

LOWER SOUTHAMPTON TOWNSHIP

BUCKS COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

LOWER SOUTHAMPTON TOWNSHIP
YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S 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, 2012, which collectively comprise LOWER SOUTHAMPTON TOWNSHIP's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion

As discussed in Note 1 to the financial statements, management has not recorded certain general intangible assets in the 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 assets, net position, and expenses of the governmental activities, business-type activities, and the sewer fund. The amounts by which this departure would affect the

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assets, net position, and expenses of the governmental activities, business-type activities, and the sewer fund are not reasonably determinable.

Adverse Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities, and the sewer fund of LOWER SOUTHAMPTON TOWNSHIP as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the remaining major funds and the aggregate remaining fund information of LOWER SOUTHAMPTON TOWNSHIP as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As discussed in Note 1 to the financial statements, in 2012 LOWER SOUTHAMPTON TOWNSHIP adopted the remaining provisions of Governmental Accounting Standard Board's Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple Employer Plans", GASB Issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements", GASB Issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53".

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and funding progress for the pension plan, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison information on pages 4 through 14 and 51 through 53 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.

Zelenkofske Axelrod LLC

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LOWER SOUTHAMPTON TOWNSHIP's basic financial statements. The combining nonmajor fund financial statements on pages 55 and 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

August 6, 2013
Harrisburg, Pennsylvania

TOWNSHIP OF LOWER SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

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, 2012. Please read it in conjunction with the Township's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements (Full Accrual)

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

- The total net position (assets, plus deferred outflows, less liabilities, and less deferred inflows) on a government-wide basis were \$19.7 million at December 31, 2012, an increase of \$1.1 million from 2011.
- Total revenues of the Township's governmental activities amounted to \$14.8 million and expenses equaled \$14.2 million in 2012. This compares to 2011 activity of \$15.5 million for revenues and expenses of \$15.6 million.
- Total revenues of the Township's business-type activities for 2012 were \$4.8 million and expenses were \$4.3 million. 2011 revenues equaled \$4.5 million and expenses of \$4.3 million.

Highlights for Fund Financial Statements (Modified Accrual)

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

- At December 31, 2012, the Township's total governmental funds reported fund balance of \$5.8 million, a decrease of \$1.4 million in comparison with the prior year.
- The Township's General Fund reported an unassigned fund balance of \$1.6 million, a decrease of \$0.2 million from December 31, 2011.

General Financial Highlights

- The Board in 2012 did not increase the millage for Real Estate Taxes, which remained at 14.08 mills. In addition, the rates for Sewer remained the same at \$89.00. The Sanitation fee was \$340 for 2012. Taxable assessment for the Township was \$210,359,480 with the value of one mill being \$210,359.

USING THIS ANNUAL REPORT

This annual report consists of two kinds of basic financial statements, each with a different view of the Township's finances. The Statement of Net Position and the Statement of Activities (on pages 15 and 16) 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 17. 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 7. One of the most important questions asked about the Township's finance is: "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Lower Southampton Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the Township's Most Significant Funds

Our analysis of Lower Southampton's funds begins on page 10. 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 17 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law. However, the Township Board of Supervisors establishes many other funds to help it control and manage money for particular purposes (like the General Obligation Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the PA Department of Transportation). The Township's two kinds of funds - governmental and enterprise - use different accounting approaches.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on page 18 and 20.
- **Enterprise Funds** – When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement Net Position and the Statement of Activities. In fact the Township's only enterprise fund - the Sewer Fund - is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for sewer operation.
- **Fiduciary Funds** – The Township is a fiduciary, or trustee, for various funds. These include our police pension fund and agency funds. The assets reported in these funds can only be used for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Infrastructure Assets

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

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Assets	\$ 17,825	\$ 16,705	\$ 3,094	\$ 3,229	\$ 20,919	\$ 19,934
Other Assets	7,560	8,875	5,498	4,822	13,058	13,697
Total Assets	<u>\$ 25,385</u>	<u>\$ 25,580</u>	<u>\$ 8,592</u>	<u>\$ 8,051</u>	<u>\$ 33,977</u>	<u>\$ 33,631</u>
Current Liabilities	\$ 562	\$ 506	\$ 581	\$ 504	\$ 1,143	\$ 1,010
Long Term Liabilities	13,108	13,967	25	25	13,133	13,992
Total Liabilities	<u>13,670</u>	<u>14,473</u>	<u>606</u>	<u>529</u>	<u>14,276</u>	<u>15,002</u>
Net Position:						
Net Investment in Capital						
Assets	7,807	7,306	3,094	3,229	10,901	10,535
Restricted	223	58	-	-	223	58
Unrestricted	3,685	3,744	4,892	4,293	8,577	8,037
Total Net Position	<u>\$ 11,715</u>	<u>\$ 11,108</u>	<u>\$ 7,986</u>	<u>\$ 7,522</u>	<u>\$ 19,701</u>	<u>\$ 18,630</u>

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, total assets exceeded total liabilities by \$19.7 million at year-end 2012. The largest portion of the Township's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net position portion represents resources that are subject to external restrictions on how they may be used. The unrestricted net position for governmental activities is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

In comparing the Statement of Net Position to 2011, there was a increase in Total Net Position of \$1.1 million or 0.6%. Governmental Activities Net Position increased by \$607 thousand and business activities increased \$464 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 2012.

Net position of governmental activities increased \$607 thousand as a result of decreases Public Safety, Public Works, and Culture and Recreation expenditures.

The net position of business-type activities increased by \$464 thousand. The Township is reserving this balance and prior year excess collections in anticipation of future capital needs of the sewer conveyance and wastewater treatment facilities.

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

Table 2
Statement of Activities
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for Services	\$ 3,874	\$ 4,271	\$ 4,756	\$ 4,532	\$ 8,630	\$ 8,803
Operating Grants & Contrib.	2,047	2,387	-	-	2,047	2,387
General Revenues						
Real Estate Taxes	3,098	3,016	-	-	3,098	3,016
Other Taxes	5,337	5,363	-	-	5,337	5,363
Gain (Loss) on Asset Disposal	(8)	2	-	-	(8)	2
Investment Income	255	242	2	7	257	249
Other General Revenues	205	222	-	-	205	222
Total Revenues	14,808	15,503	4,758	4,539	19,566	20,042
Expenses						
Administrative	1,417	1,209	-	-	1,417	1,209
Public Safety	6,688	7,433	-	-	6,688	7,433
Sanitation	1,819	2,179	-	-	1,819	2,179
Public Works	2,133	2,361	-	-	2,133	2,361
Sewer	-	-	4,294	4,326	4,294	4,326
Community Development	-	-	-	-	-	-
Culture & Recreation	1,862	2,156	-	-	1,862	2,156
Interest Expense	282	296	-	-	282	296
Loss from Asset Disposal	-	-	-	-	-	-
Total Expenses	14,201	15,634	4,294	4,326	18,495	19,960
Change in Net Position	607	(131)	464	213	1,071	82
Net Position, Beg. of Year	11,108	11,239	7,522	7,309	18,630	18,548
Net Position, End of Year	\$ 11,715	\$ 11,108	\$ 7,986	\$ 7,522	\$ 19,701	\$ 18,630

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):

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Governmental Activities				
Administrative	\$ 1,417	\$ 1,209	\$ (791)	\$ (423)
Public Safety	6,688	7,433	(4,611)	(5,282)
Sanitation	1,819	2,179	207	293
Public Works	2,133	2,361	(1,740)	(1,969)
Community Development	-	-	-	-
Culture & Recreation	1,862	2,156	(1,063)	(1,300)
Interest Expense	282	296	(282)	(296)
Total Governmental Act	<u>14,201</u>	<u>15,634</u>	<u>(8,280)</u>	<u>(8,977)</u>
Total Sewer-Business	<u>\$ 4,294</u>	<u>\$ 4,326</u>	<u>\$ 463</u>	<u>\$ 206</u>

Governmental Activities shows a decrease in net costs of \$697 thousand over 2011 due to a \$737 thousand decrease in program revenues and a decrease in expenses of \$1.43 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 (\$3.9 million).

Sewer Fund change in net position increased by \$.2 million over 2011 primarily due to an increase in total revenues of \$0.2 million and a decrease in total expenses of \$32 thousand.

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 \$14.7 million in 2012. Sources of revenue were comprised of the following items:

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

	2012	2011	Changes
Taxes	\$ 8,357	\$ 8,334	\$ 23
Licenses and Permits	517	491	26
Fines and Forfeitures	154	174	(20)
Interest and Rents	255	242	13
Intergovernmental	2,047	2,387	(340)
Charges for Services	3,204	3,606	(402)
Miscellaneous	205	222	(17)
Total Revenues	<u>\$ 14,739</u>	<u>\$ 15,456</u>	<u>\$ (717)</u>

Overall revenues decreased compared to 2011 by \$0.7 million. Taxes comprised the largest source of Township revenues (56.7%), amounting to \$8.4 million for 2012. Property taxes represent \$3.1 million (20.1% of total revenues) with business, earned income, and deed transfer taxes accounting for "other taxes." The Board of Supervisors has worked to decrease reliance upon our tax ratable base (approximately \$210 million), and instead have focused on income tax and on charging reasonable fees to users of Township-provided services. The area of charges for service represents 21.7% of total revenues in 2012.

The cost of all governmental funds this year was \$16.1 million, up \$1.0 million from 2011. As the chart below indicates, Public Safety (police and emergency service) is the largest program and their expenses totaled \$6.7 million. The second largest program expense is Sanitation totaling \$2.0 million. Culture and Recreation is the third largest expense for the Township at \$1.7 million.

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

	<u>2012</u>	<u>2011</u>	<u>Changes</u>
Current:			
General Government	\$ 1,151	\$ 1,051	\$ 100
Public Safety	6,736	7,500	(764)
Sanitation	1,810	2,178	(368)
Public Works	2,047	1,602	445
Culture and Recreation	1,667	1,994	(327)
Community Development	-	-	-
Benefits	54	13	41
Debt Service:			
Principal	955	350	605
Interest	283	297	(14)
Capital Projects	1,406	171	1,235
Total Expenditures	<u>\$ 16,109</u>	<u>\$ 15,156</u>	<u>\$ 953</u>

The total expenditures of all governmental fund programs and services increased by 6% from 2011. The increase in governmental funds' expenditures was due to increases in expenditures for public works, debt service and capital projects. These increases were partially offset by a decrease in public safety, sanitation, and culture and recreation expenditures.

Enterprise Fund

Total operating revenues of the Sewer Fund were \$4.8 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 decreased by 0.7% due to a slight decrease in operational costs for 2012.

Table 6
Enterprise Fund Revenues and Expenses
For the Year Ending December 31, 2012
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>Changes</u>
Operating Revenues:			
Sewer Sales	\$ 4,738	\$ 4,517	\$ 221
Other Revenues	18	14	4
Total Operating Revenues	<u>4,756</u>	<u>4,531</u>	<u>225</u>
Operating Expenses:			
Sewer Operations	3,599	3,654	(55)
General and Administrative	538	515	23
Depreciation	157	156	1
Total Operating Expenses	<u>4,294</u>	<u>4,325</u>	<u>(31)</u>
Operating Income	462	206	256
Nonoperating Revenues (Expenses):			
Interest Income	2	7	(5)
Total Net Nonoperating Revenues (Expenses)	<u>2</u>	<u>7</u>	<u>(5)</u>
Changes in Net Position	<u>\$ 464</u>	<u>\$ 213</u>	<u>\$ 251</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 \$5.8 million. Of this \$5.8 million, \$1.3 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 \$2.8 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 29.9% (\$1.7 million) of the total fund balance represents the unassigned fund balance, or resources available for appropriation.

The net decrease in fund balance for all governmental funds was \$1.4 million.

General Fund Budgetary Highlights

In total, General Fund revenues ended the year over budget by \$0.2 million. The over budget occurred due to an increase in charges for services.

Expenditure variances occurred due to the Township incurring more expenses than the adopted budget for 2012.

Capital Assets

At the end of 2012, on a government-wide basis, the Township had \$20.9 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 increase (including additions and deletions) of \$1.0 million.

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

Table 7
Change in Capital Assets
(in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 5,221	\$ -	\$ -	\$ 5,221
Construction in Progress	1,734	1,527	(3,159)	102
Total Non-Depreciable Capital Assets	6,955	1,527	(3,159)	5,323
Depreciable Capital Assets:				
Infrastructure	16,643	3,931	-	20,574
Library Books	845	67	(68)	844
Buildings and Improvements	6,066	-	-	6,066
Machinery and Equipment	3,274	138	(132)	3,280
Accumulated Depreciation	(17,078)	(1,363)	179	(18,262)
Total Depreciable Capital Assets, Net	9,750	2,773	(21)	12,502
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,705	\$ 4,300	\$ (3,180)	\$ 17,825
Business-type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 21	\$ -	\$ -	\$ 21
Depreciable Capital Assets:				
Infrastructure	5,887	-	-	5,887
Buildings and Improvements	539	-	-	539
Machinery and Equipment	710	22	(1)	731
Accumulated Depreciation	(3,928)	(157)	1	(4,084)
Total Depreciable Capital Assets, Net	3,208	(135)	-	3,073
Total Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,229	\$ (135)	\$ -	\$ 3,094

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 \$12.0 million in bonds and notes outstanding versus \$13.0 million last year.

The following is a summary of the Township's outstanding long-term debt for the year ended December 31, 2012 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, 2012
(in thousands)

Issue	Original Amount	Interest Rate	Final Maturity	Beginning Balance	Additions	Retirements	Ending Balance
2010	13,355	2% to 2.75%	2022	13,005	-	(955)	12,050
Capital Lease				16	-	(5)	11
				<u>\$ 13,021</u>	<u>\$ -</u>	<u>\$ (960)</u>	<u>\$ 12,061</u>
			Governmental Activities	\$ 13,021	\$ -	\$ (960)	\$ 12,061
			Business-type Activities	-	-	-	-
			Total Primary Government	<u>\$ 13,021</u>	<u>\$ -</u>	<u>\$ (960)</u>	<u>\$ 12,061</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 2013 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 2012, the unemployment rate (7.8%) was 0.1 percent below the state level (7.9%). Overall employment data is not compiled for municipalities, but such data is compiled for the County of Bucks in which the Township is located.

The cost of the collection of sanitation will remain the same for budget year 2013 at \$340 annually.

The Real Estate Millage Rate remained the same for calendar year 2013.

The user fees for business-type activity (sewer rates) for residential and commercial users remained the same for 2013.

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

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,240,450	\$ 4,236,862	\$ 8,477,312
Receivables:			
Accounts	8,243	1,261,045	1,269,288
Taxes	1,622,931	-	1,622,931
Due From Other Governments	653,995	-	653,995
Bond Issuance Costs	104,328	-	104,328
Deferred Amount on Refunding	836,694	-	836,694
Restricted Investments	93,262	-	93,262
Capital Assets Not Being Depreciated	5,322,979	20,828	5,343,807
Capital Assets Net of Accumulated Depreciation	12,501,824	3,072,835	15,574,659
Total Assets	25,384,706	8,591,570	33,976,276
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	461,984	580,788	1,042,772
Unearned Revenue	700	-	700
Deposits Held in Escrow	93,262	-	93,262
Other Liabilities	5,622	-	5,622
Long-Term Liabilities:			
Due Within One Year	1,155,246	-	1,155,246
Due After One Year	11,952,805	24,661	11,977,466
Total Liabilities	13,669,619	605,449	14,275,068
<u>NET POSITION</u>			
Net Investment in Capital Assets	7,806,479	3,093,663	10,900,142
Restricted for:			
Debt Service	14,803	-	14,803
Program Purposes	208,932	-	208,932
Unrestricted	3,684,873	4,892,458	8,577,331
Total Net Position	\$ 11,715,087	\$ 7,986,121	\$ 19,701,208

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Business-Type Activities	
					Governmental Activities	Business-Type Activities	Governmental Activities	Total
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Government - Administration	\$ 1,417,286	\$ 404,174	\$ 221,728	\$ -	\$ (791,384)	\$ -	\$ (791,384)	
Public Safety	6,687,954	720,849	1,356,062	-	(4,611,043)	-	(4,611,043)	
Sanitation	1,818,592	2,025,902	-	-	207,310	-	207,310	
Public Works	2,133,063	937	391,948	-	(1,740,178)	-	(1,740,178)	
Culture and Recreation	1,862,492	722,443	77,405	-	(1,062,644)	-	(1,062,644)	
Interest Expense	282,147	-	-	-	(282,147)	-	(282,147)	
Total Governmental Activities	14,201,534	3,874,305	2,047,143	-	(8,280,086)	-	(8,280,086)	
Business-Type Activities:								
Sewer Operations	4,293,672	4,756,295	-	-	-	462,623	462,623	
Total Primary Government	\$ 18,495,206	\$ 8,630,600	\$ 2,047,143	\$ -	\$ (8,280,086)	\$ 462,623	\$ (7,817,463)	
General Revenues:								
Taxes:								
Property					3,098,189	-	3,098,189	
Transfer					250,351	-	250,351	
Earned Income Tax					4,036,058	-	4,036,058	
Business and Mercantile					938,686	-	938,686	
Other					111,998	-	111,998	
Net Loss from Asset Disposals					(7,659)	-	(7,659)	
Investment Earnings and Rents					254,930	1,379	256,309	
Miscellaneous					204,775	-	204,775	
Total General Revenues					8,887,328	1,379	8,888,707	
Change in Net Position								
					607,242	464,002	1,071,244	
Net Position - Beginning								
					11,107,845	7,522,119	18,629,964	
Net Position - Ending								
					\$ 11,715,087	\$ 7,986,121	\$ 19,701,208	

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

LOWER SOUTHAMPTON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	2010 General Obligation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,759,945	\$ 1,224,783	\$ 27,919	\$ 227,803	\$ 4,240,450
Receivables:					
Accounts	7,615	-	-	628	8,243
Taxes	1,620,791	-	-	2,140	1,622,931
Due From Other Governments	-	-	653,995	-	653,995
Restricted Investments	93,262	-	-	-	93,262
Total Assets	\$ 4,481,613	\$ 1,224,783	\$ 681,914	\$ 230,571	\$ 6,618,881
LIABILITIES AND FUND BALANCES					
Accounts Payable and Accrued Expenses	\$ 282,550	\$ 2,114	\$ 154,077	\$ 6,836	\$ 445,577
Deferred Revenue	234,957	-	-	-	234,957
Other Current Liabilities	5,622	-	-	-	5,622
Escrows Payable	93,262	-	-	-	93,262
Total Liabilities	616,391	2,114	154,077	6,836	779,418
Fund Balances:					
Restricted for:					
Street Light	-	-	-	32,506	32,506
Fire Protection	-	-	-	10,020	10,020
Rescue Squad	-	-	-	3,105	3,105
Highway Aid	-	-	-	163,301	163,301
Capital Projects	-	1,222,669	-	-	1,222,669
Debt Service	-	-	-	14,803	14,803
Assigned to:					
Library Reserve	41,116	-	-	-	41,116
Library	126,140	-	-	-	126,140
Hydrant	13,145	-	-	-	13,145
Operating Reserve	1,715,307	-	-	-	1,715,307
Sanitation	371,022	-	-	-	371,022
Township Beautification	15,000	-	-	-	15,000
Other Capital Projects	-	-	527,837	-	527,837
Unassigned	1,583,492	-	-	-	1,583,492
Total Fund Balances	3,865,222	1,222,669	527,837	223,735	5,839,463
Total Liabilities and Fund Balances	\$ 4,481,613	\$ 1,224,783	\$ 681,914	\$ 230,571	\$ 6,618,881

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

LOWER SOUTHAMPTON TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances for governmental funds \$ 5,839,463

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital Assets Not Being Depreciated	5,322,979	
Capital Assets Net of \$18,261,316 Accumulated Depreciation	<u>12,501,824</u>	
 Total Capital Assets		 17,824,803

Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		234,257
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The funds record bond issuance costs as a current period expenditures while those costs are capitalized on the statement of net position and amortized over the life of the bonds.		104,328
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Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.

Balances at December 31, 2012 are:

Liability for Other Postemployment Benefits	(338,126)	
Compensated Absences	(602,981)	
Unamortized premium	(105,664)	
Accrued Interest on Bonds and Loan	(16,407)	
Deferred Amount on Refunding	836,694	
Bonds Payable	(12,050,000)	
Capital Leases	<u>(11,280)</u>	
		<u>(12,287,764)</u>

Total net position of governmental activities		<u>\$ 11,715,087</u>
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LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	2010 General Obligation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,640,134	\$ -	\$ -	\$ 1,717,241	\$ 8,357,375
Licenses and Permits	516,905	-	-	-	516,905
Fines and Forfeitures	153,935	-	-	-	153,935
Interest and Rents	251,627	2,629	674	-	254,930
Intergovernmental	654,838	-	881,470	510,835	2,047,143
Charges for Services	3,203,465	-	-	-	3,203,465
Miscellaneous Income	163,361	-	-	41,414	204,775
Total Revenues	11,584,265	2,629	882,144	2,269,490	14,738,528
EXPENDITURES					
Current:					
General Government - Administration	1,143,149	-	7,500	605	1,151,254
Public Safety	6,098,957	-	164,008	472,940	6,735,905
Sanitation	1,809,565	-	-	-	1,809,565
Public Works	797,745	-	781,770	467,760	2,047,275
Culture and Recreation	1,666,791	-	-	-	1,666,791
Benefits	53,873	-	-	-	53,873
Debt Service:					
Principal	-	-	-	955,000	955,000
Interest	-	-	-	283,456	283,456
Capital Projects	-	1,405,643	-	-	1,405,643
Total Expenditures	11,570,080	1,405,643	953,278	2,179,761	16,108,762
Excess of Revenues Over (Under) Expenditures	14,185	(1,403,014)	(71,134)	89,729	(1,370,234)
Other Financing Sources (Uses)					
Operating Transfer In (Out)	(40,531)	-	-	40,531	-
Sale of Capital Equipment	13,895	-	-	-	13,895
Total Other Financing Sources (Uses)	(26,636)	-	-	40,531	13,895
Net Change in Fund Balances	(12,451)	(1,403,014)	(71,134)	130,260	(1,356,339)
Fund Balances - January 1, 2012	3,877,673	2,625,683	598,971	93,475	7,195,802
Fund Balances - December 31, 2012	\$ 3,865,222	\$ 1,222,669	\$ 527,837	\$ 223,735	\$ 5,839,463

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, 2012

Net change in fund balances - total governmental funds \$ (1,356,339)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,504,096) exceeded depreciation (\$1,362,693) in the current period. 1,141,403

The recording of the disposition of the Book Value of the Capital Assets. (21,554)

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

Principal Repayments on General Obligation Bonds	\$ 955,000	
Payments to Reduce Capital Leases	4,680	
Net adjustment		959,680

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/11 to 12/31/12. 77,907

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	(36,336)	
Liability for Other Postemployment Benefits	(75,292)	
Bond Premium	10,566	
Bond Issuance Costs	(10,433)	
Deferred Interest on Bond Refunding	(83,669)	
Accrued Interest on Bonds	1,309	
		(193,855)

Change in net position of governmental activities	\$ 607,242	
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LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2012

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Total</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,236,862	\$ 4,236,862
Accounts Receivables	1,261,045	1,261,045
Total Current Assets	<u>5,497,907</u>	<u>5,497,907</u>
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,828	20,828
Capital Assets Net of Accumulated Depreciation	<u>3,072,835</u>	<u>3,072,835</u>
Total Noncurrent Assets	<u>3,093,663</u>	<u>3,093,663</u>
Total Assets	<u>8,591,570</u>	<u>8,591,570</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	<u>580,788</u>	<u>580,788</u>
Total Current Liabilities	<u>580,788</u>	<u>580,788</u>
Long-Term Liabilities:		
Compensated Absences	<u>24,661</u>	<u>24,661</u>
Total Noncurrent Liabilities	<u>24,661</u>	<u>24,661</u>
Total Liabilities	<u>605,449</u>	<u>605,449</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,093,663	3,093,663
Unrestricted Net Position	<u>4,892,458</u>	<u>4,892,458</u>
Total Net Position	<u>\$ 7,986,121</u>	<u>\$ 7,986,121</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business Type Activities - Enterprise Fund	
	Sewer	Total
Operating Revenues		
Sewer Sales	\$ 4,738,366	\$ 4,738,366
Other Revenues	17,929	17,929
Total Operating Revenues	4,756,295	4,756,295
Operating Expenses		
Sewer Operations	3,598,582	3,598,582
General and Administrative	537,567	537,567
Depreciation Expenses	157,523	157,523
Total Operating Expenses	4,293,672	4,293,672
Operating Income	462,623	462,623
Nonoperating Revenues		
Interest Income	1,379	1,379
Total Nonoperating Revenues	1,379	1,379
Changes In Net Position	464,002	464,002
Total Net Position - Beginning of Year	7,522,119	7,522,119
Total Net Position - End of Year	\$ 7,986,121	\$ 7,986,121

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, 2012

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ 4,729,638	\$ 4,729,638
Payments to Employees	(705,517)	(705,517)
Payments to Suppliers	(3,354,436)	(3,354,436)
Net Cash Provided by Operating Activities	669,685	669,685
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(22,202)	(22,202)
Net Cash Used in Capital and Related Financing Activities	(22,202)	(22,202)
Cash Flows from Investing Activities		
Interest Income	1,379	1,379
Net Cash Provided by Investing Activities	1,379	1,379
Net Increase in Cash and Cash Equivalents	648,862	648,862
Cash and Cash Equivalents, Beginning of Year	3,588,000	3,588,000
Cash and Cash Equivalents, End of Year	\$ 4,236,862	\$ 4,236,862

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, 2012

	<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	\$ 462,623	\$ 462,623
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	157,523	157,523
Change in Assets and Liabilities		
Accounts Receivable	(26,657)	(26,657)
Accounts Payable and Accrued Expenses	76,196	76,196
Net Cash Provided by Operating Activities	<u>\$ 669,685</u>	<u>\$ 669,685</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Police Pension	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 262,984	\$ 306,175	\$ 569,159
Investments:			
Mutual Funds	10,792,702	-	10,792,702
Total Assets	<u>\$ 11,055,686</u>	<u>\$ 306,175</u>	<u>\$ 11,361,861</u>
<u>LIABILITIES</u>			
Funds Held in Escrow	\$ -	\$ 306,175	\$ 306,175
Total Liabilities	<u>-</u>	<u>\$ 306,175</u>	<u>306,175</u>
<u>NET POSITION</u>			
Net Position Held in Trust for Employees' Pension Benefits	11,055,686		11,055,686
Total Net Position	<u>\$ 11,055,686</u>		<u>\$ 11,055,686</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Police Pension
<u>ADDITIONS</u>	
Contributions:	
State	\$ 355,705
Employer	338,751
Member	<u>128,792</u>
Total Contributions	<u>823,248</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	1,122,003
Investment Settlement	-
Interest and Dividends	3,118
Miscellaneous	<u>6,500</u>
Total Investment Income	1,131,620
Less: Investment Expense	<u>101,270</u>
Net Investment Income	<u>1,030,350</u>
Total Additions	<u>1,853,598</u>
<u>DEDUCTIONS</u>	
Administrative Expense	18,384
Benefit Payments	<u>559,620</u>
Total Deductions	<u>578,004</u>
Change in Net Position	1,275,594
Net Position Held in Trust for Employees' Pension Benefits:	
Beginning of Year	<u>9,780,092</u>
End of Year	<u>\$ 11,055,686</u>

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately 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, 2012

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, 2012

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 position.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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.

The Township reports the following major proprietary funds:

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

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

The Township reports the following fiduciary funds:

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

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

1. Cash and Cash Equivalents

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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

2. Receivables and Payables

• Interfund Receivables and Payables

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

• Accounts Receivable

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

• Unbilled Revenue Receivable

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

3. Investments

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

4. Restricted Investments

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

D) Assets, Liabilities, and Net Position 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, 2012

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

D) Assets, Liabilities, and Position 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 Position/Fund Balances

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

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

D) Assets, Liabilities, and Net Position 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.
- *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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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

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 remaining provisions of GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". The adoption of the remaining provisions of this statement had no effect on previously reported amounts.

The Township adopted the requirements of GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*". The adoption of this statement had no effect on previously reported amounts.

The Township adopted the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The adoption of this statement had no effect on previously reported amounts.

The Township adopted the requirements of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this statement resulted in the renaming of the residual measure of all other elements presented in a statement of financial position as "net position", rather than "net assets".

The Township adopted the requirements of GASB Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*". The adoption of this statement had no effect on previously reported amounts.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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

14. Pending Changes in Accounting Principles

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 March 2012, GASB issued Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". The Township is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March 2012, GASB issued Statement No. 66 "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*". The Township is required to adopt statement No. 66 for its calendar year 2013 financial statements.

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

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

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

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

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, 2012

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 2012 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, 2012

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, 2012, 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, 2012, \$8,814,879 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, 2012. 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, 2012

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 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and expected to be collected within the first sixty (60) days of 2013 are recognized as revenue in 2012. 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 2012 was 5.37 mills for general purposes, 0.83 mills for street light purposes, 1.25 mills for fire purposes, .50 mills for recreation purposes, .43 mills for rescue squad purposes, and 5.70 mills for debt service purposes on a total Township taxable assessed valuation of \$210,359,480.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 5,220,738	\$ -	\$ -	\$ 5,220,738
Construction in Progress	1,734,005	1,526,841	(3,158,605)	102,241
Total Capital Assets, Not Being Depreciated	6,954,743	1,526,841	(3,158,605)	5,322,979
Capital Assets, Being Depreciated				
Infrastructure	16,642,299	3,930,885	-	20,573,184
Library Books	845,445	67,167	(68,690)	843,922
Buildings and Improvements	6,065,913	-	-	6,065,913
Machinery and Equipment	3,274,602	137,808	(132,289)	3,280,121
Total Capital Assets, Being Depreciated	26,828,259	4,135,860	(200,979)	30,763,140
Less Accumulated Depreciation for:				
Infrastructure	12,429,799	767,642	-	13,197,441
Library Books	543,537	68,676	(68,690)	543,523
Buildings and Improvements	1,963,566	258,770	-	2,222,336
Machinery and Equipment	2,141,146	267,605	(110,735)	2,298,016
Total Accumulated Depreciation	17,078,048	1,362,693	(179,425)	18,261,316
Total Capital Assets, Being Depreciated, Net	9,750,211	2,773,167	(21,554)	12,501,824
Total Governmental Activities Capital Assets, Net	\$ 16,704,954	\$ 4,300,008	\$ (3,180,159)	\$ 17,824,803

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 20,828	\$ -	\$ -	\$ 20,828
Total Capital Assets, Not Being Depreciated	<u>20,828</u>	<u>-</u>	<u>-</u>	<u>20,828</u>
Capital Assets, Being Depreciated				
Infrastructure	5,886,994	-	-	5,886,994
Buildings and Improvements	538,881	-	-	538,881
Machinery and Equipment	709,997	22,202	(1,011)	731,188
Total Capital Assets, Being Depreciated	<u>7,135,872</u>	<u>22,202</u>	<u>(1,011)</u>	<u>7,157,063</u>
Less Accumulated Depreciation for:				
Infrastructure	3,147,690	84,921	-	3,232,611
Buildings and Improvements	401,836	10,406	-	412,242
Machinery and Equipment	378,190	62,196	(1,011)	439,375
Total Accumulated Depreciation	<u>3,927,716</u>	<u>157,523</u>	<u>(1,011)</u>	<u>4,084,228</u>
Total Capital Assets, Being Depreciated, Net	<u>3,208,156</u>	<u>(135,321)</u>	<u>-</u>	<u>3,072,835</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 3,228,984</u>	<u>\$ (135,321)</u>	<u>\$ -</u>	<u>\$ 3,093,663</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 210,685
Public Safety	113,219
Public Works	864,321
Culture and Recreation	<u>174,468</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,362,693</u>

Business-Type Activities

Sewer Operations	<u>\$ 157,523</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 157,523</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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, 2012

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	57.43%	\$ 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 2012.

Employees enrolled in the Police Pension Plan are required to contribute 5% of actual earnings and contributed 5% of covered payroll in 2012.

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 2012 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, 2012

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

<u>Contributions Required and Contributions Made (Continued)</u>	
Administration expense	\$ 612
Contribution requirements – normal cost	305,539
Amortization of cost	521,414
Less:	
Members' contributions	<u>(133,109)</u>
Total annual pension cost	<u>694,456</u>
 Covered payroll for minimum municipal obligation calculation	 <u>\$2,662,180</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 \$234,856 for the year ended December 31, 2012.

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, 2012

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	\$13,005,000	\$ -	\$955,000	\$12,050,000	\$1,140,000
Unamortized Bond Premium	116,230	-	10,566	105,664	10,566
Total Bonds Payable	13,121,230	-	965,566	12,155,664	1,150,566
Other Liabilities:					
Liability for Other Postemployment Benefits	262,834	221,952	146,660	338,126	-
Capital Leases	15,960	-	4,680	11,280	4,680
Compensated Absences	566,645	161,648	125,312	602,981	-
Total Other Liabilities	845,439	383,600	276,652	952,387	4,680
Governmental Activities Long-Term Liabilities	\$13,966,669	\$ 383,600	\$1,242,218	\$13,108,051	\$1,155,246
	<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, 2012

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
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	1,190,000	169,106	1,359,106
2018-2021	4,920,000	396,851	5,316,851
2022	1,295,000	17,806	1,312,806
Total	<u>\$ 12,050,000</u>	<u>\$ 1,494,637</u>	<u>\$ 13,544,637</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, 2012</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>\$12,050,000</u>
		Total Governmental Activities	<u>\$ 12,050,000</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

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

NOTE 8: INTERFUND OPERATING TRANSFERS

Interfund operating transfers consisted of the following for the year ended December 31, 2012:

	Transfer From Other Funds	Transfer to Other Funds
Governmental Funds:		
General Fund	\$ -	\$ 40,531
Non Major Funds	119,043	78,512
Total Governmental Funds	<u>\$ 119,043</u>	<u>\$ 119,043</u>

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 has received the final approval of the environmental remediation from the Pennsylvania Department of Environmental Protection dated January 7, 2013. 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: 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 2012, the Township's estimated contribution was \$146,660 to the plan for current premiums.

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

	Governmental Activities	Total Primary Government
Annual required contribution	\$ 226,260	\$ 226,260
Interest on Net OPEB obligation (Estimated)	11,828	11,828
Adjustment to Arc (Estimated)	(16,136)	(16,136)
Annual OPEB Cost	221,952	221,952
Contributions made (Estimated)	(146,660)	(146,660)
Increase in net OPEB obligation	75,292	75,292
Net OPEB obligation - beginning of year	262,834	262,834
Net OPEB obligation - end of year	<u>\$ 338,126</u>	<u>\$ 338,126</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: POST-EMPLOYMENT BENEFIT PLAN (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	\$ 156,820	65.84%	\$ 194,908
12/31/2011	\$ 223,065	46.28%	\$ 262,834
12/31/2012	\$ 221,952	66.08%	\$ 338,126

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%.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 11: EXCESS OF EXPENDITURES OVER APPROPRIATION IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended December 31, 2012:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 11,535,973	\$ 11,570,080	0.30%

The excess expenditures over appropriations in the General Fund were funded by greater than anticipated revenues.

REQUIRED
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS FOR POLICE PENSION

Schedule of Employer Contributions		
Annual		
Year Ended December 31	Required Contribution	Percentage Contributed *
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%
2012	694,456	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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 8,031,867	\$ 8,031,867	\$ 6,640,134	\$ (1,391,733)
Licenses and Permits	484,063	484,063	516,905	32,842
Fines and Forfeitures	201,000	201,000	153,935	(47,065)
Interest and Rents	204,045	204,045	251,627	47,582
Intergovernmental	1,803,874	1,803,874	654,838	(1,149,036)
Charges for Services	425,200	425,200	3,203,465	2,778,265
Miscellaneous Income	172,250	172,250	163,361	(8,889)
Total Revenues	11,322,299	11,322,299	11,584,265	261,966
Expenditures				
Current:				
General Government - Administration	1,035,185	1,035,185	1,143,149	(107,964)
Public Safety	6,356,368	6,356,368	6,098,957	257,411
Sanitation	1,683,532	1,683,532	1,809,565	(126,033)
Public Works	779,309	779,309	797,745	(18,436)
Culture and Recreation	1,681,579	1,681,579	1,666,791	14,788
Benefits	-	-	53,873	(53,873)
Total Expenditures	11,535,973	11,535,973	11,570,080	(34,107)
Excess of Revenues Over (Under) Expenditures	(213,674)	(213,674)	14,185	227,859
Other Financing Sources (Uses)				
Sale of Capital Equipment	-	-	13,895	13,895
Operating Transfer In	1,105,000	1,105,000	-	(1,105,000)
Operating Transfer (Out)	(530,000)	(530,000)	(40,531)	489,469
Total Other Financing Uses	575,000	575,000	(26,636)	(601,636)
Net Change in Fund Balance	361,326	361,326	(12,451)	(373,777)

OTHER
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid (Liquid Fuels)	Total Special Revenue Funds	Road Machinery	Debt Service	
Cash and Cash Equivalents	\$ 33,046	\$ 9,293	\$ 2,855	\$ 168,969	\$ 214,163	\$ -	\$ 13,640	\$ 227,803
Receivables:								
Accounts	628	-	-	-	628	-	-	628
Taxes	-	727	250	-	977	-	1,163	2,140
Total Assets	\$ 33,674	\$ 10,020	\$ 3,105	\$ 168,969	\$ 215,768	\$ -	\$ 14,803	\$ 230,571
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts Payable and Accrued Expenses	\$ 1,168	\$ -	\$ -	\$ 5,668	\$ 6,836	\$ -	\$ -	\$ 6,836
Due to Other Funds	-	-	-	-	-	-	-	-
Total Liabilities	1,168	-	-	5,668	6,836	-	-	6,836
Fund Balances:								
Restricted For:								
Street Light	32,506	-	-	-	32,506	-	-	32,506
Fire Protection	-	10,020	-	-	10,020	-	-	10,020
Rescue Squad	-	-	3,105	-	3,105	-	-	3,105
Debt Service	-	-	-	-	-	-	14,803	14,803
Highway Aid	-	-	-	163,301	163,301	-	-	163,301
Total Fund Balances	32,506	10,020	3,105	163,301	208,932	-	14,803	223,735
Total Liabilities and Fund Balances	\$ 33,674	\$ 10,020	\$ 3,105	\$ 168,969	\$ 215,768	\$ -	\$ 14,803	\$ 230,571

ASSETSLIABILITIES AND FUND BALANCES

LOWER SOUTHAMPTON TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	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		
REVENUES										
Taxes	\$ 180,790	\$ 267,757	\$ 92,108	\$ -	\$ 540,655	\$ -		\$ 1,176,586	\$	1,717,241
Interest and Rents	-	-	-	-	-	-		-	-	-
Intergovernmental	-	118,887	-	391,948	510,835	-		-	-	510,835
Miscellaneous Income	4,365	-	-	37,049	41,414	-		-	-	41,414
Total Revenues	185,155	386,644	92,108	428,997	1,092,904	-		1,176,586		2,269,490
EXPENDITURES										
Current:										
General Government - Administration	-	-	-	-	-	-		605		605
Public Safety	-	382,887	90,053	-	472,940	-		-		472,940
Public Works	201,239	-	-	266,521	467,760	-		-		467,760
Debt Service:										
Principal	-	-	-	-	-	-		955,000		955,000
Interest	-	-	-	-	-	-		283,456		283,456
Capital Projects	-	-	-	-	-	-		-		-
Total Expenditures	201,239	382,887	90,053	266,521	940,700	-		1,239,061		2,179,761
Excess of Revenues Over (Under) Expenditures	(16,084)	3,757	2,055	162,476	152,204	-		(62,475)		89,729
Other Financing Sources (Uses)										
Operating Transfer In	-	-	-	44,043	44,043	-		75,000		119,043
Operating Transfer (Out)	-	-	-	-	-	(78,512)		-		(78,512)
Total Other Financing Sources (Uses)	-	-	-	44,043	44,043	(78,512)		75,000		40,531
Net Change in Fund Balances	(16,084)	3,757	2,055	206,519	152,204	(78,512)		12,525		130,260
Fund Balances (Deficit) - January 1, 2012	48,590	6,263	1,050	(43,218)	12,685	78,512		2,278		93,475
Fund Balances - December 31, 2012	\$ 32,506	\$ 10,020	\$ 3,105	\$ 163,301	\$ 164,889	\$ -		\$ 14,803	\$	223,735