

**LOWER SOUTHAMPTON TOWNSHIP**  
**BUCKS COUNTY, PENNSYLVANIA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

LOWER SOUTHAMPTON TOWNSHIP  
YEAR ENDED DECEMBER 31, 2013

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

Township Supervisors  
Lower Southampton Township  
Bucks, Pennsylvania

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 LOWER SOUTHAMPTON TOWNSHIP as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise LOWER SOUTHAMPTON TOWNSHIP's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 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 LOWER SOUTHAMPTON TOWNSHIP, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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#### **Harrisburg**

830 Sir Thomas Court, Suite 100  
Harrisburg, PA 17109  
717.561.9200 Fax 717.561.9202

#### **Philadelphia**

2370 York Road, Suite A-5  
Jamison, PA 18929  
215.918.2277 Fax 215.918.2302

#### **Pittsburgh**

3800 McKnight E. Drive, Suite 3805  
Pittsburgh, PA 15237  
412.367.7102 Fax 412.367.7103

# Zelenkofske Axelrod LLC

## **Adoption of GASB Statements**

As discussed in Note 1 to the financial statements, in 2013 LOWER SOUTHAMPTON TOWNSHIP adopted the provisions of Governmental Accounting Standard Board's Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*", GASB Issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", and GASB Issued Statement No. 66, "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No.62*".

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and funding progress for the pension plan, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison information on pages 3 through 13 and 48 through 50 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 opinions on the financial statements that collectively comprise LOWER SOUTHAMPTON TOWNSHIP's basic financial statements. The combining nonmajor fund financial statements on pages 52 and 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



ZELENKOFSCHE AXELROD LLC

August 28, 2014  
Harrisburg, Pennsylvania

**TOWNSHIP OF LOWER SOUTHAMPTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2013**

Our discussion and analysis of the Township of Lower Southampton's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 14.

**FINANCIAL HIGHLIGHTS**

**Highlights for Government-wide Financial Statements (Full Accrual)**

The government-wide financial statements report information about the Township as a whole using the economic resources measurement focus and accrual basis of accounting.

- The total net position (assets, plus deferred outflows, less liabilities, and less deferred inflows) on a government-wide basis were \$20.8 million at December 31, 2013, an increase of \$1.1 million from 2012.
- Total revenues of the Township's governmental activities amounted to \$15.8 million and expenses equaled \$14.4 million in 2013. This compares to 2012 activity of \$14.8 million for revenues and expenses of \$14.2 million.
- Total revenues of the Township's business-type activities for 2013 were \$5.1 million and expenses were \$5.4 million. 2012 revenues equaled \$4.8 million and expenses of \$4.3 million.

**Highlights for Fund Financial Statements (Modified Accrual)**

The fund financial statements provide more detailed information about the Township's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- At December 31, 2013, the Township's total governmental funds reported fund balance of \$6.5 million, an increase of \$0.7 million in comparison with the prior year.
- The Township's General Fund reported an unassigned fund balance of \$2.6 million, an increase of \$1.0 million from December 31, 2012.

**General Financial Highlights**

- The Board in 2013 did not increase the millage for Real Estate Taxes, which remained at 14.08 mills. In addition, the rates for Sewer remained the same at \$89.00. The Sanitation fee was \$340 for 2013. Taxable assessment for the Township was \$210,331,960 with the value of one mill being \$210,331.

## **USING THIS ANNUAL REPORT**

This annual report consists of two kinds of basic financial statements, each with a different view of the Township's finances. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) 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 16. For governmental funds, the 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. 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 of the government. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains budget to actual schedules and data pertaining to the pension and OPEB plans. In addition to these required elements, the Township includes other supplementary information with combining statements to provide details about the governmental funds.

### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finance is: "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Lower Southampton 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, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account 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 non-financial factors, however, such as the changes in the Township's property tax base and the condition of the Township's capital assets, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental activities** - Most of the Township's basic services are reported here, including administrative, code and planning, police and emergency services, public works, sanitation, and parks and recreation. Business privilege and mercantile, earned income taxes, property taxes, franchise fees, business taxes, user fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. Currently the Township is classifying its sewer services in this way.

## Reporting the Township's Most Significant Funds

Our analysis of Lower Southampton's funds begins on page 9. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements begin on page 16 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law. However, the Township Board of Supervisors establishes many other funds to help it control and manage money for particular purposes (like the General Obligation Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the PA Department of Transportation). The Township's two kinds of funds - governmental and enterprise - use different accounting approaches.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus 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 modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental 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 the reconciliations on page 17 and 19.
- **Enterprise Funds** – When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement Net Position and the Statement of Activities. In fact the Township's only enterprise fund - the Sewer Fund - is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for sewer operation.
- **Fiduciary Funds** – The Township is a fiduciary, or trustee, for various funds. These include our police pension fund and agency funds. The assets reported in these funds can only be used for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. 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.

## Infrastructure Assets

GASB 34 requires that infrastructure assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The Township has chosen to depreciate their assets over their estimated useful life.

## THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

**Table 1**  
Statement of Net Position  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Assets	\$ 17,542	\$ 17,825	\$ 2,959	\$ 3,094	\$ 20,501	\$ 20,919
Other Assets	7,144	7,560	5,144	5,498	12,288	13,058
Total Assets	<u>\$ 24,686</u>	<u>\$ 25,385</u>	<u>\$ 8,103</u>	<u>\$ 8,592</u>	<u>\$ 32,789</u>	<u>\$ 33,977</u>
Deferred Amount of Refunding	\$ 753	\$ -	\$ -	\$ -	\$ 753	\$ -
Total Deferred Outflow of Resources	<u>\$ 753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753</u>	<u>\$ -</u>
Current Liabilities	\$ 425	\$ 562	\$ 327	\$ 581	\$ 752	\$ 1,143
Long Term Liabilities	11,974	13,108	32	25	12,006	13,133
Total Liabilities	<u>12,399</u>	<u>13,670</u>	<u>359</u>	<u>606</u>	<u>12,758</u>	<u>14,276</u>
Net Position:						
Net Investment in Capital Assets	8,274	7,807	2,959	3,094	11,233	10,901
Restricted	186	223	-	-	186	223
Unrestricted	4,580	3,685	4,785	4,892	9,365	8,577
Total Net Position	<u>\$ 13,040</u>	<u>\$ 11,715</u>	<u>\$ 7,744</u>	<u>\$ 7,986</u>	<u>\$ 20,784</u>	<u>\$ 19,701</u>

For more detailed information see the Statement of Net Position (page 14)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, total assets exceeded total liabilities by \$20.0 million at year-end 2013. The largest portion of the Township's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net position portion represents resources that are subject to external restrictions on how they may be used. The unrestricted net position for governmental activities is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

In comparing the Statement of Net Position to 2012, there was an increase in Total Net Position of \$1.1 million or 0.5%. Governmental Activities Net Position increased by \$1.3 million and business activities decreased \$242 thousand. The Township has been building the sewer fund balance, which is a business-type activity, to fund future capital needs of the sewer and wastewater treatment facilities.

### Current Year Impacts

The primary impact for governmental and business-type activities would be categorized as a net result of activity. The Township did not borrow any additional funds in 2013.

Net position of governmental activities increased \$1.3 million as a result of decreases to General Government and Culture and Recreation expenditures.

The net position of business-type activities decreased by \$242 thousand. The Township is reserving this balance and prior year excess collections in anticipation of future capital needs of the sewer conveyance and wastewater treatment facilities.

The following chart shows the revenues and expenses of the governmental activities and business-type activities:

**Table 2**  
Statement of Activities  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 3,955	\$ 3,874	\$ 5,134	\$ 4,756	\$ 9,089	\$ 8,630
Operating Grants & Contrib.	1,053	2,047	-	-	1,053	2,047
Capital Grants & Contrib.	704	-	-	-	704	-
General Revenues						
Real Estate Taxes	2,964	3,098	-	-	2,964	3,098
Other Taxes	6,518	5,337	-	-	6,518	5,337
Gain (Loss) on Asset Disposal	47	(8)	-	-	47	(8)
Investment Income	189	255	1	2	190	257
Other General Revenues	385	205	-	-	385	205
Total Revenues	<u>15,815</u>	<u>14,808</u>	<u>5,135</u>	<u>4,758</u>	<u>20,950</u>	<u>19,566</u>
Expenses						
Administrative	1,310	1,417	-	-	1,310	1,417
Public Safety	6,907	6,688	-	-	6,907	6,688
Sanitation	1,687	1,819	-	-	1,687	1,819
Public Works	2,745	2,133	-	-	2,745	2,133
Sewer	-	-	5,377	4,294	5,377	4,294
Culture & Recreation	1,475	1,862	-	-	1,475	1,862
Interest Expense	261	282	-	-	261	282
Total Expenses	<u>14,385</u>	<u>14,201</u>	<u>5,377</u>	<u>4,294</u>	<u>19,762</u>	<u>18,495</u>
Change in Net Position	1,430	607	(242)	464	1,188	1,071
Net Position, Beg. of Year (as restated)	<u>11,610</u>	<u>11,003</u>	<u>7,986</u>	<u>7,522</u>	<u>19,596</u>	<u>18,525</u>
Net Position, End of Year	<u>\$ 13,040</u>	<u>\$ 11,610</u>	<u>\$ 7,744</u>	<u>\$ 7,986</u>	<u>\$ 20,784</u>	<u>\$ 19,596</u>

For more detailed information see the Statement of Activities (page 15)

The following schedule presents the cost of each functional category as well as each program's net cost (total cost less fees generated by the activities and program-specific intergovernmental aid):

**Table 3**  
Governmental Activities/Business-type Activities  
(in thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
<b>Governmental Activities</b>				
Administrative	\$ 1,310	\$ 1,417	\$ (661)	\$ (791)
Public Safety	6,907	6,688	(5,695)	(4,611)
Sanitation	1,687	1,819	439	207
Public Works	2,745	2,133	(1,653)	(1,740)
Community Development	-	-	-	-
Culture & Recreation	1,475	1,862	(841)	(1,063)
Interest Expense	261	282	(261)	(282)
Total Governmental Act	<u>14,385</u>	<u>14,201</u>	<u>(8,672)</u>	<u>(8,280)</u>
Total Sewer-Business	<u>\$ 5,377</u>	<u>\$ 4,294</u>	<u>\$ (243)</u>	<u>\$ 463</u>

Governmental Activities shows an increase in net costs of \$392 thousand over 2012 due to a \$209 thousand decrease in program revenues and an increase in expenses of \$185 thousand. General Revenues fund the portion of program expense not funded by program revenues. A portion of the costs of governmental activities were paid (charges for services) by those who directly benefited from the programs (\$4.0 million).

Sewer Fund change in net position decreased by \$0.2 million over 2012 primarily due to an increase in total revenues of \$0.4 million and an increase in total expenses of \$1.1 million.

### Normal Impacts

There are eight basic impacts on revenues and expenses as reflected below.

#### Revenues:

**Economic Condition** - Reflect a declining, stable, or growing economic environment and has a substantial impact on property, business, mercantile or other tax revenue, as well as public spending habits for building permits and elective user fees.

**Increase/Decrease in Township Approved Rates** - While certain tax rates are set by statute, the Township Board of Supervisors has significant authority to impose and periodically increase/decrease rates (real estate tax millage, sewer fees, building fees, user fees, etc.).

**Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)** - Certain recurring revenues (state-shared revenues, block grant etc.) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

**Market Impacts on Investment Income** - The Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

## Expenditures:

**Introduction of New Programs** - Within the functional expense categories (Public Safety, Public Works, etc.), individual programs may be added or deleted to meet changing community needs.

**Increase in Authorized Personnel** - Changes in service demand may cause the Township Board of Supervisors to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent over 50% of the Township's program expenses.

**Salary Increases (annual adjustments and merit)** - The ability to attract and retain human resources requires Lower Southampton Township to strive to approach a competitive salary and range position in the marketplace.

**Inflation** - While overall inflation appears to be reasonably modest, the Township may experience unusual commodity-specific increases. The increases in oil prices affect cost of fuel as well as paving materials.

## Current Year Impacts

### Governmental Funds

Revenues for the Township's governmental activities were \$15.8 million in 2013. Sources of revenue were comprised of the following items:

**Table 4**  
Governmental Funds - Revenues by Source  
For the Years Ended December 31  
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
Taxes	\$ 9,492	\$ 8,357	\$ 1,135
Licenses and Permits	658	517	141
Fines and Forfeitures	133	154	(21)
Interest and Rents	189	255	(66)
Intergovernmental	1,758	2,047	(289)
Charges for Services	3,164	3,204	(40)
Miscellaneous	384	205	179
Total Revenues	<u>\$ 15,778</u>	<u>\$ 14,739</u>	<u>\$ 1,039</u>

Overall revenues increased compared to 2012 by \$1.0 million. Taxes comprised the largest source of Township revenues (60.1%), amounting to \$9.5 million for 2013. Property taxes represent \$3.1 million (20.1% of total revenues) with business, earned income, and deed transfer taxes accounting for "other taxes." The Board of Supervisors has worked to decrease reliance upon our tax ratable base (approximately \$210 million), and instead have focused on income tax and on charging reasonable fees to users of Township-provided services. The area of charges for service represents 20.1% of total revenues in 2013.

The cost of all governmental funds this year was \$15.2 million, down \$0.9 million from 2012. As the chart below indicates, Public Safety (police and emergency service) is the largest program and their expenses totaled \$6.7 million. The second largest program expense is Public Works totaling \$2.4 million. Sanitation is the third largest expense for the Township at \$1.7 million.

**Table 5**  
Governmental Funds - Expenditures by Function  
For the Years Ended December 31  
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
Current:			
General Government	\$ 1,203	\$ 1,151	\$ 52
Public Safety	6,743	6,736	7
Sanitation	1,674	1,810	(136)
Public Works	2,420	2,047	373
Culture and Recreation	1,286	1,667	(381)
Benefits	113	54	59
Debt Service:			
Principal	1,140	955	185
Interest	263	283	(20)
Capital Projects	312	1,406	(1,094)
Total Expenditures	<u>\$ 15,154</u>	<u>\$ 16,109</u>	<u>\$ (955)</u>

The total expenditures of all governmental fund programs and services decreased by 6% from 2012. The decrease in governmental funds' expenditures was due to decreases in expenditures for culture and recreation and capital projects. These decreases were partially offset by a increase in public works, general government, and debt service.

### Enterprise Fund

Total operating revenues of the Sewer Fund were \$5.1 million as compared to total operating expenses of \$5.4 million. The Sewer Fund recovers its costs primarily through user charges and connection fees. Rates are based on a flat rate for residential and a flat rate plus usage formula for commercial. The user charges are set to accommodate projection for capital improvement charges by Philadelphia Water Department. For business-type activities, total operating expenses increased by 20.1% due to an increase in operational costs for 2013.

**Table 6**  
Enterprise Fund Revenues and Expenses  
For the Year Ending December 31, 2013  
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
Operating Revenues:			
Sewer Sales	\$ 5,115	\$ 4,738	\$ 377
Other Revenues	19	18	1
Total Operating Revenues	<u>5,134</u>	4,756	378
Operating Expenses:			
Sewer Operations	4,640	3,599	1,041
General and Administrative	578	538	40
Depreciation	159	157	2
Total Operating Expenses	<u>5,377</u>	<u>4,294</u>	<u>1,083</u>
Operating Income	(243)	462	(705)
Nonoperating Revenues (Expenses):			
Interest Income	1	2	(1)
Total Net Nonoperating Revenues (Expenses)	<u>1</u>	<u>2</u>	<u>(1)</u>
Changes in Net Position	<u>\$ (242)</u>	<u>\$ 464</u>	<u>\$ (706)</u>

## THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$6.5 million. Of this \$6.5 million, \$1.1 million is restricted to indicate that it is not available for new spending because it has already been restricted for items such as Program Purposes and Capital Projects and \$2.9 million is assigned to indicate that it is not available for new spending because it has already been assigned to items such as Program Purposes, Capital Projects, and Operating Reserve. Approximately 39.0% (\$2.5 million) of the total fund balance represents the unassigned fund balance, or resources available for appropriation.

The net increase in fund balance for all governmental funds was \$0.7 million.

### General Fund Budgetary Highlights

In total, General Fund revenues ended the year over budget by \$1.7 million. The over budget occurred due to an increase in charges for services.

Expenditure variances occurred due to the Township incurring fewer expenses than the adopted budget for 2013.

### Capital Assets

At the end of 2013, on a government-wide basis, the Township had \$20.5 million invested in a broad range of capital assets net of accumulated depreciation, including police equipment, buildings, park facilities, roads, bridges, sewer lines, and pumping stations. (See Table 7) This amount represents a net decrease (including additions and deletions) of \$0.4 million.

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 4.

**Table 7**  
Change in Capital Assets  
(in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$ 5,221	\$ -	\$ -	\$ 5,221
Construction in Progress	102	67	(128)	41
Intangibles	-	5	-	5
Total Non-Depreciable Capital Assets	<u>5,323</u>	<u>72</u>	<u>(128)</u>	<u>5,267</u>
Depreciable Capital Assets:				
Infrastructure	20,573	703	-	21,276
Library Books	844	85	(235)	694
Buildings and Improvements	6,066	-	-	6,066
Machinery and Equipment	3,280	268	(171)	3,377
Accumulated Depreciation	<u>(18,261)</u>	<u>(1,282)</u>	<u>405</u>	<u>(19,138)</u>
Total Depreciable Capital Assets, Net	<u>12,502</u>	<u>(226)</u>	<u>(1)</u>	<u>12,275</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,825</u>	<u>\$ (154)</u>	<u>\$ (129)</u>	<u>\$ 17,542</u>
<b>Business-type Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$ 21	\$ -	\$ -	\$ 21
Depreciable Capital Assets:				
Infrastructure	5,887	-	-	5,887
Buildings and Improvements	539	-	-	539
Machinery and Equipment	731	24	(21)	734
Accumulated Depreciation	<u>(4,084)</u>	<u>(159)</u>	<u>21</u>	<u>(4,222)</u>
Total Depreciable Capital Assets, Net	<u>3,073</u>	<u>(135)</u>	<u>-</u>	<u>2,938</u>
Total Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,094</u>	<u>\$ (135)</u>	<u>\$ -</u>	<u>\$ 2,959</u>

## Debt

The borrowing limit of the Township under the Debt Act is computed as a percentage of the Township's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of total "Revenue" (as defined by the Debt Act) for the three full fiscal years ended next preceding the date of incurring debt. The Township's remaining non-electoral debt borrowing capacity is well under percentages allowed. At year-end, the Township had \$11.0 million in bonds and notes outstanding versus \$12.0 million last year.

The following is a summary of the Township's outstanding long-term debt for the year ended December 31, 2013 which is presented in detail in the notes to financial statements as Note 7.

**Table 8**  
Change in Debt  
For the Year Ended December 31, 2013  
(in thousands)

Issue	Original Amount	Interest Rate	Final Maturity	Beginning Balance	Additions	Retirements	Ending Balance
2010 Capital Lease	13,355	2% to 2.75%	2022	12,050	-	(1,140)	10,910
				11	-	(4)	7
				<u>\$ 12,061</u>	<u>\$ -</u>	<u>\$ (1,144)</u>	<u>\$ 10,917</u>
			Governmental Activities	\$ 12,061	\$ -	\$ (1,144)	\$ 10,917
			Business-type Activities	-	-	-	-
			Total Primary Government	<u>\$ 12,061</u>	<u>\$ -</u>	<u>\$ (1,144)</u>	<u>\$ 10,917</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The elected officials of Lower Southampton Township considered many factors when setting the calendar-year 2014 budget, tax rates, and fees. One of those factors is the economy. Unemployment in Bucks County is typically below that of the state. In December 2013, the unemployment rate (6.9%) was 0.5 percent below the state level (7.4%). Overall employment data is not compiled for municipalities, but such data is compiled for the County of Bucks in which the Township is located.

The cost of the collection of sanitation will be reduced for budget year 2014 to \$300 annually.

The Real Estate Millage Rate remained the same for calendar year 2014.

The user fees for business-type activity (sewer rates) for residential and commercial users slightly increased for 2014.

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives.

## **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Finance Office at the Township of Lower Southampton, 1500 Desire Avenue, Feasterville, PA 19053.

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,844,201	\$ 4,035,279	\$ 8,879,480
Receivables:			
Accounts	7,829	1,108,674	1,116,503
Taxes	1,933,288	-	1,933,288
Due From Other Governments	265,000	-	265,000
Restricted Investments	93,262	-	93,262
Capital Assets Not Being Depreciated	5,266,691	20,828	5,287,519
Capital Assets Net of Accumulated Depreciation	12,274,924	2,937,870	15,212,794
<b>Total Assets</b>	<b>24,685,195</b>	<b>8,102,651</b>	<b>32,787,846</b>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Amount of Refunding	753,025	-	753,025
<b>Total Deferred Outflow of Resources</b>	<b>753,025</b>	<b>-</b>	<b>753,025</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>25,438,220</b>	<b>8,102,651</b>	<b>33,540,871</b>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	319,500	327,129	646,629
Unearned Revenue	700	-	700
Deposits Held in Escrow	93,262	-	93,262
Other Liabilities	10,988	-	10,988
Long-Term Liabilities:			
Due Within One Year	1,179,826	-	1,179,826
Due After One Year	10,794,428	31,591	10,826,019
<b>Total Liabilities</b>	<b>12,398,704</b>	<b>358,720</b>	<b>12,757,424</b>
<u>NET POSITION</u>			
Net Investment in Capital Assets	8,274,260	2,958,698	11,232,958
Restricted for:			
Program Purposes	185,847	-	185,847
Unrestricted	4,579,409	4,785,233	9,364,642
<b>Total Net Position</b>	<b>\$ 13,039,516</b>	<b>\$ 7,743,931</b>	<b>\$ 20,783,447</b>

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



LOWER SOUTHAMPTON TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	General	2010 General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 3,608,152	\$ 911,186	\$ 120,844	\$ -	\$ 204,019	\$ 4,844,201
Receivables:						
Accounts	7,829	-	-	-	-	7,829
Taxes	1,764,239	-	-	122,994	46,055	1,933,288
Due From Other Governments	-	-	265,000	-	-	265,000
Due From Other Funds	281,121	-	-	-	-	281,121
Restricted Investments	93,262	-	-	-	-	93,262
<b>Total Assets</b>	<b>\$ 5,754,603</b>	<b>\$ 911,186</b>	<b>\$ 385,844</b>	<b>\$ 122,994</b>	<b>\$ 250,074</b>	<b>\$ 7,424,701</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 280,775	\$ -	\$ 1,310	\$ -	\$ 22,449	\$ 304,534
Due to Other Funds	-	-	246,787	32,506	1,828	281,121
Unearned Revenue	700	-	-	-	-	700
Other Current Liabilities	10,988	-	-	-	-	10,988
Escrows Payable	93,262	-	-	-	-	93,262
<b>Total Liabilities</b>	<b>385,725</b>	<b>-</b>	<b>248,097</b>	<b>32,506</b>	<b>24,277</b>	<b>690,605</b>
Deferred Inflow of Resources:						
Unavailable Revenue - Property Taxes	77,547	-	-	106,691	39,950	224,188
<b>Total Deferred Inflow of Resources</b>	<b>77,547</b>	<b>-</b>	<b>-</b>	<b>106,691</b>	<b>39,950</b>	<b>224,188</b>
Fund Balances (Deficit):						
Restricted for:						
Street Light	-	-	-	-	30,592	30,592
Fire Protection	-	-	-	-	1,469	1,469
Rescue Squad	-	-	-	-	790	790
Highway Aid	-	-	-	-	152,996	152,996
Capital Projects	-	911,186	-	-	-	911,186
Assigned to:						
Library Reserve	41,116	-	-	-	-	41,116
Library	101,316	-	-	-	-	101,316
Hydrant	12,236	-	-	-	-	12,236
Operating Reserve	1,717,002	-	-	-	-	1,717,002
Sanitation	824,102	-	-	-	-	824,102
Township Beautification	38,000	-	-	-	-	38,000
Other Capital Projects	-	-	137,747	-	-	137,747
Unassigned (Deficit)	2,557,559	-	-	(16,203)	-	2,541,356
<b>Total Fund Balances (Deficit)</b>	<b>5,291,331</b>	<b>911,186</b>	<b>137,747</b>	<b>(16,203)</b>	<b>185,847</b>	<b>6,509,908</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>\$ 5,754,603</b>	<b>\$ 911,186</b>	<b>\$ 385,844</b>	<b>\$ 122,994</b>	<b>\$ 250,074</b>	<b>\$ 7,424,701</b>

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

LOWER SOUTHAMPTON TOWNSHIP  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2013

Total fund balances for governmental funds		\$ 6,509,908
Total net position reported for governmental activities in the statement of net position is different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Capital Assets Not Being Depreciated		5,266,691
Capital Assets Net of \$19,138,430 Accumulated Depreciation		<u>12,274,924</u>
Total Capital Assets		17,541,615
Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		224,188
Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at December 31, 2013 are:		
Liability for Other Postemployment Benefits		(390,640)
Compensated Absences		(571,916)
Unamortized premium		(95,098)
Accrued Interest on Bonds and Loan		(14,966)
Deferred Amount on Refunding		753,025
Bonds Payable		(10,910,000)
Capital Leases		<u>(6,600)</u>
		<u>(11,236,195)</u>
Total net position of governmental activities		<u>\$ 13,039,516</u>

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	2010 General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 7,607,397	\$ -	\$ -	\$ 1,371,700	\$ 512,477	\$ 9,491,574
Licenses and Permits	657,828	-	-	-	-	657,828
Fines and Forfeitures	133,480	-	-	-	-	133,480
Interest and Rents	187,019	1,090	365	-	269	188,743
Intergovernmental	666,899	-	704,535	-	386,614	1,758,048
Charges for Services	3,163,804	-	-	-	-	3,163,804
Miscellaneous Income	347,779	-	-	-	36,732	384,511
<b>Total Revenues</b>	<b>12,764,206</b>	<b>1,090</b>	<b>704,900</b>	<b>1,371,700</b>	<b>936,092</b>	<b>15,777,988</b>
<b>EXPENDITURES</b>						
Current:						
General Government - Administration	1,178,223	-	25,000	200	-	1,203,423
Public Safety	6,343,724	-	45,180	-	354,053	6,742,957
Sanitation	1,673,746	-	-	-	-	1,673,746
Public Works	789,938	-	1,024,810	-	605,124	2,419,872
Culture and Recreation	1,286,097	-	-	-	-	1,286,097
Benefits	113,254	-	-	-	-	113,254
Debt Service:						
Principal	-	-	-	1,140,000	-	1,140,000
Interest	-	-	-	262,506	-	262,506
Capital Projects	-	312,573	-	-	-	312,573
<b>Total Expenditures</b>	<b>11,384,982</b>	<b>312,573</b>	<b>1,094,990</b>	<b>1,402,706</b>	<b>959,177</b>	<b>15,154,428</b>
Excess of Revenues Over (Under) Expenditures	1,379,224	(311,483)	(390,090)	(31,006)	(23,085)	623,560
Other Financing Sources (Uses)						
Sale of Capital Equipment	46,885	-	-	-	-	46,885
Total Other Financing Sources	46,885	-	-	-	-	46,885
<b>Net Change in Fund Balances</b>	<b>1,426,109</b>	<b>(311,483)</b>	<b>(390,090)</b>	<b>(31,006)</b>	<b>(23,085)</b>	<b>670,445</b>
Fund Balances - January 1, 2013	3,865,222	1,222,669	527,837	14,803	208,932	5,839,463
Fund Balances (Deficit) - December 31, 2013	\$ 5,291,331	\$ 911,186	\$ 137,747	\$ (16,203)	\$ 185,847	\$ 6,509,908

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

LOWER SOUTHAMPTON TOWNSHIP  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds \$ 670,445

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,282,570) exceeded capital outlays (\$999,382) in the current period. (283,188)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position.

Principal Repayments on General Obligation Bonds	\$ 1,140,000	
Payments to Reduce Capital Leases	<u>4,680</u>	
Net adjustment		1,144,680

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/12 to 12/31/13. (10,069)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences, liability for other postemployment benefits and accrued interest.

Compensated Absences	31,065	
Liability for Other Postemployment Benefits	(52,514)	
Bond Premium	10,566	
Deferred Interest on Bond Refunding	(83,669)	
Accrued Interest on Bonds	<u>1,441</u>	
		<u>(93,111)</u>

Change in net position of governmental activities		<u>\$ 1,428,757</u>
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LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
DECEMBER 31, 2013

	Business Type Activities - Enterprise Fund	
	Sewer	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,035,279	\$ 4,035,279
Accounts Receivables	1,108,674	1,108,674
Total Current Assets	5,143,953	5,143,953
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,828	20,828
Capital Assets Net of Accumulated Depreciation	2,937,870	2,937,870
Total Noncurrent Assets	2,958,698	2,958,698
Total Assets	8,102,651	8,102,651
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	327,129	327,129
Total Current Liabilities	327,129	327,129
Long-Term Liabilities:		
Compensated Absences	31,591	31,591
Total Noncurrent Liabilities	31,591	31,591
Total Liabilities	358,720	358,720
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,958,698	2,958,698
Unrestricted Net Position	4,785,233	4,785,233
Total Net Position	\$ 7,743,931	\$ 7,743,931

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

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Total</u>
Operating Revenues		
Sewer Sales	\$ 5,115,058	\$ 5,115,058
Other Revenues	18,617	18,617
Total Operating Revenues	<u>5,133,675</u>	<u>5,133,675</u>
Operating Expenses		
Sewer Operations	4,639,892	4,639,892
General and Administrative	578,261	578,261
Depreciation Expenses	158,918	158,918
Total Operating Expenses	<u>5,377,071</u>	<u>5,377,071</u>
Operating Loss	<u>(243,396)</u>	<u>(243,396)</u>
Nonoperating Revenues		
Interest Income	1,206	1,206
Total Nonoperating Revenues	<u>1,206</u>	<u>1,206</u>
Changes In Net Position	(242,190)	(242,190)
Total Net Position - Beginning of Year	<u>7,986,121</u>	<u>7,986,121</u>
Total Net Position - End of Year	<u>\$ 7,743,931</u>	<u>\$ 7,743,931</u>

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

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ 5,286,046	\$ 5,286,046
Payments to Employees	(744,456)	(744,456)
Payments to Suppliers	(4,720,426)	(4,720,426)
Net Cash Used in Operating Activities	<u>(178,836)</u>	<u>(178,836)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	<u>(23,953)</u>	<u>(23,953)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(23,953)</u>	<u>(23,953)</u>
Cash Flows from Investing Activities		
Interest Income	<u>1,206</u>	<u>1,206</u>
Net Cash Provided by Investing Activities	<u>1,206</u>	<u>1,206</u>
Net Decrease in Cash and Cash Equivalents	(201,583)	(201,583)
Cash and Cash Equivalents, Beginning of Year	<u>4,236,862</u>	<u>4,236,862</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,035,279</u>	<u>\$ 4,035,279</u>

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

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF CASH FLOWS (CONTINUED)  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities		
Operating Loss	\$ (243,396)	\$ (243,396)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation Expense	158,918	158,918
Change in Assets and Liabilities		
Accounts Receivable	152,371	152,371
Compensated Absences	6,930	6,930
Accounts Payable and Accrued Expenses	<u>(253,659)</u>	<u>(253,659)</u>
Net Cash Used in Operating Activities	<u>\$ (178,836)</u>	<u>\$ (178,836)</u>

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013

	Police Pension	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 950,960	\$ 333,735	\$ 1,284,695
Investments:			
Mutual Funds	11,933,632	-	11,933,632
Total Assets	\$ 12,884,592	\$ 333,735	\$ 13,218,327
<u>LIABILITIES</u>			
Funds Held in Escrow	\$ -	\$ 333,735	\$ 333,735
Total Liabilities	-	\$ 333,735	333,735
<u>NET POSITION</u>			
Net Position Held in Trust for Employees' Pension Benefits	12,884,592		12,884,592
Total Net Position	\$ 12,884,592		\$ 12,884,592

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

LOWER SOUTHAMPTON TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
POLICE PENSION TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Police Pension
<u>ADDITIONS</u>	
Contributions:	
State	\$ 396,205
Employer	340,424
Member	131,784
Total Contributions	868,413
Investment Income:	
Net Appreciation in Fair Value of Investments	1,656,798
Investment Settlement	-
Interest and Dividends	1,035
Miscellaneous	-
Total Investment Income	1,657,833
Less: Investment Expense	111,781
Net Investment Income	1,546,052
Total Additions	2,414,465
<u>DEDUCTIONS</u>	
Administrative Expense	13,309
Benefit Payments	572,250
Total Deductions	585,559
Change in Net Position	1,828,906
Net Position Held in Trust for Employees' Pension Benefits:	
Beginning of Year	11,055,686
End of Year	\$ 12,884,592

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

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Southampton Township (the "Township") operates under the Second Class Township Code under the laws of the Commonwealth of Pennsylvania. The operations of the Township are vested in a board of supervisors. The Township provides the following services: general administrative services, public improvements, public safety, culture and recreation and maintenance and repairs of highways and streets programs. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A summary of the Township's significant accounting policies is as follows:

A) Reporting Entity

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the Township to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria.

The Township is financially accountable for:

- Organizations that make up the legal Township entity.
- Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township as defined below.

*Impose Its Will* — If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

*Financial Benefit or Burden* — Exists if the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Township and there is a potential for the organization to provide a specific financial benefits to or impose specific financial burdens on the Township.

Based on the foregoing criteria, management of the Township has determined that no entities should be included in the financial statements of the Township.

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B) Government-Wide and Fund Financial Statements (Continued)

from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and agency fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collectable within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The 2010 General Obligation Bond Fund is a Capital Projects Fund used to account for 2010 General Obligation Bond Proceeds that are restricted or committed for expenditure for capital construction and acquisitions related to capital activity.
- The Capital Reserve Fund is a Capital Projects Fund that accounts for revenue sources that have been assigned for capital purchases.
- The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

The Township also has the following nonmajor funds:

Nonmajor Special Revenue Funds: The Street Light Fund, Fire Protection Fund, Rescue Squad Fund, and Highway Aid Fund are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

The Township's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on their balance sheet. The proprietary fund types operating statement presents increases (revenues) and decreases (expenses) in total net position.

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

Amounts paid to acquire capital assets in the proprietary funds are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

The Township reports the following major proprietary funds:

- The Sewer Fund is used to account for the fiscal activities of the sewer treatment systems.

The Township's fiduciary funds are presented in the fund financial statements by type (pension trust fund and agency fund). Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the Township, these funds are not incorporated into the government-wide financial statements. The Township's fiduciary funds are presented on the accrual basis of accounting.

The Township reports the following fiduciary funds:

- The Pension Trust Funds account for the revenue (i.e., member contributions, Township contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Police Pension Trust Fund.
- The Agency Funds that consist of Escrow Funds maintained with the Township for funds held for sewer and land development and fire.

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts.

• Accounts Receivable

Accounts receivable consist of billed sewer charges that have not been collected at December 31. The Township evaluates the collectability of individual receivables and, if necessary, records an allowance for doubtful accounts. The Township's policy is to file a lien against the respective property for delinquent sewer customers; however, the Township is required to provide continuous service to these customers.

• Unbilled Revenue Receivable

The Township bills residential sewer customers on a quarterly basis. Revenue earned for services provided through December 31 but unbilled is recorded in the accompanying financial statements as Accounts Receivable.

3. Investments

Investments for the Township are reported at fair value based on quoted market prices.

4. Restricted Investments

Certain investments are classified as restricted investments on the balance sheet because they are maintained in separate accounts and their use is limited. These investments primarily relate to developer escrow accounts.

5. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment and infrastructure assets, with initial, individual costs that equal or exceed \$10,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In accordance with GASB Statement No. 34, the Township's infrastructure has been capitalized retroactively to 1980.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-80
Library Books	10
Buildings and Improvements	30-50
Machinery and Equipment	5-15

6. Compensated Absences

Township policy permits employees to accumulate any earned, but unused sick time. These benefits are payable to employees upon separation of services. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*. Vacation carries over on a limited basis and is payable upon separation of service from the Township.

7. Long-Term Obligations

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

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

8. Unearned and Unavailable Revenues

Revenues that are received but not earned are recorded as unearned revenue in the government-wide and enterprise fund financial statements. In the Township's governmental funds, unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable and unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Position or Fund Balances (Continued)

monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

9. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the Township, not restricted for any project or other purpose.

10. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, the governmental funds report unavailable revenue from property taxes as a deferred inflow of resources.

11. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific

LOWER SOUTHAMPTON TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable*- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted*- This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed*- This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Township's Board of Supervisors who are the highest level of decision-making authority for the Township. These amounts cannot be used for any other purpose unless the Township's Board of Supervisors removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed.
- *Assigned*- This classification includes amounts that are constrained by the Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can only be expressed by the Township's Board of Supervisors.
- *Unassigned*- This classification includes all other spendable amounts not included in other classifications.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes. The Township has not established a formal policy for its use of unrestricted fund balance amounts. As such, the Township uses Committed fund balances first, followed by Assigned resources, and then Unassigned resources, as appropriate opportunities arise.

12. Interfund Transactions

Quasi-external 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. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

13. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

14. Adoption of Governmental Accounting Standards

The Township adopted the requirements of GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*". The adoption of this statement had no effect on previously reported amounts.

The Township adopted the requirements of GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". The adoption of this statement resulted in the adjustment to previously stated amounts (See Note 11).

The Township adopted the requirements of GASB Statement No. 66 "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*". The adoption of this statement had no effect on previously reported amounts.

15. Pending Changes in Accounting Principles

In June 2012, GASB issued Statement No. 67 "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*". The Township is required to adopt statement No. 67 for its calendar year 2014 financial statements.

In June 2012, GASB issued Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The Township is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, GASB issued Statement No. 69 "*Government Combinations and Disposals of Government Operations*". The Township is required to adopt statement No. 69 for its calendar year 2014 financial statements.

In April 2013, GASB issued Statement No. 70 "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The Township is required to adopt statement No. 70 for its calendar year 2014 financial statements.

In November 2013, GASB issued Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*". The Township is required to adopt statement No. 71 for its calendar year 2015 financial statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that Township Governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes all the funds of the Township, and is based on estimates of revenues and expenditures approved by the Township Supervisors. The Township adopted the 2013 budget on the same basis of accounting as reported in the financial statements. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

1. During the fall, the Finance Director of the Township prepares a preliminary budget which is submitted to the Supervisors for review.
2. The Supervisors review the preliminary projections of revenues and expenditures incorporating any revisions or adjustments.
3. The supervisors advertise that the proposed budget is available for public inspection for 20 days prior to final adoption.
4. After the 20-day inspection period, but prior to December 31, the supervisors adopt the final budget by enacting an appropriate resolution.
5. Formal budgetary process is employed as a planning device. The adopted budget is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the supervisors.

Level of Control

The Township maintains budgetary control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by Township supervisors.

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Township can deposit or invest funds as authorized for local government units by the Local Government Unit Debt Act.

Authorized types of investments include a) U.S. Treasury bills; b) obligations of the United States of America, the Commonwealth of Pennsylvania or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity; c) checking

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance; d) shares of a registered investment company, provided that investments of that company are in authorized investments as noted above; e) any investment authorized by 20 Pa.C.S Ch. 73 (relating to fiduciaries investments) for any pension or retirement fund.

*Credit Risk.* The Township's Police Pension Plan Investment Policy states that the investment recommendations are intended to provide competitive results when measured against their peers, benchmarks and other established rating criteria.

As of December 31, 2013, all of the Township's Police Pension investments in Cash Equivalents were rated AAA by Standard & Poor's.

*Custodial Credit Risk.* For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2013, \$9,340,912 of the Township's deposits were exposed to custodial credit risk, as they were collateralized with securities held by the pledging financial institution's trust department or agent and uninsured. None of the Township's investments were exposed to custodial credit risk at December 31, 2013. The Township does not have a written policy to limit its exposure to custodial credit risk.

NOTE 3: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31 for the real property located in the Township through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The Township bills these taxes which are collected by the Township and remitted to the Township. Real estate taxes levied for 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2013 and expected to be collected within the first sixty (60) days of 2014 are recognized as revenue in 2013. Net receivables estimated to be collectible subsequent to March 1, are reflected in deferred revenue. Prior years levies are recorded using these same principles and remaining receivables are annually reevaluated as to collectibility.

The rate of real estate taxation in 2013 was 4.37 mills for general purposes, 0.83 mills for street light purposes, 1.25 mills for fire purposes, .50 mills for recreation purposes, .43 mills for rescue squad purposes, and 6.70 mills for debt service purposes on a total Township taxable assessed valuation of \$210,331,960.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 5,220,738	\$ -	\$ -	\$ 5,220,738
Construction in Progress	102,241	66,398	(128,046)	40,593
Intangibles	-	5,360	-	5,360
Total Capital Assets, Not Being Depreciated	<u>5,322,979</u>	<u>71,758</u>	<u>(128,046)</u>	<u>5,266,691</u>
Capital Assets, Being Depreciated				
Infrastructure	20,573,184	703,204	-	21,276,388
Library Books	843,922	84,564	(234,762)	693,724
Buildings and Improvements	6,065,913	-	-	6,065,913
Machinery and Equipment	3,280,121	267,902	(170,694)	3,377,329
Total Capital Assets, Being Depreciated	<u>30,763,140</u>	<u>1,055,670</u>	<u>(405,456)</u>	<u>31,413,354</u>
Less Accumulated Depreciation for:				
Infrastructure	13,197,441	742,625	-	13,940,066
Library Books	543,523	70,130	(234,762)	378,891
Buildings and Improvements	2,222,336	258,770	-	2,481,106
Machinery and Equipment	2,298,016	211,045	(170,694)	2,338,367
Total Accumulated Depreciation	<u>18,261,316</u>	<u>1,282,570</u>	<u>(405,456)</u>	<u>19,138,430</u>
Total Capital Assets, Being Depreciated, Net	<u>12,501,824</u>	<u>(226,900)</u>	<u>-</u>	<u>12,274,924</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,824,803</u>	<u>\$ (155,142)</u>	<u>\$ (128,046)</u>	<u>\$ 17,541,615</u>

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 20,828	\$ -	\$ -	\$ 20,828
Total Capital Assets, Not Being Depreciated	<u>20,828</u>	<u>-</u>	<u>-</u>	<u>20,828</u>
Capital Assets, Being Depreciated				
Infrastructure	5,886,994	-	-	5,886,994
Buildings and Improvements	538,881	-	-	538,881
Machinery and Equipment	731,188	23,953	(20,662)	734,479
Total Capital Assets, Being Depreciated	<u>7,157,063</u>	<u>23,953</u>	<u>(20,662)</u>	<u>7,160,354</u>
Less Accumulated Depreciation for:				
Infrastructure	3,232,611	84,921	-	3,317,532
Buildings and Improvements	412,242	10,406	-	422,648
Machinery and Equipment	439,375	63,591	(20,662)	482,304
Total Accumulated Depreciation	<u>4,084,228</u>	<u>158,918</u>	<u>(20,662)</u>	<u>4,222,484</u>
Total Capital Assets, Being Depreciated, Net	<u>3,072,835</u>	<u>(134,965)</u>	<u>-</u>	<u>2,937,870</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 3,093,663</u>	<u>\$ (134,965)</u>	<u>\$ -</u>	<u>\$ 2,958,698</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 82,303
Public Safety	115,380
Public Works	851,857
Culture and Recreation	<u>233,030</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,282,570</u>

Business-Type Activities

Sewer Operations	<u>\$ 158,918</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 158,918</u>

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust FundPlan Description

The Township sponsors a single employer defined benefit plan covering substantially all full-time employees. Employees become eligible for participation in a plan upon employment and become fully vested after twelve years of service in the Police Pension Plan. The Police Pension Plan was established by municipal ordinance with the authority for municipal contributions required by Act 205, of the Pennsylvania legislature.

At January 1, 2013, the date of the most recent actuarial valuation, participants in the plans are as follows:

## Participants:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits not receiving them	27
Active employees	27
	<u>54</u>

A summary of benefit provisions is as follows:

Normal retirement age	51
Years of service	25
Average compensation period	36 months
Early retirement	N/A
Vesting	100% after completion of 12 years of service
Death benefits	Life with 75% survivor benefit and ceases if remarried
Normal benefits	50% average monthly Compensation
Early benefit	N/A
Disability benefit	50% average monthly compensation
Service increment	\$100 monthly compensation For 26 or more years of service

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Funding Status and Progress

The funded status of the Police Pension Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 11,055,686	\$ 16,696,373	\$ 5,640,687	66.22%	\$ 2,477,142	227.71%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions

In the January 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included 7.5% investment rate of return, projected salary increases of 4.5% annually, and effective January 1, 2008, an annual cost-of-living increase of 1.0% made to retirees with a maximum total cost-of-living increase of 10.0%. The actuarial value of assets was determined based on the market value of assets as determined by the trustee. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at January 1, 2013 was 11 years.

Contributions Required and Contributions Made

The Township's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due.

Contributions by the Township are determined under the entry age normal method. The Township has met the statutory funding requirements for 2013.

Employees enrolled in the Police Pension Plan are required to contribute 5% of actual earnings and contributed 5% of covered payroll in 2013.

An interest rate of 4.0% is applied to the employees' accounts. If a return of member contributions is paid as a death benefit, member contributions are credited with 6% annual interest.

The Commonwealth of Pennsylvania allocated General Municipal Pension System State Aid to individual municipalities under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time.

Pertinent information regarding contributions to the plans in 2013 follows. Contributions to the plans by the Township are expressed in both dollar amounts and as a percentage of covered payroll.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

<u>Contributions Required and Contributions Made (Continued)</u>	
Administration expense	\$ 930
Contribution requirements – normal cost	308,905
Amortization of cost	554,825
Less:	
Members' contributions	<u>(128,031)</u>
Total annual pension cost	<u>736,629</u>
Covered payroll for minimum municipal obligation calculation	<u>\$2,560,623</u>
Contributions:	
Percentage of covered payroll – normal cost	<u>11.8%</u>

Investments

Investments in the plans are managed by the Smith Barney Investments and American Funds. Investments are recorded at fair value based on quoted market prices.

B. Non-Uniform Plan

As established by municipal ordinance, the Township provides a defined contribution pension plan for all employees. Members are not required to contribute. The Township contributes on behalf of each member who was a participant on the last day of the plan year at 5% of the participant's total compensation and 5.7% for compensation in excess of \$20,000. Township contributions to the plan were \$168,879 for the year ended December 31, 2013.

NOTE 6: COMPENSATED ABSENCES

Vacation days not used in the calendar year earned may be accumulated and available to be used by township police officers in the first quarter of the following calendar year. The remaining full-time township employees earn vacation to be used by the end of the calendar year or it may be carried over into the following year, limited to the number of days equal to one year's vacation allowance.

Township police officers are entitled to accrue unlimited days of sick leave benefits and at retirement, are entitled to payment for all unused sick time up to a maximum of 40 days plus one unused sick day for each year of service at the pay rate in effect at retirement. In addition, the remaining Township employees accrue sick leave benefits up to a maximum of 12 days and at time of retirement are paid for each unused sick day up to a maximum of 12 days at the rate of pay in effect at retirement.

Applicable GASB pronouncements require accrual of sick pay that meet certain specific conditions. The Township has determined that such conditions apply to accumulated sick pay of Governmental Funds. To the extent sick pay liabilities in Governmental Funds are to be liquidated with available resources, they are accounted for as fund liabilities in the Fund Financial Statements; the remainder of the obligation is accounted for as a liability in the Government-wide financial statements.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable:					
General Obligation Bonded Debt	\$12,050,000	\$ -	\$1,140,000	\$10,910,000	\$1,165,000
Unamortized Bond Premium	105,664	-	10,566	95,098	10,566
Total Bonds Payable	<u>12,155,664</u>	<u>-</u>	<u>1,150,566</u>	<u>11,005,098</u>	<u>1,175,566</u>
Other Liabilities:					
Liability for Other Postemployment Benefits	338,126	220,718	168,204	390,640	-
Capital Leases	11,280	-	4,680	6,600	4,260
Compensated Absences	602,981	95,504	126,569	571,916	-
Total Other Liabilities	<u>952,387</u>	<u>316,222</u>	<u>299,453</u>	<u>969,156</u>	<u>4,260</u>
Governmental Activities Long-Term Liabilities	<u>\$13,108,051</u>	<u>\$ 316,222</u>	<u>\$1,450,019</u>	<u>\$11,974,254</u>	<u>\$1,179,826</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-Type Activities:</u>					
Other Liabilities:					
Compensated Absences	\$ 24,661	\$ 42,438	\$ 35,508	\$ 31,591	\$ -
Total Other Liabilities	<u>24,661</u>	<u>42,438</u>	<u>35,508</u>	<u>31,591</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 24,661</u>	<u>\$ 42,438</u>	<u>\$ 35,508</u>	<u>\$ 31,591</u>	<u>\$ -</u>

For the governmental funds, compensated absences are generally liquidated by the general fund.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

An analysis of debt service requirements to maturity on the governmental activities obligations follows (with the exception of compensated absences and capital leases):

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Year Ended December 31:			
2014	\$ 1,165,000	\$ 239,456	\$ 1,404,456
2015	1,165,000	216,156	1,381,156
2016	1,175,000	192,756	1,367,756
2017	1,190,000	169,106	1,359,106
2018	1,205,000	143,951	1,348,951
2019-2022	<u>5,010,000</u>	<u>270,706</u>	<u>5,280,706</u>
Total	<u>\$ 10,910,000</u>	<u>\$ 1,232,131</u>	<u>\$ 12,142,131</u>

The following is a summary of the governmental activities portion of general obligation debt outstanding:

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2013</u>
2010	13,355,000	General Bond Series, 2010 – General Obligation Bonds with interest rates ranging from 2.00% to 2.75%; principal payments due annually through November 15, 2022 for the current refunding of the General Obligation Bond Series 2002 and the advance refunding of the General Obligation Bonds, Series of 2002A, and the costs of issuing and insuring the bonds.	<u>\$10,910,000</u>
		Total Governmental Activities	<u>\$ 10,910,000</u>

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

In September 2010, the Township issued General Obligation Bonds, Series of 2010, in the amount of \$13,355,000 with interest rates ranging from 2.00% to 2.75%. The principal of this note is payable in annual installments increasing from \$350,000 in 2011 to \$1,295,000 in 2022. Interest payments on the outstanding principal shall be due semiannually on May 15 and November 15 of each year, beginning on May 15, 2011. The Bond Issuance costs were \$125,194 and the bond premium was \$126,796. The proceeds from the Bond are being used to advance refund \$10,695,000 of the Township's entire outstanding General Obligation Bonds, Series of 2002, currently refund \$1,650,000 of the Township's entire outstanding General Obligation Bonds, Series A of 2002, and to pay the costs and expenses incurred in connection with the issuance of the Bonds.

The refunding resulted in a deferred amount on refunding of \$1,004,032. A portion of the bond proceeds were used to currently refund \$1,650,000 of the entire outstanding balance of the Township's General Obligation Bonds, Series A of 2002 and advance refund \$10,695,000 of the Series of 2002 bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series of 2002 bonds. During 2012, the series of 2002 bonds were redeemed. At December 31, 2013, there was no remaining principle outstanding related to the defeased debt. The notes decreased debt service payments for the Township by \$1,160,942 and resulted in present value savings of \$176,391.

NOTE 8: INTERFUND OPERATING TRANSFERS

Interfund receivable and payable balances consisted of the following for the year ended December 31, 2013:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 281,121	\$ -
Capital Reserve Fund	-	246,787
Debt Service Fund		32,506
Non Major Funds	-	1,828
Total Governmental Funds	\$ 281,121	\$ 281,121

The outstanding balances between funds result mainly from the time lag between the dates that Interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 9: COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Township and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Township's financial position at year end.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

## NOTE 10: POST-EMPLOYMENT BENEFIT PLAN

*Plan Description.* The Township administers a single-employer postemployment benefit plan (the Plan) that covers health and life insurance benefits for eligible retirees. In April 1981, the Township through binding arbitration established the benefit provisions for the Plan. The Plan does not issue a publicly available financial report.

*Funding Policy.* The contribution requirements of the Township are established and may be amended by resolution of the Board of Supervisors. The Plan does not require any contributions from Plan members. The Township funds the Plan on a pay-as-you-go basis. For 2013, the Township's estimated contribution was \$168,204 to the plan for current premiums.

*Annual OPEB Cost and Net OPEB Obligation.* The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the Plan:

	<b>Governmental Activities</b>	<b>Total Primary Government</b>
Annual required contribution	\$ 226,260	\$ 226,260
Interest on Net OPEB obligation (Estimated)	15,216	15,216
Adjustment to Arc (Estimated)	<u>(20,758)</u>	<u>(20,758)</u>
Annual OPEB Cost	220,718	220,718
Contributions made (Estimated)	<u>(168,204)</u>	<u>(168,204)</u>
Increase in net OPEB obligation	52,514	52,514
Net OPEB obligation - beginning of year	338,126	338,126
Net OPEB obligation - end of year	<u>\$ 390,640</u>	<u>\$ 390,640</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the following fiscal years:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2011	\$ 223,065	46.28%	\$ 262,834
12/31/2012	\$ 221,952	66.08%	\$ 338,126
12/31/2013	\$ 220,718	76.21%	\$ 390,640

*Funded Status and Funding Progress.* As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,172,443 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,172,443. The covered payroll (annual payroll of active employees covered by the plan) was \$2,490,754, and the ratio of the UAAL to the covered payroll was 87.22%.

LOWER SOUTHAMPTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013

NOTE 10: POST-EMPLOYMENT BENEFIT PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include value of assets equal to their market value; salary increases composed of a 3% cost of living adjustment and a 1.5% real wage growth; interest rate of 4.5%; and health care costs trend of 8% in 2011 decreasing by .5% per year to an ultimate rate of 5.5% in 2016 and later. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

NOTE 11: RESTATEMENT OF NET POSITION

The following restatement was necessary to properly reflect the overstatement of long-term liabilities in the Governmental Activities and also to properly reflect the adoption of the provision of GASB Statement No. 65 "*Previously Reported as Assets and Liabilities*".

	Governmental Activities
	<hr/>
Net Position	
beginning of year, as previously stated	\$ 11,715,087
Adjustment to Deferred Charges, for the adoption of GASB 65	(104,328)
Net Position	
beginning of year, as restated	<u><u>\$ 11,610,759</u></u>

REQUIRED  
SUPPLEMENTARY  
INFORMATION

## LOWER SOUTHAMPTON TOWNSHIP

## SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS FOR POLICE PENSION

<b>Schedule of Employer Contributions</b>		
<b>Annual</b>		
<b>Year Ended December 31</b>	<b>Required Contribution</b>	<b>Percentage Contributed *</b>
2008	331,059	100.0%
2009	542,577	100.0%
2010	419,870	100.0%
2011	860,629	100.0%
2012	694,456	100.0%
2013	736,629	100.0%

\* Includes general municipal pension system State aide

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2007	8,810,259	11,443,407	2,633,148	76.99%	2,121,162	124.14%
1/1/2009	6,611,324	13,137,365	6,526,041	50.32%	2,344,598	278.34%
1/1/2011	8,600,052	14,975,246	6,375,194	57.43%	2,490,756	255.95%
1/1/2013	11,055,686	16,696,373	5,640,687	66.22%	2,477,142	227.71%

## LOWER SOUTHAMPTON TOWNSHIP

## SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2008	\$ -	\$ 1,460,272	\$ 1,460,272	0.00%	\$ 2,315,371	63.07%
1/1/2011	-	2,172,443	2,172,443	0.00%	2,490,754	87.22%

The Township adopted GASB 45 on a prospective basis in 2008 and completes its actuarial valuation every three years; therefore only two years is presented in the above schedule.

LOWER SOUTHAMPTON TOWNSHIP  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 8,162,558	\$ 8,162,558	\$ 7,607,397	\$ (555,161)
Licenses and Permits	487,650	487,650	657,828	170,178
Fines and Forfeitures	175,000	175,000	133,480	(41,520)
Interest and Rents	243,650	243,650	187,019	(56,631)
Intergovernmental	713,564	713,564	666,899	(46,665)
Charges for Services	1,205,000	1,205,000	3,163,804	1,958,804
Miscellaneous Income	57,750	57,750	347,779	290,029
Total Revenues	<u>11,045,172</u>	<u>11,045,172</u>	<u>12,764,206</u>	<u>1,719,034</u>
Expenditures				
Current:				
General Government - Administration	1,041,118	1,041,118	1,291,477	(250,359)
Public Safety	6,358,987	6,358,987	6,343,724	15,263
Sanitation	1,787,130	1,787,130	1,673,746	113,384
Public Works	849,700	849,700	789,938	59,762
Culture and Recreation	1,579,008	1,579,008	1,286,097	292,911
Total Expenditures	<u>11,615,943</u>	<u>11,615,943</u>	<u>11,384,982</u>	<u>230,961</u>
Excess of Revenues Over (Under) Expenditures	<u>(570,771)</u>	<u>(570,771)</u>	<u>1,379,224</u>	<u>1,949,995</u>
Other Financing Sources (Uses)				
Sale of Capital Equipment	5,000	5,000	46,885	41,885
Operating Transfer In	500,000	500,000	-	(500,000)
Total Other Financing Sources	<u>505,000</u>	<u>505,000</u>	<u>46,885</u>	<u>(458,115)</u>
Net Change in Fund Balance	<u>(65,771)</u>	<u>(65,771)</u>	<u>1,426,109</u>	<u>1,491,880</u>

OTHER  
SUPPLEMENTARY  
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid (Liquid Fuels)	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 29,084	\$ -	\$ -	\$ 174,935	\$ 204,019
Receivables:					
Taxes	15,222	22,950	7,883	-	46,055
Total Assets	\$ 44,306	\$ 22,950	\$ 7,883	\$ 174,935	\$ 250,074
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Accrued Expenses	\$ 510	\$ -	\$ -	\$ 21,939	\$ 22,449
Due to Other Funds	-	1,573	255	-	1,828
Total Liabilities	510	1,573	255	21,939	24,277
Deferred Inflow of Resources:					
Unavailable Revenue - Property Taxes	13,204	19,908	6,838	-	39,950
Total Deferred Inflow of Resources	13,204	19,908	6,838	-	39,950
Fund Balances:					
Restricted For:					
Street Light	30,592	-	-	-	30,592
Fire Protection	-	1,469	-	-	1,469
Rescue Squad	-	-	790	-	790
Highway Aid	-	-	-	152,996	152,996
Total Fund Balances	30,592	1,469	790	152,996	185,847
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 44,306	\$ 22,950	\$ 7,883	\$ 174,935	\$ 250,074

LOWER SOUTHAMPTON TOWNSHIP  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid	
<b>REVENUES</b>					
Taxes	\$ 169,290	\$ 255,449	\$ 87,738	\$ -	\$ 512,477
Interest and Rents	-	-	-	269	269.00
Intergovernmental	-	-	-	386,614	386,614
Miscellaneous Income	-	-	-	36,732	36,732
<b>Total Revenues</b>	<b>169,290</b>	<b>255,449</b>	<b>87,738</b>	<b>423,615</b>	<b>936,092</b>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	264,000	90,053	-	354,053
Public Works	171,204	-	-	433,920	605,124
<b>Total Expenditures</b>	<b>171,204</b>	<b>264,000</b>	<b>90,053</b>	<b>433,920</b>	<b>959,177</b>
Excess of Revenues Under Expenditures	(1,914)	(8,551)	(2,315)	(10,305)	(23,085)
<b>Net Change in Fund Balances</b>	<b>(1,914)</b>	<b>(8,551)</b>	<b>(2,315)</b>	<b>(10,305)</b>	<b>(23,085)</b>
Fund Balances - January 1, 2013	32,506	10,020	3,105	163,301	208,932
<b>Fund Balances - December 31, 2013</b>	<b>\$ 30,592</b>	<b>\$ 1,469</b>	<b>\$ 790</b>	<b>\$ 152,996</b>	<b>\$ 185,847</b>