

LOWER SOUTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

LOWER SOUTHAMPTON TOWNSHIP
YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Township Supervisors
Lower Southampton Township
Bucks, Pennsylvania

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LOWER SOUTHAMPTON TOWNSHIP (the "Township") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Township's 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for one year after the date the financial statements were issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



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Lower Southampton Township
Page 2

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2023 the township adopted the provisions of Government Accounting Standards Board issued No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", Statement No. 96, "Subscription-Based Information Technology Arrangements", and Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.

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 changes in the net pension liability and related ratios, schedule of employer contributions, schedule of investment returns, schedule of changes in the Total OPEB liability and related ratios, schedule of contributions OPEB, and budgetary comparison information on pages 3 through 13 and 51 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund financial statements on pages 57 and 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOSKE AXELROD LLC

Jamison, Pennsylvania
October 22, 2024

TOWNSHIP OF LOWER SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

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, 2023. Please read it in conjunction with the Township's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements (Full Accrual)

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

- The total net position (assets, plus deferred outflows, less liabilities, and less deferred inflows) on a government-wide basis were \$27.5 million at December 31, 2023, an decrease of \$0.2 million from 2022.
- Total revenues of the Township's governmental activities amounted to \$20.6 million and expenses equaled \$21.2 million in 2023. This compares to 2022 activity of \$18.1 million for revenues and expenses of \$17.6 million.
- Total revenues of the Township's business-type activities for 2023 were \$7.0 million and expenses were \$6.8 million. 2022 revenues equaled \$6.5 million and expenses of \$5.6 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, 2023, the Township's total governmental funds reported fund balance of \$12.2 million, a decrease of \$1.4 million in comparison with the prior year.
- The Township's General Fund reported an unassigned fund balance of \$3.4 million, an increase of \$0.1 million from December 31, 2022.

General Financial Highlights

- The Board in 2022 did not increase the millage for Real Estate Taxes, which remained at 14.08 mills. The Sanitation fee was \$545 for 2023, with the fee in 2022 at \$300. Taxable assessment for the Township was \$221,172,150 (1/1/23 per County) with the value of one mill being \$221,172.

USING THIS ANNUAL REPORT

This annual report consists of two kinds of basic financial statements, each with a different view of the Township's finances. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 16. For governmental funds, the statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

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

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finance is: "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Lower Southampton Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the Township's Most Significant Funds

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

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on page 17 and 19.
- **Enterprise Funds** – When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement Net Position and the Statement of Activities. In fact the Township's only enterprise fund - the Sewer Fund - is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for sewer operation.
- **Fiduciary Funds** – The Township is a fiduciary, or trustee, for various funds. These include our police pension fund and agency funds. The assets reported in these funds can only be used for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Infrastructure Assets

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

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

Table 1
Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital Assets	\$ 17,098	\$ 16,465	\$ 2,390	\$ 2,462	\$ 19,488	\$ 18,927
Other Assets	13,643	15,487	6,871	6,575	20,514	22,062
Total Assets	<u>\$ 30,741</u>	<u>\$ 31,952</u>	<u>\$ 9,261</u>	<u>\$ 9,037</u>	<u>\$ 40,002</u>	<u>\$ 40,989</u>
Pensions	\$ 2,553	\$ 2,637	\$ -	\$ -	\$ 2,553	\$ 2,637
Other Post Employment Benefits	313	251	-	-	313	251
Deferred Amount of Refunding	-	-	-	-	-	-
Total Deferred Outflows of Resources	<u>\$ 2,866</u>	<u>\$ 2,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,866</u>	<u>\$ 2,888</u>
Current Liabilities	\$ 1,220	\$ 1,654	\$ 5	\$ -	\$ 1,225	\$ 1,654
Long Term Liabilities	13,746	14,393	31	44	13,777	14,437
Total Liabilities	<u>14,966</u>	<u>16,047</u>	<u>36</u>	<u>44</u>	<u>15,002</u>	<u>16,091</u>
Other Post Employment Benefits	361	50	-	-	-	-
Pensions	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>361</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>361</u>	<u>50</u>
Net Position:						
Net Investment in Capital Assets	14,573	11,475	2,390	2,462	16,963	13,937
Restricted	1,273	931	-	-	1,273	931
Unrestricted	2,434	6,337	6,835	6,531	9,269	12,868
Total Net Position	<u>\$ 18,280</u>	<u>\$ 18,743</u>	<u>\$ 9,225</u>	<u>\$ 8,993</u>	<u>\$ 27,505</u>	<u>\$ 27,736</u>

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, total assets and deferred outflows of resources exceeded total liabilities by \$27.5 million at year-end 2023. 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 2022, there was a decrease in Total Net Position of approximately \$0.2 million or 0.1%. Governmental Activities Net Position decreased by \$.4 million and business activities increased by \$0.2 million. The Township has been building the sewer fund balance, which is a business-type activity, to fund future capital needs of the sewer and wastewater treatment facilities.

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	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	\$ 4,850	\$ 3,408	\$ 6,967	\$ 6,460	\$ 11,817	\$ 9,868
Operating Grants & Contrib.	1,854	957	-	-	1,854	957
Capital Grants & Contrib.	379	1,174	-	-	379	1,174
General Revenues						
Real Estate Taxes	3,052	3,157	-	-	3,052	3,157
Other Taxes	9,176	8,932	-	-	9,176	8,932
Gain (Loss) on Asset Disposal	-	-	-	-	-	-
Investment Income	748	265	30	6	778	271
Other General Revenues	564	223	-	-	564	223
Total Revenues	20,623	18,116	6,997	6,466	27,620	24,582
Expenses						
Administrative	1,729	1,522	-	-	1,729	1,522
Public Safety	11,648	10,581	-	-	11,648	10,581
Sanitation	3,516	1,992	-	-	3,516	1,992
Public Works	2,658	2,214	-	-	2,658	2,214
Sewer	-	-	6,764	5,618	6,764	5,618
Culture & Recreation	1,409	1,088	-	-	1,409	1,088
Interest Expense	127	167	-	-	127	167
Total Expenses	21,087	17,564	6,764	5,618	27,851	23,182
Change in Net Position	(464)	552	233	848	(231)	1,400
Net Position, Beg. of Year, Restated	18,744	18,192	8,992	8,144	27,736	26,336
Net Position, End of Year	\$ 18,280	\$ 18,744	\$ 9,225	\$ 8,992	\$ 27,505	\$ 27,736

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

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

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

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Governmental Activities				
Administrative	\$ 1,729	\$ 1,522	(474)	(745)
Public Safety	11,648	10,581	(10,131)	(8,731)
Sanitation	3,516	1,992	(93)	(40)
Public Works	2,658	2,214	(2,065)	(1,539)
Culture & Recreation	1,409	1,088	(1,115)	(803)
Interest Expense	127	167	(127)	(167)
Total Governmental Act	21,087	17,564	(14,005)	(12,025)
Total Sewer-Business	\$ 6,764	\$ 5,618	\$ 202	\$ 842

Total Governmental Activities shows an increase in net costs of approximately \$2 million over 2022. This is due to increases in overall program revenues and increases in certain program expenses. The significant increases in program revenues were Charges for Services (\$1.9 million), Operating Grants and Contributions (\$1.0 million) and Investment Income (\$0.5 million). The increases in program expenses were related to Public Safety (\$1.1 million), and Sanitation (\$1.6 million). A portion of the costs of governmental activities were paid (charges for services) by those who directly benefited from the programs (\$4.8 million).

Business-Type Activities change in net position increased by \$232 thousand over 2022 primarily due to an increase in revenue of \$531 thousand and an increase in expenses of \$1.1 million.

Normal Impacts

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

Revenues:

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

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

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

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

Expenditures:

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

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

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

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

Current Year Impacts

Governmental Funds

Revenues for the Township's governmental funds were \$20.4 million in 2023. Sources of revenue were comprised of the following items:

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

	<u>2023</u>	<u>2022</u>	<u>Changes</u>
Taxes	\$12,229	\$12,088	\$ 141
Licenses and Permits	681	717	(36)
Fines and Forfeitures	85	73	12
Interest and Rents	748	265	483
Intergovernmental	2,232	2,131	101
Charges for Services	4,085	2,618	1,467
Miscellaneous	360	224	136
Total Revenues	<u>\$20,420</u>	<u>\$18,116</u>	<u>\$ 2,304</u>

Overall revenues increased compared to 2022 by \$2.3 million. Taxes comprised the largest source of Township revenues (60%), amounting to \$12.2 million for 2023. The Board of Supervisors has worked to decrease reliance upon our tax ratable base (approximately \$221 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 and licenses and permits represents 20% of total revenues in 2023.

The cost of all governmental funds this year was \$21.9 million, up approximately \$3.4 million from 2022. As the chart below indicates, Public Safety (police and emergency service) is the largest program and their expenses totaled \$10.0 million. The second largest program expense is Sanitation totaling \$3.6 million.

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

	<u>2023</u>	<u>2022</u>	<u>Changes</u>
Current:			
General Government	\$ 1,681	\$ 1,416	\$ 265
Public Safety	10,199	9,337	862
Sanitation	3,516	1,992	1,524
Public Works	1,795	1,430	365
Culture and Recreation	1,051	956	95
Debt Service:			
Principal	1,345	1,305	40
Interest	127	167	(40)
Capital Outlay	<u>2,302</u>	<u>1,889</u>	<u>413</u>
Total Expenditures	<u>\$22,016</u>	<u>\$18,492</u>	<u>\$ 3,524</u>

The total expenditures of all governmental fund programs and services increased by over 18% from 2022. There were increases in all area other than Debt Service Interest.

Enterprise Fund

Total operating revenues of the Sewer Fund were \$7.0 million as compared to total operating expenses of \$6.8 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 the Sewer Fund, total operating expenses increased by 20.4% due to a increases in operational costs for 2023.

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

	<u>2023</u>	<u>2022</u>	<u>Changes</u>
Operating Revenues:			
Sewer Sales	\$ 6,929	\$ 6,434	\$ 495
Other Revenues	38	26	12
Total Operating Revenues	<u>6,967</u>	<u>6,460</u>	<u>507</u>
Operating Expenses:			
Sewer Operations	5,808	4,793	1,015
General and Administrative	708	585	123
Depreciation	248	240	8
Total Operating Expenses	<u>6,764</u>	<u>5,618</u>	<u>1,146</u>
Operating Income/(Loss)	203	842	(639)
Nonoperating Revenues (Expenses):			
Interest Income	30	6	24
Total Net Nonoperating Revenues (Expenses)	<u>30</u>	<u>6</u>	<u>24</u>
Changes in Net Position	<u>\$ 233</u>	<u>\$ 848</u>	<u>\$ (615)</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 \$12.2 million. Of this \$12.2 million, \$4.4 million is restricted for items such as Street Light, Fire Protection, Rescue Squad, Highway Aid, Debt Service, and Capital Projects and \$4.3 million is assigned to indicate that it is not available for new spending because it has already been assigned to items such as Library, Hydrant, Operating Reserve, Sanitation, Township Beautification, and Other Capital Projects. Approximately 28% (\$3.4 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 \$0.4 million. The over budget condition was mainly the result of a variance in Intergovernmental Revenues which was \$0.5 million in excess of budget, Interest and Rent Revenues were in excess of budget \$0.2 million and Taxes were over budget by \$0.2 million.

Expenditure variances occurred due to the Township incurring fewer expenses than the adopted budget for 2023 in Public Safety (\$0.6 million) and Culture and Recreation (\$0.5 million).

Capital Assets

At the end of 2023, on a government-wide basis, the Township had \$19.5 million invested in a broad range of capital assets net of accumulated depreciation, including police equipment, buildings, park facilities, roads, bridges, sewer lines, and pumping stations (See Table 7). This amount represents a net increase (including additions and deletions) of \$0.6 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	32	-	(32)	-
Intangibles	5	-	-	5
Total Non-Depreciable Capital Assets	5,258	-	(32)	5,226
Depreciable Capital Assets:				
Infrastructure	27,663	1,108	-	28,771
Library Books	735	48	(32)	751
Buildings and Improvements	7,138	836	-	7,974
Machinery and Equipment	6,183	341	(296)	6,228
Accumulated Depreciation	(30,512)	(1,653)	313	(31,852)
Total Depreciable Capital Assets, Net	11,207	680	(15)	11,872
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,465</u>	<u>\$ 680</u>	<u>\$ (47)</u>	<u>\$ 17,098</u>
Business-type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 21	\$ -	\$ -	\$ 21
Depreciable Capital Assets:				
Infrastructure	6,088	87	-	6,175
Buildings and Improvements	712	18	-	730
Machinery and Equipment	1,669	70	-	1,739
Accumulated Depreciation	(6,028)	(247)	-	(6,275)
Total Depreciable Capital Assets, Net	2,441	(72)	-	2,369
Total Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,462</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ 2,390</u>

Debt

The borrowing limit of the Township under the Debt Act is computed as a percentage of the Township's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of total "Revenue" (as defined by the Debt Act) for the three full fiscal years ended next preceding the date of incurring debt. The Township's remaining non-electoral debt borrowing capacity is well under percentages allowed. At year-end, the Township had \$3.6 million in bonds and notes outstanding versus \$5 million last year.

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 10,844,907	\$ 5,713,624	\$ 16,558,531
Receivables:			
Accounts	103,292	1,775,525	1,878,817
Taxes	1,829,020	-	1,829,020
Due From Other Governments	-	-	-
Internal Balances	618,425	(618,425)	-
Prepays	213,567	-	213,567
Other Assets	284	-	284
Restricted:			
Investments	33,193	-	33,193
Capital Assets, Not Being Depreciated	5,226,098	20,828	5,246,926
Capital Assets, Net of Accumulated Depreciation	11,872,234	2,369,016	14,241,250
	<hr/>	<hr/>	<hr/>
Total Assets	30,741,020	9,260,568	40,001,588
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pensions	2,552,603	-	2,552,603
Other Post Employment Benefits	313,488	-	313,488
Deferred Amount of Refunding	-	-	-
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	2,866,091	-	2,866,091
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	33,607,111	9,260,568	42,867,679
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	590,887	5,258	596,145
Unearned Revenue	579,864	-	579,864
Deposits Held in Escrow	33,193	-	33,193
Other Liabilities	16,989	-	16,989
Long-Term Liabilities:			
Due Within One Year	1,884,242	-	1,884,242
Due After One Year	11,861,204	30,259	11,891,463
	<hr/>	<hr/>	<hr/>
Total Liabilities	14,966,379	35,517	15,001,896
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Post Employment Benefits	361,152	-	361,152
Pensions	-	-	-
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	361,152	-	361,152
<u>NET POSITION</u>			
Net Investment in Capital Assets	14,572,729	2,389,844	16,962,573
Restricted for:			
Debt Service	60,866	-	60,866
Program Purposes	1,212,338	-	1,212,338
Unrestricted	2,433,647	6,835,207	9,268,854
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 18,279,580	\$ 9,225,051	\$ 27,504,631

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31,2023

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General Government - Administration	\$ 1,728,832	\$ 421,756	\$ 454,299	\$ 378,746	\$ (474,031)	\$ -	\$ (474,031)
Public Safety	11,647,819	785,353	731,991	-	(10,130,475)	-	(10,130,475)
Sanitation	3,516,193	3,423,311	-	-	(92,882)	-	(92,882)
Public Works	2,657,683	-	592,455	-	(2,065,228)	-	(2,065,228)
Culture and Recreation	1,408,930	219,331	74,801	-	(1,114,798)	-	(1,114,798)
Interest Expense	127,239	-	-	-	(127,239)	-	(127,239)
Total Governmental Activities	21,086,696	4,849,751	1,853,546	378,746	(14,004,653)	-	(14,004,653)
Business-Type Activities:							
Sewer Operations	6,764,420	6,966,677	-	-	-	202,257	202,257
Total Primary Government	\$ 27,851,116	\$ 11,816,428	\$ 1,853,546	\$ 378,746	\$ (14,004,653)	\$ 202,257	\$ (13,802,396)
General Revenues:							
Taxes:							
Real Estate - General Levy					3,052,460	-	3,052,460
Real Estate - Transfer Tax					561,713	-	561,713
Earned Income Tax					6,840,940	-	6,840,940
Business and Mercantile					1,611,416	-	1,611,416
Other					162,464	-	162,464
Gain on Sale of Assets					203,159	-	203,159
Investment Earnings and Rents					748,095	30,347	778,442
Miscellaneous					360,491	-	360,491
Total General Revenues					13,540,738	30,347	13,571,085
Change in Net Position					(463,915)	232,604	(231,311)
Net Position - Beginning					18,743,495	8,992,447	27,735,942
Net Position - Ending					\$ 18,279,580	\$ 9,225,051	\$ 27,504,631

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

LOWER SOUTHAMPTON TOWNSHIP
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,094,330	\$ 5,632,962	\$ 1,865,710	\$ 45,087	\$ 1,206,818	\$ 10,844,907
Receivables:						
Accounts	103,292	-	-	-	-	103,292
Taxes	1,687,045	-	-	103,367	38,608	1,829,020
Due From Other Governments	-	-	-	-	-	-
Due From Other Funds	4,309,837	-	-	-	-	4,309,837
Prepays	213,567	-	-	-	-	213,567
Other Assets	-	-	-	-	284	284
Restricted:						
Cash	-	-	-	-	-	-
Investments	33,193	-	-	-	-	33,193
Total Assets	\$ 8,441,264	\$ 5,632,962	\$ 1,865,710	\$ 148,454	\$ 1,245,710	\$ 17,334,100
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 468,638	\$ 112,830	8,860	\$ -	\$ 559	\$ 590,887
Due to Other Funds	-	2,440,778	1,250,634	-	-	3,691,412
Unearned Revenue	579,864	-	-	-	-	579,864
Other Current Liabilities	16,989	-	-	-	-	16,989
Escrows Payable	33,193	-	-	-	-	33,193
Total Liabilities	1,098,684	2,553,608	1,259,494	-	559	4,912,345
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	63,665	-	-	87,588	32,813	184,066
Total Deferred Inflow of Resources	63,665	-	-	87,588	32,813	184,066
Fund Balances:						
Unspendable	213,567	-	-	-	-	213,567
Restricted for:						
Street Light	-	-	-	-	178,694	178,694
Fire Protection	-	-	-	-	2,347	2,347
Rescue Squad	-	-	-	-	1,323	1,323
Highway Aid	-	-	-	-	1,029,974	1,029,974
Capital Projects	-	3,079,354	-	-	-	3,079,354
Debt Service	-	-	-	60,866	-	60,866
Assigned to:						
Library Reserve	76,964	-	-	-	-	76,964
Library	342,784	-	-	-	-	342,784
Hydrant	2,914	-	-	-	-	2,914
Operating Reserve	1,574,946	-	-	-	-	1,574,946
Sanitation	1,534,245	-	-	-	-	1,534,245
Township Beautification	139,552	-	-	-	-	139,552
Other Capital Projects	-	-	606,216	-	-	606,216
Unassigned	3,393,943	-	-	-	-	3,393,943
Total Fund Balances	7,278,915	3,079,354	606,216	60,866	1,212,338	12,237,689
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 8,441,264	\$ 5,632,962	\$ 1,865,710	\$ 148,454	\$ 1,245,710	\$ 17,334,100

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, 2023

Total fund balances for governmental funds \$ 12,237,689

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	5,226,098
Capital Assets Net of \$31,851,730 Accumulated Depreciation	<u>11,872,234</u>

Total Capital Assets	17,098,332
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Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 184,066

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 are:

Liability for Other Postemployment Benefits	(2,091,663)
Capital Leases Payable	(154,317)
Compensated Absences	(1,783,295)
Unamortized Premium	(57,345)
Bonds Payable	(3,610,000)
Net Pension Liability	(6,048,826)
Deferred Outflows of Resources	2,866,091
Deferred Inflows of Resources	<u>(361,152)</u>
	<u>(11,240,507)</u>

Total net position of governmental activities	<u>\$ 18,279,580</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, 2023

	General	General Obligation	Capital Reserve	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 10,159,558	\$ -	\$ -	\$ 1,442,643	\$ 626,792	\$ 12,228,993
Licenses and Permits	680,412	-	-	-	-	680,412
Fines and Forfeitures	84,761	-	-	-	-	84,761
Interest and Rents	354,294	275,883	7,308	-	110,610	748,095
Intergovernmental	1,036,126	-	378,746	-	817,420	2,232,292
Charges for Services	4,084,578	-	-	-	-	4,084,578
Miscellaneous Income	288,334	-	-	-	72,157	360,491
Total Revenues	16,688,063	275,883	386,054	1,442,643	1,626,979	20,419,622
EXPENDITURES						
Current:						
General Government - Administration	1,680,384	-	-	646	-	1,681,030
Public Safety	9,237,163	-	-	-	961,675	10,198,838
Sanitation	3,516,193	-	-	-	-	3,516,193
Public Works	1,209,111	-	-	-	585,272	1,794,383
Culture and Recreation	1,051,697	-	-	-	-	1,051,697
Debt Service:						
Principal	-	-	-	1,345,000	-	1,345,000
Interest	-	-	-	127,239	-	127,239
Capital Outlay	5,082	1,440,663	856,112	-	-	2,301,857
Total Expenditures	16,699,630	1,440,663	856,112	1,472,885	1,546,947	22,016,237
Excess of Revenues Over (Under) Expenditures	(11,567)	(1,164,780)	(470,058)	(30,242)	80,032	(1,596,615)
Other Financing Sources (Uses)						
Operating Transfer In (Out)	(541,918)	-	250,000	25,000	266,918	-
Proceeds from Capital Leases	-	-	-	-	-	-
Proceeds from Long-term Debt	-	-	-	-	-	-
Proceeds from Capital Leases	203,159	-	-	-	-	203,159
Total Other Financing Sources (Uses)	(338,759)	-	250,000	25,000	266,918	203,159
Net Change in Fund Balances	(350,326)	(1,164,780)	(220,058)	(5,242)	346,950	(1,393,456)
Fund Balances - January 1	7,629,241	4,244,134	826,274	66,108	865,388	13,631,145
Fund Balances - December 31	\$ 7,278,915	\$ 3,079,354	\$ 606,216	\$ 60,866	\$ 1,212,338	\$ 12,237,689

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, 2023

Net change in fund balances - total governmental funds \$ (1,393,456)

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 outlay (\$2,333,390) exceeded depreciation (\$1,653,332), net of disposals in the current period. 663,379

Bond and Note 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 Note and General Obligation Bonds	1,345,000
Principal Repayments on Capital Leases	83,841

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, bond premium, deferred amount on refunding, accrued interest, and pension expense

Compensated Absences	(294,239)	
Bond Premium	(19,115)	
Issuance of Capital Leases	(203,159)	
OPEB Expense	(661,718)	
Pension Expense	15,552	
	15,552	(1,162,679)
Change in net position of governmental activities		<u>\$ (463,915)</u>

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION – ENTERPRISE FUND
DECEMBER 31, 2023

	Business Type Activities - Enterprise Fund	
	Sewer	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,713,624	\$ 5,713,624
Accounts Receivables	1,775,525	1,775,525
Other Assets	-	-
Total Current Assets	7,489,149	7,489,149
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,828	20,828
Capital Assets Net of Accumulated Depreciation	2,369,016	2,369,016
Total Noncurrent Assets	2,389,844	2,389,844
Total Assets	9,878,993	9,878,993
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	5,258	5,258
Due to Other Funds	618,425	618,425
Total Current Liabilities	623,683	623,683
Long-Term Liabilities:		
Compensated Absences	30,259	30,259
Total Noncurrent Liabilities	30,259	30,259
Total Liabilities	653,942	653,942
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,389,844	2,389,844
Unrestricted Net Position	6,835,207	6,835,207
Total Net Position	\$ 9,225,051	\$ 9,225,051

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business Type Activities - Enterprise Fund	
	Sewer	Total
Operating Revenues		
Sewer Sales	\$ 6,928,520	\$ 6,928,520
Other Revenues	38,157	38,157
Total Operating Revenues	6,966,677	6,966,677
Operating Expenses		
Sewer Operations	5,808,591	5,808,591
General and Administrative	708,160	708,160
Depreciation Expenses	247,669	247,669
Total Operating Expenses	6,764,420	6,764,420
Operating Income	202,257	202,257
Nonoperating Revenues		
Interest Income	30,347	30,347
Total Nonoperating Revenues	30,347	30,347
Changes In Net Position	232,604	232,604
Total Net Position - Beginning of Year	8,992,447	8,992,447
Total Net Position - End of Year	\$ 9,225,051	\$ 9,225,051

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, 2023

	Business Type Activities - Enterprise Fund	
	Sewer	Totals
Cash Flows From Operating Activities		
Receipts from Customers	\$ 6,937,821	\$ 6,937,821
Payments to Employees	(554,258)	(554,258)
Payments to Suppliers	(5,689,910)	(5,689,910)
Net Cash Provided by Operating Activities	693,653	693,653
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(175,676)	(175,676)
Net Cash Used in Capital and Related Financing Activities	(175,676)	(175,676)
Cash Flows from Investing Activities		
Interest Income	30,347	30,347
Net Cash Provided by Investing Activities	30,347	30,347
Net Increase in Cash and Cash Equivalents	548,324	548,324
Cash and Cash Equivalents, Beginning of Year	5,165,300	5,165,300
Cash and Cash Equivalents, End of Year	\$ 5,713,624	\$ 5,713,624

(Continued)

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF CASH FLOWS – ENTERPRISE FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Business Type Activities - Enterprise Fund</u>	
	<u>Sewer</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities		
Operating Income	\$ 202,257	\$ 202,257
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	247,669	247,669
Change in Assets and Liabilities		
Accounts Receivable	(28,856)	(28,856)
Other Assets	6,168	6,168
Due to Other Funds	275,260	275,260
Accounts Payable and Accrued Expenses	5,258	5,258
Compensated Absences	(14,103)	(14,103)
Net Cash Provided by Operating Activities	<u>\$ 693,653</u>	<u>\$ 693,653</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

	<u>Component Unit</u>		
	<u>Police Pension</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,303,327	\$ 316,637	\$ 2,619,964
Investments:			
Mutual Funds	21,609,019	-	21,609,019
Total Assets	<u>23,912,346</u>	<u>316,637</u>	<u>24,228,983</u>
<u>LIABILITIES</u>			
Funds Held in Escrow	-	316,637	316,637
Total Liabilities	<u>-</u>	<u>316,637</u>	<u>316,637</u>
<u>NET POSITION</u>			
Net Position Held in Trust for Employees' Pension Benefits	23,912,346	-	23,912,346
Total Net Position	<u>\$ 23,912,346</u>	<u>\$ -</u>	<u>\$ 23,912,346</u>

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

LOWER SOUTHAMPTON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Police Pension</u>	<u>Custodial Funds</u>
<u>ADDITIONS</u>		
Contributions:		
Employer - State Funding	\$ 507,026	\$ -
Employer - Other	889,474	-
Member	<u>204,741</u>	<u>-</u>
Total Contributions	<u>1,601,241</u>	<u>-</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	2,184,770	-
Miscellaneous	<u>-</u>	<u>163,119</u>
Total Investment Income	2,184,770	163,119
Net Investment Income	<u>2,184,770</u>	<u>163,119</u>
Total Additions	<u>3,786,011</u>	<u>163,119</u>
<u>DEDUCTIONS</u>		
Benefit Payments	1,592,508	-
Administrative Expense	1,955	-
Other	<u>-</u>	<u>163,119</u>
Total Deductions	<u>1,594,463</u>	<u>163,119</u>
Change in Net Position	2,191,548	-
Net Position Held in Trust for Employees' Pension Benefits:		
Beginning of Year	<u>21,720,798</u>	<u>-</u>
End of Year	<u>\$ 23,912,346</u>	<u>\$ -</u>

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

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

A) Reporting Entity

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

The Township is financially accountable for:

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

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

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

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

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

B) Government-Wide and Fund Financial Statements

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collectable within 180 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

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

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

The Township reports the following major governmental funds:

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

The Township also has the following non-major funds:

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

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

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

The Township reports the following major proprietary funds:

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

The Township's fiduciary funds are presented in the fund financial statements by type (pension trust fund and custodial 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 Fund is a component unit of the Township 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 Custodial 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, 2023

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.

4. Restricted Investments

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

5. Capital Assets

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

8. Unearned and Unavailable Revenues

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

9. Net Position/Fund Balances

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

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

When both restricted and unrestricted funds are available, it is the Township's policy to utilize restricted funds first, then unrestricted.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualifies for reporting in this category, the deferred amount on refunding and those related to pensions. Deferred loss on refunding is the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions are described further in Note 5. The components of deferred outflows of resources, other than the difference between the projected and actual investment earnings, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all members of the plan beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on plan investments is amortized over a 5 year closed period beginning the year in which the difference occurs (current year).

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

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

11. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific 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, 2023

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

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

12. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

13. Accounting Estimates

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

14. Adoption of Governmental Accounting Standards

The GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". Statement No. 94 was adopted for the township's year ending December 31, 2023 financial statements and had no effect on previously reported amounts.

The GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Statement No. 96 was adopted for the township's year ending December 31, 2023 financial statements and had no effect on previously reported amounts.

The GASB issued Statement No. 99, "*Omnibus 2022*". Statement No. 99 was adopted for the township's year ending December 31, 2023 financial statements and had no effect on previously reported amounts.

15. Pending Changes in Accounting Principles

In June 2022, The GASB issued Statement No. 100, "*Accounting Changes and Error Corrections*." The Township is required to adopt this statement for its calendar year 2024 financial statements.

In June 2022, The GASB issued Statement No. 101, "*Compensated Absences*." The Township is required to adopt this statement for its calendar year 2024 financial Statements.

In December 2023, The GASB issued Statement No. 102, "*Certain Risk Disclosures*." The Township is required to adopt this statement for its calendar year 2025 financial Statements.

In April 2024, The GASB issued Statement No. 103, "*Financial Reporting Model Improvements*." The Township is required to adopt this statement for its calendar year 2026 financial Statements.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

15. Pending Changes in Accounting Principles (Continued)

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

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 2023 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, 2023

NOTE 2: DEPOSITS AND INVESTMENTS

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

Authorized types of investments include a) U.S. Treasury bills; b) obligations of the United States of America, the Commonwealth of Pennsylvania or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity; c) checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance; d) shares of a registered investment company, provided that investments of that company are in authorized investments as noted above; e) any investment authorized by 20 Pa.C.S Ch. 73 (relating to fiduciaries investments) for any pension or retirement fund.

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

As of December 31, 2023, 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, 2023, \$19,380,597 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, 2023. The Township does not have a written policy to limit its exposure to custodial credit risk.

Fair Value. The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Police Pension Plan investments in mutual funds of \$21,609,019 are valued using quoted market prices (Level 1 inputs).

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 2023 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2023 and expected to be collected within the first sixty (60) days of 2024 are recognized as revenue in 2023. 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 collectability.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: REAL ESTATE TAXES (CONTINUED)

The rate of real estate taxation in 2023 was 4.85 mills for general purposes, 0.75 mills for street light purposes, 1.55 mills for fire purposes, .40 mills for recreation purposes, .43 mills for rescue squad purposes, and 6.10 mills for debt service purposes on a total Township taxable assessed valuation of \$221,172,150.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 5,220,738	\$ -	\$ -	\$ 5,220,738
Construction in Progress	31,532	-	31,532	-
Intangibles	5,360	-	-	5,360
Total Capital Assets, Not Being Depreciated	<u>5,257,630</u>	<u>-</u>	<u>31,532</u>	<u>5,226,098</u>
Capital Assets, Being Depreciated				
Infrastructure	27,662,451	1,108,560		28,771,011
Library Books	735,699	47,792	32,029	751,462
Buildings and Improvements	7,137,694	835,545		7,973,239
Machinery and Equipment	6,182,839	341,493	296,080	6,228,252
Total Capital Assets, Being Depreciated	<u>41,718,683</u>	<u>2,333,390</u>	<u>328,109</u>	<u>43,723,964</u>
Less Accumulated Depreciation for:				
Infrastructure	20,581,048	850,105		21,431,153
Library Books	357,066	138,302	32,029	463,339
Buildings and Improvements	4,772,409	220,876		4,993,285
Machinery and Equipment	4,801,131	444,049	281,227	4,963,953
Total Accumulated Depreciation	<u>30,511,654</u>	<u>1,653,332</u>	<u>313,256</u>	<u>31,851,730</u>
Total Capital Assets, Being Depreciated, Net	<u>11,207,029</u>	<u>680,058</u>	<u>(14,853)</u>	<u>11,872,234</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 16,464,659</u>	<u>\$ 680,058</u>	<u>\$ 46,385</u>	<u>\$ 17,098,332</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
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	6,045,840	86,828		6,132,668
Buildings and Improvements	711,984	18,462		730,446
Machinery and Equipment	1,711,415	70,386		1,781,801
Total Capital Assets, Being Depreciated	<u>8,469,239</u>	<u>175,676</u>	<u>-</u>	<u>8,644,915</u>
Less Accumulated Depreciation for:				
Infrastructure	4,105,194	104,127		4,209,321
Buildings and Improvements	605,787	26,362		632,149
Machinery and Equipment	1,317,249	117,180		1,434,429
Total Accumulated Depreciation	<u>6,028,230</u>	<u>247,669</u>	<u>-</u>	<u>6,275,899</u>
Total Capital Assets, Being Depreciated, Net	<u>2,441,009</u>	<u>(71,993)</u>	<u>-</u>	<u>2,369,016</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 2,461,837</u>	<u>\$ (71,993)</u>	<u>\$ -</u>	<u>\$ 2,389,844</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 52,048
Public Safety	345,753
Public Works	898,298
Culture and Recreation	357,233

Total Depreciation Expense, Governmental Activities	<u>\$ 1,653,332</u>
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Business-Type Activities

Sewer Operations	<u>\$ 247,669</u>
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Total Depreciation Expense, Business-Type Activities	<u>\$ 247,669</u>
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NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust FundPlan Description

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

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

Plan Membership. At December 31, 2023, police pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>29</u>
	<u>64</u>

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

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

If a participant is totally and permanently disabled in the line of duty, he is eligible for disability pension. The disability pension is greater of 50% of the officer's average monthly pay for the last 36 months of employment or 50% of the officer's salary at the time of disability.

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

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

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

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

Members of the Police Pension Plan are required to contribute 5% of actual earnings and contributed \$204,741 in 2023. An interest rate of 4.0% is applied to the employees' accounts. If a return of member contributions is paid as a death benefit, member contributions are credited with 6% annual interest.

In addition, the Commonwealth of Pennsylvania allocates General Municipal Pension System State Aid to individual municipalities annually under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time. Including the State Aid, the Township contributed \$1,396,500 in 2023.

Investments

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

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors by a majority vote of its members. It is the policy of the Board of Supervisors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2023:

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Asset Class	Target Allocation
Domestic Equity	60%
International Equity	5%
Fixed Income	25%
Cash	10%
	100%

Rate of return. For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not less than one year nor more than five years. Monthly pensions under this program are calculated as of the date of participation in the program and are distributed in a lump sum at retirement. The DROP balance held in the Police Pension Plan at December 31, 2023 was \$137,476.

Net Pension Liability

Changes in the Township's net pension liability for the year ended December 31, 2023 were as follows:

Lower Southampton Township Police Pension Changes in the Net Pension Liability - Accrual Basis Financial Statements			
	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/22	\$ 27,869,022	\$ 21,720,798	6,148,224
Changes for the year:			
Service Cost	443,213	-	443,213
Interest	2,305,629	-	2,305,629
Changes in benefit terms	-	-	-
Difference between expected and actual experience	301,500	-	301,500
Current year pension expense recognition			
Changes in assumptions	634,316	-	634,316
Current year pension expense recognition			
Contributions - employer	-	1,396,500	(1,396,500)
Contributions - employee	-	204,741	(204,741)
Net investment income	-	2,184,770	(2,184,770)
Benefit payments, including refunds of employee contributions	(1,592,508)	(1,592,508)	-
Administrative expense	-	(1,955)	1,955
Other changes	-	-	-
Net Changes	2,092,150	2,191,548	(99,398)
Balances at 12/31/23	\$ 29,961,172	\$ 23,912,346	\$ 6,048,826

Actuarial assumptions. The total pension liability was measured as of December 31, 2023 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

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

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.50% - 7.50%
International Equity	4.50% - 6.50%
Fixed Income	1.00% - 3.00%
Cash	0.00% - 1.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The pension plan's net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Plan's Net Pension Liability	\$ 9,535,100	\$ 6,048,826	\$ 3,157,210

Pension expense and deferred outflows of resources related to pensions: For the year ended December 31, 2023, the Township recognized pension expense of \$1,380,948. At December 31, 2023 the Township reported deferred outflows of resources related to pensions from the following sources:

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 459,954	\$ -
Change in assumptions	528,597	-
Net difference between projected and actual earnings on pension plan investments	1,564,052	-
	\$ 2,552,603	\$ -

Pension expense and deferred outflows of resources related to pensions (continued)

Amounts reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

2024	\$	754,007
2025		697,518
2026		899,830
2027		45,284
2028		155,964
Thereafter		-
		\$ 2,552,603

B. Non-Uniform Plan

As established by municipal ordinance, the Township provides a defined contribution pension plan for all employees that are not eligible for the Police Pension Plan. Members are not required to contribute. The Township contributes on behalf of each member who was a participant on the last day of the plan year at 5% of the participant's total compensation and 5.7% for compensation in excess of \$20,000. At December 31, 2023 there were 43 plan members. Township contributions to the plan were \$223,400 for the year ended December 31, 2023.

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.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 6: COMPENSATED ABSENCES (CONTINUED)

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.

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Bonded Debt	\$ 4,955,000	\$ -	\$ 1,345,000	\$ 3,610,000	\$ 1,385,000
Capital Lease	34,998	203,159	83,840	154,317	48,482
Unamortized Bond Premium	76,464	-	19,119	57,345	29,681
Total Bonds and Note Payable	<u>5,066,462</u>	<u>203,159</u>	<u>1,447,959</u>	<u>3,821,662</u>	<u>1,463,163</u>
Other Liabilities:					
Liability for Other Postemployment Benefits	1,670,584	421,079	-	2,091,663	421,079
Net Pension Liability	6,148,495	-	99,669	6,048,826	-
Compensated Absences	1,489,056	460,575	166,336	1,783,295	-
Total Other Liabilities	<u>9,308,135</u>	<u>881,654</u>	<u>266,005</u>	<u>9,923,784</u>	<u>421,079</u>
Governmental Activities Long-term Liabilities	<u>\$ 14,374,597</u>	<u>\$ 1,084,813</u>	<u>\$ 1,713,964</u>	<u>\$ 13,745,446</u>	<u>\$ 1,884,242</u>
<u>Business-Type Activities</u>					
Other Liabilities:					
Compensated Absences	\$ 44,362	\$ -	\$ 14,103	\$ 30,259	\$ -
Total Other Liabilities	<u>44,362</u>	<u>-</u>	<u>14,103</u>	<u>30,259</u>	<u>-</u>
Business-Type Activities Long-term Liabilities	<u>\$ 44,362</u>	<u>\$ -</u>	<u>\$ 14,103</u>	<u>\$ 30,259</u>	<u>\$ -</u>

For the governmental funds, compensated absences are generally liquidated by the general fund. For Business-Type Activities, compensated absences are liquidated by the Sewer Fund.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Year Ended December 31:			
2024	\$ 1,385,000	\$ 87,525	\$ 1,472,525
2025	1,425,000	45,375	1,470,375
2026	800,000	12,000	812,000
Total	<u>\$ 3,610,000</u>	<u>\$ 144,900</u>	<u>\$ 3,754,900</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, 2023</u>
2018	4,975,000	General Bond Series, 2018 – General Obligation Bonds with interest rates ranging from 2.15% to 3.00%; principal payments due annually starting from May 15, 2020 through May 15, 2026.	\$ 3,610,000

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following for the year ended December 31, 2023:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 4,309,837	\$ -
General Obligation	-	2,440,778
Capital Reserve Fund	-	1,250,634
Total Governmental Funds	<u>4,309,837</u>	<u>3,691,412</u>
Proprietary Fund:		
Sewer Fund	<u>-</u>	<u>618,425</u>
Total	<u>\$ 4,309,837</u>	<u>\$ 4,309,837</u>

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

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 9: INTERFUND OPERATING TRANSFERS

Interfund operating transfers consisted of the following for the year ended December 31, 2023:

	Transfer From Other Funds	Transfer to Other Funds
Governmental Funds:		
General Fund	\$ -	\$ 541,918
Debt Service Fund	25,000	-
Capital Reserve Fund	250,000	
Fire Protection Fund	54,000	-
Rescue Squad	212,918	-
Total Governmental Funds	<u>541,918</u>	<u>541,918</u>
Total	<u>\$ 541,918</u>	<u>\$ 541,918</u>

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

NOTE 11: POSTEMPLOYMENT 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.

Medical Benefits Payable upon Retirement: Police Officers who retire before 1/1/2017 and have attained age 51 and completion of 25 years of service will receive fully paid medical and prescription drug coverage for retiree, spouse and any eligible dependents for 5 years. If the 5 years of paid benefits are exhausted and the member and/or spouse have not yet reached Medicare age, the member and/or spouse may continue receiving benefits by paying the full premium. Police Officers who retire after 1/1/2017 but before 1/1/2018 and have attained age 51 and completion of 25 years of service will receive fully paid medical and prescription drug coverage for retiree, spouse and dependents for 6 years. The Officer may continue coverage for 2 additional years but must pay the full premium. However, if during the 2 additional years the Officer is over 65, the Township will reimburse the Officer 50% of the costs. Police Officers who retire after 1/1/2018 but before 1/1/2022 and have attained age 51 and completion of 25 years of service will receive fully paid medical and prescription drug coverage for retiree, spouse and any eligible dependents until the earlier of 6 years or age 65. If the Officer is under age 65, the Officer may continue coverage for 2 additional years by paying the full premium. In the event that an active Police Officer becomes disabled, the Township will provide medical prescription drug, and dental coverage for the member, spouse and any eligible dependents until the earlier of 6 years or age 65. If the Officer is under age 65, the Officer may continue coverage for 2 additional years by paying the full premium.

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Medical Benefits Payable upon Death: If an active Police Officer dies, the spouse and any eligible dependents will receive fully paid medical prescription drug, and dental coverage for 6 years. If a retiree dies while receiving benefits, the spouse may continue to receive fully paid benefits for medical and prescription drug coverage for the remainder of the 6 years

Life Insurance Benefits Payable upon Retirement: Police Officers who are eligible to retire are provided with a \$25,000 life insurance benefit paid fully by the Township for a period of 3 years after date of retirement or as defined in individual contracts with the Township.

As of December 31, 2023, the following participants were covered by the benefit term:

Active Participants	32
Vested Former Participants	0
Retired Participants	4
Total	36

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.

Changes in the Total OPEB Liability

The Total OPEB Liability of the plan for measurement date December 31, 2023, was as follows:

	<u>Total OPEB Liability</u>
Balance at 1/1/2023	\$ 1,670,584
Service Cost	94,138
Interest	38,837
Changes in Benefit Terms	637,058
Differences between Expected and Actual Experience	75,719
Changes of Assumptions	(353,365)
Benefit Payments	(71,308)
Other Changes	-
Net Changes	<u>421,079</u>
Balances at 12/31/2023	<u>\$ 2,091,663</u>
Covered Payroll	\$ 4,492,168
Total OPEB Liability as a % of Covered Payroll	46.56%

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Methods

Actuarial assumptions and other inputs used in the January 1, 2023, actuarial valuation, are as follows:

Actuarially determined contribution rates are calculated as of January 1, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Discount Rate	4.31% based on S&P Municipal Bond 20 Year High Grade Rate Index at 1/1/2023.
Salary	3% cost of living adjustment and 1.5% real wage growth
Mortality	PubS-2010 headcount-weighted mortality table including rates for contingent survivors for all employees. Incorporated into the table are rates using Scale MP-2021 to reflect mortality improvement.
Disability	SOA 87 Table
Retirement	Latest of age 54, age at completion of 28 years of service, or age on valuation date.
Percent Married at Retirement	80% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
Spouse Age	Wives are assumed to be two years younger than their husbands.
Duration of Benefits	If the member retired prior to 1/1/2018, then all benefits are assumed to be fully paid for by the township for 6 years. If the six years of benefits are exhausted, it is assumed that members and/or spouses who have not reached Medicare eligibility will not elect any self-paid coverage. If the members retired after 1/1/2018, but before 1/1/2022, then all benefits are assumed to be fully paid for by the Township until the earlier of 6 years or Medicare eligibility. If the member retired after 1/1/2022, then all benefits are assumed to be fully paid for by the township until the earlier of 8 years or Medicare eligibility. If the 8 years of benefits are exhausted, it is assumed that members and/or spouses who have not yet reached Medicare eligibility will not elect a self-paid coverage. Non-spouse dependent coverage until age 26 or when the retiree's subsidized benefits are exhausted, whatever is earlier.
Percent of Eligible Retirees Electing Coverage in Plan	100% if employees eligible for benefits elect coverage.
Actuarial Value of Assets	Equal to the Market Value of Assets
Retiree Contributions	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate 7.0% in 2023, decreasing by 0.5% each year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Health Care Cost Trend Rate	

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Changes of Assumptions

The discount rate changed from 2.25% to 4.31%.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (3.31%)	Current Discount Rate (4.31%)	1% Increase in Discount Rate (5.31%)
Township's Net OPEB Liability (Asset)	<u>\$2,260,578</u>	<u>\$ 2,091,663</u>	<u>\$1,937,083</u>

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Plan, as well as the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Township's Net OPEB Liability (Asset)	<u>\$1,897,918</u>	<u>\$ 2,091,663</u>	<u>\$2,316,280</u>

OPEB Expense and Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)

For the year ended December 31, 2023, the Township recognized OPEB expense of \$759,843. At December Amounts reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit Payment Subsequent to the Measurement Date	\$ 89,615	\$ -
Differences between Expected and Actual Experience	90,145	407
Changes of Assumptions	<u>133,728</u>	<u>360,745</u>
	<u>\$ 313,488</u>	<u>\$ 361,152</u>

LOWER SOUTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

OPEB Expense and Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income) (Continued)

Amounts reported as deferred outflows of resources for Benefit Payments Subsequent to Measurement Date will be recognized in OPEB expense in the subsequent year and other Deferred Outflows of Resources will be recognized in OPEB expense as follows:

Fiscal Year Ending	
December 31, 2024	\$ (10,190)
December 31, 2025	(10,190)
December 31, 2026	(10,190)
December 31, 2027	(10,189)
December 31, 2028	(14,336)
Thereafter	(82,184)

NOTE 12: RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic to evolve and are dependent upon future developments, the impact of the Coronavirus on the Township's operations and financial results are uncertain at this time.

NOTE 13: SUBSEQUENT EVENTS

The Township has evaluated the need for disclosures and/or adjustments resulting from subsequent events through report issue date of October 22, 2024, the date the financial statements were available to be issued. During this period, there were no subsequent events that required recognition and/or disclosure in the financial statements.

REQUIRED
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	443,213	409,475	392,100	375,347	359,184	\$ 328,816	\$ 314,656	\$ 287,884	\$ 275,487	\$ 317,150
Interest	2,305,629	2,171,279	2,171,577	1,754,136	1,690,507	1,587,352	1,534,890	1,428,208	1,363,867	1,316,910
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	301,500	-	278,228	-	163,077	-	107,743	-	453,190	-
Changes of assumptions	634,316	-	-	-	90,356	-	542,138	-	-	-
Benefit payments, including refunds of employee contributions	(1,592,508)	(1,482,667)	(1,016,748)	(1,006,168)	(1,006,855)	(1,350,193)	(883,305)	(1,488,851)	(679,500)	(653,746)
Net change in total pension liability	2,092,150	1,098,087	1,825,157	1,123,315	1,480,365	565,975	1,616,122	227,241	1,413,044	980,314
Total pension liability - beginning	27,869,022	26,770,935	24,945,778	23,822,463	22,362,098	21,796,123	20,180,001	1,413,044	-	17,559,402
Total pension liability - ending (a)	<u>29,961,172</u>	<u>27,869,022</u>	<u>26,770,935</u>	<u>24,945,778</u>	<u>23,822,463</u>	<u>\$ 22,362,098</u>	<u>\$ 21,796,123</u>	<u>\$ 1,640,285</u>	<u>\$ 1,413,044</u>	<u>\$ 18,539,716</u>
Plan fiduciary net position										
Contributions - employer	1,396,500	1,412,293	1,389,061	1,247,186	1,226,642	\$ 998,858	\$ 950,096	\$ 927,904	\$ 931,658	\$ 925,152
Contributions - employee	204,741	193,328	191,487	167,922	171,503	154,923	152,626	141,088	131,073	131,059
Net investment income	2,184,770	(2,247,617)	2,585,743	1,492,094	2,636,824	(700,257)	1,797,389	895,581	(195,527)	766,428
Benefit payments, including refunds of employee contributions	(1,592,508)	(1,482,667)	(1,016,748)	(1,006,168)	(1,006,855)	(1,350,193)	(883,305)	(1,488,851)	(679,500)	(653,746)
Administrative expense	(1,955)	(6,250)	(10,035)	(11,135)	(2,183)	(1,424)	-	(4,600)	(7,655)	(5,561)
Other	-	-	-	-	-	-	-	(12,498)	(8,938)	-
Net change in plan fiduciary position	2,191,548	(2,130,913)	3,139,508	1,889,899	3,025,931	(898,093)	2,016,806	458,624	171,111	1,163,332
Plan fiduciary net position - beginning	21,720,798	23,851,710	20,712,202	18,822,303	15,796,372	16,694,465	14,677,659	171,111	-	12,884,592
Plan fiduciary net position - ending (b)	<u>23,912,346</u>	<u>21,720,797</u>	<u>23,851,710</u>	<u>20,712,202</u>	<u>18,822,303</u>	<u>\$ 15,796,372</u>	<u>\$ 16,694,465</u>	<u>\$ 629,735</u>	<u>\$ 171,111</u>	<u>\$ 14,047,924</u>
Township's net pension liability - ending (a) - (b)	<u>\$ 6,048,826</u>	<u>\$ 6,148,225</u>	<u>\$ 2,919,225</u>	<u>\$ 4,233,576</u>	<u>\$ 5,000,160</u>	<u>\$ 6,565,726</u>	<u>\$ 5,101,658</u>	<u>\$ 1,010,550</u>	<u>\$ 1,241,933</u>	<u>\$ 4,491,792</u>
Plan fiduciary net position as a percentage of the total pension liability	79.81%	77.94%	89.10%	83.03%	79.01%	70.64%	76.59%	38.39%	12.11%	75.77%
Covered - employee payroll	\$ 3,991,653	\$ 3,911,562	\$ 3,741,797	\$ 3,227,610	\$ 3,251,449	\$ 3,026,118	\$ 2,857,174	\$ 2,830,965	\$ 2,644,285	\$ 2,420,799
Township net pension liability as a percentage of covered - employee payroll	151.54%	157.18%	78.02%	131.17%	153.78%	216.97%	178.56%	35.70%	46.97%	185.55%

LOWER SOUTHAMPTON TOWNSHIP

SCHEDULE OF EMPLOYER CONTRIBUTIONS – LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,379,414	\$ 1,412,293	\$ 1,377,473	\$ 1,247,186	\$ 1,226,642	\$ 998,858	\$ 950,096	\$ 927,904	\$ 931,059	\$ 925,152
Contributions in relation to the actuarially determined contribution	1,396,500	1,412,293	1,377,473	1,247,186	1,226,642	998,858	950,096	927,904	931,657	925,152
Contribution deficiency (excess)	\$ (17,086)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (598)	\$ -
Covered - employee payroll	3,991,653	3,911,562	3,741,797	3,227,610	3,251,449	3,026,118	2,857,174	2,830,965	2,644,285	2,477,142
Contributions as a percentage of covered - employee payroll	34.99%	36.11%	36.81%	38.64%	37.73%	33.01%	33.25%	32.78%	35.23%	37.35%

Notes to Schedule

Valuation date:

January 1, 2021

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	6 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.00%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.50%
Retirement age	Normal Retirement Age
Mortality	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Series AA to reflect mortality improvement.

LOWER SOUTHAMPTON TOWNSHIP
 SCHEDULE OF INVESTMENT RETURNS – LAST 10 YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	9.57%	-9.87%	12.48%	9.02%	17.52%	-4.50%	13.46%	7.40%	-1.54%	6.40%

LOWER SOUTHAMPTON TOWNSHIP
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018
Service Cost	94,138	100,110	71,587	63,911	66,726	60,404
Interest	38,837	32,729	47,490	49,897	44,086	50,046
Changes in Benefit Terms	637,058	-	-	-	-	-
Differences between Expected and Actual Experience	75,719	-	31,424	-	(812)	-
Changes of Assumptions	(353,365)	(26,657)	132,619	40,542	(42,782)	41,421
Benefit Payments	(71,308)	(68,280)	(77,676)	(74,197)	(105,915)	(119,235)
Other Changes	-	-	-	-	-	-
Net Changes	<u>421,079</u>	<u>37,902</u>	<u>205,444</u>	<u>80,153</u>	<u>(38,697)</u>	<u>32,636</u>
Total OPEB Liability Beginning	<u>1,670,584</u>	<u>1,632,682</u>	<u>1,427,238</u>	<u>1,347,085</u>	\$1,385,782	\$1,353,146
Total OPEB Liability- Ending	<u>\$2,091,663</u>	<u>\$1,670,584</u>	<u>\$1,632,682</u>	<u>\$1,427,238</u>	<u>\$1,347,085</u>	<u>\$1,385,782</u>
Covered Payroll	\$4,492,168	\$3,705,630	\$3,705,630	\$3,446,324	\$3,446,324	\$2,958,308
Total OPEB Liability as a % of Covered Payroll	46.56%	45.08%	44.06%	41.41%	39.09%	46.84%

*In accordance with GASB Statement No. 75, this schedule has been prepared prospectively in 2018. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Note to Schedule – The Discount Rate changed from 2.25% to 4.31%, the trend assumption was updated and the assumption for mortality was updated in 2023.

LOWER SOUTHAMPTON TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND
 ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 9,984,671	\$ 9,984,671	\$10,159,558	\$ 174,887
Fines and Forfeitures	78,200	78,200	84,761	6,561
Interest and Rents	142,800	142,800	354,294	211,494
Intergovernmental	564,855	564,855	1,036,126	471,271
Charges for Services	5,374,150	5,374,150	4,764,990	(609,160)
Miscellaneous Income	173,700	173,700	288,334	114,634
Total Revenues	16,318,376	16,318,376	16,688,063	369,687
Expenditures				
Current:				
General Government - Administration	1,744,566	1,744,566	1,680,384	64,182
Public Safety	9,863,886	9,863,886	9,237,163	626,723
Sanitation	3,595,404	3,595,404	3,516,193	79,211
Public Works	1,103,010	1,103,010	1,209,111	(106,101)
Culture and Recreation	1,551,856	1,551,856	1,051,697	500,159
Capital Outlay	20,000	20,000	5,082	14,918
Total Expenditures	17,878,722	17,878,722	16,699,630	1,179,092
Excess of Revenues Over (Under) Expenditures	(1,560,346)	(1,560,346)	(11,567)	1,548,779
Other Financing Sources (Uses)				
Proceeds from Sale of Equipment	-	-	203,159	203,159
Operating Transfer (Out)	(31,918)	(31,918)	(541,918)	(510,000)
Total Other Financing Sources (Uses)	(31,918)	(31,918)	(338,759)	(306,841)
Net Change in Fund Balance	\$ (1,592,264)	\$ (1,592,264)	\$ (350,326)	\$ 1,241,938

OTHER
SUPPLEMENTARY
INFORMATION

LOWER SOUTHAMPTON TOWNSHIP
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid (Liquid Fuels)	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 176,521	\$ -	\$ 323	\$ 1,029,974	\$ 1,206,818
Other Assets	284	-	-	-	284
Receivables:					
Taxes	12,739	19,247	6,622	-	38,608
Total Assets	\$ 189,544	\$ 19,247	\$ 6,945	\$ 1,029,974	\$ 1,245,710
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Accrued Expenses	\$ -	\$ 559	\$ -	\$ -	\$ 559
Total Liabilities	-	559	-	-	559
Deferred Inflow of Resources:					
Unavailable Revenue - Property Taxes	10,850	16,341	5,622	-	32,813
Total Deferred Inflow of Resources	10,850	16,341	5,622	-	32,813
Fund Balances:					
Restricted For:					
Street Light	178,694	-	-	-	178,694
Fire Protection	-	2,347	-	-	2,347
Rescue Squad	-	-	1,323	-	1,323
Highway Aid	-	-	-	1,029,974	1,029,974
Total Fund Balances	178,694	2,347	1,323	1,029,974	1,212,338
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 189,544	\$ 19,247	\$ 6,945	\$ 1,029,974	\$ 1,245,710

LOWER SOUTHAMPTON TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Light	Fire Protection	Rescue Squad	Highway Aid	
REVENUES					
Taxes	\$ 161,761	\$ 372,288	\$ 92,743	\$ -	\$ 626,792
Intergovernmental	-	224,965	-	592,455	817,420
Interest and Rents	-	-	-	110,610	110,610
Miscellaneous Income	51,354	-	-	20,803	72,157
Total Revenues	213,115	597,253	92,743	723,868	1,626,979
EXPENDITURES					
Current:					
Public Safety	-	652,505	309,170	-	961,675
Public Works	194,867	-	-	390,405	585,272
Capital Projects	-	-	-	-	-
Total Expenditures	194,867	652,505	309,170	390,405	1,546,947
Excess of Revenues Over (Under) Expenditures	18,248	(55,252)	(216,427)	333,463	80,032
Other Financing Sources (Uses)					
Operating Transfer In (Out)	-	54,000	212,918	-	266,918
Total Other Financing Sources (Uses)	-	54,000	212,918	-	266,918
Net Change in Fund Balances	18,248	(1,252)	(3,509)	333,463	346,950
Fund Balances - January 1, 2023	160,446	3,599	4,832	696,511	865,388
Fund Balances - December 31, 2021	\$ 178,694	\$ 2,347	\$ 1,323	\$ 1,029,974	\$ 1,212,338