of capital leases is an expenditure in the governmental funds, but the repayment reduces capital lease liability in the statement of net position. 203,083

Deferred revenue represents community center membership receipts available for appropriation in the fund statements, but is recognized when earned in the statement of activities. (4,381)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,921,626

Proceeds from issuance of debt, including leases, is a current resource as a financing source in the governmental funds, but an increase in a liability on the statement of net assets. (1,680,360)

The net result of deferred inflows of resources and deferred outflows of resources of net pension liability and other post-retirement benefits. (154,864)

In the statement of activities, certain operating expenses -- compensated absences (vacations) are special termination benefits (early retirement) and pensions -- are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (1,114)

Change in Net Position of Governmental Activities \$ 3,274,756

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

TOWNSHIP OF BETHLEHEM
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2018

	Sewer Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 3,653,796
Accounts Receivable, Net	687,085
Total Current Assets	4,340,881
Noncurrent Assets:	
Fixed Assets, Less	
Accumulated Depreciation	1,723,695
Total Noncurrent Assets	1,723,695
TOTAL ASSETS	\$ 6,064,576
LIABILITIES	
Current Liabilities:	
Accrued Expenses	\$ 32,812
Due to Other Funds	245,130
Current Portion of Long-Term Debt	143,725
Current Portion of Authority Loans Payable	481,871
Current Portion of Capital Leases	197,951
Total Current Liabilities	1,101,489
Noncurrent Liabilities:	
Compensated Absences	4,251
Capital Lease Obligations	281,206
Authority Loans Payable	772,760
Notes Payable	690,471
Total Noncurrent Liabilities	1,748,688
TOTAL LIABILITIES	2,850,177
NET POSITION	
Invested in Capital Assets, Net of	
Related Debt	889,499
Restricted	80,660
Unrestricted	2,244,240
Total Net Position	3,214,399
TOTAL LIABILITIES AND NET POSITION	\$ 6,064,576

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

**TOWNSHIP OF BETHLEHEM
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Sewer Fund
OPERATING REVENUES:	
Charges for Services	\$ 7,438,715
Other Revenue	1,710
	Total Operating Revenues
	7,440,425
OPERATING EXPENSES:	
Personnel	812,524
Supplies	150,988
Professional Services	639,074
Employee Benefits	413,942
Insurance	86,094
Repairs and Maintenance	50,240
Disposal System	3,092,146
Depreciation and Amortization	168,847
Bad Debt Expense	235,674
	Total Operating Expense
	5,649,529
OPERATING INCOME	1,790,896
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	89,764
Interest Expense	(134,898)
	Total Non-operating Revenues (Expenses)
	(45,134)
Income Before Contributions and Transfers	1,745,762
Transfers Out	(356,125)
	Change in Net Position
	1,389,637
Total Net Position - January 1	1,824,762
TOTAL NET POSITION - December 31	\$ 3,214,399

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

**TOWNSHIP OF BETHLEHEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 7,005,096
Cash Payment to Suppliers for Goods and Services	(4,949,779)
Cash Payments to Employees for Services	(1,227,287)
Other Operating Receipts	1,710
Net Cash Provided by Operating Activities	829,740
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers Out	(356,125)
Net Cash Used from Noncapital Financing Activities	(356,125)
CASH FLOWS FROM CAPITAL ACTIVITIES:	
Principal Paid on Long-Term Debt	(137,412)
Interest Paid on Long-Term Debt	(21,942)
Principal Paid on Capital Lease Obligations	(219,744)
Interest Paid on Capital Lease Obligations	(13,674)
Principal Paid on Authority Lease	(512,083)
Interest Paid on Authority Lease	(99,282)
Purchase of Fixed Assets	(71,299)
Net Cash Used by Capital Activities	(1,075,436)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	89,764
Net Cash Provided from Investing Activities	89,764
Net Decrease in Cash and Cash Equivalents	(512,057)
Cash and Cash Equivalents, January 1	4,165,853
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 3,653,796
Reconciliation of Operating Income to Net Cash Provided Operating Activities	
Operating Income	\$ 1,790,896
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	168,847
Bad Debts	235,674
Changes in Assets and Liabilities:	
Decrease in Amounts Due to Other Funds	(931,237)
Increase in Accounts Receivable	(433,619)
Decrease in Accrued Expenses and Compensated Absences	(821)
Total Adjustments	(961,156)
Net Cash Provided by Operating Activities	\$ 829,740
Noncash Capital Financing Activities:	
Capital assets of \$139,035 were acquired through capital leases.	

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

**TOWNSHIP OF BETHLEHEM
STATEMENT OF NET POSITION
ALL FIDUCIARY FUNDS
DECEMBER 31, 2018**

	Pension Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents - Unrestricted	\$ 590,010	\$ -
Cash and Cash Equivalents - Restricted	-	567,632
Investments - at Fair Value		
Cash and Sweep Balances	1,137,503	-
Common Stocks	9,553,385	-
Fixed Income	13,732,752	-
Preferred/Fixed Rate Cap Securities	1,036,164	-
	<u>\$ 26,049,814</u>	<u>\$ 567,632</u>
Total Assets	<u>\$ 26,049,814</u>	<u>\$ 567,632</u>
LIABILITIES:		
Accounts Payable	\$ 3,042	\$ -
Due to Depositors	-	552,839
Due to Other Funds	10,700	-
	<u>13,742</u>	<u>552,839</u>
Total Liabilities	<u>13,742</u>	<u>552,839</u>
NET POSITION:		
Restricted	<u>26,036,072</u>	<u>14,793</u>
Total Liabilities and Net Position	<u>\$ 26,049,814</u>	<u>\$ 567,632</u>

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

**TOWNSHIP OF BETHLEHEM
STATEMENT OF CHANGES IN NET POSITION
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ADDITIONS:		
Contributions:		
Employer	\$ 1,680,145	\$ -
Plan Members	124,540	-
	<u>1,804,685</u>	<u>-</u>
Total Contributions		
	<u>1,804,685</u>	<u>-</u>
Investment Earnings:		
Interest, Dividends and Net Unrealized losses	(828,534)	10,462
Less: Investment Expenses	<u>(119,097)</u>	<u>-</u>
Net Investment Loss	<u>(947,631)</u>	<u>10,462</u>
Total Additions	<u>857,054</u>	<u>10,462</u>
DEDUCTIONS:		
Administration	17,855	-
Benefit Payments	<u>739,106</u>	<u>-</u>
Total Deductions	<u>756,961</u>	<u>-</u>
NET INCREASE	100,093	10,462
NET POSITION:		
Net Position, January 1	<u>25,935,979</u>	<u>4,331</u>
Net Position, December 31	<u>\$ 26,036,072</u>	<u>\$ 14,793</u>

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

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Entity

The Township of Bethlehem was founded in 1746 and incorporated as a First Class Township of the State of Pennsylvania in 1963. The Township operates under an elected Board of Commissioners and provides the following services to its residents: public safety (police and fire), highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable, and as such, be includable within the Township's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Township is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Following is a brief description of the component unit meeting the above criteria and as a result included within the financial reporting entity, a description of the component unit's relationship with the Township, and a discussion of how component unit information has been incorporated into the financial statements:

Bethlehem Township Municipal Authority (Authority) - Operates under the laws of the Commonwealth of Pennsylvania with a board appointed by the Township Commissioners. The Authority was created November 18, 1952 by Township of Bethlehem for the initial purpose of constructing a sanitary sewer system which was financed by the issuance of Sewer Revenue Bonds. The Authority funds are blended into the Sewer Fund. Separate financial statements for Bethlehem Township Municipal Authority are audited by other auditors.

2. Summary of Significant Accounting Policies

The financial statements of the Township of Bethlehem have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activity of the Township at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Township and for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Township.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Township's enterprise fund are service charges for sewer. Operating expenses for the Township's enterprise funds include treatment and collection costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

For financial reporting purposes, the Township's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Township except for those required to be accounted for in another fund.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

- **Special Revenue Funds (Non-major Funds)** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

Liquid Fuels Tax Fund - is utilized to account for the financial activity of the Township's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

D.A.R.E.-Canine - is utilized to account for the financial activity of the projects related to the police force and its related expenditures.

- **Capital Projects Fund (Major Funds)** - are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Reserve and Parks and Recreation funds are included in the accompanying financial statements as Capital Projects Funds.

Proprietary Fund Types

Proprietary funds are used to account for the Township's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Township has one type of proprietary fund - the Enterprise Fund.

- **Enterprise Fund** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Township has one Enterprise Fund described below.

Sewer Fund - is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Township's fiduciary fund types:

- **Agency Funds** - are used to account for funds held in escrow for other parties. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

- **Pension Funds** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer and employee contributions, and investment earnings. The Township of Bethlehem has five pension trust funds as described below:

Teamsters Pension Fund - is used to account for pension benefits for Township employees. The principal revenue source for this fund is employer contributions.

Police Pension Fund - is used to account for pension benefits for police officers. The principal revenue sources for this fund are employer and employee contributions.

AFSCME Pension Fund - is used to account for pension benefits for the Township's public works and PPIS employees. The principal revenue source for this fund is employer contributions.

Non-Uniform Pension Fund - is used to account for pension benefits for Township employees. The principal revenue source for this fund is employer contributions.

Defined Contribution Fund - is used to account for pension benefits for Township employees not classified as a police officer. The principal revenue source for this fund is employer contributions.

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and 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. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position. The 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 tax revenue to be available if collected within 60 days of the end of the fiscal period.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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.

Budgets and Budgetary Accounting

The Township adopts annual budgets for the General Fund in accordance with the First Class Township Code. All budgets are adopted on a budgetary (cash basis), which is not consistent with accounting principles generally accepted in the United States of America. All budgeted amounts included in the accompanying general purpose financial statements and supplementary information are as originally adopted or as amended by the Board of Commissioners. Budget information is presented only for the general fund, as required by accounting principles generally accepted in the United States of America.

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, cash with fiscal agent and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

For the purpose of the proprietary funds, ~~%~~Statement of Cash Flows,+ cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, all highly liquid investments with an original maturity of three months or less and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

Interfund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets

Cash and investments have been restricted to the extent of escrows payable, pension reserves and specific uses.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes and grants. Business-type activities report utility charges as their major receivables.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets except for, land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building and Improvements	20
Treatment Plants and Mains	50
Vehicles	5 to 15
Equipment	5 to 15

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of Significant Accounting Policies (Continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

Compensated Absences

The Township accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), Accounting for Compensated Absences. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and collections of community center memberships received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Pension Plan

The Township has four defined benefit pension plans. Pension costs for the plans include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over 30 years.

TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of Significant Accounting Policies (Continued)

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions.

Management Estimates

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

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into two components:

- Net investment in capital assets . consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted . consist of assets that are restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted . all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Pension Trust Fund are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Board.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Board.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles

During 2018 the Authority implemented GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*), which requires all governments to record the net liability for Other Postemployment Benefits (OPEB). Additionally, GASB No. 75 requires recording applicable deferred outflows of resources and deferred inflows of resources required under the guidance found in the accounting standard.

New Accounting Standards

In June 2015, the GASB issued Statement No 75 . *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* . an amendment of GASB Statement No 45. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits. It also improves information provided by state and local governmental employers about financial support for other postemployment benefits that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, as they relate to employers that participate in single-employer, agent employer, or cost-sharing employer defined benefit OPEB plans. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

3. Cash and Investments

General

Section 1316 of the Pennsylvania Township Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to the statutes of the Commonwealth. Deposits of the Township, except for Pension Trust Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Township.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. Cash and Investments (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2018, the carrying amount of the Township's bank deposits at two financial institutions (excluding those held in the Pension Trust Funds, but including Agency Funds) totaled \$7,370,079 and the corresponding bank balances were \$7,254,179 of which \$500,000 was insured by the Federal Deposit Insurance Corporation (FDIC); the uninsured bank balances of \$6,754,179 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the Act of 72), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Township in the amount of \$6,754,179 were collateralized by this pool of assets maintained by the Township's depository institutions.

In addition, the Township included in cash, amounts held on hand in petty cash. At December 31, 2018, the petty cash balance was \$600.

Cash Equivalents

As of December 31, 2018, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust (PLGIT or Trust) (excluding those held in the Pension Trust Funds, but including Agency Funds) were \$2,168,045. The Township maintains deposits in the PLGIT portfolio of the Trust. The assets in these portfolios are marked to market daily, there are stated limits on the weighted average maturity of the portfolios and the Trust seeks to maintain a net asset value of \$1.00 per share. Accordingly, the market value for the deposits in PLGIT are not materially different from the carrying amount. All deposits in PLGIT are insured or registered, or securities held by the Township or its agent in the Township name.

Investments

Under Section 1316 of the Pennsylvania Township Code, the Township is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Township funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured. Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

As of December 31, 2018, the Township had the following investments:

	Maturities	Fair Value
<u>Investment - Pension Trust Funds</u>		
Cash and Sweep Balances		\$ 1,137,503
Corporate Bonds	Jan. 2019 - May 2024	12,983,067
US Treasury Notes and Bonds	Jan. 2019	749,685
Common Stocks		9,553,385
Preferred/Fixed Rate Cap Securities		1,036,164
		\$ 25,459,804

Interest Rate Risk

The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Township has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Township places limits on the amount the Township may invest in any one issuer. Currently the Township does not have any investments not included in the Pension Trust Funds.

Custodial Credit Risk

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

4. Taxes Receivable

Based upon assessed valuations provided by the County (\$867,546,800 in 2018), the Township bills and collects its own property taxes. The schedule for property taxes levied for 2018 is as follows:

January 1	- levy date
January 1 - March 31	- 2% discount period
April 1 - May 31	- face payment period
June 1 - December 31	- 10% penalty period
January 15	- lien date

The Township continues to collect delinquent real estate taxes through mid-January of the following year. At that time, all unpaid real estate taxes are turned over to the County of Northampton Tax Claim Bureau for further collection. The 2018 municipal tax rate for all purposes was 7.09 mils (\$7.09 per \$1,000 of assessed valuation).

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. Taxes Receivable (Continued)

The balances at December 31, 2018 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized
Real Estate	\$ 17,082	\$ -	\$ 17,082	\$ -
Earned Income Tax	779,466	-	779,466	-
Business Privilege and Mercantile	17,656	-	17,656	-
Local Service Tax	141,375	-	141,375	-
	<u>\$ 955,579</u>	<u>\$ -</u>	<u>\$ 955,579</u>	<u>\$ -</u>

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2018 as follows:

	Due From Other Funds	Due to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 255,830	\$ -
<i><u>Business Type Activities</u></i>		
Sewer Fund	-	245,130
<i><u>Fiduciary Activities</u></i>		
Pension Trust Funds	-	10,700
	<u>\$ 255,830</u>	<u>\$ 255,830</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2018, was as follows:

	Balance Jan. 1, 2018	Additions	Retirements	Balance Dec. 31, 2018
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 4,059,744	\$ -	\$ -	\$ 4,059,744
Total Capital Assets Not Being Depreciated	<u>4,059,744</u>	<u>-</u>	<u>-</u>	<u>4,059,744</u>
<i>Capital Assets Being Depreciated</i>				
Building and Building Improvements	22,862,744	816,172	-	23,678,916
Vehicles and Equipment	14,815,447	759,310	-	15,574,757
Parks	5,219,439	429,977	-	5,649,416
Road System and Improvements	10,544,685	203,479	-	10,748,164
Storm Sewer and Drainage	1,652,103	-	(12,992)	1,639,111
Total at Historical Cost	<u>55,094,418</u>	<u>2,208,938</u>	<u>(12,992)</u>	<u>57,290,364</u>
Less Accumulated Depreciation	<u>(26,166,359)</u>	<u>(1,770,447)</u>	<u>-</u>	<u>(27,936,806)</u>
Government Activity Capital Assets, Net	<u>\$ 32,987,803</u>	<u>\$ 438,491</u>	<u>\$ (12,992)</u>	<u>\$ 33,413,302</u>

Depreciation expense for the general fund was \$1,770,447 in 2018.

	Balance Jan. 1, 2018	Additions	Retirements	Balance Dec. 31, 2018
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Vehicles and Equipment	\$ 1,426,115	\$ 210,334	\$ -	\$ 1,636,449
Sewer System	2,352,301	-	-	2,352,301
Total Capital Assets Being Depreciated	<u>3,778,416</u>	<u>210,334</u>	<u>-</u>	<u>3,988,750</u>
Less Accumulated Depreciation	<u>(2,096,208)</u>	<u>(168,847)</u>	<u>-</u>	<u>(2,265,055)</u>
Business-type Capital Assets, Net	<u>\$ 1,682,208</u>	<u>\$ 41,487</u>	<u>\$ -</u>	<u>\$ 1,723,695</u>

Depreciation expense for the sewer fund was \$168,847 in 2018.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2018, are as follows:

	Balance Outstanding Jan. 1, 2018	Additions	Reductions	Balance Outstanding Dec. 31, 2018	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>Series 2013A:</u>					
12-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.35% for five years, at which time will reset between a floor of 2.20% and cap of 6.50%. Payable in semi-annual installments, matures April, 2025	\$ 6,039,563	\$ -	\$ (746,626)	\$ 5,292,937	\$ 761,517
<u>Series 2014:</u>					
10-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.60% for five years, at which time will reset between a floor of 2.20% and cap of 6.00%. Payable in semi-annual installments, matures April, 2024	5,084,878	810,122	(650,000)	5,245,000	819,047
<u>Series 2017:</u>					
10-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.74% for seven years, at which time will reset between a floor of 2.40% and cap of 6.00%. Payable in semi-annual installments, matures April, 2027	1,350,267	400,415	(525,000)	1,225,682	121,933
	<u>12,474,708</u>	<u>1,210,537</u>	<u>(1,921,626)</u>	<u>11,763,619</u>	<u>1,702,497</u>
Compensated Absences	128,834	1,114	-	129,948	-
	<u>\$ 12,603,542</u>	<u>\$ 1,211,651</u>	<u>\$ (1,921,626)</u>	<u>\$ 11,893,567</u>	<u>\$ 1,702,497</u>
<i>Business-Type Activities:</i>					
<u>Series 2013:</u>					
10-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.35% for five years, at which time will reset between a floor of 2.20% and cap of 6.50%. Payable in semi-annual installments, matures October, 2023	\$ 521,885	\$ -	\$ (83,939)	\$ 437,946	\$ 85,966
<u>Series 2013A:</u>					
12-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.35% for five years, at which time will reset between a floor of 2.20% and cap of 6.50%. Payable in semi-annual installments, matures April, 2025	449,723	-	(53,473)	396,250	57,759
	971,608	-	(137,412)	834,196	143,725
Compensated Absences	5,006	-	(755)	4,251	-
	<u>\$ 976,614</u>	<u>\$ -</u>	<u>\$ (138,167)</u>	<u>\$ 838,447</u>	<u>\$ 143,725</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. Long-Term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2018, are as follows:

During the year(s) ended December 31,	Principal	Interest
2019	\$ 1,846,222	\$ 310,580
2020	1,892,584	264,248
2021	1,940,111	216,748
2022	1,988,836	168,052
2023	2,025,498	118,133
2024-2028	2,904,564	97,884
Totals	\$ 12,597,815	\$ 1,175,645

8. Lease Rental Debt

The Township's lease agreement with the Bethlehem Township Municipal Authority requires the Township to pay an allocated percent of the debt service of the Authority's bonds as rentals. The City of Bethlehem also requires the Township to pay an allocated percent of the debt service of the Authority's bonds as rentals. The Township has recorded its share of the outstanding lease rental debt of the Authority in the Government wide statement of net assets. An asset, related to such debt, is not to be reported, as they were acquired by and reside with the Authority.

According to the lease rental agreement with the Sewer Authority, surplus reserve allowance clause sec. 6.03 requires certain calculated cash surpluses be remitted to the Sewer Authority, in excess of an established threshold. Such threshold is exceeded from time to time requiring remittance to the Authority.

Authority debt consists of Bond Series 2009. The Bond is due in semiannual installments at an interest rate of 3.74%, respectively. These underlying bond matures in December 2019.

Authority debt also consists of a twenty-year PennWorks (Series 2011) note with monthly installments including principal and interest of \$6,139, bearing an interest rate of 2.00%. The note matures in August 2031.

The underlying Bethlehem Township Municipal Authority debt is as follows:

	Balance Outstanding Jan. 1, 2018	Additions	Reductions	Balance Outstanding Dec. 31, 2018
2009 Revenue Note	\$ 878,637	\$ -	\$ (455,000)	\$ 423,637
Penn Works Loan (Series 2011)	888,077	-	(57,083)	830,994
	\$ 1,766,714	\$ -	\$ (512,083)	\$ 1,254,631

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. Lease Rental Debt (Continued)

The annual lease rental requirements to maturity, including principal and interest, as of December 31, 2018, are as follows:

During the year(s) ended December 31,	Principal	Interest
2018	\$ 481,871	\$ 31,943
2019	59,407	14,913
2020	60,606	13,714
2021	61,830	12,490
2023	63,078	11,242
2024-2028	335,009	36,591
2029-2033	192,830	5,351
Totals	\$ 1,254,631	\$ 126,244

9. Commitments and Contingencies

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Township's management, such disallowances, if any, will not be significant to the Township's basic purpose financial statements.

In 1975, the Township and the Bethlehem Township Municipal Authority entered into an agreement with the City of Bethlehem and the Bethlehem Authority to expand the City's sanitary sewage system. The City agreed to accept, transport and treat the Township's sanitary sewage, and the Township agreed to pay treatment charges and rentals to the City to cover debt service and operating costs in an amount representative of the Township's portion of the expansion to the full expansion project. The Township renewed the agreement in 1993 and may terminate this agreement after August 31, 2031 with notice given five years prior to the termination date.

10. Defined Contribution Retirement Plan

The Township provides pension benefits for all of its eligible full-time non-uniform employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who work forty or more hours per week are eligible to participate. The plan requires the Township to contribute an amount equal to 6% of the employee's salary as defined by the plan each year. The Township's contributions for each employee and investment earnings allocated to the employee's account are fully vested upon entering the plan.

The Township's contributions paid to the plan during 2018 were \$-0-. The Municipal Minimum Obligation of \$25,192 for 2018 was covered by forfeitures within the Plan.

TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. Defined Benefit Retirement Plans

Plan Description - AFSCME, Non-Uniform and Teamster Pension Plans

The pension plans provide pension and death benefits. A member may retire after reaching the age of 62 and accumulating 10 years of service. Benefits vest after 5 years of service. Employees who retire at or after age 62 with 10 or more years of service are entitled to pension payments for the remainder of their lives equal to 2.0%, 2.0% and 1.75%, respectively for AFSCME, Non-Uniform and Teamster Pension Plans of their final, three-year average monthly salary multiplied by the number of applicable whole years of service completed by such member. Pension provisions include death benefits. The surviving spouse or dependent children under the age of 18 receive 50% of the amount otherwise payable to the participant. The Township pays the full cost of the Plan. Member contributions are not required.

Plan Description - Police Pension Plan

The pension plan provides pension benefits and death and disability benefits. A member may retire after reaching the age of 50 and accumulating 25 years of service. Benefits vest after 12 years of service. Employees who retire at or after age 50 with 12 or more years of service are entitled to pension payments for the remainder of their lives equal to 50% of their final, three-year average monthly salary. For each completed year of service in excess of twenty-five (25) years, the participant shall be entitled to a monthly service increment of \$100 per month for each year of service in excess of 25 years, up to a maximum benefit of \$200 per month for members who complete 27 or more years of service (i.e., \$100 per month for the 26th year of service and \$200 per month for the 27th year of service and beyond).

Effective January 1, 2016, an early retirement benefit shall be provided to a member of the police force with twenty or more years of vesting service who terminates employment prior to the completion of normal retirement age and service requirements and who files a written application for an early retirement benefit with the governing body of the employer and shall be the actuarial equivalent of the accrued benefit as calculated. Pension provisions include death and disability benefits. A disabled employee is entitled to receive a monthly amount equal to the benefit based on the normal retirement formula. The surviving spouse or dependent children under the age of 18 receive 50% of the amount otherwise payable to the participant. The disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry. Employees of the Township are required to pay a percentage of their gross earnings to the pension plan. The payments are deducted from the employee's wages or salary and remitted by the Township to the Pension Fund on a monthly basis. If an employee leaves the employment of the Township before 12 years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary. The Township makes annual contributions to the pension plan equal to any minimum municipal obligation, as calculated. Those contributions are funded in part through amounts received from the Pennsylvania General Municipal Pension System as state aid.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Reporting Entity

The Township maintains four single-employer, defined benefit pension plans which cover all full-time classed employees. The Plans are part of the Township of Bethlehem financial reporting entity and are included in the Township's general purpose financial statements as a Pension Trust Fund.

Plan Valuation

The pension plan descriptions and actuarial valuations are available at the Township offices.

Trend Information

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Township's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Township's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System. Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Teamsters Pension Plan

Eligibility

All full-time non-uniformed Teamsters employees of Bethlehem Township hired before July 1, 2013, join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 62 and completion of 10 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death.

The amount of monthly pension is equal to 1.75% of average monthly compensation, multiplied by the number of years of benefit service completed by the member after January 1, 1998, and during the period January 1, 1961, to December 31, 1979.

Average monthly compensation is based upon the last 36 months of employment.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Teamsters Pension Plan (Continued)

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the greater of the benefit accrued to the late retirement date or the actuarial equivalent of the benefit accrued as of the end of the preceding plan year.

Early Retirement

A member is eligible for early retirement after attainment of age 55 and completion of 10 years of vesting service. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement, reduced 5/9 of 1% for each of the first 60 months early and 5/18 of 1% for each additional month early.

Disability Retirement

If an active member is totally and permanently disabled prior to his normal retirement date, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.

Death Benefits

The death benefit for a vested member who has been married at least one year is a 50% survivor pension for his spouse. Payment of the survivor benefit would begin on the date on which the member would first have been eligible for retirement. The amount of survivor benefit would be the 50% survivor benefit payable under a joint and 50% survivor pension option, based upon the pension accrued to the date of death and reduced for early commencement of benefits, if applicable.

Vesting

A member's benefits vest upon completion of five years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit formula, but based upon compensation and benefit service to date.

Contributions

The Township pays the full cost of the Plan. Employee contributions are not required.

Service Rules

Service is based on years of service from date of employment to date of retirement.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Teamsters Pension Plan (Continued)

Plan Membership at December 31, 2018

Inactive Members or Beneficiaries Currently Receiving Benefits	6
Inactive Members Entitled to but not yet Receiving Benefits	1
Active Members	<u>8</u>
Total Members	<u><u>15</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	5.50% - 7.50%
Fixed Income	50.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Teamsters Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 1,517,457	\$ 1,351,033	\$ 166,424
Changes for the year:			
Service Cost	21,861	-	21,861
Interest Cost	106,278	-	106,278
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	85,054	(85,054)
Contributions - Member	-	-	-
Net Investment Income	-	(48,986)	48,986
Benefit Payments	(42,127)	(42,127)	-
Administrative Expense	-	(3,500)	3,500
Other Changes	-	-	-
Net Changes	<u>86,012</u>	<u>(9,559)</u>	<u>95,571</u>
Balance at December 31, 2018	<u>\$ 1,603,469</u>	<u>\$ 1,341,474</u>	<u>\$ 261,995</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 7.00%, 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:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Net Pension Liability	\$ 447,949	\$ 261,995	\$ 105,019

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Teamsters Pension Plan (Continued)

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	<u>2017</u>	<u>2018</u>
Service Cost	\$ 20,820	\$ 21,861
Interest on the Total Pension Liability	100,926	106,278
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience ¹	(11,250)	(11,250)
Changes of Assumptions ¹	10,857	10,857
Member Contributions	-	-
Projected Earnings on Pension Plan Investments	(84,700)	(95,952)
Difference between Projected and Actual Earnings on Investments ²	16,084	45,072
Pension Plan Administrative Expense	3,900	3,500
Other Changes in Fiduciary Net Position	<u>-</u>	<u>-</u>
Pension Expense	<u>\$ 56,637</u>	<u>\$ 80,366</u>

1 Each year's gain or loss is recognized over a closed period, using the average of the expected remaining services lives of all active and inactive employees that are provided through this pension plan.

2 Each year's gain or loss is recognized over a 5 year period.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized pension expense of \$85,054. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 22,497
Changes in Assumptions	21,715	-
Net Difference Between Projected and Actual Earnings on Pension plan Investments	<u>122,295</u>	<u>-</u>
Total	<u>\$ 144,010</u>	<u>\$ 22,497</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Teamsters Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

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

Years Ended December 31,			
	2019	\$	44,679
	2020		26,870
	2021		20,976
	2022		28,988

Non-Uniformed Pension Plan

Eligibility

All full-time non-uniformed employees of Bethlehem Township hired before July 1, 2013, who are not covered by a collective bargaining agreement join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 62 and completion of 10 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death.

The amount of monthly pension is equal to 2.0% of average monthly compensation, multiplied by the number of years of benefit service completed by the member after January 1, 1997, and during the period January 1, 1961, to December 31, 1979.

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the greater of the benefit accrued to the late retirement date or the actuarial equivalent of the benefit accrued as of the end of the preceding plan year.

Early Retirement

A member is eligible for early retirement after attainment of age 55 and completion of 10 years of vesting service. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement, reduced 5/9 of 1% for each of the first 60 months early and 5/18 of 1% for each additional month early.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Non-Uniformed Pension Plan (Continued)

Disability Retirement

If an active member is totally and permanently disabled prior to his normal retirement date, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.

Death Benefits

The death benefit for a vested member who has been married at least one year is a 50% survivor pension for his spouse. Payment of the survivor benefit would begin on the date on which the member would first have been eligible for retirement. The amount of survivor benefit would be the 50% survivor benefit payable under a joint and 50% survivor pension option, based upon the pension accrued to the date of death and reduced for early commencement of benefits, if applicable.

Vesting

A member's benefits vest upon completion of five years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit formula, but based upon compensation and benefit service to date.

Contributions

The Township pays the full cost of the Plan. Employee contributions are not required.

Service Rules

Service is based on years of service from date of employment to date of retirement.

Plan Membership at December 31, 2018

Inactive Members or Beneficiaries Currently Receiving Benefits	4
Inactive Members Entitled to but not yet Receiving Benefits	7
Active Members	<u>12</u>
Total Members	<u><u>23</u></u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Non-Uniformed Pension Plan (Continued)

Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	5.50% - 7.50%
Fixed Income	50.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Non-Uniformed Pension Plan (Continued)

Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 3,814,704	\$ 3,136,204	\$ 678,500
Changes for the year:			
Service Cost	86,623	-	86,623
Interest Cost	271,857	-	271,857
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	250,338	(250,338)
Contributions - Member	-	-	-
Net Investment Income	-	(114,781)	114,781
Benefit Payments	(35,321)	(35,321)	-
Administrative Expense	-	(3,500)	3,500
Other Changes	-	-	-
Net Changes	<u>323,159</u>	<u>96,736</u>	<u>226,423</u>
Balance at December 31, 2018	<u>\$ 4,137,863</u>	<u>\$ 3,232,940</u>	<u>\$ 904,923</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 7.00%, 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:

	1% Decrease	Current	1% Increase
	<u>6.00%</u>	<u>Discount Rate</u> <u>7.00%</u>	<u>8.00%</u>
Net Pension Liability	\$ 1,404,821	\$ 904,923	\$ 485,256

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Non-Uniformed Pension Plan (Continued)

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	<u>2017</u>	<u>2018</u>
Service Cost	\$ 82,498	\$ 86,623
Interest on the Total Pension Liability	250,262	271,857
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience ¹	(34,075)	(34,075)
Changes of Assumptions ¹	32,915	32,915
Member Contributions	-	-
Projected Earnings on Pension Plan Investments	(192,162)	(226,937)
Difference between Projected and Actual Earnings on Investments ²	32,371	100,715
Pension Plan Administrative Expense	3,900	3,500
Other Changes in Fiduciary Net Position	<u>-</u>	<u>-</u>
Pension Expense	<u>\$ 175,709</u>	<u>\$ 234,598</u>

1 Each year's gain or loss is recognized over a closed period, using the average of the expected remaining services lives of all active and inactive employees that are provided through this pension plan.

2 Each year's gain or loss is recognized over a 5 year period.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized pension expense of \$250,338. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 110,492
Changes in Assumptions	131,659	-
Net Difference Between Projected and Actual Earnings on Pension plan Investments	<u>283,880</u>	<u>-</u>
Total	<u>\$ 415,539</u>	<u>\$ 110,492</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Non-Uniformed Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

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

Years Ended December 31,			
	2019	\$	99,555
	2020		63,047
	2021		49,452
	2022		92,993

AFSCME Pension Plan

Eligibility

All full-time non-uniformed A.F.S.C.M.E. employees of Bethlehem Township hired before January 1, 2015, join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 62 and completion of 10 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death.

The amount of monthly pension is equal to the applicable percentage of average monthly compensation. The applicable percentage is the sum of the following:

- ~ 1.50% multiplied by the number of years of benefit service completed by the member during the periods January 1, 1961, to December 31, 1979, and January 1, 1995, to December 31, 2002,
- ~ 1.75% multiplied by the number of years of benefit service completed by the member during the period January 1, 2003, to December 31, 2006,
- ~ 2.00% multiplied by the number of years of benefit service completed by the member after January 1, 2007.

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the greater of the benefit accrued to the late retirement date or the actuarial equivalent of the benefit accrued as of the end of the preceding plan year.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

AFSCME Pension Plan (Continued)

Early Retirement

A member is eligible for early retirement after attainment of age 55 and completion of 10 years of vesting service. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement, reduced 5/9 of 1% for each of the first 60 months early and 5/18 of 1% for each additional month early.

Disability Benefits

If an active member is totally and permanently disabled prior to his normal retirement date, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.

Death Benefits

The death benefit for a vested member who has been married at least one year is a 50% survivor pension for his spouse. Payment of the survivor benefit would begin on the date on which the member would first have been eligible for retirement. The amount of survivor benefit would be the 50% survivor benefit payable under a joint and 50% survivor pension option, based upon the pension accrued to the date of death and reduced for early commencement of benefits, if applicable.

Vesting

A member's benefits vest upon completion of five years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit formula, but based upon compensation and benefit service to date.

Contributions

The Township pays the full cost of the Plan. Employee contributions are not required.

Service Rules

Service is based on years of service from date of employment to date of retirement.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

AFSCME Pension Plan (Continued)

Plan Membership at December 31, 2018

Inactive Members or Beneficiaries Currently Receiving Benefits	6
Inactive Members Entitled to but not yet Receiving Benefits	4
Active Members	<u>22</u>
Total Members	<u><u>32</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	5.50% - 7.50%
Fixed Income	50.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

AFSCME Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 5,442,216	\$ 4,152,879	\$ 1,289,337
Changes for the year:			
Service Cost	127,538	-	127,538
Interest Cost	387,787	-	387,787
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	303,807	(303,807)
Contributions - Member	-	-	-
Net Investment Income	-	(153,317)	153,317
Benefit Payments	(59,888)	(59,888)	-
Administrative Expense	-	(3,900)	3,900
Other Changes	-	-	-
Net Changes	<u>455,437</u>	<u>86,702</u>	<u>368,735</u>
Balance at December 31, 2018	<u>\$ 5,897,653</u>	<u>\$ 4,239,581</u>	<u>\$ 1,658,072</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

AFSCME Pension Plan (Continued)

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 7.00%, 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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 2,467,162	\$ 1,658,072	\$ 976,314

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	2017	2018
Service Cost	\$ 121,465	\$ 127,538
Interest on the Total Pension Liability	357,311	387,787
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience ¹	9,770	9,770
Changes of Assumptions ¹	30,937	30,937
Member Contributions	-	-
Projected Earnings on Pension Plan Investments	(255,082)	(299,102)
Difference between Projected and Actual Earnings on Investments ²	43,784	134,268
Pension Plan Administrative Expense	4,100	3,900
Other Changes in Fiduciary Net Position	-	-
Pension Expense	\$ 312,285	\$ 395,098

¹ Each year's gain or loss is recognized over a closed period, using the average of the expected remaining services lives of all active and inactive employees that are provided through this pension plan.

² Each year's gain or loss is recognized over a 5 year period.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

AFSCME Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized pension expense of \$303,807. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 49,129	\$ -
Changes in Assumptions	216,561	-
Net Difference Between Projected and Actual Earnings on Pension plan Investments	376,810	-
Total	\$ 642,500	\$ -

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

Years Ended December 31,			
	2019	\$	174,975
	2020		125,846
	2021		107,632
	2022		131,190
	2023		40,707
	2024		40,707
	2025		21,443

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan

Eligibility

All full-time members of the police force join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death.

The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month for each year of benefit service completed in excess of 25 years, up to a maximum of \$200 additional per month.

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Early Retirement

A member is eligible for early retirement after completion of 20 years of vesting service. The monthly early retirement pension is equal to the actuarial equivalent of the benefit accrued to the date of early retirement.

Disability Retirement

If an active member is disabled in the line of duty, he is eligible for a disability pension. The monthly disability pension is equal to 50% of the member's monthly salary at the time of disability.

Postretirement Cost-of-Living Increase

An annual cost-of-living adjustment is made to retirees, with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the compensation used for computing retirement benefits.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan (Continued)

Death Benefits

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.

Vesting

A member's benefits vest upon completion of 12 years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years of benefit service to date to the total number of years of benefit service projected at normal retirement.

Contributions

Members contribute 4.0% of compensation.

Member contributions are credited with 5.0% annual interest.

Plan Membership at December 31, 2018

Inactive Members or Beneficiaries Currently Receiving Benefits	19
Inactive Members Entitled to but not yet Receiving Benefits	1
Active Members	<u>34</u>
Total Members	<u><u>54</u></u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan (Continued)

Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.00%	(including inflation)
Postretirement Cost of Living Increase	3.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	5.50% - 7.50%
Fixed Income	50.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 19,459,218	\$ 17,309,099	\$ 2,150,119
Changes for the year:			
Service Cost	567,403	-	567,403
Interest Cost	1,380,808	-	1,380,808
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,040,946	(1,040,946)
Contributions - Member	-	155,073	(155,073)
Net Investment Income	-	(620,518)	620,518
Benefit Payments	(601,599)	(601,599)	-
Administrative Expense	-	(6,900)	6,900
Other Changes	-	-	-
Net Changes	<u>1,346,612</u>	<u>(32,998)</u>	<u>1,379,610</u>
Balance at December 31, 2018	<u>\$ 20,805,830</u>	<u>\$ 17,276,101</u>	<u>\$ 3,529,729</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 7.00%, 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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 6,262,822	\$ 3,529,729	\$ 1,256,575

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan (Continued)

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	<u>2017</u>	<u>2018</u>
Service Cost	\$ 540,384	\$ 567,403
Interest on the Total Pension Liability	1,290,988	1,380,808
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience ¹	(92,971)	(92,971)
Changes of Assumptions ¹	52,235	52,235
Member Contributions	(122,597)	(155,073)
Projected Earnings on Pension Plan Investments	(1,080,576)	(1,232,200)
Difference between Projected and Actual Earnings on Investments ²	204,352	574,896
Pension Plan Administrative Expense	5,700	6,900
Other Changes in Fiduciary Net Position	<u>-</u>	<u>-</u>
Pension Expense	<u>\$ 797,515</u>	<u>\$ 1,101,998</u>

1 Each year's gain or loss is recognized over a closed period, using the average of the expected remaining services lives of all active and inactive employees that are provided through this pension plan.

2 Each year's gain or loss is recognized over a 5 year period.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized pension expense of \$1,040,946. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 621,864
Changes in Assumptions	359,521	-
Net Difference Between Projected and Actual Earnings on Pension plan Investments	<u>1,568,043</u>	<u>-</u>
Total	<u>\$ 1,927,564</u>	<u>\$ 621,864</u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. Defined Benefit Retirement Plans (Continued)

Police Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

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

Years Ended December 31,			
	2019	\$	534,160
	2020		310,622
	2021		230,514
	2022		329,806
	2024		(49,701)
	2025		(49,701)

12. Postemployment Benefits Other Than Pensions

Plan Description

The Township of Bethlehem administers a single-employer defined benefit healthcare plan. The benefit provisions and obligations to contribute are established in accordance with separate employee contracts. In accordance with the employee contracts, the Township's obligation for payment of health insurance coverage premiums is limited to \$350 per month until the retiree reaches age sixty-five or receives spousal or other employer benefits for police employees retiring between January 1, 2005 and December 31, 2010, and \$450 per month for a period of ninety-six months for police employees retiring on or after January 1, 2011 and hired prior to January 1, 2015. Any police employee hired after January 1, 2015 is not entitled to the post-retirement benefit. The retirees are obligated to absorb any and all monthly premium costs in excess of Township contributions. The Retiree Health Plan does not issue a publicly available financial report.

Discount Rate

3.16%. Based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2018.

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purposes, annual salary increases are assumed to be 5.00%.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. Postemployment Benefits Other Than Pensions (Continued)

Withdrawal

Table D-1: Rates of withdrawal at selected ages:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	5.5000%	35	2.5000%	50	0.0000%
25	5.0000%	40	1.0000%	55	0.0000%
30	4.0000%	45	0.5000%	60	0.0000%

Mortality

IRS 2017 Static Combined Table for Small Plans

Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Disability

SOA 1987 Group LTD Table . Males, 3-month elimination.

Retirement

Active members are assumed to retire after attainment of age 53 and completion of 25 years of service, or age on valuation date, if greater.

Percentage of Eligible Retirees Electing Coverage in Plan

100% of eligible employees are assumed to elect coverage at retirement.

Per Capita Claims Cost

Police Officers are not able to continue on the Township's Medical Coverage upon retirement. The only postemployment benefits valued are the monthly stipends as described in the Plan Description.

Health Care Cost Trend Rate

Monthly Stipends are assumed to be flat and not increase with trend.

Actuarial Value of Assets

Equal to the Market Value of Assets.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Cost Method – Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data

Based on census information as of January 1, 2018.

At January 1, 2018, the following eligible employees and retirees were covered by the plan:

Active Members	30
Vested Former Participants	0
Retired Participants	<u>4</u>
Total Participants	<u><u>34</u></u>

Net OPEB Liability

The components of the net OPEB liability of the Township at December 31, 2018 were as follows:

	<u>2018</u>
Total OPEB Liability	\$ 566,150
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	<u><u>\$ 566,150</u></u>

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. Postemployment Benefits Other Than Pensions (Continued)

Changes in Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period:

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$ 545,152	\$ -	\$ 545,152
Changes for the year:			
Service Cost	19,721	-	19,721
Interest Cost ²	20,223	-	20,223
Changes in Benefit Terms	-	-	-
Changes for Experience ¹	-	-	-
Changes of Assumptions ¹	17,558	-	17,558
Contributions - Employer	-	36,504	(36,504)
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments ²	(36,504)	(36,504)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>20,998</u>	<u>-</u>	<u>20,998</u>
Balance at December 31, 2018	<u>\$ 566,150</u>	<u>\$ -</u>	<u>\$ 566,150</u>

1 Each year's gain or loss is recognized over a closed period, using the average of the expected remaining services lives of all active and inactive employees that are currently receiving benefit or may be eligible to receive a benefit in the future

2 These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 3.16% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (2.16%) or one percent higher (4.16%) than the current rate:

	1% Decrease <u>2.16%</u>	Current Discount Rate <u>3.16%</u>	1% Increase <u>4.16%</u>
Net OPEB Liability	\$ 599,535	\$ 566,150	\$ 534,647

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. Postemployment Benefits Other Than Pensions (Continued)

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percent higher and one percent lower than expected.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 566,150	\$ 566,150	\$ 566,150

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	2018
Service Cost	\$ 19,721
Interest on the Total OPEB Liability	20,223
Changes in Benefit Terms	-
Contributions - Employee	-
Amortization of Deferred Outflows	1,951
Amortization of Deferred Inflows	-
Other Changes	-
OPEB Expense	\$ 41,895

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized OPEB expense of \$18,451. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	15,607	-
Total	\$ 15,607	\$ -

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

12. Postemployment Benefits Other Than Pensions (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to postemployment benefits other than pensions will be recognized in OPEB expense as follows:

Years Ended December 31,			
	2019	\$	1,951
	2020		1,951
	2021		1,951
	2022		1,951
	2023		1,951
	2024		1,951
	2025		1,951
	2026		1,950

13. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Capital Reserve Fund	Capital Recreation Fund	Liquid Fuels Fund	D.A.R.E.- Canine Fund	Pension Trust Funds	Agency Funds	Totals
Unassigned	\$ 2,979,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,979,568
Restricted	-	3,392,118	-	272,777	-	-	-	3,664,895
Committed	23,984	108,443	-	-	43,092	26,036,072	14,793	26,226,384
Assigned	1,194,000	157,770	1,302,253	-	-	-	-	2,654,023
Totals	\$ 4,197,552	\$ 3,658,331	\$ 1,302,253	\$ 272,777	\$ 43,092	\$ 26,036,072	\$ 14,793	\$ 35,524,870

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

14. Operating Leases

The Township leases various pieces of equipment under multiple long-term lease agreements, expiring April 2024. Expenses incurred under the leases were \$21,531 for 2018. Future minimum lease payments are as follows:

Year ending December 31,				
	2019	\$	17,013	
	2020		18,636	
	2021		15,050	
	2022		13,638	
	2023		10,439	
	2024		<u>2,343</u>	
Total Minimum Lease Payments		\$	<u>77,119</u>	

15. Capital Lease

The Township leases equipment under various non-cancellable leases that are classified as capital leases expiring at various dates through June 2023. The lease agreements contain a bargain purchase option at the end of the lease terms.

Future minimum lease payments under the capital leases are as follows:

Year ending December 31,				
	2019	\$	386,439	
	2020		355,405	
	2021		237,733	
	2022		134,610	
	2023		<u>61,311</u>	
Total minimum lease payments			1,175,498	
Less: amount representing interest			<u>(88,704)</u>	
Present value of minimum lease payments			1,086,794	
Less: Current Portion			<u>(352,978)</u>	
Capital Lease Obligation, Net		\$	<u>733,816</u>	

Property and equipment include the following amounts for lease obligations which have been capitalized.

Equipment			\$ 2,204,507
Less: Accumulated Depreciation			<u>(513,000)</u>
Net Book Value			<u>\$ 1,691,507</u>

Lease amortization, included in depreciation expense, was \$201,589 in 2018.

**TOWNSHIP OF BETHLEHEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

16. Risk Management and Litigation

Risk Management

The Township is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2018 and the two previous fiscal years, no settlements exceeded insurance coverage.

Litigation

In the normal course of operations, the Township is involved in various civil disputes. Management and Township solicitor estimate that the amount of actual potential claims against the Township as of December 31, 2018, will not materially affect the financial condition of the Township.

17. Change in Accounting Principle

During 2019, the Township implemented GASB Statement No. 75 that is associated with other postemployment benefits. At December 31, 2017, the beginning Net Position has been modified below to reflect the change in accounting principle to record the Net OPEB Liability:

	<u>General Fund</u>
Net Position - December 31, 2017	\$ 22,937,257
Change in Net OPEB Liability	<u>(463,987)</u>
Net Position - December 31, 2017, As Restated	<u><u>\$ 22,473,270</u></u>

18. Subsequent Events

In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through August 1, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BETHLEHEM
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes			
Real Estate	\$ 6,133,970	\$ 6,102,139	\$ 31,831
Real Estate Transfer	1,047,570	725,000	322,570
Earned Income	4,429,175	4,175,000	254,175
Amusement	30,666	30,000	666
Mercantile	1,042,045	975,000	67,045
Local Services Tax	638,890	625,000	13,890
Total Taxes	<u>13,322,316</u>	<u>12,632,139</u>	<u>690,177</u>
Licenses and Permits			
Permits	851,444	341,500	509,944
TV Cable	385,286	420,000	(34,714)
Miscellaneous	4,600	5,200	(600)
Total Licenses and Permits	<u>1,241,330</u>	<u>766,700</u>	<u>474,630</u>
Fines and Forfeitures			
Ordinance Violations	8,278	20,000	(11,722)
Vehicle Code Violations	52,038	60,000	(7,962)
Miscellaneous Fines	325	10,000	(9,675)
Total Fines and Forfeitures	<u>60,641</u>	<u>90,000</u>	<u>(29,359)</u>
Interest and Rents			
Interest	884	1,000	(116)
Rents	65,437	58,800	6,637
Total Interest and Rents	<u>66,321</u>	<u>59,800</u>	<u>6,521</u>
Intergovernmental Revenues			
Federal Funds	9,338	-	9,338
State Funds	1,037,212	975,000	62,212
PURTA Tax	13,121	15,000	(1,879)
Local Funds	363,208	-	363,208
Total Intergovernmental Revenues	<u>1,422,879</u>	<u>990,000</u>	<u>432,879</u>
Charges for Services			
Subdivision Fees	6,340	10,000	(3,660)
Zoning Fees	18,660	8,000	10,660
Community Center and Recreation Fees	1,257,608	1,284,000	(26,392)
Police Safety	17,562	18,100	(539)
Property Inspection	56,245	35,000	21,245
Tax Certification	10,525	10,000	525
Miscellaneous	59,821	55,000	4,821
Total Charges for Services	<u>1,426,761</u>	<u>1,420,100</u>	<u>6,661</u>
Other Revenues			
Sale of Property	51,669	30,000	21,669
Sale of Maps and Books	612	2,400	(1,788)
Refunds	382,022	315,000	67,022
Engineering Fee Reimbursements	808,150	950,000	(141,850)
Legal Fee Reimbursements	42,408	80,000	(37,592)
Medical Reimbursements	16,229	15,173	1,056
Total Other Revenues	<u>1,301,090</u>	<u>1,392,573</u>	<u>(91,483)</u>
Total Revenues Received	<u>\$ 18,841,338</u>	<u>\$ 17,351,312</u>	<u>\$ 1,490,026</u>

See independent auditor's report on required supplementary information.

**TOWNSHIP OF BETHLEHEM
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Original Budget	Variance Favorable (Unfavorable)
EXPENDITURES PAID			
General Government			
Legislative	\$ 589,190	\$ 124,200	\$ (464,990)
Administrative and Executive	4,670,059	5,556,659	886,600
Financial Administration	657,847	444,694	(213,153)
Planning and Zoning	1,142,198	1,467,015	324,817
Physical Plant	1,327,487	1,180,889	(146,598)
Insurance	584,186	611,800	27,614
Total General Government	<u>8,970,967</u>	<u>9,385,257</u>	<u>414,290</u>
Public Safety			
Police Protection	2,854,852	3,372,737	517,885
Protective Inspection and Code Enforcement	493,049	2,500	(490,549)
Fire Protection	311,997	744,825	432,828
Total Public Safety	<u>3,659,898</u>	<u>4,120,062</u>	<u>460,164</u>
Public Works - Highways and Streets			
Street Construction	33,973	12,000	(21,973)
Street Lighting	3,095	-	(3,095)
Street Maintenance	32,855	148,700	115,845
Snow and Ice Removal	76,791	107,250	30,459
Street Signs and Markings	45,441	57,500	12,059
Storm Sewer Maintenance	38,818	12,000	(26,818)
Street Cleaning	30,152	40,000	9,848
Recycling	25,566	25,000	(566)
General Services	854,337	1,304,783	450,446
Grant Expenditures	-	-	-
Total Public Works - Highways and Streets	<u>1,141,028</u>	<u>1,707,233</u>	<u>566,205</u>
Culture and Recreation			
Playground and Parks	6,737	42,000	35,263
Community Center	884,750	1,104,877	220,127
Library	416,462	416,462	-
Total Culture and Recreation	<u>1,307,949</u>	<u>1,563,339</u>	<u>255,391</u>
Interest	1,727,686	1,767,933	40,247
Total Expenditures Paid	<u>16,807,528</u>	<u>18,543,824</u>	<u>1,736,297</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	2,033,810	(1,192,512)	3,226,323
Other Financing Sources (Uses)			
Transfers In	125,334	-	125,334
Transfers Out	(289,710)	-	(289,710)
Total Other Financing Sources (Uses), Net	(164,376)	-	(164,376)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	1,869,434	(1,192,512)	3,061,947
FUND BALANCE - JANUARY 1, 2018	<u>2,328,118</u>	<u>2,328,118</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2018	<u>\$ 4,197,552</u>	<u>\$ 1,135,606</u>	<u>\$ 3,061,947</u>

See independent auditor's report on required supplementary information.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF TOWNSHIP CONTRIBUTIONS -
TEAMSTERS PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2009	\$ 70,787	\$ 70,787	-	-	0.00%
2010	71,482	71,482	-	-	0.00%
2011	76,879	76,879	-	-	0.00%
2012	74,903	74,903	-	-	0.00%
2013	77,867	77,867	-	-	0.00%
2014	76,151	76,151	-	379,272	20.08%
2015	93,149	93,149	-	387,643	24.03%
2016	89,381	89,381	-	338,852	26.38%
2017	86,995	86,995	-	349,626	24.88%
2018	85,054	85,054	-	359,287	23.67%

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
TEAMSTERS PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2016	2017	2018
Total Pension Liability			
Service Cost	\$ 30,111	\$ 20,820	\$ 21,861
Interest	95,967	100,926	106,278
Changes of Benefit Terms	-	-	-
Changes for Experience	-	(43,036)	-
Changes of Assumptions	-	43,429	-
Benefit Payments, Including Refunds of Member Contributions	(42,127)	(50,543)	(42,127)
Net Change in Total Pension Liability	83,951	71,596	86,012
Total Pension Liability - Beginning	1,361,910	1,445,861	1,517,457
Total Pension Liability - Ending	<u>\$ 1,445,861</u>	<u>\$ 1,517,457</u>	<u>\$ 1,603,469</u>
Plan Fiduciary Net Pension			
Contributions - Employer	\$ 89,381	\$ 86,995	\$ 85,054
Contributions - Member	-	-	-
Net Investment Income			
Benefit Payments, Including Refunds of Member Contributions	47,268	124,757	(48,986)
Administrative Expense	(3,000)	(3,900)	(3,500)
Net Change in Plan Fiduciary Net Position	91,522	157,309	(9,559)
Plan Net Position - Beginning	1,102,202	1,193,724	1,351,033
Plan Net Position - Ending	<u>\$ 1,193,724</u>	<u>\$ 1,351,033</u>	<u>\$ 1,341,474</u>
Municipality's Net Pension Liability	\$ 252,137	\$ 166,424	\$ 261,995
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.6%	89.0%	83.7%
Covered Employee Payroll	\$ 338,852	\$ 349,626	\$ 359,287
Municipality's Net Pension Liability as a Percentage	74.4%	47.6%	72.9%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES -
TEAMSTERS PENSION PLAN
DECEMBER 31, 2018**

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2015

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Remaining Amortization Period: 7 years

Asset Valuation Method: Market value of assets as determined by the trustee.

Inflation: 3.00%

Salary Increases: 5.00%

Investment Rate of Return: 7.00% Retirement Age: Normal Retirement Age.

Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2015.

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF TOWNSHIP CONTRIBUTIONS -
NON-UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2009	\$ 108,488	\$ 108,488	\$ -	\$ -	0.00%
2010	105,243	105,243	-	-	0.00%
2011	171,922	171,922	-	-	0.00%
2012	167,466	167,466	-	-	0.00%
2013	212,776	212,776	-	-	0.00%
2014	215,384	215,384	-	919,596	23.42%
2015	221,658	221,658	-	953,388	23.25%
2016	247,234	247,234	-	886,618	27.89%
2017	245,785	245,785	-	873,533	28.14%
2018	250,338	250,338	-	917,726	27.28%

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
NON-UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2016	2017	2018
Total Pension Liability			
Service Cost	\$ 100,129	\$ 82,498	\$ 86,623
Interest	220,111	250,262	271,857
Changes of Benefit Terms	-	-	-
Changes for Experience	-	(49,585)	-
Changes of Assumptions	-	197,489	-
Benefit Payments, Including Refunds of Member Contributions	(18,115)	(21,457)	(35,321)
Net Change in Total Pension Liability	302,125	459,207	323,159
Total Pension Liability - Beginning	3,053,372	3,355,497	3,814,704
Total Pension Liability - Ending	<u>\$ 3,355,497</u>	<u>\$ 3,814,704</u>	<u>\$ 4,137,863</u>
Plan Fiduciary Net Pension			
Contributions - Employer	\$ 247,234	\$ 245,785	\$ 250,338
Contributions - Member	-	-	-
Net Investment Income	101,433	280,820	(114,781)
Benefit Payments, Including Refunds of Member Contributions	(18,115)	(21,457)	(35,321)
Administrative Expense	(3,100)	(3,900)	(3,500)
Net Change in Plan Fiduciary Net Position	327,452	501,248	96,736
Plan Net Position - Beginning	2,307,504	2,634,956	3,136,204
Plan Net Position - Ending	<u>\$ 2,634,956</u>	<u>\$ 3,136,204</u>	<u>\$ 3,232,940</u>
Municipality's Net Pension Liability	\$ 720,541	\$ 678,500	\$ 904,923
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.5%	82.2%	78.1%
Covered Employee Payroll	\$ 886,618	\$ 873,533	\$ 917,726
Municipality's Net Pension Liability as a Percentage	81.3%	77.7%	98.6%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES -
NON-UNIFORMED PENSION PLAN
DECEMBER 31, 2018**

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2015

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Remaining Amortization Period: 9 years

Asset Valuation Method: Market value of assets as determined by the trustee.

Inflation: 3.00%

Salary Increases: 5.00%

Investment Rate of Return: 7.00% Retirement Age: Normal Retirement Age.

Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2015.

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF TOWNSHIP CONTRIBUTIONS -
AFSCME PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2009	\$ 171,640	\$ 171,640	\$ -	\$ -	0.00%
2010	172,079	172,079	-	-	0.00%
2011	198,786	198,786	-	-	0.00%
2012	200,260	200,260	-	-	0.00%
2013	255,326	255,326	-	-	0.00%
2014	255,611	255,611	-	1,338,098	19.10%
2015	285,888	285,888	-	1,463,304	19.54%
2016	313,991	313,991	-	1,438,375	21.83%
2017	312,122	312,122	-	1,489,963	21.15%
2018	303,807	303,807	-	1,336,867	22.73%

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
AFSCME PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2016	2017	2018
Total Pension Liability			
Service Cost	\$ 111,399	\$ 121,465	\$ 127,538
Interest	315,921	357,311	387,787
Changes of Benefit Terms	-	-	-
Changes for Experience	-	(85,445)	-
Changes of Assumptions	-	278,435	-
Benefit Payments, Including Refunds of Member Contributions	(39,081)	(39,081)	(59,888)
Net Change in Total Pension Liability	388,239	632,685	455,437
Total Pension Liability - Beginning	4,421,292	4,809,531	5,442,216
 Total Pension Liability - Ending	 <u>\$ 4,809,531</u>	 <u>\$ 5,442,216</u>	 <u>\$ 5,897,653</u>
 Plan Fiduciary Net Pension			
Contributions - Employer	\$ 313,991	\$ 315,122	\$ 303,807
Contributions - Member	-	-	-
Net Investment Income	135,540	372,877	(153,317)
Benefit Payments, Including Refunds of Member Contributions	(39,081)	(39,081)	(59,888)
Administrative Expense	(3,200)	(4,100)	(3,900)
Net Change in Plan Fiduciary Net Position	407,250	644,818	86,702
Plan Net Position - Beginning	3,100,811	3,508,061	4,152,879
 Plan Net Position - Ending	 <u>\$ 3,508,061</u>	 <u>\$ 4,152,879</u>	 <u>\$ 4,239,581</u>
 Municipality's Net Pension Liability	 \$ 1,301,470	 \$ 1,289,337	 \$ 1,658,072
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 72.9%	 76.3%	 71.9%
 Covered Employee Payroll	 \$ 1,438,375	 \$ 1,489,963	 \$ 1,336,867
 Municipality's Net Pension Liability as a Percentage	 90.5%	 86.5%	 124.0%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES -
AFSCME PENSION PLAN
DECEMBER 31, 2018**

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2015

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Remaining Amortization Period: 10 years

Asset Valuation Method: Market value of assets as determined by the trustee.

Inflation: 3.00%

Salary Increases: 5.00%

Investment Rate of Return: 7.00% Retirement Age: Normal Retirement Age.

Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2015.

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF TOWNSHIP CONTRIBUTIONS -
POLICE PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2009	\$ 829,248	\$ 829,248	\$ -	\$ -	0.00%
2010	791,966	791,966	-	-	0.00%
2011	1,022,891	1,022,891	-	-	0.00%
2012	991,608	991,608	-	-	0.00%
2013	1,025,439	1,025,439	-	-	0.00%
2014	1,005,701	1,005,701	-	2,782,518	36.14%
2015	1,032,224	1,032,224	-	2,808,701	36.75%
2016	999,359	999,359	-	2,972,018	33.63%
2017	1,022,493	1,022,493	-	2,990,858	34.19%
2018	1,040,946	1,040,946	-	3,059,633	34.02%

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2016	2017	2018
Total Pension Liability			
Service Cost	\$ 545,840	\$ 540,384	\$ 567,403
Interest	1,231,493	1,290,988	1,380,808
Changes of Benefit Terms	2,129	-	-
Changes for Experience	-	(999,926)	-
Changes of Assumptions	-	602,322	-
Benefit Payments, Including Refunds of Member Contributions	(504,018)	(548,924)	(601,599)
Net Change in Total Pension Liability	1,275,444	884,844	1,346,612
Total Pension Asset - Beginning	17,298,930	18,574,374	19,459,218
Total Pension Liability - Ending	<u>\$ 18,574,374</u>	<u>\$ 19,459,218</u>	<u>\$ 20,805,830</u>
Plan Fiduciary Net Pension			
Contributions - Employer	\$ 999,359	\$ 1,022,493	\$ 1,040,946
Contributions - Member	119,613	122,597	155,073
Net Investment Income	596,360	1,577,066	(620,518)
Benefit Payments, Including Refunds of Member Contributions	(504,018)	(548,924)	(601,599)
Administrative Expense	(8,100)	(5,700)	(6,900)
Net Change in Plan Fiduciary Net Position	1,203,214	2,167,532	(32,998)
Plan Net Position - Beginning	13,938,353	15,141,567	17,309,099
Plan Net Position - Ending	<u>\$ 15,141,567</u>	<u>\$ 17,309,099</u>	<u>\$ 17,276,101</u>
Municipality's Net Pension Liability	\$ 3,432,807	\$ 2,150,119	\$ 3,529,729
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5%	89.0%	83.0%
Covered Employee Payroll	\$ 2,972,018	\$ 2,990,858	\$ 3,059,633
Municipality's Net Pension Liability as a Percentage	115.5%	71.9%	115.4%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

TOWNSHIP OF BETHLEHEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES -
POLICE PENSION PLAN
DECEMBER 31, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2015

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Remaining Amortization Period: 10 years

Asset Valuation Method: Market value of assets as determined by the trustee.

Inflation: 3.00%

Salary Increases: 5.00%

Investment Rate of Return: 7.00% Retirement Age: Normal Retirement Age.

Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2015.

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS ENDED**

	2018
Total OPEB Liability	
Service Cost	\$ 19,721
Interest	20,223
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	17,558
Benefit Payments, Including Refunds of Member Contributions	(36,504)
Other Changes	-
Net Change in Total OPEB Liability	20,998
Total OPEB Liability - Beginning	545,152
 Total OPEB Liability - Ending	 \$ 566,150
 Plan Fiduciary Net Pension	
Contributions - Employer	\$ 36,504
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	(36,504)
Administrative Expense	-
Net Change in Plan Fiduciary Net Position	-
Plan Net Position - Beginning	-
 Plan Net Position - Ending	 \$ -
 Municipality's Net OPEB Liability	 \$ 566,150
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 0.0%
 Covered Employee Payroll	 \$ 2,708,056
 Municipality's Net OPEB Liability as a Percentage	 20.9%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

OTHER SUPPLEMENTARY INFORMATION

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**TOWNSHIP OF BETHLEHEM
COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	State Liquid Fuels	D.A.R.E.-Canine	Total
ASSETS			
Cash and Cash Equivalents	\$ 272,777	\$ 43,092	\$ 315,869
Accounts Receivable	-	-	-
Total Assets	<u>\$ 272,777</u>	<u>\$ 43,092</u>	<u>\$ 315,869</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Capital Lease Obligations	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balance			
Restricted	272,777	-	272,777
Committed	-	43,092	43,092
Assigned	-	-	-
Total Liabilities and Fund Balances	<u>\$ 272,777</u>	<u>\$ 43,092</u>	<u>\$ 315,869</u>

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	State Liquid Fuels	D.A.R.E.-Canine	Total
REVENUES RECEIVED			
Intergovernmental Revenues	\$ 829,359	\$ -	\$ 829,359
Miscellaneous	-	26,525	26,525
Interest	16,177	-	16,177
Total Revenues Received	<u>845,536</u>	<u>26,525</u>	<u>872,061</u>
EXPENDITURES PAID			
Public Works - Highways and Streets	\$ 234,483	\$ -	\$ 234,483
Total Expenditures Paid	<u>234,483</u>	<u>-</u>	<u>234,483</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>611,053</u>	<u>26,525</u>	<u>637,578</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(724,948)	-	(724,948)
Total Other Financing Sources (Uses), Net	<u>(724,948)</u>	<u>-</u>	<u>(724,948)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(113,895)	26,525	(87,370)
Fund Balances - January 1, 2018	<u>386,672</u>	<u>16,567</u>	<u>403,239</u>
Fund Balances - December 31, 2018	<u>\$ 272,777</u>	<u>\$ 43,092</u>	<u>\$ 315,869</u>

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Capital Reserve	Parks and Recreation	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,658,331	\$ 1,202,253	\$ 4,860,584
Accounts Receivable	-	100,000	100,000
Total Assets	\$ 3,658,331	\$ 1,302,253	\$ 4,960,584
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balance			
Committed	108,443	-	108,443
Restricted	3,392,118	-	3,392,118
Assigned	157,770	1,302,253	1,460,023
Total Fund Balance	3,658,331	1,302,253	4,960,584
Total Liabilities and Fund Balances	\$ 3,658,331	\$ 1,302,253	\$ 4,960,584

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	Capital Reserve	Parks and Recreation	Total
REVENUES RECEIVED			
Interest	\$ 57,909	\$ 24,970	\$ 82,879
Grants	161,735	100,000	261,735
Intergovernmental	265,909	292,993	558,902
Sale of Property & Equipment	30,000	-	30,000
Total Revenues Received	<u>515,553</u>	<u>417,963</u>	<u>933,516</u>
EXPENDITURES PAID			
Planning and Zoning	<u>152,272</u>	-	<u>152,272</u>
Total Expenditures Paid	<u>152,272</u>	-	<u>152,272</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>363,281</u>	<u>417,963</u>	<u>781,244</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	258,957	-	258,957
Transfers Out	<u>1,959</u>	<u>(258,957)</u>	<u>(256,998)</u>
Total Other Financing Uses - Net	<u>260,916</u>	<u>(258,957)</u>	<u>1,959</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	624,197	159,006	783,203
Fund Balances - January 1, 2018	<u>3,034,134</u>	<u>1,143,247</u>	<u>4,177,381</u>
Fund Balances - December 31, 2018	<u>\$ 3,658,331</u>	<u>\$ 1,302,253</u>	<u>\$ 4,960,584</u>

See independent auditor's report on supplementary information.

TOWNSHIP OF BETHLEHEM
COMBINING STATEMENT OF NET POSITION – ALL PENSION FUNDS
DECEMBER 31, 2018

	Pension Trust Funds					Total
	Teamsters Pension	Police Pension	AFSCME Pension	Non-Uniform Pension	Defined Contribution	
ASSETS:						
Cash and Cash Equivalents	\$ 46,341	\$ 381,471	\$ 78,242	\$ 83,956	\$ -	\$ 590,010
Investments - At Fair Value						
Cash and Sweep Balances	45,178	780,298	181,029	130,835	163	1,137,503
Common Stocks	492,355	6,310,078	1,524,228	1,153,566	73,158	9,553,385
Fixed Income	694,180	9,022,851	2,279,673	1,736,048	-	13,732,752
Preferred/Fixed Rate Cap Securities	56,887	707,720	157,528	114,029	-	1,036,164
Total Assets	\$ 1,334,941	\$ 17,202,418	\$ 4,220,700	\$ 3,218,434	\$ 73,321	\$ 26,049,814
LIABILITIES:						
Accounts Payable	\$ 129	\$ 2,375	\$ 444	\$ 94	\$ -	\$ 3,042
Due to Other Funds	-	-	-	-	10,700	10,700
Total Liabilities	129	2,375	444	94	10,700	13,742
NET POSITION:						
Restricted	1,334,812	17,200,043	4,220,256	3,218,340	62,621	26,036,072
Total Liabilities and Net Position	\$ 1,334,941	\$ 17,202,418	\$ 4,220,700	\$ 3,218,434	\$ 73,321	\$ 26,049,814

See independent auditor's report on supplementary information.

**TOWNSHIP OF BETHLEHEM
COMBINING STATEMENT OF CHANGES IN NET POSITION – ALL PENSION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Teamsters Pension	Police Pension	AFSCME Pension	Non-Uniform Pension	Defined Contribution	Total
ADDITIONS:						
<i>Contributions:</i>						
Employer	\$ 85,054	\$ 1,040,946	\$ 303,807	\$ 250,338	\$ -	\$ 1,680,145
Plan Members	-	124,540	-	-	-	124,540
Total Contributions	85,054	1,165,486	303,807	250,338	-	1,804,685
<i>Investment Earnings:</i>						
Interest, dividends and net unrealized gains	(44,880)	(534,731)	(140,698)	(104,975)	(3,250)	(828,534)
Less: Investment Expenses	(6,088)	(79,049)	(19,332)	(14,628)	-	(119,097)
Total Additions	34,086	551,706	143,777	130,735	(3,250)	857,054
DEDUCTIONS:						
Administration	3,500	6,900	3,900	3,328	227	17,855
Benefit Payments	42,127	601,599	59,888	35,492	-	739,106
Total Deductions	45,627	608,499	63,788	38,820	227	756,961
Excess of Additions Over Deductions	(11,541)	(56,793)	79,989	91,915	(3,477)	100,093
NET POSITION						
Net Position, January 1, 2018	1,346,353	17,256,836	4,140,267	3,126,425	66,098	25,935,979
Net Position, December 31, 2018	<u>\$ 1,334,812</u>	<u>\$ 17,200,043</u>	<u>\$ 4,220,256</u>	<u>\$ 3,218,340</u>	<u>\$ 62,621</u>	<u>\$ 26,036,072</u>

See independent auditor's report on supplementary information.

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

To the Board of Commissioners of
Township of Bethlehem
Bethlehem, PA

We have audited, 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 Township of Bethlehem, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated August 1, 2019. Our report includes a reference to other auditors who audited the financial statements of Bethlehem Township Municipal Authority, as described in our report on the Township of Bethlehem's financial statements. This report does not include the results of the other auditors' testing of internal control. The financial statements of Bethlehem Township Municipal Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Bethlehem'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Bethlehem's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Bethlehem'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 Township of Bethlehem'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 Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Congbell, Rappold & Yucasita LLP

August 1, 2019