

LOWER SOUTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

LOWER SOUTHAMPTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2011

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Township Supervisors
Lower Southampton Township
Bucks, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LOWER SOUTHAMPTON TOWNSHIP as of and for the year ended December 31, 2011, which collectively comprise LOWER SOUTHAMPTON TOWNSHIP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of LOWER SOUTHAMPTON TOWNSHIP's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, management has not recorded certain general intangible assets in governmental activities, business-type activities, and the sewer fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general intangible assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities, business-type activities, and the sewer fund. The amounts by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities, and the sewer fund are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business type-activities, and the sewer fund of LOWER SOUTHAMPTON TOWNSHIP as of December 31, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of LOWER SOUTHAMPTON TOWNSHIP as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the LOWER SOUTHAMPTON TOWNSHIP adopted the provisions of Governmental Accounting Standard Board's Statements No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", and No. 59, "*Financial Instruments Omnibus*".

<i>Harrisburg</i>	<i>Lehigh Valley</i>	<i>Philadelphia</i>	<i>Pittsburgh</i>
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Zelenkofske Axelrod LLC

Township Supervisors
Lower Southampton Township
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and funding progress for the pension plan, schedule of funding progress for postemployment benefits other than pensions and budgetary comparison information on pages 3 through 13 and 50 through 52 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LOWER SOUTHAMPTON TOWNSHIP's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the aggregate remaining fund information financial statements. The information has been subjected to the auditing procedures applied in the audit of the aggregate remaining fund information financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the aggregate remaining fund information financial statements or to the aggregate remaining fund information financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

April 18, 2012
Harrisburg, Pennsylvania

TOWNSHIP OF LOWER SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

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, 2011. 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 assets (assets less liabilities) on a government-wide basis were \$18.6 million at December 31, 2011, an increase of \$0.1 million from 2010.
- Total revenues of the Township's governmental activities amounted to \$15.5 million and expenses equaled \$15.6 million in 2011. This compares to 2010 activity of \$13.5 million for revenues and expenses of \$14.3 million.
- Total revenues of the Township's business-type activities for 2011 were \$4.5 million and expenses were \$4.3 million. 2010 revenues equaled \$4.3 million and expenses of \$3.9 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, 2011, the Township's total governmental funds reported fund balance of \$7.2 million, an increase of \$0.3 million in comparison with the prior year.
- The Township's General Fund reported an unassigned fund balance of \$1.8 million, a decrease of \$0.7 million from December 31, 2010.

General Financial Highlights

- The Board in 2011 did not increase the millage for Real Estate Taxes, which remained at 14.08 mills and kept the LST rate at \$10. In addition, the rates for Sewer increased from \$80.90 to \$89.00. The Sanitation fee decreased from \$384 to \$340. Taxable assessment for the Township was \$210,631,470 with the value of one mill being \$210,631.

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 Assets 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 Assets 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 assets and changes in them. You can think of the Township's net assets - 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 assets 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 Assets 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 Assets 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 Assets 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 Assets and Changes in Fiduciary Net Assets 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 assets:

Statement of Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Assets	\$ 16,705	\$ 17,415	\$ 3,229	\$ 3,318	\$ 19,934	\$ 20,733
Other Assets	8,875	8,680	4,822	4,378	13,697	13,058
Total Assets	<u>\$ 25,580</u>	<u>\$ 26,095</u>	<u>\$ 8,051</u>	<u>\$ 7,696</u>	<u>\$ 33,631</u>	<u>\$ 33,791</u>
Current Liabilities	\$ 506	\$ 573	\$ 504	\$ 363	\$ 1,010	\$ 936
Long Term Liabilities	13,967	14,283	25	25	13,992	14,308
Total Liabilities	<u>14,473</u>	<u>14,856</u>	<u>529</u>	<u>388</u>	<u>15,002</u>	<u>15,244</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	7,306	7,819	3,229	3,318	10,535	11,137
Restricted	58	414	-	-	58	414
Unrestricted	3,744	3,006	4,293	3,990	8,037	6,996
Total Net Assets	<u>\$ 11,108</u>	<u>\$ 11,239</u>	<u>\$ 7,522</u>	<u>\$ 7,308</u>	<u>\$ 18,630</u>	<u>\$ 18,547</u>

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

As noted earlier, net assets 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 \$18.6 million at year-end 2011. The largest portion of the Township's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net assets portion represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets for governmental activities is the portion of net assets 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 Assets to 2010, there was a increase in Total Net Assets of \$83 thousand or 0.4%. Governmental Activities Net Assets decreased by \$131 thousand and business activities increased \$214 thousand. The Township has been building the sewer fund balance, which is a business-type activity, to fund future capital needs of the sewer and wastewater treatment facilities.

Current Year Impacts

The primary impact for governmental and business-type activities would be categorized as a net result of activity. The Township did not borrow any additional funds in 2011.

Net assets of governmental activities decreased \$131 thousand as a result of increased Public Safety, Public Works, and Culture and Recreation expenditures.

The net assets of business-type activities increased by \$214 thousand. The Township is reserving this balance and prior year excess collections in anticipation of future capital needs of the sewer conveyance and wastewater treatment facilities.

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

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	\$ 4,271	\$ 3,610	\$ 4,532	\$ 4,333	\$ 8,803	\$ 7,943
Operating Grants & Contrib.	2,387	1,566	-	-	2,387	1,566
General Revenues						
Real Estate Taxes	3,016	3,040	-	-	3,016	3,040
Other Taxes	5,363	4,969	-	-	5,363	4,969
Gain on Asset Disposal	2	-	-	-	2	-
Investment Income	242	202	7	13	249	215
Other General Revenues	222	114	-	-	222	114
Total Revenues	15,503	13,501	4,539	4,346	20,042	17,847
Expenses						
Administrative	1,209	1,220	-	-	1,209	1,220
Public Safety	7,433	6,214	-	-	7,433	6,214
Sanitation	2,179	2,099	-	-	2,179	2,099
Public Works	2,361	2,347	-	-	2,361	2,347
Sewer	-	-	4,326	3,942	4,326	3,942
Community Development	-	5	-	-	-	5
Culture & Recreation	2,156	2,009	-	-	2,156	2,009
Interest Expense	296	363	-	-	296	363
Loss from Asset Disposal	-	8	-	-	-	8
Total Expenses	15,634	14,265	4,326	3,942	19,960	18,207
Change in Net Assets	(131)	(764)	213	404	82	(360)
Net Assets, Beg. of Year	11,239	12,003	7,309	6,905	18,548	18,908

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	
	2011	2010	2011	2010
Governmental Activities				
Administrative	\$ 1,209	\$ 1,220	\$ (423)	\$ (717)
Public Safety	7,433	6,214	(5,282)	(4,680)
Sanitation	2,179	2,099	293	(131)
Public Works	2,361	2,347	(1,969)	(1,963)
Community Development	-	5	-	(5)
Culture & Recreation	2,156	2,009	(1,300)	(1,221)
Interest Expense	296	363	(296)	(364)
Total Governmental Act	<u>15,634</u>	<u>14,257</u>	<u>(8,977)</u>	<u>(9,081)</u>

Governmental Activities shows a decrease in net costs of \$104 thousand over 2010 due to a \$1.48 million increase in revenues offset by an increase in expenses of \$1.38 million. General Revenues fund the portion of program expense not funded by program revenues. A portion of the costs of governmental activities were paid (charges for services) by those who directly benefited from the programs (\$4.3 million).

Sewer Fund change in net assets decreased by \$.2 million over 2010 primarily due to an increase in total expenses of \$0.4 million offset by an increase in total revenues of \$0.2 million.

Normal Impacts

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

Revenues:

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

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

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

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

Expenditures:

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

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

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

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

Current Year Impacts**Governmental Funds**

Revenues for the Township's governmental activities were \$15.5 million in 2011. Sources of revenue were comprised of the following items:

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

	2011	2010	Changes
Taxes	\$ 8,334	\$ 7,997	\$ 337
Licenses and Permits	491	490	1
Fines and Forfeitures	174	204	(30)
Interest and Rents	242	202	40
Intergovernmental	2,387	1,566	821
Charges for Services	3,606	2,916	690
Miscellaneous	222	114	108
Total Revenues	<u>\$ 15,456</u>	<u>\$ 13,489</u>	<u>\$ 1,967</u>

Overall revenues increased compared to 2010 by \$2.0 million. Taxes comprised the largest source of Township revenues (53.9%), amounting to \$8.3 million for 2011. Property taxes represent \$3.0 million (19.4% 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 the users of Township-provided services. The area of charges for service represents 23.3% of total revenues in 2011.

The cost of all governmental funds this year was \$15.2 million, down \$0.1 million from 2010. As the chart below indicates, Public Safety (police and emergency service) is the largest program and their expenses totaled \$7.5 million. The second largest program expense is Sanitation totaling \$2.2 million. Culture and Recreation is the third largest expense for the Township at \$2.0 million.

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

	<u>2011</u>	<u>2010</u>	<u>Changes</u>
Current:			
General Government	\$ 1,051	\$ 1,271	\$ (220)
Public Safety	7,500	6,303	1,197
Sanitation	2,178	2,098	80
Public Works	1,602	2,024	(422)
Culture and Recreation	1,994	1,960	34
Community Development	-	5	(5)
Benefits	13	11	2
Debt Service:			
Principal	350	785	(435)
Interest	297	371	(74)
Capital Projects	171	440	(269)
Total Expenditures	<u>\$ 15,156</u>	<u>\$ 15,268</u>	<u>\$ (112)</u>

The total expenditures of all governmental fund programs and services decreased by .7% from 2010. The decrease in governmental funds' expenditures was due to decreases in expenditures for public works, debt service and capital projects. These decrease were partially offset by an increase in public safety expenditures.

Enterprise Fund

Total operating revenues of the Sewer Fund were \$4.5 million as compared to total operating expenses of \$4.3 million. The Sewer Fund recovers its costs primarily through user charges and connection fees. Rates are based on a flat rate for residential and a flat rate plus usage formula for commercial. The user charges are set to accommodate projection for capital improvement charges by Philadelphia Water Department. For business-type activities, total operating expenses increased by 9.7% due to a increase in operational costs.

Table 6
Enterprise Fund Revenues and Expenses
For the Year Ending December 31, 2011
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Changes</u>
Operating Revenues:			
Sewer Sales	\$ 4,517	\$ 4,322	\$ 195
Other Revenues	<u>14</u>	<u>12</u>	<u>2</u>
Total Operating Revenues	<u>4,531</u>	<u>4,334</u>	<u>197</u>
Operating Expenses:			
Sewer Operations	3,654	3,273	381
General and Administrative	515	516	(1)
Depreciation	<u>156</u>	<u>153</u>	<u>3</u>
Total Operating Expenses	<u>4,325</u>	<u>3,942</u>	<u>383</u>
Operating Income	206	391	(185)
Nonoperating Revenues (Expenses):			
Interest Income	<u>7</u>	<u>13</u>	<u>(6)</u>
Total Net Nonoperating Revenues (Expenses)	<u>7</u>	<u>13</u>	<u>(6)</u>
Changes in Net Assets	<u>\$ 213</u>	<u>\$ 404</u>	<u>\$ (191)</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 \$7.2 million. Of this \$7.2 million, \$2.7 million is restricted to indicate that it is not available for new spending because it has already been restricted for items such as Program Purposes, Capital Projects and Debt Service and \$2.7 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 24.6% (\$1.8 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 \$0.3 million.

General Fund Budgetary Highlights

In total, General Fund revenues ended the year over budget by \$1.0 million. The over budget occurred due an increase in charges for services.

Expenditure variances occurred due to a spending freeze implemented by the Board of Supervisors.

Capital Assets

At the end of 2011, on a government-wide basis, the Township had \$19.9 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 \$0.8 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	\$ 5,194	\$ 27	\$ -	\$ 5,221
Construction in Progress	2,820	187	(1,273)	1,734
Total Non-Depreciable Capital Assets	8,014	214	(1,273)	6,955
Depreciable Capital Assets:				
Infrastructure	16,550	93	-	16,643
Library Books	788	57	-	845
Buildings and Improvements	4,790	1,276	-	6,066
Machinery and Equipment	3,155	242	(123)	3,274
Accumulated Depreciation	(15,882)	(1,311)	115	(17,078)
Total Depreciable Capital Assets, Net	9,401	357	(8)	9,750
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 17,415	\$ 571	\$ (1,281)	\$ 16,705
Business-type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 14	\$ 7	\$ -	\$ 21
Depreciable Capital Assets:				
Infrastructure	5,887	-	-	5,887
Buildings and Improvements	499	40	-	539
Machinery and Equipment	693	20	(3)	710
Accumulated Depreciation	(3,775)	(156)	3	(3,928)
Total Depreciable Capital Assets, Net	3,304	(96)	-	3,208
Total Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,318	\$ (89)	\$ -	\$ 3,229

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 \$13.0 million in bonds and notes outstanding versus \$13.4 million last year.

The following is a summary of the Township's outstanding long-term debt for the year ended December 31, 2011 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, 2011
(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	13,355	-	(350)	13,005
				<u>10</u>	<u>9</u>	<u>(3)</u>	<u>16</u>
				<u>\$ 13,365</u>	<u>\$ 9</u>	<u>\$ (353)</u>	<u>\$ 13,021</u>
			Governmental Activities	\$ 13,134	\$ 9	\$ (353)	\$ 13,021
			Business-type Activities	-	-	-	-
			Total Primary Government	<u>\$ 13,134</u>	<u>\$ 9</u>	<u>\$ (353)</u>	<u>\$ 13,021</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 2012 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 2011, the unemployment rate (6.5%) was 1.1 percent below the state level (7.6%). 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 decrease for the budget year 2012 from \$384 to \$340 annually.

The Real Estate Millage Rate remained the same for calendar year 2012.

The user fees for business-type activity (sewer rates) for residential and commercial users remained the same for 2012.

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 Director at Township of Lower Southampton, 1500 Desire Avenue, Feasterville, PA 19053.

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,763,577	\$ 3,588,000	\$ 9,351,577
Receivables:			
Accounts	54,274	1,234,388	1,288,662
Taxes	1,929,199	-	1,929,199
Due From Other Governments	61	-	61
Bond Issuance Costs	114,761	-	114,761
Deferred Amount on Refunding	920,363	-	920,363
Restricted Investments	93,245	-	93,245
Capital Assets Not Being Depreciated	6,954,743	20,828	6,975,571
Capital Assets Net of Accumulated Depreciation	9,750,211	3,208,156	12,958,367
Total Assets	\$ 25,580,434	\$ 8,051,372	\$ 33,631,806
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	\$ 406,210	\$ 504,592	\$ 910,802
Unearned Revenue	700	-	700
Deposits Held in Escrow	93,245	-	93,245
Other Liabilities	5,765	-	5,765
Long-Term Liabilities:			
Due Within One Year	970,246	-	970,246
Due After One Year	12,996,423	24,661	13,021,084
Total Liabilities	14,472,589	529,253	15,001,842
<u>NET ASSETS</u>			
Invested In Capital Assets, Net of Related Debt	7,305,495	3,228,984	10,534,479
Restricted for:			
Debt Service	2,278	-	2,278
Program Purposes	55,903	-	55,903
Unrestricted	3,744,169	4,293,135	8,037,304
Total Net Assets	\$ 11,107,845	\$ 7,522,119	\$ 18,629,964

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government - Administration	\$ 1,209,014	\$ 395,081	\$ 390,671	\$ -	\$ (423,262)	\$ -	\$ (423,262)
Public Safety	7,433,642	670,088	1,481,420	-	(5,282,134)	-	(5,282,134)
Sanitation	2,179,717	2,472,676	-	-	292,959	-	292,959
Public Works	2,361,164	-	392,193	-	(1,968,971)	-	(1,968,971)
Culture and Recreation	2,155,936	733,198	123,018	-	(1,299,720)	-	(1,299,720)
Interest Expense	295,690	-	-	-	(295,690)	-	(295,690)
Total Governmental Activities	15,635,163	4,271,043	2,387,302	-	(8,976,818)	-	(8,976,818)
Business-Type Activities:							
Sewer Operations	4,325,432	4,531,750	-	-	-	206,318	206,318
Total Primary Government	\$ 19,960,595	\$ 8,802,793	\$ 2,387,302	\$ -	\$ (8,976,818)	\$ 206,318	\$ (8,770,500)
General Revenues:							
Taxes:							
Property					3,016,436	-	3,016,436
Transfer					295,745	-	295,745
Earned Income Tax					4,012,868	-	4,012,868
Business and Mercantile					951,035	-	951,035
Other					102,702	-	102,702
Net Gain from Asset Disposals					2,411	-	2,411
Investment Earnings and Rents					241,956	7,213	249,169
Miscellaneous					221,935	-	221,935
Total General Revenues					8,845,088	7,213	8,852,301
Change in Net Assets					(131,730)	213,531	81,801
Net Assets - Beginning					11,239,575	7,308,588	18,548,163
Net Assets - Ending					\$ 11,107,845	\$ 7,522,119	\$ 18,629,964

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

LOWER SOUTHAMPTON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	2010 General Obligation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,179,397	\$ 2,718,854	\$ 727,522	\$ 137,804	\$ 5,763,577
Receivables:					
Accounts	8,553	-	-	45,721	54,274
Taxes	1,929,199	-	-	-	1,929,199
Due From Other Governments	61	-	-	-	61
Due From Other Funds	209,557	-	-	-	209,557
Restricted Investments	93,245	-	-	-	93,245
Total Assets	\$ 4,420,012	\$ 2,718,854	\$ 727,522	\$ 183,525	\$ 8,049,913
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts Payable and Accrued Expenses	\$ 286,279	\$ 35,977	\$ 13,338	\$ 52,900	\$ 388,494
Due to Other Funds	-	57,194	115,213	37,150	209,557
Deferred Revenue	157,050	-	-	-	157,050
Other Current Liabilities	5,765	-	-	-	5,765
Escrows Payable	93,245	-	-	-	93,245
Total Liabilities	542,339	93,171	128,551	90,050	854,111
Fund Balances (Deficit):					
Restricted for:					
Street Light	-	-	-	48,590	48,590
Fire Protection	-	-	-	6,263	6,263
Rescue Squad	-	-	-	1,050	1,050
Capital Projects	-	2,625,683	-	-	2,625,683
Debt Service	-	-	-	2,278	2,278
Assigned to:					
Library Reserve	41,116	-	-	-	41,116
Library	137,389	-	-	-	137,389
Hydrant	14,281	-	-	-	14,281
Operating Reserve	1,713,370	-	-	-	1,713,370
Sanitation	154,685	-	-	-	154,685
Other Capital Projects	-	-	598,971	78,512	677,483
Unassigned	1,816,832	-	-	(43,218)	1,773,614
Total Fund Balances	3,877,673	2,625,683	598,971	93,475	7,195,802
Total Liabilities and Fund Balances	\$ 4,420,012	\$ 2,718,854	\$ 727,522	\$ 183,525	\$ 8,049,913

LOWER SOUTHAMPTON TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total fund balances for governmental funds \$ 7,195,802

Total net assets reported for governmental activities in the statement of net assets 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	6,954,743
Capital Assets Net of \$17,078,048 Accumulated Depreciation	9,750,211

Total Capital Assets	16,704,954
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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 unearned revenue in the funds. 156,350

The funds record bond issuance costs as a current period expenditures while those costs are capitalized on the statement of net assets and amortized over the life of the bonds. 114,761

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 assets.

Balances at December 31, 2010 are:

Liability for Other Postemployment Benefits	(262,834)
Compensated Absences	(566,645)
Unamortized premium	(116,230)
Accrued Interest on Bonds and Loan	(17,716)
Deferred Amount on Refunding	920,363
Bonds Payable	(13,005,000)
Capital Leases	(15,960)
	(13,064,022)

Total net assets of governmental activities	\$ 11,107,845
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LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	2010 General Obligation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,371,138	\$ -	\$ -	\$ 962,832	\$ 8,333,970
Licenses and Permits	490,853	-	-	-	490,853
Fines and Forfeitures	174,034	-	-	-	174,034
Interest and Rents	229,875	9,463	1,928	690	241,956
Intergovernmental	1,087,535	-	310,572	989,195	2,387,302
Charges for Services	3,606,156	-	-	-	3,606,156
Miscellaneous Income	82,079	-	112,775	27,081	221,935
Total Revenues	13,041,670	9,463	425,275	1,979,798	15,456,206
EXPENDITURES					
Current:					
General Government - Administration	1,032,192	-	16,793	2,277	1,051,262
Public Safety	6,332,821	-	224,031	943,505	7,500,357
Sanitation	2,177,724	-	-	-	2,177,724
Public Works	644,253	-	171,312	786,801	1,602,366
Culture and Recreation	1,975,017	-	18,532	-	1,993,549
Benefits	13,321	-	-	-	13,321
Debt Service:					
Principal	-	-	-	350,000	350,000
Interest	-	-	-	296,506	296,506
Capital Projects	-	167,357	-	3,724	171,081
Total Expenditures	12,175,328	167,357	430,668	2,382,813	15,156,166
Excess of Revenues Over (Under) Expenditures	866,342	(157,894)	(5,393)	(403,015)	300,040
Other Financing Sources (Uses)					
Sale of Capital Equipment	10,562	-	-	-	10,562
Total Other Financing Sources (Uses)	10,562	-	-	-	10,562
Net Change in Fund Balances (Deficit)	876,904	(157,894)	(5,393)	(403,015)	310,602
Fund Balances - January 1, 2011, as restated, see Note 14	3,000,769	2,783,577	604,364	496,490	6,885,200
Fund Balances - December 31, 2011	\$ 3,877,673	\$ 2,625,683	\$ 598,971	\$ 93,475	\$ 7,195,802

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, 2011

Net change in fund balances (Deficit) - total governmental funds \$ 310,602

The change in net assets 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 (\$1,310,754) in the current period exceeded capital outlays (\$608,856). (701,898)

The recording of the disposition of the Book Value of the Capital Assets. (8,151)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, 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 assets.

Principal Repayments on General Obligation Bonds	\$	350,000	
Payments to Reduce Capital Leases		2,520	
Capital Lease Additions		(8,820)	
Net adjustment		343,700	343,700

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 12/31/10 to 12/31/11. 44,816

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

Compensated Absences		29,847	
Liability for Other Postemployment Benefits		(67,926)	
Bond Premium		10,566	
Bond Issuance Costs		(10,433)	
Deferred Interest on Bond Refunding		(83,669)	
Accrued Interest on Bonds		816	
			(120,799)
Change in net assets of governmental activities			\$ (131,730)

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET ASSETS
ENTERPRISE FUND
DECEMBER 31, 2011

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Total</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,588,000	\$ 3,588,000
Accounts Receivables	1,234,388	1,234,388
Total Current Assets	<u>4,822,388</u>	<u>4,822,388</u>
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,828	20,828
Capital Assets Net of Accumulated Depreciation	3,208,156	3,208,156
Total Noncurrent Assets	<u>3,228,984</u>	<u>3,228,984</u>
Total Assets	<u>\$ 8,051,372</u>	<u>\$ 8,051,372</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 504,592	\$ 504,592
Total Current Liabilities	<u>504,592</u>	<u>504,592</u>
Long-Term Liabilities:		
Compensated Absences	24,661	24,661
Total Noncurrent Liabilities	<u>24,661</u>	<u>24,661</u>
Total Liabilities	<u>529,253</u>	<u>529,253</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	3,228,984	3,228,984
Unrestricted Net Assets	<u>4,293,135</u>	<u>4,293,135</u>
Total Net Assets	<u>\$ 7,522,119</u>	<u>\$ 7,522,119</u>

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

LOWER SOUTHAMPTON TOWNSHIP
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business Type Activities - Enterprise Fund	
	Sewer	Total
Operating Revenues		
Sewer Sales	\$ 4,517,462	\$ 4,517,462
Other Revenues	14,288	14,288
Total Operating Revenues	4,531,750	4,531,750
Operating Expenses		
Sewer Operations	3,654,503	3,654,503
General and Administrative	514,806	514,806
Depreciation Expenses	156,123	156,123
Total Operating Expenses	4,325,432	4,325,432
Operating Income	206,318	206,318
Nonoperating Revenues		
Interest Income	7,213	7,213
Total Nonoperating Revenues	7,213	7,213
Changes In Net Assets	213,531	213,531
Total Net Assets - Beginning of Year	7,308,588	7,308,588
Total Net Assets - End of Year	\$ 7,522,119	\$ 7,522,119

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, 2011

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ 4,383,285	\$ 4,383,285
Payments to Employees	(702,001)	(702,001)
Payments to Suppliers	(3,325,704)	(3,325,704)
Net Cash Provided by Operating Activities	<u>355,580</u>	<u>355,580</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	<u>(66,744)</u>	<u>(66,744)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(66,744)</u>	<u>(66,744)</u>
Cash Flows from Investing Activities		
Interest Income	<u>7,213</u>	<u>7,213</u>
Net Cash Provided by Investing Activities	<u>7,213</u>	<u>7,213</u>
Net Decrease in Cash and Cash Equivalents	296,049	296,049
Cash and Cash Equivalents, Beginning of Year	<u>3,291,951</u>	<u>3,291,951</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,588,000</u>	<u>\$ 3,588,000</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, 2011

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 206,318	\$ 206,318
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities		
Depreciation Expense	156,123	156,123
Change in Assets and Liabilities		
Accounts Receivable	(148,465)	(148,465)
Accounts Payable and Accrued Expenses	141,604	141,604
Net Cash Provided by Operating Activities	<u>\$ 355,580</u>	<u>\$ 355,580</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Police Pension	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 926,984	\$ 290,033	\$ 1,217,017
Investments:			
Mutual Funds	8,853,107	-	8,853,107
Total Assets	<u>\$ 9,780,091</u>	<u>\$ 290,033</u>	<u>\$ 10,070,124</u>
<u>LIABILITIES</u>			
Funds Held in Escrow	\$ -	\$ 290,033	\$ 290,033
Total Liabilities	<u>-</u>	<u>\$ 290,033</u>	<u>290,033</u>
<u>NET ASSETS</u>			
Net Assets Held in Trust for Employees' Pension Benefits	9,780,091		9,780,091
Total Net Assets	<u>\$ 9,780,091</u>		<u>\$ 9,780,091</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POLICE PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Police Pension</u>
<u>ADDITIONS</u>	
Contributions:	
State	\$ 412,698
Employer	447,931
Member	<u>125,072</u>
Total Contributions	<u>985,701</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	480,391
Investment Settlement	350,000
Dividends	301
Interest	<u>135</u>
Total Investment Income	830,827
Less: Investment Expense	<u>84,208</u>
Net Investment Income	<u>746,619</u>
Total Additions	<u>1,732,320</u>
<u>DEDUCTIONS</u>	
Administrative Expense	14,314
Benefit Payments	<u>559,352</u>
Total Deductions	<u>573,666</u>
Change in Net Assets	1,158,654
Net Assets Held in Trust for Employees' Pension Benefits:	
Beginning of Year	<u>8,621,437</u>
End of Year	<u><u>\$ 9,780,091</u></u>

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

The Township has adopted the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." The 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 assets 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 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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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 collected 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.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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 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 Township also has the following nonmajor funds:

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

Capital Projects Fund: The Road Machinery fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition and construction of major capital facilities and other project-oriented activities, except those financed by and accounted for in the Capital Reserves Fund or proprietary funds.

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 assets.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Township has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

D) Assets, Liabilities, and Net Assets 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.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

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.

The township has not recorded intangible assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets in accordance with GASB Statement No. 51.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 Deferred 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, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant 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 Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – 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 Assets* – This category represents net assets of the Township, not restricted for any project or other purpose.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

10. 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 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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

10. Fund Balance Classification (Continued)

- *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.

11. 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.

12. 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.

13. Adoption of Governmental Accounting Standards

The Township adopted the requirements of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The adoption of this statement resulted in certain governmental funds being restated and fund balances being reclassified. (See Note 14)

The Township adopted the requirements of GASB Statement No. 59, "*Financial Instruments Omnibus*". The adoption of this statement had no effect on previously reported amounts.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

14. Pending Changes in Accounting Principles

In December 2009, GASB issued Statement No. 57 "*OPEB Measurements by Agent Employers and Agent Multi-Employer Plan*". The Township is required to adopt statement No. 57 for its calendar year 2012 financial statements.

In November, 2010, GASB issued Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*". The Township is required to adopt statement No. 60 for its calendar year 2012 financial statements.

In November, 2010, GASB issued Statement No. 61 "*The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*". The Township is required to adopt statement No. 61 for its calendar year 2013 financial statements.

In December, 2010, GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*". The Township is required to adopt statement No. 62 for its calendar year 2012 financial statements.

In June, 2011, GASB issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The Township is required to adopt statement No. 63 for its calendar year 2012 financial statements.

In June, 2011, GASB issued Statement No. 64 "*Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*". The Township is required to adopt statement No. 64 for its calendar year 2012 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, 2011

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 2011 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, 2011

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.

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

As of December 31, 2011, 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, 2011, \$9,751,800 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, 2011. The Township does not have a written policy to limit its exposure to custodial credit risk.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2011 and expected to be collected within the first sixty (60) days of 2012 are recognized as revenue in 2011. 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 2011 was 9.07 mills for general purposes, 1.08 mills for street light purposes, 1.25 mills for fire purposes, .25 mill for recreation purposes, .43 mills for rescue squad purposes, and 2.00 mills for debt service purposes on a total Township taxable assessed valuation of \$210,631,470.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 5,193,805	\$ 26,933	\$ -	\$ 5,220,738
Construction in Progress	2,820,360	186,519	(1,272,874)	1,734,005
Total Capital Assets, Not Being Depreciated	8,014,165	213,452	(1,272,874)	6,954,743
Capital Assets, Being Depreciated				
Infrastructure	16,549,393	92,906	-	16,642,299
Library Books	788,040	57,405	-	845,445
Buildings and Improvements	4,790,373	1,275,540	-	6,065,913
Machinery and Equipment	3,155,134	242,427	(122,959)	3,274,602
Total Capital Assets, Being Depreciated	25,282,940	1,668,278	(122,959)	26,828,259
Less Accumulated Depreciation for:				
Infrastructure	11,672,361	757,438	-	12,429,799
Library Books	481,578	61,959	-	543,537
Buildings and Improvements	1,704,796	258,770	-	1,963,566
Machinery and Equipment	2,023,367	232,587	(114,808)	2,141,146
Total Accumulated Depreciation	15,882,102	1,310,754	(114,808)	17,078,048
Total Capital Assets, Being Depreciated, Net	9,400,838	357,524	(8,151)	9,750,211
Total Governmental Activities Capital Assets, Net	\$ 17,415,003	\$ 570,976	\$ (1,281,025)	\$ 16,704,954

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 13,588	\$ 7,240	\$ -	\$ 20,828
Total Capital Assets, Not Being Depreciated	13,588	7,240	-	20,828
Capital Assets, Being Depreciated				
Infrastructure	5,886,994	-	-	5,886,994
Buildings and Improvements	499,132	39,749	-	538,881
Machinery and Equipment	693,737	19,755	(3,495)	709,997
Total Capital Assets, Being Depreciated	7,079,863	59,504	(3,495)	7,135,872
Less Accumulated Depreciation for:				
Infrastructure	3,062,769	84,921	-	3,147,690
Buildings and Improvements	391,430	10,406	-	401,836
Machinery and Equipment	320,889	60,796	(3,495)	378,190
Total Accumulated Depreciation	3,775,088	156,123	(3,495)	3,927,716
Total Capital Assets, Being Depreciated, Net	3,304,775	(96,619)	-	3,208,156
Total Governmental Activities Capital Assets, Net	\$ 3,318,363	\$ (89,379)	\$ -	\$ 3,228,984

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 111,694
Public Safety	98,157
Public Works	870,656
Culture and Recreation	230,247
Total Depreciation Expense, Governmental Activities	<u>\$ 1,310,754</u>

Business-Type Activities

Sewer Operations	<u>\$ 156,123</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 156,123</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust Fund

Plan Description

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

At January 1, 2011, the date of the most recent actuarial valuation, participants in the plans are as follows:

Participants:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits not receiving them	25
Active employees	29
	<u>54</u>

A summary of benefit provisions is as follows:

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Funding Status and Progress

The funded status of the Police Pension Plan as of January 1, 2011, 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)
\$ 8,600,052	\$ 14,975,246	\$ 6,375,194	57.4%	\$ 2,490,756	255.95%

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

Actuarial Methods and Assumptions

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included 7.5% investment rate of return, projected salary increases of 4.5% annually, and effective January 1, 2008, an annual cost-of-living increase of 1.0% made to retirees with a maximum total cost-of-living increase of 10.0%. The actuarial value of assets was determined based on the market value of assets as determined by the trustee. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at January 1, 2011 was 13 years.

Contributions Required and Contributions Made

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

Contributions by the Township are determined under the entry age normal method. The Township has met the statutory funding requirements for 2011.

Employees enrolled in the Police Pension Plan are required to contribute 5% of actual earnings and contributed 5% of covered payroll in 2011.

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

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

Pertinent information regarding contributions to the plans in 2011 follows. Contributions to the plans by the Township are expressed in both dollar amounts and as a percentage of covered payroll.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

<u>Contributions Required and Contributions Made (Continued)</u>	
Administration expense	\$ 517
Contribution requirements – normal cost	292,134
Amortization of cost	695,218
Less:	
Members' contributions	<u>(127,240)</u>
Total annual pension cost	<u>860,629</u>
Covered payroll for minimum municipal obligation calculation	<u>\$2,544,793</u>
Contributions:	
Percentage of covered payroll – normal cost	<u>11.3%</u>

Investments

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

B. Non-Uniform Plan

As established by municipal ordinance, the Township provides a defined contribution pension plan for all employees. Members are not required to contribute. The Township contributes on behalf of each member who was a participant on the last day of the plan year at 5% of the participant's total compensation and 5.7% for compensation in excess of \$20,000. Township contributions to the plan were \$140,265 for the year ended December 31, 2011.

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, 2011

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	\$13,355,000	\$ -	\$350,000	\$13,005,000	\$955,000
Unamortized Bond Premium	126,796	-	10,566	116,230	10,566
Total Bonds Payable	13,481,796	-	360,566	13,121,230	965,566
Other Liabilities:					
Liability for Other Postemployment Benefits	194,908	223,065	155,139	262,834	-
Capital Leases	9,660	8,820	2,520	15,960	4,680
Compensated Absences	596,492	100,558	130,405	566,645	-
Total Other Liabilities	819,592	332,443	288,064	845,439	4,680
Governmental Activities Long-Term Liabilities	\$14,282,856	\$ 332,433	\$648,630	\$13,966,669	\$970,246
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-Type Activities:</u>					
Other Liabilities:					
Compensated Absences	\$ 24,661	\$ -	\$ -	\$ 24,661	\$ -
Total Other Liabilities	24,661	-	-	24,661	-
Business-Type Activities Long-Term Liabilities	\$ 24,661	\$ -	\$ -	\$ 24,661	\$ -

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

Year Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2012	\$ 955,000	\$ 283,456	\$ 1,238,456
2013	1,140,000	262,506	1,402,506
2014	1,165,000	239,456	1,404,456
2015	1,165,000	216,156	1,381,156
2016	1,175,000	192,756	1,367,756
2017-2021	6,110,000	565,957	6,675,957
2022	1,295,000	17,806	1,312,806
Total	<u>\$ 13,005,000</u>	<u>\$ 1,778,093</u>	<u>\$ 14,783,093</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, 2011</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>\$13,005,000</u>
Total Governmental Activities			<u>\$ 13,005,000</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

The refunding resulted in a deferred amount on refunding of \$1,004,032. A portion of the bond proceeds were used to currently refund \$1,650,000 of the entire outstanding balance of the Township's General Obligation Bonds, Series A of 2002 and advance refund \$10,695,000 of the Series of 2002 bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series of 2002 bonds. As a result, the Series of 2002 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statements of net assets. At December 31, 2011, the principle amount outstanding relative to the defeased debt was \$10,502,200. 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 consist of the following at December 31, 2011:

	Due From Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$209,557	\$ -
2010 General Obligation Fund	-	57,194
Capital Reserve Fund	-	115,213
Non Major Funds	-	37,150
Total Governmental Funds	<u>\$209,557</u>	<u>\$209,557</u>

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Township owns property where environmental contamination existed due to underground diesel fuel storage tanks. The Township hired a third party to remove the tanks and proceed with remediation of the site. The remediation was completed by the third party in January 2011. The Township believes that it has adequately resolved this issue and is currently waiting on final approval of the environmental remediation from the Pennsylvania Department of Environmental Protection. Accordingly, no accrual for any further environmental remediation liability has been reflected in these financial statements.

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 10: DEFICIT FUND BALANCES

For the year ended December 31, 2011 the following fund had a deficit unassigned fund balance as a result of revenues being insufficient to cover expenditures/expenses:

Highway Aid (A Nonmajor Governmental Fund)	\$ <u>43,218</u>
--	------------------

This deficit was financed in 2011 by available General Fund balance.

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 2011, the Township's estimated contribution was \$155,139 to the plan for current premiums.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 11: POST-EMPLOYMENT BENEFIT PLAN (Continued)

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	\$ 226,260	\$ 226,260
Interest on Net OPEB obligation (Estimated)	8,771	8,771
Adjustment to Arc (Estimated)	(11,966)	(11,966)
Annual OPEB Cost	223,065	223,065
Contributions made (Estimated)	(155,139)	(155,139)
Increase in net OPEB obligation	67,926	67,926
Net OPEB obligation - beginning of year	194,908	194,908
Net OPEB obligation - end of year	<u>\$ 262,834</u>	<u>\$ 262,834</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 157,891	93.58%	\$ 141,333
12/31/2010	\$ 156,820	65.84%	\$ 194,908
12/31/2011	\$ 223,065	46.28%	\$ 262,834

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 11: POST-EMPLOYMENT BENEFIT PLAN (Continued)

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

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

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

NOTE 14: RESTATEMENT OF FUND BALANCES

The following funds fund balances have been restated as of the beginning of the year as follows:

	<u>General Fund</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>
Fund Balances as Previously Reported	\$ 3,048,670	\$ (141,353)	\$ 589,942
GASB 54 Implementation	<u>(47,901)</u>	<u>141,353</u>	<u>(93,452)</u>
Fund Balances as Restated	<u>\$ 3,000,769</u>	<u>\$ -</u>	<u>\$ 496,490</u>

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 *
2005	\$ 265,655	100.0%
2006	386,890	100.0%
2007	324,749	100.0%
2008	331,059	100.0%
2009	542,577	100.0%
2010	419,870	100.0%
2011	860,629	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)
1/1/2005	\$ 7,946,576	\$ 9,804,228	\$ 1,857,652	81.05%	\$ 1,849,893	100.42%
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%

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%

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

LOWER SOUTHAMPTON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Taxes	\$ 9,035,217	\$ 9,035,217	\$ 7,371,138	\$ (1,664,079)
Licenses and Permits	426,125	426,125	490,853	64,728
Fines and Forfeitures	221,000	221,000	174,034	(46,966)
Interest and Rents	205,425	205,425	229,875	24,450
Intergovernmental	1,457,755	1,457,755	1,087,535	(370,220)
Charges for Services	385,200	385,200	3,606,156	3,220,956
Miscellaneous Income	267,438	267,438	82,079	(185,359)
Total Revenues	11,998,160	11,998,160	13,041,670	1,043,510
Expenditures				
Current:				
General Government - Administration	1,134,685	1,134,685	1,032,192	102,493
Public Safety	6,365,484	6,365,484	6,332,821	32,663
Sanitation	2,232,564	2,232,564	2,177,724	54,840
Public Works	736,172	736,172	644,253	91,919
Culture and Recreation	1,812,976	1,812,976	1,975,017	(162,041)
Community Development	5,000	5,000	-	5,000
Benefits	-	-	13,321	(13,321)
Total Expenditures	12,286,881	12,286,881	12,175,328	111,553
Excess of Revenues Over (Under) Expenditures	(288,721)	(288,721)	866,342	1,155,063
Other Financing Sources (Uses)				
Sale of Capital Equipment	-	-	10,562	10,562
Total Other Financing Uses	-	-	10,562	10,562
Net Change in Fund Balance	(288,721)	(288,721)	876,904	1,165,625

OTHER
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid	Total Special Revenue Funds	Road Machinery	Debt Service	
Cash and Cash Equivalents								
Receivables:								
Accounts	\$ 49,701	\$ 6,263	\$ 1,050	\$ -	\$ 57,014	\$ 78,512	\$ 2,278	\$ 137,804
	-	45,721	-	-	45,721	-	-	45,721
Total Assets	\$ 49,701	\$ 51,984	\$ 1,050	\$ -	\$ 102,735	\$ 78,512	\$ 2,278	\$ 183,525
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts Payable and Accrued Expenses	\$ 1,111	\$ 45,721	\$ -	\$ 6,068	\$ 52,900	\$ -	\$ -	\$ 52,900
Due to Other Funds	-	-	-	37,150	37,150	-	-	37,150
Total Liabilities	1,111	45,721	-	43,218	90,050	-	-	90,050
Fund Balances:								
Restricted For:								
Street Light	48,590	-	-	-	48,590	-	-	48,590
Fire Protection	-	6,263	-	-	6,263	-	-	6,263
Rescue Squad	-	-	1,050	-	1,050	-	-	1,050
Debt Service	-	-	-	-	-	-	2,278	2,278
Assigned to:								
Other Capital Projects	-	-	-	-	-	78,512	-	78,512
Unassigned	-	-	-	(43,218)	(43,218)	-	-	(43,218)
Total Fund Balances	48,590	6,263	1,050	(43,218)	12,685	78,512	2,278	93,475
Total Liabilities and Fund Balances	\$ 49,701	\$ 51,984	\$ 1,050	\$ -	\$ 102,735	\$ 78,512	\$ 2,278	\$ 183,525

LOWER SOUTHAMPTON TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Street Light	Fire Protection	Rescue Squad	Highway Aid	Total Special Revenue Funds	Road Machinery	Debt Service	Total Nonmajor Governmental Funds
REVENUES								
Taxes	\$ 224,042	\$ 259,386	\$ 89,091	\$ -	\$ 572,519	\$ -	\$ 390,313	\$ 962,832
Interest and Rents	22	89	29	378	518	155	17	690
Intergovernmental	-	440,986	156,016	392,193	989,195	-	-	989,195
Miscellaneous Income	-	-	-	27,081	27,081	-	-	27,081
Total Revenues	224,064	700,461	245,136	419,652	1,589,313	155	390,330	1,979,798
EXPENDITURES								
Current:								
General Government - Administration								
Public Safety	-	-	-	-	-	-	2,277	2,277
Public Works	-	696,986	246,519	-	943,505	-	-	943,505
	198,073	-	-	588,728	786,801	-	-	786,801
Debt Service:								
Principal	-	-	-	-	-	-	350,000	350,000
Interest	-	-	-	-	-	-	296,506	296,506
Capital Projects	-	-	-	-	-	3,724	-	3,724
Total Expenditures	198,073	696,986	246,519	588,728	1,730,306	3,724	648,783	2,382,813
Excess of Revenues Over (Under) Expenditures	25,991	3,475	(1,383)	(169,076)	(140,993)	(3,569)	(258,453)	(403,015)
Net Change in Fund Balances	25,991	3,475	(1,383)	(169,076)	(140,993)	(3,569)	(258,453)	(403,015)
Fund Balances (Deficit) - January 1, 2011, as restated, see Note 14	22,599	2,788	2,433	125,858	153,678	82,081	260,731	496,490
Fund Balances (Deficit) - December 31, 2011	\$ 48,590	\$ 6,263	\$ 1,050	\$ (43,218)	\$ 12,685	\$ 78,512	\$ 2,278	\$ 93,475