

**LOWER SOUTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

LOWER SOUTHAMPTON TOWNSHIP
YEAR ENDED DECEMBER 31, 2014

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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 (the "Township") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the Township, as of December 31, 2014, 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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Adoption of GASB Statements

As discussed in Note 1 to the financial statements, in 2014 the Township adopted the provisions of Governmental Accounting Standard Board's ("GASB") Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", GASB Issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*", and GASB Issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Our report is not modified with respect for this matter.

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 changes in the net pension liability and related ratios – last 10 years, schedule of employer contributions – last 10 years, schedule of investment returns – last 10 years, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison information on pages 3 through 13 and 50 through 55 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 the Township's basic financial statements. The combining nonmajor fund financial statements on pages 57 and 58 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

June 19, 2015
Harrisburg, Pennsylvania

TOWNSHIP OF LOWER SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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, 2014. 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 \$21.8 million at December 31, 2014, an increase of \$1.0 million from 2013.
- Total revenues of the Township's governmental activities amounted to \$15.0 million and expenses equaled \$14.3 million in 2014. This compares to 2013 activity of \$15.8 million for revenues and expenses of \$14.4 million.
- Total revenues of the Township's business-type activities for 2014 were \$5.3 million and expenses were \$5.0 million. 2013 revenues equaled \$5.1 million and expenses of \$5.4 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, 2014, the Township's total governmental funds reported fund balance of \$7.0 million, an increase of \$0.5 million in comparison with the prior year.
- The Township's General Fund reported an unassigned fund balance of \$2.7 million, an increase of \$0.1 million from December 31, 2013.

General Financial Highlights

- The Board in 2014 did not increase the millage for Real Estate Taxes, which remained at 14.08 mills. In addition, the rates for Sewer increased slightly to \$99.00. The Sanitation fee was \$300 for 2014. Taxable assessment for the Township was \$210,697,390 (1/29/14 per County) with the value of one mill being \$210,697.

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	
	2014	2013	2014	2013	2014	2013
Capital Assets	\$ 16,836	\$ 17,542	\$ 2,920	\$ 2,959	\$ 19,756	\$ 20,501
Other Assets	7,658	7,144	5,651	5,144	13,309	12,288
Total Assets	<u>\$ 24,494</u>	<u>\$ 24,686</u>	<u>\$ 8,571</u>	<u>\$ 8,103</u>	<u>\$ 33,065</u>	<u>\$ 32,789</u>
Deferred Amount of Refunding	\$ 669	\$ 753	\$ -	\$ -	\$ 669	\$ 753
Total Deferred Outflow of Resources	<u>\$ 669</u>	<u>\$ 753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 753</u>
Current Liabilities	\$ 470	\$ 425	\$ 552	\$ 327	\$ 1,022	\$ 752
Long Term Liabilities	10,909	11,974	30	32	10,939	12,006
Total Liabilities	<u>11,379</u>	<u>12,399</u>	<u>582</u>	<u>359</u>	<u>11,961</u>	<u>12,758</u>
Net Position:						
Net Investment in Capital Assets	8,590	8,274	2,920	2,959	11,510	11,233
Restricted	175	186	-	-	175	186
Unrestricted	5,018	4,580	5,069	4,785	10,087	9,365
Total Net Position	<u>\$ 13,783</u>	<u>\$ 13,040</u>	<u>\$ 7,989</u>	<u>\$ 7,744</u>	<u>\$ 21,772</u>	<u>\$ 20,784</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 \$21.1 million at year-end 2014. 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 2013, there was an increase in Total Net Position of around \$1.0 million or 4.8%. Governmental Activities Net Position increased by \$0.7 million and business activities increased by \$0.2 million. 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 2014.

Net position of governmental activities increased \$0.7 million as a result of decreases to General Government.

The net position of business-type activities increased by \$0.2 million. 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	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 3,814	\$ 3,955	\$ 5,248	\$ 5,134	\$ 9,062	\$ 9,089
Operating Grants & Contrib.	1,063	1,053	-	-	1,063	1,053
Capital Grants & Contrib.	593	704	-	-	593	704
General Revenues						
Real Estate Taxes	2,968	2,964	-	-	2,968	2,964
Other Taxes	6,193	6,518	-	-	6,193	6,518
Gain (Loss) on Asset Disposal	5	47	-	-	5	47
Investment Income	249	189	1	1	250	190
Transfers	(23)	-	23	-	-	-
Other General Revenues	144	385	-	-	144	385
Total Revenues	<u>15,006</u>	<u>15,815</u>	<u>5,272</u>	<u>5,135</u>	<u>20,278</u>	<u>20,950</u>
Expenses						
Administrative	1,226	1,310	-	-	1,226	1,310
Public Safety	7,136	6,907	-	-	7,136	6,907
Sanitation	1,678	1,687	-	-	1,678	1,687
Public Works	2,439	2,745	-	-	2,439	2,745
Sewer	-	-	5,027	5,377	5,027	5,377
Culture & Recreation	1,545	1,475	-	-	1,545	1,475
Interest Expense	238	261	-	-	238	261
Total Expenses	<u>14,262</u>	<u>14,385</u>	<u>5,027</u>	<u>5,377</u>	<u>19,289</u>	<u>19,762</u>
Change in Net Position	744	1,430	245	(242)	989	1,188
Net Position, Beg. 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>
Net Position, End of Year	<u>\$ 13,784</u>	<u>\$ 13,040</u>	<u>\$ 7,989</u>	<u>\$ 7,744</u>	<u>\$ 21,773</u>	<u>\$ 20,784</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	
	2014	2013	2014	2013
Governmental Activities				
Administrative	\$ 1,226	\$ 1,310	\$ (561)	\$ (661)
Public Safety	7,136	6,907	(5,842)	(5,695)
Sanitation	1,678	1,687	175	439
Public Works	2,439	2,745	(1,429)	(1,653)
Culture & Recreation	1,545	1,475	(897)	(841)
Interest Expense	238	261	(238)	(261)
Total Governmental Act	14,262	14,385	(8,792)	(8,672)
Total Sewer-Business	\$ 5,027	\$ 5,377	\$ 221	\$ (243)

Governmental Activities shows an increase in net costs of \$120 thousand over 2013 due to a \$243 thousand decrease in program revenues and only a \$123 thousand decrease in expenses. 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 (\$3.8 million).

Sewer Fund change in net position increased by \$0.2 million over 2013 primarily due to an increase in total revenues of \$0.1 million and a decrease in total expenses of \$0.3 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 funds were \$15.1 million in 2014. 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>2014</u>	<u>2013</u>	<u>Changes</u>
Taxes	\$ 9,189	\$ 9,492	\$ (303)
Licenses and Permits	773	658	115
Fines and Forfeitures	132	133	(1)
Interest and Rents	249	189	60
Intergovernmental	1,656	1,758	(102)
Charges for Services	2,909	3,164	(255)
Miscellaneous	144	384	(240)
Total Revenues	<u>\$ 15,052</u>	<u>\$ 15,778</u>	<u>\$ (726)</u>

Overall revenues decreased compared to 2013 by \$0.7 million. Taxes comprised the largest source of Township revenues (61%), amounting to \$9.2 million for 2014. Property taxes represent \$2.9 million (19.7% 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 19.3% of total revenues in 2014.

The cost of all governmental funds this year was \$14.5 million, down \$0.6 million from 2013. As the chart below indicates, Public Safety (police and emergency service) is the largest program and their expenses totaled \$7.2 million. The second largest program expense is Public Works totaling \$1.8 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>2014</u>	<u>2013</u>	<u>Changes</u>
Current:			
General Government	\$ 1,001	\$ 1,203	\$ (202)
Public Safety	7,176	6,743	433
Sanitation	1,670	1,674	(4)
Public Works	1,828	2,420	(592)
Culture and Recreation	1,362	1,286	76
Benefits	49	113	(64)
Debt Service:			
Principal	1,165	1,140	25
Interest	239	263	(24)
Capital Projects	57	312	(255)
Total Expenditures	<u>\$ 14,547</u>	<u>\$ 15,154</u>	<u>\$ (607)</u>

The total expenditures of all governmental fund programs and services decreased by 4% from 2013. The decrease in governmental funds' expenditures was due to decreases in expenditures for general government, public works, benefits and capital projects. These decreases were partially offset by an increase in culture and recreation, and public safety.

Enterprise Fund

Total operating revenues of the Sewer Fund were \$5.2 million as compared to total operating expenses of \$5.0 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 decreased by around 7% due to a decrease in operational costs for 2014.

Table 6
Enterprise Fund Revenues and Expenses
For the Years Ending December 31
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>Changes</u>
Operating Revenues:			
Sewer Sales	\$ 5,225	\$ 5,115	\$ 110
Other Revenues	23	19	4
Total Operating Revenues	<u>5,248</u>	5,134	114
Operating Expenses:			
Sewer Operations	4,225	4,640	(415)
General and Administrative	630	578	52
Depreciation	172	159	13
Total Operating Expenses	<u>5,027</u>	<u>5,377</u>	<u>(350)</u>
Operating Income/(Loss)	221	(243)	464
Nonoperating Revenues (Expenses):			
Interest Income	1	1	-
Total Net Nonoperating Revenues (Expenses)	<u>1</u>	<u>1</u>	<u>-</u>
Other Financing Sources			
Transfer In	23	-	23
Total Other Financing Sources	<u>23</u>	<u>-</u>	<u>23</u>
Changes in Net Position	<u>\$ 245</u>	<u>\$ (242)</u>	<u>\$ 487</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 \$7.0 million. Of this \$7.0 million, \$983 thousand 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 \$3.3 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 39.2% (\$2.7 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 \$0.5 million.

General Fund Budgetary Highlights

In total, General Fund revenues ended the year over budget by \$0.4 million. The over budget occurred due to an increase in charges for services and licenses and permits.

Expenditure variances occurred due to the Township incurring fewer expenses than the adopted budget for 2014.

Capital Assets

At the end of 2014, on a government-wide basis, the Township had \$19.8 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 \$0.7 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
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 5,221	\$ -	\$ -	\$ 5,221
Construction in Progress	41	56	-	97
Intangibles	5	-	-	5
Total Non-Depreciable Capital Assets	<u>5,267</u>	<u>56</u>	<u>-</u>	<u>5,323</u>
Depreciable Capital Assets:				
Infrastructure	21,276	227	-	21,503
Library Books	694	68	(65)	697
Buildings and Improvements	6,066	8	-	6,074
Machinery and Equipment	3,377	295	(88)	3,584
Accumulated Depreciation	(19,138)	(1,353)	146	(20,345)
Total Depreciable Capital Assets, Net	<u>12,275</u>	<u>(755)</u>	<u>(7)</u>	<u>11,513</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,542</u>	<u>\$ (699)</u>	<u>\$ (7)</u>	<u>\$ 16,836</u>
Business-type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 21	\$ -	\$ -	\$ 21
Depreciable Capital Assets:				
Infrastructure	5,887	-	-	5,887
Buildings and Improvements	539	-	-	539
Machinery and Equipment	734	133	(5)	862
Accumulated Depreciation	(4,222)	(172)	5	(4,389)
Total Depreciable Capital Assets, Net	<u>2,938</u>	<u>(39)</u>	<u>-</u>	<u>2,899</u>
Total Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,959</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ 2,920</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 \$10.0 million in bonds and notes outstanding versus \$11.0 million last year.

The following is a summary of the Township's outstanding long-term debt for the year ended December 31, 2014 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, 2014
(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	10,910	-	(1,165)	9,745
				<u>7</u>	<u>-</u>	<u>(5)</u>	<u>2</u>
				<u>\$ 10,917</u>	<u>\$ -</u>	<u>\$ (1,170)</u>	<u>\$ 9,747</u>
			Governmental Activities	\$ 10,917	\$ -	\$ (1,170)	\$ 9,747
			Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			Total Primary Government	<u>\$ 10,917</u>	<u>\$ -</u>	<u>\$ (1,170)</u>	<u>\$ 9,747</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 2015 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 2014, the unemployment rate (4.2%) was 0.8 percent below the state level (5.0%). 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 remain the same for budget year 2015 at \$300 annually.

The Real Estate Millage Rate remained the same for calendar year 2015.

The user fees for business-type activity (sewer rates) for residential and commercial users slightly increased for 2014. There was no rate increase in 2015 budget.

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,520,778	\$ 4,347,827	\$ 9,868,605
Receivables:			
Accounts	6,691	1,303,356	1,310,047
Taxes	1,971,809	-	1,971,809
Restricted:			
Cash	124,553	-	124,553
Investments	33,193	-	33,193
Capital Assets Not Being Depreciated	5,323,433	20,828	5,344,261
Capital Assets Net of Accumulated Depreciation	11,513,054	2,899,433	14,412,487
Total Assets	24,493,511	8,571,444	33,064,955
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Amount of Refunding	669,356	-	669,356
Total Deferred Outflow of Resources	669,356	-	669,356
Total Assets and Deferred Outflow of Resources	25,162,867	8,571,444	33,734,311
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	297,267	551,871	849,138
Unearned Revenue	700	-	700
Deposits Held in Escrow	157,746	-	157,746
Other Liabilities	14,281	-	14,281
Long-Term Liabilities:			
Due Within One Year	1,177,726	-	1,177,726
Due After One Year	9,731,692	30,452	9,762,144
Total Liabilities	11,379,412	582,323	11,961,735
<u>NET POSITION</u>			
Net Investment in Capital Assets	8,590,025	2,920,261	11,510,286
Restricted for:			
Program Purposes	175,120	-	175,120
Unrestricted	5,018,310	5,068,860	10,087,170
Total Net Position	\$ 13,783,455	\$ 7,989,121	\$ 21,772,576

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

LOWER SOUTHAMPTON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	2010 General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 4,171,309	\$ 845,032	\$ 330,229	\$ 4,682	\$ 169,526	\$ 5,520,778
Receivables:						
Accounts	6,691	-	-	-	-	6,691
Taxes	1,815,441	-	-	113,752	42,616	1,971,809
Due From Other Funds	12,334	-	-	-	-	12,334
Restricted:						
Cash	124,553	-	-	-	-	124,553
Investments	33,193	-	-	-	-	33,193
Total Assets	\$ 6,163,521	\$ 845,032	\$ 330,229	\$ 118,434	\$ 212,142	\$ 7,669,358
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 256,914	\$ -	\$ -	\$ -	\$ 26,843	\$ 283,757
Due to Other Funds	-	12,334	-	-	-	12,334
Unearned Revenue	700	-	-	-	-	700
Other Current Liabilities	14,281	-	-	-	-	14,281
Escrows Payable	157,746	-	-	-	-	157,746
Total Liabilities	429,641	12,334	-	-	26,843	468,818
Deferred Inflow of Resources:						
Unavailable Revenue - Property Taxes	68,007	-	-	93,562	35,051	196,620
Total Deferred Inflow of Resources	68,007	-	-	93,562	35,051	196,620
Fund Balances:						
Restricted for:						
Street Light	-	-	-	-	29,109	29,109
Fire Protection	-	-	-	-	31,289	31,289
Rescue Squad	-	-	-	-	13,467	13,467
Highway Aid	-	-	-	-	76,383	76,383
Capital Projects	-	832,698	-	-	-	832,698
Debt Service	-	-	-	24,872	-	24,872
Assigned to:						
Library Reserve	41,116	-	-	-	-	41,116
Library	97,866	-	-	-	-	97,866
Hydrant	11,554	-	-	-	-	11,554
Operating Reserve	1,718,720	-	-	-	-	1,718,720
Sanitation	1,007,445	-	-	-	-	1,007,445
Township Beautification	66,500	-	-	-	-	66,500
Other Capital Projects	-	-	330,229	-	-	330,229
Unassigned	2,722,672	-	-	-	-	2,722,672
Total Fund Balances	5,665,873	832,698	330,229	24,872	150,248	7,003,920
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 6,163,521	\$ 845,032	\$ 330,229	\$ 118,434	\$ 212,142	\$ 7,669,358

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, 2014

Total fund balances for governmental funds		\$ 7,003,920
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	5,323,433	
Capital Assets Net of \$20,345,378 Accumulated Depreciation	11,513,054	
Total Capital Assets		16,836,487
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.		
		196,620
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	(444,284)	
Compensated Absences	(633,262)	
Unamortized premium	(84,532)	
Accrued Interest on Bonds and Loan	(13,510)	
Deferred Amount on Refunding	669,356	
Bonds Payable	(9,745,000)	
Capital Leases	(2,340)	
		(10,253,572)
Total net position of governmental activities		\$ 13,783,455

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	2010 General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 7,201,246	\$ -	\$ -	\$ 1,446,032	\$ 541,468	\$ 9,188,746
Licenses and Permits	772,918	-	-	-	-	772,918
Fines and Forfeitures	131,398	-	-	-	-	131,398
Interest and Rents	247,756	888	84	-	213	248,941
Intergovernmental	646,573	-	593,048	-	416,628	1,656,249
Charges for Services	2,909,391	-	-	-	-	2,909,391
Miscellaneous Income	116,838	-	-	-	27,413	144,251
Total Revenues	12,026,120	888	593,132	1,446,032	985,722	15,051,894
EXPENDITURES						
Current:						
General Government - Administration	983,045	-	17,883	501	-	1,001,429
Public Safety	6,478,774	-	376,896	-	320,000	7,175,670
Sanitation	1,669,683	-	-	-	-	1,669,683
Public Works	870,721	-	255,871	-	701,321	1,827,913
Culture and Recreation	1,362,327	-	-	-	-	1,362,327
Benefits	48,665	-	-	-	-	48,665
Debt Service:						
Principal	-	-	-	1,165,000	-	1,165,000
Interest	-	-	-	239,456	-	239,456
Capital Projects	-	56,742	-	-	-	56,742
Total Expenditures	11,413,215	56,742	650,650	1,404,957	1,021,321	14,546,885
Excess of Revenues Over (Under) Expenditures	612,905	(55,854)	(57,518)	41,075	(35,599)	505,009
Other Financing Sources (Uses)						
Operating Transfer In (Out)	(250,000)	(22,634)	250,000	-	-	(22,634)
Sale of Capital Equipment	11,637	-	-	-	-	11,637
Total Other Financing Sources (Uses)	(238,363)	(22,634)	250,000	-	-	(10,997)
Net Change in Fund Balances	374,542	(78,488)	192,482	41,075	(35,599)	494,012
Fund Balances (Deficit) - January 1, 2014	5,291,331	911,186	137,747	(16,203)	185,847	6,509,908
Fund Balances - December 31, 2014	\$ 5,665,873	\$ 832,698	\$ 330,229	\$ 24,872	\$ 150,248	\$ 7,003,920

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, 2014

Net change in fund balances - total governmental funds \$ 494,012

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 (\$1,352,891) exceeded capital outlays (\$654,762) in the current period. (698,129)

The Net Book Value of the Capital Asset disposals. (6,999)

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	\$ 1,165,000	
Payments to Reduce Capital Leases	4,260	
Net adjustment	1,169,260	1,169,260

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 12/31/13 to 12/31/14. (27,568)

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, deferred amount on refunding, and accrued interest.

Compensated Absences	(61,346)	
Liability for Other Postemployment Benefits	(53,644)	
Bond Premium	10,566	
Deferred Amount on Bond Refunding	(83,669)	
Accrued Interest on Bonds	1,456	
	(186,637)	(186,637)

Change in net position of governmental activities \$ 743,939

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2014

	Business Type Activities - Enterprise Fund	
	Sewer	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,347,827	\$ 4,347,827
Accounts Receivables	1,303,356	1,303,356
Total Current Assets	5,651,183	5,651,183
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,828	20,828
Capital Assets Net of Accumulated Depreciation	2,899,433	2,899,433
Total Noncurrent Assets	2,920,261	2,920,261
Total Assets	8,571,444	8,571,444
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	551,871	551,871
Total Current Liabilities	551,871	551,871
Long-Term Liabilities:		
Compensated Absences	30,452	30,452
Total Noncurrent Liabilities	30,452	30,452
Total Liabilities	582,323	582,323
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,920,261	2,920,261
Unrestricted Net Position	5,068,860	5,068,860
Total Net Position	\$ 7,989,121	\$ 7,989,121

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, 2014

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Total</u>
Operating Revenues		
Sewer Sales	\$ 5,224,704	\$ 5,224,704
Other Revenues	23,489	23,489
Total Operating Revenues	<u>5,248,193</u>	<u>5,248,193</u>
Operating Expenses		
Sewer Operations	4,225,065	4,225,065
General and Administrative	630,276	630,276
Depreciation Expenses	171,519	171,519
Total Operating Expenses	<u>5,026,860</u>	<u>5,026,860</u>
Operating Income	<u>221,333</u>	<u>221,333</u>
Nonoperating Revenues		
Interest Income	1,223	1,223
Total Nonoperating Revenues	<u>1,223</u>	<u>1,223</u>
Other Financing Sources		
Transfer In	22,634	22,634
Total Other Financing Sources	<u>22,634</u>	<u>22,634</u>
Changes In Net Position	245,190	245,190
Total Net Position - Beginning of Year	<u>7,743,931</u>	<u>7,743,931</u>
Total Net Position - End of Year	<u>\$ 7,989,121</u>	<u>\$ 7,989,121</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, 2014

	Business Type Activities - Enterprise Fund	
	Sewer	Totals
Cash Flows From Operating Activities		
Receipts from Customers	\$ 5,053,511	\$ 5,053,511
Payments to Employees	(784,224)	(784,224)
Payments to Suppliers	(3,847,514)	(3,847,514)
Net Cash Provided by Operating Activities	<u>421,773</u>	<u>421,773</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(133,082)	(133,082)
Capital Transfer from Other Fund	22,634	22,634
Net Cash Used in Capital and Related Financing Activities	<u>(110,448)</u>	<u>(110,448)</u>
Cash Flows from Investing Activities		
Interest Income	<u>1,223</u>	<u>1,223</u>
Net Cash Provided by Investing Activities	<u>1,223</u>	<u>1,223</u>
Net Increase in Cash and Cash Equivalents	312,548	312,548
Cash and Cash Equivalents, Beginning of Year	<u>4,035,279</u>	<u>4,035,279</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,347,827</u>	<u>\$ 4,347,827</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, 2014

	<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 Income	\$ 221,333	\$ 221,333
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	171,519	171,519
Change in Assets and Liabilities		
Accounts Receivable	(194,682)	(194,682)
Compensated Absences	(1,139)	(1,139)
Accounts Payable and Accrued Expenses	224,742	224,742
Net Cash Provided by Operating Activities	<u>\$ 421,773</u>	<u>\$ 421,773</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Police Pension	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 783,487	\$ 324,191	\$ 1,107,678
Investments:			
Mutual Funds	13,264,437	-	13,264,437
Total Assets	\$ 14,047,924	\$ 324,191	\$ 14,372,115
<u>LIABILITIES</u>			
Funds Held in Escrow	\$ -	\$ 324,191	\$ 324,191
Total Liabilities	-	\$ 324,191	324,191
<u>NET POSITION</u>			
Net Position Held in Trust for Employees' Pension Benefits	14,047,924	-	14,047,924
Total Net Position	\$ 14,047,924	-	\$ 14,047,924

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, 2014

	Police Pension
<u>ADDITIONS</u>	
Contributions:	
Employer - State Funding	\$ 375,650
Employer - Other	549,502
Member	131,059
Total Contributions	1,056,211
Investment Income:	
Net Appreciation in Fair Value of Investments	884,011
Investment Settlement	-
Interest and Dividends	2,854
Miscellaneous	3,809
Total Investment Income	890,674
Less: Investment Expense	124,246
Net Investment Income	766,428
Total Additions	1,822,639
<u>DEDUCTIONS</u>	
Administrative Expense	5,561
Benefit Payments	653,746
Total Deductions	659,307
Change in Net Position	1,163,332
Net Position Held in Trust for Employees' Pension Benefits:	
Beginning of Year	12,884,592
End of Year	\$ 14,047,924

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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, 2014

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 non-major funds:

Non-major 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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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. 67 "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*". The adoption of this statement resulted in enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plan.

The Township adopted the requirements of GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*". The adoption of this statement had no effect on previously reported amounts.

The Township adopted the requirements of GASB Statement No. 70 "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". 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. 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 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.

In February 2015, GASB issued Statement No. 72 "*Fair Value Measurement and Application*". The Township is required to adopt statement No. 72 for its calendar year 2016 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, 2014

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 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.

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, 2014, 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, 2014, \$10,586,768 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, 2014. 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 2014 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2014 and expected to be collected within the first sixty (60) days of 2015 are recognized as revenue in 2014. 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 2014 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 \$210,697,390.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 5,220,738	\$ -	\$ -	\$ 5,220,738
Construction in Progress	40,593	56,742	-	97,335
Intangibles	5,360	-	-	5,360
Total Capital Assets, Not Being Depreciated	<u>5,266,691</u>	<u>56,742</u>	<u>-</u>	<u>5,323,433</u>
Capital Assets, Being Depreciated				
Infrastructure	21,276,388	226,880	-	21,503,268
Library Books	693,724	68,113	(65,057)	696,780
Buildings and Improvements	6,065,913	8,280	-	6,074,193
Machinery and Equipment	3,377,329	294,747	(87,885)	3,584,191
Total Capital Assets, Being Depreciated	<u>31,413,354</u>	<u>598,020</u>	<u>(152,942)</u>	<u>31,858,432</u>
Less Accumulated Depreciation for:				
Infrastructure	13,940,066	756,284	-	14,696,350
Library Books	378,891	70,507	(65,057)	384,341
Buildings and Improvements	2,481,106	259,598	-	2,740,704
Machinery and Equipment	2,338,367	266,502	(80,886)	2,523,983
Total Accumulated Depreciation	<u>19,138,430</u>	<u>1,352,891</u>	<u>(145,943)</u>	<u>20,345,378</u>
Total Capital Assets, Being Depreciated, Net	<u>12,274,924</u>	<u>(754,871)</u>	<u>(6,999)</u>	<u>11,513,054</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,541,615</u>	<u>\$ (698,129)</u>	<u>\$ (6,999)</u>	<u>\$ 16,836,487</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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	734,479	133,082	(4,722)	862,839
Total Capital Assets, Being Depreciated	<u>7,160,354</u>	<u>133,082</u>	<u>(4,722)</u>	<u>7,288,714</u>
Less Accumulated Depreciation for:				
Infrastructure	3,317,532	84,922	-	3,402,454
Buildings and Improvements	422,648	10,406	-	433,054
Machinery and Equipment	482,304	76,191	(4,722)	553,773
Total Accumulated Depreciation	<u>4,222,484</u>	<u>171,519</u>	<u>(4,722)</u>	<u>4,389,281</u>
Total Capital Assets, Being Depreciated, Net	<u>2,937,870</u>	<u>(38,437)</u>	<u>-</u>	<u>2,899,433</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 2,958,698</u>	<u>\$ (38,437)</u>	<u>\$ -</u>	<u>\$ 2,920,261</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 102,249
Public Safety	140,521
Public Works	870,931
Culture and Recreation	<u>239,190</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,352,891</u>

Business-Type Activities

Sewer Operations	<u>\$ 171,519</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 171,519</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust FundPlan Description

Plan administration. The Township administers a single employer defined benefit plan covering substantially all full-time members of the police force. Employees become eligible for participation in a plan upon employment and become 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.

The police pension trust fund is under the direction of the Township Supervisors.

Plan Membership. At December 31, 2014, police pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	27
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>26</u>
	<u><u>56</u></u>

Benefits provided. The Police Pension Plan provides normal retirement, disability, and death benefits.

Participants are eligible for normal retirement after attainment of age 51 and completion of 25 years of service. Normal monthly retirement benefits are calculated as 50% of average monthly pay, based on the last 36 months of employment, plus a service increment of \$100 per month if the participant has completed 26 years of service plus an additional service increment of \$50 per month for each year of service in excess of 26 years of service. The maximum total service increment is \$300.

If a participant is totally and permanently disabled in the line of duty they are eligible for disability payments equal to 50% of their salary at the time of disability.

If a participant is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse, or eligible child, equal to 75% of the normal monthly retirement benefit.

An annual cost-of-living increase equal to 1% is made to retirees with a maximum total cost-of-living increase of 10%.

Contributions. Act 205 of the Pennsylvania legislature establishes actuarial funding standards for all municipal pension systems. Member contributions are established by the contractual requirements of the collectively bargained agreement with the police force and may be amended by subsequent collectively bargained agreements, subject to the applicable laws in the Commonwealth of Pennsylvania.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

In accordance with Act 205, the Township's contribution is actuarially determined on an annual basis using the entry age normal method. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Township is required to contribute the difference between the actuarially determined contribution and the contribution of plan members.

Members of the Police Pension Plan are required to contribute 5% of actual earnings and contributed \$131,059 in 2014. 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.

In addition, the Commonwealth of Pennsylvania allocates General Municipal Pension System State Aid to individual municipalities annually under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time. Including the State Aid, the Township contributed \$925,152 in 2014.

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.

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors by a majority vote of its members. It is the policy of the Board of Supervisors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50%
International Equity	5%
Fixed Income	35%
Cash	10%
	<u>100%</u>

Rate of return. For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not less than one year nor more than five years. Monthly pensions under this program are calculated as of the date of participation in the program and are distributed in a lump sum at retirement. The DROP balance held in the Police Pension Plan at December 31, 2014 was \$940,265.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The components of the net pension liability of the Township at December 31, 2014, were as follows:

Total pension liability	\$ 18,539,716
Plan fiduciary net position	14,018,833
Township's net pension liability	<u>\$ 4,520,883</u>
Plan fiduciary net position as a percentage of the total pension liability	75.62%

Actuarial assumptions. The total pension liability was measured as of December 31, 2014 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.50%, average, including inflation
Investment Rate of Return	7.50%, including inflation
Postretirement Cost of Living Increase	1.00%, annually, maximum of 10%

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2013 valuation were reviewed by the Township's actuary; however an actuarial experience study was not performed.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 (see investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.8%
International Equity	5.8%
Fixed Income	2.3%
Cash	0.0%

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Township contributions will be made equal to the difference between the annual actuarially determined contribution and the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Township's net pension liability	\$ 6,653,905	\$ 4,520,883	\$ 2,735,017

B. Non-Uniform Plan

As established by municipal ordinance, the Township provides a defined contribution pension plan for all employees that are not eligible for the Police Pension Plan. 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. At December 31, 2014 there were 45 plan members. Township contributions to the plan were \$179,291 for the year ended December 31, 2014.

C. 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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Contributions Required and Contributions Made

Pertinent information regarding contributions to the plans in 2014 follows. Contributions to the plans by the Township are expressed in both dollar amounts and as a percentage of covered payroll.

Administration expense	\$ 948
Contribution requirements – normal cost	314,907
Amortization of cost	739,767
Less:	
Members' contributions	<u>(130,470)</u>
Total annual pension cost	<u>925,152</u>
Covered payroll for minimum municipal obligation calculation	<u>\$2,610,370</u>
Contributions:	
Percentage of covered payroll – normal cost	<u>11.8%</u>

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, 2014

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	\$10,910,000	\$ -	\$1,165,000	\$9,745,000	\$1,165,000
Unamortized Bond Premium	95,098	-	10,566	84,532	10,566
Total Bonds Payable	<u>11,005,098</u>	<u>-</u>	<u>1,175,566</u>	<u>9,829,532</u>	<u>1,175,566</u>
Other Liabilities:					
Liability for Other Postemployment Benefits	390,640	154,461	100,817	444,284	-
Capital Leases	6,600	-	4,260	2,340	2,160
Compensated Absences	571,916	192,641	131,295	633,262	-
Total Other Liabilities	<u>969,156</u>	<u>347,102</u>	<u>236,372</u>	<u>1,079,886</u>	<u>2,160</u>
Governmental Activities Long-Term Liabilities	<u>\$11,974,254</u>	<u>\$ 347,102</u>	<u>\$1,411,938</u>	<u>\$10,909,418</u>	<u>\$1,177,726</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	\$ 31,591	\$ 38,624	\$ 39,763	\$ 30,452	\$ -
Total Other Liabilities	<u>31,591</u>	<u>38,624</u>	<u>39,763</u>	<u>30,452</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 31,591</u>	<u>\$ 38,624</u>	<u>\$ 39,763</u>	<u>\$ 30,452</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, 2014

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

An analysis of debt service requirements to maturity on the governmental activities obligations follows:

Year Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
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	1,215,000	115,812	1,330,812
2020-2022	3,795,000	154,894	3,949,894
Total	<u>\$ 9,745,000</u>	<u>\$ 992,675</u>	<u>\$ 10,737,675</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, 2014</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>\$ 9,745,000</u>
Total Governmental Activities			<u>\$ 9,745,000</u>

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

The refunding resulted in a deferred amount on the 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 RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following for the year ended December 31, 2014:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 12,334	\$ -
2010 General Obligation Fund	-	12,334
Total Governmental Funds	\$ 12,334	\$ 12,334

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: INTERFUND OPERATING TRANSFERS

Interfund operating transfers consisted of the following for the year ended December 31, 2014:

	Transfer From Other Funds	Transfer To Other Funds
Governmental Funds:		
General Fund	\$ -	\$ 250,000
Capital Reserve Fund	250,000	-
2010 General Obligation Fund		22,364
Total Governmental Funds	250,000	272,364
Enterprise Funds:		
Sewer Fund	\$ 22,364	\$ -
Total Enterprise Funds	22,364	-
Total Interfund Operating Transfers	\$ 272,364	\$ 272,364

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 9: INTERFUND OPERATING TRANSFERS (CONTINUED)

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching funds for various grant programs, and to move restricted amounts to the funds meeting the restriction.

NOTE 10: 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.

NOTE 11: 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 2014, the Township's estimated contribution was \$100,817 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:

	Governmental Activities	Total Primary Government
Annual required contribution	\$ 160,864	\$ 160,864
Interest on Net OPEB obligation (Estimated)	17,579	17,579
Adjustment to Arc (Estimated)	(23,982)	(23,982)
Annual OPEB Cost	154,461	154,461
Contributions made (Estimated)	(100,817)	(100,817)
Increase in net OPEB obligation	53,644	53,644
Net OPEB obligation - beginning of year	390,640	390,640
Net OPEB obligation - end of year	<u>\$ 444,284</u>	<u>\$ 444,284</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 11: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 221,952	66.08%	\$ 338,126
12/31/2013	\$ 220,718	76.21%	\$ 390,640
12/31/2014	\$ 154,461	65.27%	\$ 444,284

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,614,373 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,614,373. The covered payroll (annual payroll of active employees covered by the plan) was \$2,456,334, and the ratio of the UAAL to the covered payroll was 65.72%.

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, 2014, 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 6.5% in 2014 decreasing by 0.5% per year to an ultimate rate of 5.5% in 2016. The UAAL is being amortized using the level dollar method over a period of 30 years on an opened basis.

REQUIRED
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS FOR POLICE PENSION

Schedule of Employer Contributions		
Year Ended December 31	Annual Required Contribution	Percentage Contributed *
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%
2014	925,152	100.0%

* Includes general municipal pension system State aide

Schedule of Funding Progress						
Actuarial Valuation Date	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)
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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - LAST 10 YEARS

	<u>2014</u>
Total pension liability	
Service Cost	\$ 317,150
Interest	1,316,910
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(653,746)
Net change in total pension liability	<u>980,314</u>
Total pension liability - beginning	<u>17,559,402</u>
total pension liability - ending (a)	<u><u>\$ 18,539,716</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 925,152
Contributions - employee	131,059
Net investment income	766,428
Benefit payments, including refunds of employee contributions	(653,746)
Administrative expense	(5,561)
Other	-
Net change in plan fiduciary position	<u>1,163,332</u>
Plan fiduciary net position - beginning	<u>12,884,592</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 14,047,924</u></u>
Township's net pension liability - ending (a) - (b)	<u><u>\$ 4,491,792</u></u>
Plan fiduciary net position as a percentage of the total pension liability	75.77%
Covered - employee payroll	\$ 2,420,799
Township net pension liability as a percentage of covered - employee payroll	185.55%

Notes to Schedule

Benefit Changes. No changes in benefit terms since 1/1/2013

The Township adopted GASB 67 on a prospective basis in 2014, therefore only one year of information is available.

LOWER SOUTHAMPTON TOWNSHIP

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially determined contribution	\$ 265,655	\$ 316,645	\$ 324,749	\$ 331,059	\$ 542,577	\$ 419,870	\$ 860,629	\$ 694,456	\$ 736,629	\$ 925,152
Contributions in relation to the actuarially determined contribution	265,655	386,890	324,749	331,059	542,577	419,870	860,629	694,456	736,629	925,152
Contribution deficiency (excess)	\$ -	\$ (70,245)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	1,849,893	1,849,893	2,121,162	2,121,162	2,344,598	2,344,598	2,490,756	2,490,756	2,477,142	2,420,799
Contributions as a percentage of covered - employee payroll	14.36%	20.91%	15.31%	15.61%	23.14%	17.91%	34.55%	27.88%	29.74%	38.22%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11 years
Asset valuation method	Market value of assets as determined by trustee
Inflation	3.00%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality	RP2000 Table. This table does not include projected mortality improvements.

LOWER SOUTHAMPTON TOWNSHIP
SCHEDULE OF INVESTMENT RETURNS - LAST 10 YEARS

2014

Annual money-weighted rate of return, net of investment expense	6.40%
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The Township adopted GASB 67 on a prospective basis in 2014, therefore only one year of information is available.

LOWER SOUTHAMPTON TOWNSHIP

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	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)
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%
1/1/2014	-	1,614,373	1,614,373	0.00%	2,456,334	65.72%

The Township adopted GASB 45 on a prospective basis in 2008 and completes its actuarial valuation every three years; therefore only three years are 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 8,641,280	\$ 8,641,280	\$ 7,201,246	\$ (1,440,034)
Licenses and Permits	641,000	641,000	772,918	131,918
Fines and Forfeitures	134,500	134,500	131,398	(3,102)
Interest and Rents	245,366	245,366	247,756	2,390
Intergovernmental	733,269	733,269	646,573	(86,696)
Charges for Services	1,147,005	1,147,005	2,909,391	1,762,386
Miscellaneous Income	59,875	59,875	116,838	56,963
Total Revenues	11,602,295	11,602,295	12,026,120	423,825
Expenditures				
Current:				
General Government - Administration	1,141,550	1,141,550	983,045	158,505
Public Safety	6,734,616	6,734,616	6,527,439	207,177
Sanitation	1,874,094	1,874,094	1,669,683	204,411
Public Works	820,100	820,100	870,721	(50,621)
Culture and Recreation	1,558,722	1,558,722	1,362,327	196,395
Total Expenditures	12,129,082	12,129,082	11,413,215	715,867
Excess of Revenues Over (Under) Expenditures	(526,787)	(526,787)	612,905	1,139,692
Other Financing Sources (Uses)				
Sale of Capital Equipment	10,000	10,000	11,637	1,637
Operating Transfer In	820,000	820,000	-	(820,000)
Operating Transfer (Out)	(1,070,000)	(1,070,000)	(250,000)	820,000
Total Other Financing Sources (Uses)	(240,000)	(240,000)	(238,363)	1,637
Net Change in Fund Balance	(766,787)	(766,787)	374,542	1,141,329

OTHER
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid (Liquid Fuels)	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 31,127	\$ 27,522	\$ 12,171	\$ 98,706	\$ 169,526
Receivables:					
Taxes	14,092	21,223	7,301	-	42,616
Total Assets	\$ 45,219	\$ 48,745	\$ 19,472	\$ 98,706	\$ 212,142
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Accrued Expenses	\$ 4,520	\$ -	\$ -	\$ 22,323	\$ 26,843
Due to Other Funds	-	-	-	-	-
Total Liabilities	4,520	-	-	22,323	26,843
Deferred Inflow of Resources:					
Unavailable Revenue - Property Taxes	11,590	17,456	6,005	-	35,051
Total Deferred Inflow of Resources	11,590	17,456	6,005	-	35,051
Fund Balances:					
Restricted For:					
Street Light	29,109	-	-	-	29,109
Fire Protection	-	31,289	-	-	31,289
Rescue Squad	-	-	13,467	-	13,467
Highway Aid	-	-	-	76,383	76,383
Total Fund Balances	29,109	31,289	13,467	76,383	150,248
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 45,219	\$ 48,745	\$ 19,472	\$ 98,706	\$ 212,142

LOWER SOUTHAMPTON TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid	
REVENUES					
Taxes	\$ 178,971	\$ 269,820	\$ 92,677	\$ -	\$ 541,468
Interest and Rents	-	-	-	213	213
Intergovernmental	-	-	-	416,628	416,628
Miscellaneous Income	10,741	-	-	16,672	27,413
Total Revenues	189,712	269,820	92,677	433,513	985,722
EXPENDITURES					
Current:					
Public Safety	-	240,000	80,000	-	320,000
Public Works	191,195	-	-	510,126	701,321
Total Expenditures	191,195	240,000	80,000	510,126	1,021,321
Excess of Revenues Over (Under) Expenditures	(1,483)	29,820	12,677	(76,613)	(35,599)
 Net Change in Fund Balances	 (1,483)	 29,820	 12,677	 (76,613)	 (35,599)
Fund Balances - January 1, 2014	30,592	1,469	790	152,996	185,847
Fund Balances - December 31, 2014	\$ 29,109	\$ 31,289	\$ 13,467	\$ 76,383	\$ 150,248