

**REPORT ON  
LOWER SAUCON TOWNSHIP  
BETHLEHEM, PA  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**LOWER SAUCON TOWNSHIP**

**Financial Statements - Modified Cash Basis**

**For the Fiscal Year Ended December 31, 2015**

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## **FINANCIAL SECTION**

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**HUTCHINSON, GILLAHAN & FREEH, P.C.**  
ACCOUNTANTS, AUDITORS & CONSULTANTS

June 23, 2016

Township Council  
Lower Saucon Township  
3700 Old Philadelphia Pike  
Bethlehem, PA 18015

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lower Saucon Township as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2(B), this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

***Auditor's Responsibility***

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

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

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

## **LOWER SAUCON TOWNSHIP**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lower Saucon Township as of December 31, 2015, and the respective changes in financial position-modified cash basis, and, where applicable, cash flows and budgetary comparison of the General Fund for the year then ended in accordance with the basis of accounting as described in Note 2(B).

### ***Basis of Accounting***

We draw attention to Note 2(B) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Lower Saucon Township has presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Lower Saucon Township has presented the Schedule of Funding Progress for the Pension Funds that accounting principles generally accepted in the United States of America has determined is required to be part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

## LOWER SAUCON TOWNSHIP

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards we have also issued our report on June 23, 2016, on our consideration of Lower Saucon Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lower Saucon Township's internal control over financial reporting and compliance.

Respectfully submitted,

***Hutchinson, Gillahan & Freeh, P.C.***

June 23, 2016

**LOWER SAUCON TOWNSHIP**  
**Bethlehem, Pennsylvania**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Year Ended December 31, 2015**

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The discussion and analysis of Lower Saucon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

The Discussion and Analysis does not include the discretely presented component unit Lower Saucon Authority. The Township management is not involved in the operations of the Authority; therefore, they are unable to provide any meaningful information as it relates to the operations of the Authority.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

***FINANCIAL HIGHLIGHTS***

The Township's overall financial position, as reflected in total net assets, increased by \$1,818,889 including special and extraordinary items.

In the prior year, the Township refinanced their entire debt and additionally financed storm water mitigation projects on Fire Lane and Black River Road. A general obligation note was issued in the amount of \$4,750,000 with a \$3,764,972 current outstanding balance as of December 31, 2015.

During the year, the Township issued General Obligation Note – Series of 2015 in order to finance the purchase of firefighting equipment for the Township. The General Obligation Note was issued in the amount of \$265,030 with a \$208,208 current outstanding balance as of December 31, 2015.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

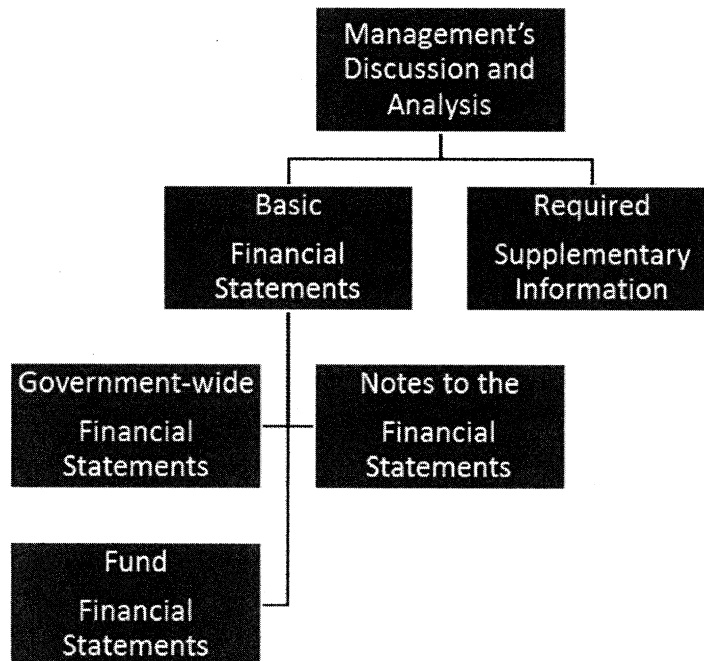
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The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how general Township services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1**  
**Required Components of**  
**Lower Saucon Township's**  
**Financial Report**





**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**Major Features of Lower Saucon Township's**  
**Government-wide and Fund Financial Statements**

	Fund Statements		
	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary	Instances in which the Township is the trustee or agent to someone else's resources – Developers Escrow Fund
Required financial statements	Statement of net position Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position, Statement of changes in fiduciary net position
Accounting basis and measurement focus	Modified cash basis	Modified cash basis	Modified cash basis
Type of asset/liability information	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables	Cash and Investments and Interfund receivables and payables
Type of inflow- outflow information	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid	All Revenues received and all expenses paid in the time period when cash is received or expenses paid

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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**OVERVIEW OF FINANCIAL STATEMENTS**

***Government-wide Statements***

The government-wide statements report information about the Township as a whole using the modified cash basis, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. The statement of net assets includes only cash, investments and interfund receivables and payables. All of the current year's revenues and expenses are accounted for in the statement of activities when revenues are received rather than earned and expenses are paid rather than when incurred.

The government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities are one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net assets are an indication of whether its financial health is improving or deteriorating, respectively, based upon the basis of accounting used.

To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the Township's property tax base.

The government-wide financial statements of the Township are divided into two categories:

***Governmental Activities***

All of the Township's basic services are included here, such as General Government, Public Safety, Public Works and Parks. Property Taxes, Earned Income Taxes and Other Public Taxes finance most of these activities.

***Business-Type Activities***

The Township does not have any business-type activities.

The Township's fund financial statements, which begin on page 14, provide detailed information about the most significant funds - not the Township as a whole.

***Governmental Funds***

Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified cash basis of accounting. Under this method revenues are recognized when received rather than earned and expenses are recognized when paid rather than when incurred. The governmental fund statements provide a detailed short-term view of the Township's operations and services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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*Fiduciary Funds*

In August 2005, all of the plan assets for the uniform and non-uniform pension funds were transferred to the PA State Association of Boroughs Municipal Retirement Trust. These activities have been excluded from the Township's financial statements because the Township cannot use these assets to finance their operations. The Developer's Escrow Fund is the only fiduciary fund of the Township.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

The Township's total net assets were \$13,193,492 at December 31, 2015.

**Table A-1**  
**Year Ended December 31, 2015 and 2014**  
**Net Position**

	2015			2014		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 13,198,251	\$ -	\$ 13,198,251	\$ 11,379,366	\$ -	\$ 11,379,366
Current and Other Liabilities	\$ 4,769	\$ -	\$ 4,769	\$ 4,774	\$ -	\$ 4,774
<b>Net Position</b>						
Capital Projects	\$ 2,245,269	\$ -	\$ 2,245,269	\$ 2,140,271	\$ -	\$ 2,140,271
Unrestricted	10,948,213	-	10,948,213	9,234,321	-	9,234,321
<b>Total Net Position</b>	<b>\$ 13,193,482</b>	<b>\$ -</b>	<b>\$ 13,193,482</b>	<b>\$ 11,374,592</b>	<b>\$ -</b>	<b>\$ 11,374,592</b>

Most of the Township's net assets are invested in cash and cash equivalents.

The results of this year's operations as a whole are reported in the statement of activities on page 13. All expenses are reported in the first column. The two largest revenues are provided by landfill revenue and general public taxes.

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

Table A-2 takes the information from that statement, rearranges it slightly, so that you can see our total revenues and expenses for the year.

**Table A-2**  
**Fiscal Year Ended December 31, 2015 and 2014**  
**Change in Net Position**

	2015			2014		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 2,095,232	\$ -	\$ 2,095,232	\$ 2,249,679	\$ -	\$ 2,249,679
Operating Grants and Contributions	535,311	-	535,311	623,720	-	623,720
Capital Grants and Contributions	1,478,443	-	1,478,443	373,835	-	373,835
<i>General Revenues</i>						
Property Taxes	2,401,439	-	2,401,439	1,944,134	-	1,944,134
Other Taxes	3,891,285	-	3,891,285	3,764,292	-	3,764,292
Investment Earnings	19,252	-	19,252	18,350	-	18,350
Other Revenue	116,543	-	116,543	178,681	-	178,681
Loan Proceeds	265,030	-	265,030	4,750,000	-	4,750,000
<b>Total Revenue</b>	<b>10,802,535</b>	<b>-</b>	<b>10,802,535</b>	<b>13,902,691</b>	<b>-</b>	<b>13,902,691</b>
<b>Expenses</b>						
<i>Governmental Activities</i>						
General Government	1,164,035	-	1,164,035	1,236,146	-	1,236,146
Public Safety	2,650,942	-	2,650,942	2,342,767	-	2,342,767
Health and Human Services	4,450	-	4,450	-	-	-
Public Works	1,655,515	-	1,655,515	1,471,800	-	1,471,800
Culture and Recreation	1,298,327	-	1,298,327	2,443,157	-	2,443,157
Insurance	254,470	-	254,470	245,163	-	245,163
Employee Benefits	1,347,068	-	1,347,068	1,306,412	-	1,306,412
Debt Service Payments	608,839	-	608,839	4,703,612	-	4,703,612
Other Expenses	-	-	-	-	-	-
<b>Total Expenses</b>	<b>8,983,646</b>	<b>-</b>	<b>8,983,646</b>	<b>13,749,057</b>	<b>-</b>	<b>13,749,057</b>
<b>Increase in Net Position</b>	<b>\$ 1,818,889</b>	<b>\$ -</b>	<b>\$ 1,818,889</b>	<b>\$ 153,634</b>	<b>\$ -</b>	<b>\$ 153,634</b>

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

**DEBT ADMINISTRATION**

As of January 1, 2015, the Township had a total outstanding debt of \$4,198,298. During the year, the Township issued General Obligation Note – Series 2015 in the amount of \$265,030. The Township paid principal of \$490,148 resulting in ending outstanding debt as of December 31, 2015, of \$3,973,180.

**Table A-3**  
**Outstanding Debt**

	2015	2014
General Obligation Note – Series 2015	\$ 208,208	\$ -
General Obligation Note – Series 2014	3,764,972	4,198,298

**General Fund Budget**

The Township adopts an annual budget for its General Fund. This adoption, by law, occurs prior to December 31 of each year for the subsequent year. A comprehensive budgetary comparison, original to final is provided in this report. Below is a summarized version of the budget comparison.

**Table A-4**  
**Budgetary Comparison 2015 and 2014**

	2015			Variances with Final Budget Positive (Negative)
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	
Revenues	\$ 5,326,018	\$ 5,326,018	\$ 7,765,863	\$ 2,439,845
Expenditures	6,654,124	6,654,124	6,821,347	(167,223)
Net Change in Fund Balance	(1,328,106)	(1,328,106)	944,516	2,272,622
Fund Balance (Restated) – January 1, 2015	1,328,106	1,328,106	4,369,355	3,041,249
Fund Balance – December 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,313,871</u>	<u>\$ 5,313,871</u>

	2014			Variances with Final Budget Positive (Negative)
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	
Revenues	\$ 9,564,683	\$ 9,564,683	\$ 12,667,036	\$ 3,102,353
Expenditures	16,247,526	16,247,526	12,899,843	3,347,683
Net Change in Fund Balance	(6,682,843)	(6,682,843)	(232,807)	6,450,036
Fund Balance – January 1, 2014	6,682,843	6,682,843	8,437,339	1,754,496
Fund Balance – December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,204,532</u>	<u>\$ 8,204,532</u>

**LOWER SAUCON TOWNSHIP**  
**Management's Discussion and Analysis (MD&A)**

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**Economic Factors and Next Year's Budgets and Rates**

***FINANCIAL HIGHLIGHTS***

In 2015 the Township implemented new budgetary procedures based on the recommendations of an independent consultant.

Township receipts were \$949,826.76 more than expended in 2015, primarily due to an increase in anticipated host fees in the amount of \$355,673.53. Additionally, the Township received more than anticipated in dividend returns for the self-funded medical insurance, Workman's Compensation, and general liability insurance plans.

In 2015 the Township finalized a three-year agreement with the Non-Uniform employees, administered a grant award for the Hellertown Area Library in the amount of \$117,000.00, and the replaced an obsolete phone system.

For the Police Department, the Township purchased an E-Citation system to issue citations and purchased ballistic shields for officers through donated funds.

In 2015 the Township spent \$212,712.00 for annual road reconstruction.

The special tax funds increased by a total of \$1,131,844.00. Council increased debt by approving a 5-year fixed rate loan in the amount of \$265,030.00 for the purchase of a fire pumper vehicle to be used by our local volunteer fire departments. Revenues increased from the State for the Motor Vehicle/Liquid Fuel funding due to a State tax increase. Earned income revenue came in as estimated at \$1,103,000.00.

In 2015 the Township spent \$350,558.86 out of the Capital plan, with \$65,220.40 spent toward the purchase of police vehicles. This was subsidized by Northampton County Economic and Redevelopment Gaming Authority.

The Township spent \$30,362.14 in 2015 for engineering fees related to the storm water management project for Fire Lane and Black River Road.

The Township spent \$192,645.00 of the \$309,645.00 budgeted for Public Works vehicles with an additional \$100,000.00 spent from the Liquid Fuel fund.

The Township purchased three easements using \$920,564.03 of the Open Space Fund.

The Steel City Park Project will reconvene in 2016. Grant extensions and required permits extension were received.

**Contacting the Township Financial Management**

The Township's financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show Township Council's accountability for the money it receives. If you have questions, please contact the Township Manager, Leslie Huhn, 3700 Old Philadelphia Pike, Bethlehem, PA 18015, phone (610)-865-3291, email: [manager@lowersaucontownship.org](mailto:manager@lowersaucontownship.org).

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## **BASIC FINANCIAL STATEMENTS**

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**LOWER SAUCON TOWNSHIP**  
**Statement of Net Position – Modified Cash Basis**  
**As of December 31, 2015**

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 13,198,251	\$ -	\$ 13,198,251	\$ 3,060,667
Investments	-	-	-	1,029,782
Internal Balances	-	-	- (1)	-
Other Receivables	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>13,198,251</b>	<b>-</b>	<b>13,198,251</b>	<b>4,090,449</b>
<b>NON-CURRENT ASSETS:</b>				
Restricted Cash and Cash Equivalents	-	-	-	37,037
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,037</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,198,251</b>	<b>\$ -</b>	<b>\$ 13,198,251</b>	<b>\$ 4,127,486</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Internal Balances	\$ -	\$ -	\$ - (1)	\$ -
Other Payables	4,769	-	4,769	-
Due to Developers	-	-	-	37,219
<b>Total Current Liabilities</b>	<b>4,769</b>	<b>-</b>	<b>4,769</b>	<b>37,219</b>
<b>TOTAL LIABILITIES</b>	<b>4,769</b>	<b>-</b>	<b>4,769</b>	<b>37,219</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Reserved for Capital Projects	2,245,269	-	2,245,269	-
Unrestricted	10,948,213	-	10,948,213	4,090,267
<b>TOTAL NET POSITION</b>	<b>\$ 13,193,482</b>	<b>\$ -</b>	<b>\$ 13,193,482</b>	<b>\$ 4,090,267</b>

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances, if any, are eliminated in the "total" column (GASB Statement No. 34, para. 58).

The Accompanying Notes are an integral part of these financial statements.



**LOWER SAUCON TOWNSHIP**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2015**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES		CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
		OPERATING	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS				
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 1,164,035	\$ 147,430	\$ 66,600	\$ -	\$ (950,005)	\$ -	\$ (950,005)	
Public Safety	2,650,942	178,068	258,126	30,056	(2,184,692)	-	(2,184,692)	
Health and Human Services	4,450	-	-	-	(4,450)	-	(4,450)	
Public Works	1,655,515	1,611,772	-	1,448,387	1,404,644	-	1,404,644	
Culture and Recreation	1,298,327	19,406	10,622	-	(1,288,299)	-	(1,288,299)	
Miscellaneous	-	-	-	-	-	-	-	
Insurance	254,470	5,452	-	-	(249,018)	-	(249,018)	
Employee Benefits	1,347,068	133,104	199,963	-	(1,014,001)	-	(1,014,001)	
Debt Service	608,839	-	-	-	(608,839)	-	(608,839)	
TOTAL GOVERNMENTAL ACTIVITIES	8,983,646	2,095,232	535,311	1,478,443	(4,874,660)	-	(4,874,660)	
BUSINESS-TYPE ACTIVITIES:								
No Activities	-	-	-	-	-	-	-	
TOTAL PRIMARY GOVERNMENT	\$ 8,983,646	\$ 2,095,232	\$ 535,311	\$ 1,478,443	\$ (4,874,660)	\$ -	\$ (4,874,660)	
COMPONENT UNITS:								
Lower Saucon Authority	\$ 1,608,617	\$ 1,924,009	\$ -	\$ -			\$ 315,392	
GENERAL REVENUES:								
Property Taxes Levied for General Purposes, Net				\$ 2,401,439	\$ -	\$ 2,401,439	\$ -	
Other Taxes for General Purposes				3,891,285	-	3,891,285	-	
Grants, Subsidies, & Contributions Not Restricted				15,506	-	15,506	-	
Investment Earnings				19,252	-	19,252	-	5,680
Miscellaneous Income				24,778	-	24,778	-	6,310
Sale of Fixed Assets				76,259	-	76,259	-	14,300
Loan Proceeds				265,030	-	265,030	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS								
				6,693,549	-	6,693,549	-	26,290
CHANGE IN NET POSITION								
				1,818,889	-	1,818,889	-	341,682
NET POSITION - BEGINNING								
				11,374,593	-	11,374,593	-	3,748,585
NET POSITION - ENDING								
	\$ 13,193,482	\$ -	\$ 13,193,482	\$ -	\$ 13,193,482	\$ -	\$ 13,193,482	\$ 4,090,267

The Accompanying Notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Balance Sheet – Modified Cash Basis**  
**All Governmental Funds**  
**As of December 31, 2015**

	GENERAL	SPECIAL TAX FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 5,314,651	\$ 5,633,863	\$ 2,249,737	\$ 13,198,251
Investments	-	-	-	-
Due from Other Funds	-	479	-	479
Other Receivables	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,314,651</b>	<b>\$ 5,634,342</b>	<b>\$ 2,249,737</b>	<b>\$ 13,198,730</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES:</u></b>				
Due to Other Funds	\$ 479	\$ -	\$ -	\$ 479
Deferred Revenue	-	-	-	-
Other Payables	301	-	4,468	4,769
<b>TOTAL LIABILITIES</b>	<b>780</b>	<b>-</b>	<b>4,468</b>	<b>5,248</b>
<b><u>FUND BALANCES:</u></b>				
- Nonspendable	-	-	-	-
- Restricted	-	5,634,342	-	5,634,342
- Committed	-	-	-	-
- Assigned	-	-	2,245,269	2,245,269
- Unassigned	5,313,871	-	-	5,313,871
<b>TOTAL FUND BALANCES</b>	<b>5,313,871</b>	<b>5,634,342</b>	<b>2,245,269</b>	<b>13,193,482</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,314,651</b>	<b>\$ 5,634,342</b>	<b>\$ 2,249,737</b>	<b>\$ 13,198,730</b>

**Reconciliation to Statement of Net Assets:**

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis**  
**All Governmental Funds**  
**For the Year Ended December 31, 2015**

	GENERAL	SPECIAL TAX FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 4,963,522	\$ 1,214,224	\$ -	\$ 6,177,746
Licenses and Permits	112,119	-	-	112,119
Fines and Forfeits	81,679	-	-	81,679
Intergovernmental	559,062	1,448,387	-	2,007,449
Charges for Services	1,869,467	-	-	1,869,467
Investment Earnings	7,942	7,894	-	19,252
Miscellaneous	33,516	22,140	3,416	55,656
<b>TOTAL REVENUES</b>	<b>7,627,307</b>	<b>2,692,645</b>	<b>3,416</b>	<b>10,323,368</b>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
General Government	1,126,275	37,720	40	1,164,035
Public Safety	2,320,392	265,330	65,220	2,650,942
Health and Human Services	4,450	-	-	4,450
Public Works	797,885	591,189	266,641	1,655,515
Culture and Recreation	359,106	920,564	18,657	1,298,327
Miscellaneous	-	-	-	-
Insurance	254,470	-	-	254,470
Employee Benefits	1,347,068	-	-	1,347,068
<b>DEBT SERVICE:</b>				
Principal	433,326	56,822	-	490,148
Interest	118,376	315	-	118,691
<b>TOTAL EXPENDITURES</b>	<b>6,761,148</b>	<b>1,871,940</b>	<b>350,558</b>	<b>8,983,646</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>866,159</b>	<b>820,705</b>	<b>(347,142)</b>	<b>1,339,722</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of Prior Year Outflows	138,556	-	-	138,556
Refund of Prior Year Inflows	(678)	-	-	(678)
Sale of Fixed Assets	-	46,109	30,150	76,259
Loan Proceeds	-	265,030	-	265,030
Interfund Transfers In	-	-	59,521	59,521
Interfund Transfers Out	(59,521)	-	-	(59,521)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>78,357</b>	<b>311,139</b>	<b>89,671</b>	<b>479,167</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>944,516</b>	<b>1,131,844</b>	<b>(257,471)</b>	<b>1,818,889</b>
<b>FUND BALANCES (RESTATED) - BEGINNING</b>	<b>4,369,355</b>	<b>4,502,498</b>	<b>2,502,740</b>	<b>11,374,593</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 5,313,871</b>	<b>\$ 5,634,342</b>	<b>\$ 2,245,269</b>	<b>\$ 13,193,482</b>

**Reconciliation to Statement of Net Assets:**

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Statement of Net Position – Modified Cash Basis**  
**Agency Funds**  
**As of December 31, 2015**

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	<u>AGENCY FUND</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 276,170
Investments	-
Due from Other Funds	-
Other Receivables	-
<b>TOTAL ASSETS</b>	<u><u>\$ 276,170</u></u>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ -
Due to Developers	276,170
Pension Fund Liability	-
Accrued Investment Expense	-
<b>TOTAL LIABILITIES</b>	<u><u>276,170</u></u>
 <b>NET POSITION</b>	
Unrestricted	-
<b>TOTAL NET POSITION</b>	<u><u>\$ -</u></u>

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The Accompanying Notes are an integral part of these financial statements.

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**LOWER SAUCON TOWNSHIP**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances – Budget and Actual –**  
**Modified Cash Basis – General Fund**  
**Year Ended December 31, 2015**

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO MODIFIED CASH DIFFERENCE	ACTUAL AMOUNTS MODIFIED CASH BASIS
	ORIGINAL	FINAL				
<b>RESOURCES (INFLOWS):</b>						
Taxes	\$ 4,370,200	\$ 4,370,200	\$ 4,963,522	\$ 593,322	\$ -	\$ 4,963,522
Licenses and Permits	100,000	100,000	112,119	12,119	-	112,119
Fines and Forfeits	104,986	104,986	81,679	(23,307)	-	81,679
Intergovernmental	398,481	398,481	559,062	160,581	-	559,062
Charges for Services	250,701	250,701	1,869,467	1,618,766	-	1,869,467
Miscellaneous	11,150	11,150	33,516	22,366	-	33,516
Interest Received	5,000	5,000	7,942	2,942	-	7,942
Refund of Prior Year Outflows	85,000	85,000	138,556	53,556	-	138,556
Sale of Fixed Assets	500	500	-	(500)	-	-
Transfers from Other Funds	-	-	-	-	-	-
<b>TOTAL RESOURCES</b>	<b>5,326,018</b>	<b>5,326,018</b>	<b>7,765,863</b>	<b>2,439,845</b>	<b>-</b>	<b>7,765,863</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government:</b>						
Legal	223,350	263,350	188,299	75,051	-	188,299
Mayor, Legislative, Borough Manager	312,452	314,130	299,395	14,735	-	299,395
Finance and Accounting	173,393	173,393	146,964	26,429	-	146,964
Data Processing	61,762	61,762	34,183	27,579	-	34,183
Engineering	161,500	161,500	136,432	25,068	-	136,432
Buildings and Plant	476,284	481,284	321,002	160,282	-	321,002
<b>Public Safety:</b>						
Police	1,804,144	1,806,842	1,728,850	77,992	-	1,728,850
Fire	366,941	366,941	368,255	(1,314)	-	368,255
Inspections	217,090	218,790	218,476	314	-	218,476
Other	6,000	6,000	4,811	1,189	-	4,811
<b>Health and Human Services:</b>						
Dog Control	8,500	8,500	4,450	4,050	-	4,450
<b>Public Works:</b>						
Public Works Administration	63,763	63,763	65,653	(1,890)	-	65,653
Sanitation and Recycling	13,700	13,700	23,867	(10,167)	-	23,867
Street Maintenance and Lighting	759,825	759,825	708,165	51,660	-	708,165
<b>Culture and Recreation:</b>						
Parks	159,514	159,514	129,473	30,041	-	129,473
Library	183,467	183,467	229,633	(46,166)	-	229,633
<b>Non-Departmental:</b>						
Miscellaneous	29,000	29,000	-	29,000	-	-
Debt Service	-	-	551,702	(551,702)	-	551,702
Insurance	274,150	274,150	254,470	19,680	-	254,470
Employee Benefits	1,303,213	1,303,213	1,347,068	(43,855)	-	1,347,068
Contingencies	51,076	-	-	-	-	-
Refund of Prior Year Inflows	5,000	5,000	678	4,322	-	678
Transfer to Other Funds	-	-	59,521	(59,521)	-	59,521
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>6,654,124</b>	<b>6,654,124</b>	<b>6,821,347</b>	<b>(167,223)</b>	<b>-</b>	<b>6,821,347</b>
Excess (Deficiency) of Inflows Over Outflows	(1,328,106)	(1,328,106)	944,516	2,272,622	-	944,516
<b>FUND BALANCE (RESTATED) - JANUARY 1, 2015</b>	<b>1,328,106</b>	<b>1,328,106</b>	<b>4,369,355</b>	<b>3,041,249</b>	<b>-</b>	<b>4,369,355</b>
<b>FUND BALANCE - DECEMBER 31, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,313,871</b>	<b>\$ 5,313,871</b>	<b>\$ -</b>	<b>\$ 5,313,871</b>

The Accompanying Notes are an integral part of these financial statements.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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**Note 1 - Description of the Township and Reporting Entity**

The Township of Lower Saucon was incorporated in 1743 and adopted its first Administrative Code on September 20, 1976, under the provision of Act 62 of 1972, Public Law 184, as amended (Home Rule Charter). The Township operates under a council-manager form of government and provides the following services as authorized by its Administrative Code: Public Safety-Police, Highways and Streets, Sanitation, Health and Social Services, Culture - Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Township are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Lower Saucon Township is a municipal corporation governed by an elected council. As required by generally accepted accounting principles, these financial statements are to present Lower Saucon Township (the primary government) and organizations for which the primary government is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Township in that the Township approved the budget, the issuance of debt, or the levying of taxes. The Lower Saucon Township has one component unit. The Lower Saucon Township Authority is a component unit.

***Component Units***

In conformity with accounting principles, generally accepted in the United States of America, the following component unit has been included in the financial reporting entity as a discretely presented component unit.

***Lower Saucon Authority***

The Authority owns and operates the water and sewer systems, reservoir, and treatment plants. Operation of the water system by the Authority began on January 1, 1996, and operation of the sewer system by the Authority began on July 28, 2000. Any capital improvements are approved jointly by the Township Council and the Authority Board. The Township Council appoints the members serving on the Authority Board.

Copies of separate financial statements of Lower Saucon Authority may be obtained at the Township office, 3700 Old Philadelphia Pike, Bethlehem, PA. 18025.

**Note 2 - Summary of Significant Accounting Policies**

***A. Basis of Presentation***

The Township's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and discretely presented component units. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end, along with the discretely presented component units. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities of the Township and the discretely presented Component Unit. There are no business-type activities of the Township. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township and the Component Unit, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each Township governmental function or Component Unit is self-financing or draws from the general revenues of the Township or Component Unit.

**Fund Financial Statements** During the year, the Township segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Basis of Accounting**

Lower Saucon Township prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred, with the exception of certain receivables and liabilities. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**C. Fund Accounting**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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The following are the Township's **major** governmental funds:

**General Fund**

The General Fund is the general operating fund of the Township. Substantially all tax revenues, Federal and State aid (except aid restricted for use in Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Township's day-to-day operations.

**Capital Project Fund**

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major equipment and facilities. The Township has one Capital Project Fund consisting of the Capital Fund.

**Special Revenue Fund**

The Township has one major special revenue fund consisting of the Special Tax Fund. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of net income, financial position, and changes in cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Township's Proprietary Funds:

**Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township does not have any major Enterprise Funds, except for the discretely presented component unit:

**Lower Saucon Authority**

The operations of the water and sewer systems owned and operated by the Lower Saucon Authority are shown as a discretely presented component unit on the modified cash basis of accounting.

The Township follows alternative #1 under GASB Statement No. 20 which requires following the FASB Statements and interpretations, APB opinions, and ARB's issued on or before November 30, 1989, except those that conflict with a GASB Statement.

**Fiduciary Funds** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township has one Agency Fund consisting of the Developers Escrow Fund.



**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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***D. Budgets and Budgetary Accounting***

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Code and Township procedures, the Township Manager submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, and insurance, employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the Township are for the General Fund.
7. The budgets are adopted on the modified cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.)
8. The Council may authorize supplemental appropriations during the year. The Council must approve all expenditures of appropriations or transfers of appropriated amounts.

***E. Use of Estimates***

The preparation of 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 results could differ from those estimates. Since these financial statements are prepared on the modified cash basis, no estimates have been used.

***F. Investments***

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

**G. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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". Any residual balances outstanding between the primary government and discretely presented component units are shown as a separate line item on the Government-wide Statement of Net Assets.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**H. Real Estate Taxes / Special Assessments**

The total taxable assessed real estate valuation for the year ended 2015 is \$450,113,600 at a rate of 4.89 mills that includes a .25 mill fire tax assessment. Real estate taxes are levied on January 1 and are payable by June 30.

Real estate taxes paid by April 30 are subject to a 2% discount and after June 30 are subject to a 10% penalty. Delinquent real estate taxes are generally lien by January 1 of the following year.

The Township collects .25% of the Earned Income Tax Assessment for Open Space Preservation.

**I. Fund Balance Classifications**

GASB Statement No. 54, effective for financial statements for periods beginning after June 15, 2010, established accounting and financial reporting standards for all governments that report governmental funds. The statement established criteria for classifying fund balances into the following specifically defined classifications:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Township's highest level of decision making is the Township Council.
- **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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**Note 3 - Stewardship, Compliance and Accountability**

**A. Compliance with Finance Related Legal and Contractual Provisions**

The Township has no material violations of finance related legal and contractual provisions.

**B. Deficit Fund Balance or Retained Earnings of Individual Funds**

There are no deficits in fund balances or net assets at December 31, 2015.

**C. Excess of Expenditures over Appropriations in Individual Funds**

No individual fund, which has a legally adopted budget, had an excess of expenditures over appropriations, except the General Fund. The General Fund had an excess of expenditures over appropriations mainly due to debt service payments.

**D. Budgetary Compliance**

The Township has a legally adopted budget for the General Fund. The Township does make budget transfers between expenditure/expense accounts.

**Note 4 - Cash**

**Primary Government**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2015, \$13,178,316 of the Township's bank balance of \$13,678,316 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Township's name	13,178,316
<b>TOTAL</b>	<u><b>\$ 13,178,316</b></u>

**Reconciliation to Financial Statements**

Uncollateralized Amount Above	\$ 13,178,316
Plus: Insured Amount	500,000
Deposits in Transit	-
Less: Outstanding Checks	(208,663)
Carrying Amount - Bank Balance	<u>13,469,653</u>
Plus: Petty Cash	300
Deposits in Pooled Investments Considered Cash Equivalents	4,468
Less: Certificates of Deposit considered Investment by the Township	-
<b>Total Cash per Financial Statements</b>	<u><b>\$ 13,474,421</b></u>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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**Restricted Cash**

The cash balance includes \$276,170 held as developer's escrow funds. These funds are held by the Township to guarantee the completion of various construction projects by the developers.

**Component Unit**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does have a policy for custodial credit risk.

As of December 31, 2015, \$3,567,442 of the Authority's bank balance of \$3,817,442 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Authority's name	3,567,442
<b>TOTAL</b>	<b>\$ 3,567,442</b>

**Reconciliation to Financial Statements**

Uncollateralized Amount Above	\$ 3,567,442
Plus: Insured Amount	250,000
Less: Outstanding Checks	(2,930)
Plus: Deposits in Transit	-
Carrying Amount – Bank Balance	3,814,512
Plus: Petty Cash	700
Pooled Cash Equivalent in Enterprise Funds	312,274
Less: Certificates of Deposit shown as investments	(1,029,782)
<b>Total Cash per Financial Statements</b>	<b>\$ 3,097,704</b>

**Restricted Cash**

Cash and Cash equivalents have been categorized on the financial statements as either unrestricted or restricted. The restricted cash balance includes \$37,037 held as developer's escrow funds. These funds are held by the Authority to guarantee the completion of various water and sewer lines by the developers.

**Note 5 - Investments**

**Primary Government**

The permitted investments for Pennsylvania Township are defined in the Township Code as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share of accounts of institutions insured by the F.D.I.C.; and,

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities.

As of December 31, 2015, the Township had the following investments:

<u>Investments</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 4,468
Certificates of Deposit	-
<b>TOTAL</b>	<b>\$ 4,468</b>

Interest Rate Risk

The Township does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Township has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2015, the Township's investment in the PA Local Government Investment Trust was rated AAA by Standard & Poors.

Concentration of Credit Risk

The Township places not limit on the amount the Township may invest in any one issuer. The Township does not have any investments at December 31, 2015.

Custodial Credit Risk

For an investment, 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 security that are in the possession of an outside party. The Township had no investments subject to custodial credit risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 4,468
Less: Deposits in Investment Pool Considered Cash Equivalents	(4,468)
<b>Total Investments per Financial Statements</b>	<b>\$ -</b>

**Component Unit**

As of December 31, 2015, the Authority had the following investments:

Investment

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 312,274
Certificates of Deposit	12-18 Months	1,029,782
<b>TOTAL</b>		<b>\$ 1,342,056</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
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**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Authority has no investment policy that would limit its investment choices to certain credit ratings. The investments in the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

**Concentration of Credit Risk**

The Authority places no limit on the amount the Authority may invest in any one issuer. Of the Authority's investments, 100% is in certificates of deposit at Lafayette Ambassador Bank.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Authority had no investments subject to custodial credit risk and has adopted a formal custodial credit risk policy.

**Reconciliation to Financial Statements**

Total Investments Above	\$ 1,342,056
Less: Deposits in Investment Pool Considered Cash Equivalents	(312,274)
<b>Total Investments per Financial Statements</b>	<b>\$ 1,029,782</b>

**Note 6 – Long-Term Debt Commitments**

Long-term liability balances and activity for the year ended December 31, 2015, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>General Obligation Debt:</b>					
<b>Bonds and Notes Payable:</b>					
General Fund	\$ 4,198,298	\$ -	\$ 433,326	\$ 3,764,972	\$ 444,973
Special Tax Fund	-	265,030	56,822	208,208	51,797
<b>Total Governmental Activities</b>	<b>\$ 4,198,298</b>	<b>\$ 265,030</b>	<b>\$ 490,148</b>	<b>\$ 3,973,180</b>	<b>\$ 496,770</b>

Payments on bonds and notes were made by the General Fund and the Special Tax Fund.

Total interest paid during the year:

	Paid
<b>Governmental Activities</b>	
General Obligation Debt	\$ 118,691
Capital Leases	-
Short-Term Borrowings and Other Liabilities	-
<b>TOTAL</b>	<b>\$ 118,691</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

**Primary Government Debt**

*General Obligation Note – Series of 2014*

On December 22, 2014, the Township issued a \$4,750,000 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this Note is (1) to refinance the existing General Obligation Note – Series of 2001, (2) to refinance the existing General Obligation Notes – Series of 2005, (3) to refinance the existing General Obligation Note – Series of 2006, and (4) to finance storm water mitigation projects on Fire Lane and Black River Road. The effective interest rate is 2.78% for ten (10) years. The Note matures December 31, 2023. The current annual payment is \$551,702.44. The future debt service obligations are:

YEAR	PRINCIPAL	INTEREST
2016	\$ 444,973	\$ 106,729
2017	457,807	93,896
2018	470,711	80,992
2019	483,978	67,724
2020	497,471	54,231
2021-2023	1,410,032	76,513
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,764,972</b>	<b>\$ 480,085</b>

*General Obligation Note – Series of 2015*

On July 14, 2015, the Township issued a \$265,030 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this note is to finance the purchase of firefighting equipment for the Township. The effective interest rate is 2.52% for five (5) years. The note matures August 1, 2019. The current annual payment is \$57,137.23. The future debt service obligations are:

YEAR	PRINCIPAL	INTEREST
2016	\$ 51,797	\$ 5,340
2017	53,135	4,002
2018	54,492	2,645
2019	48,784	1,495
<b>TOTAL OUTSTANDING</b>	<b>\$ 208,208</b>	<b>\$ 13,482</b>

**Note 7 - Pension Plans**

**General**

The Township maintains two pension plans, the Non-Uniformed Pension Plan, which covers substantially all full-time and permanently part-time non-police employees of the Township and the Police Pension Plan for full time police employees, the plans are members of the statewide Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system. PMRS was created by the Pennsylvania General Assembly to administer pension plans on a contract basis. PMRS is trustee of the pension plans. PMRS maintains separate records for each plan and issues separate financial statements for each plan which can be obtained from the Township at 3700 Old

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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Philadelphia Pike, Bethlehem, PA 18015. PMRS also issues a publicly available Comprehensive Financial Report (CAFR) that may be obtained by writing to PMRS, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968. The Authority under which the benefit provisions have been established, or may be amended, remains with the Council members of Lower Saucon Township.

***Non-Uniformed Pension Plan***

**Plan Description**

The Lower Saucon Township Non-Uniformed Pension Plan is an agent multiple-employer defined benefit pension plan controlled by the provisions of Ordinance 79-7, 86-3, 93-2, 96-13, 99-11, 2002-08 and 2003-05 adopted pursuant to Act 69 of the Commonwealth of Pennsylvania. Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, provides the authority for the Township to establish and amend the plan.

All full-time salaried non-police employees are eligible to participate in the plan. Benefits vested after five years of service. Normal retirement is at age 65 with five years of vesting service. Early retirement is available after 10 years of service.

Upon normal retirement, employees should receive a benefit of 1.75% of their average compensation multiplied by all years of service. Average compensation is calculated as the average of compensation pay over the final 36 months of employment. For employees eligible for early retirement, the benefit will equal to the benefit accrued at the date of termination reduced actuarially. If a member continues employment after his normal retirement date, he will be eligible to receive a monthly pension payable at his late retirement date equal to the benefit accrued at the date of actual retirement. There is no social security offset. The plan also provides certain death and disability benefits.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Basis of Accounting**

The financial statements of the plans are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and expenses are recognized when due and payable in accordance with the terms of the plan. Benefit payments are paid from the current income of the plan. Pension consultant, actuarial fees and trustee fees are paid by the Township's General Fund.

**Method Used to Value Investments**

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statements 25, 27 and 50 of the Government Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR and the separate plan statements issued by PMRS.

**Funding Policy**

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2015. As of January 1, 2015, department leads are required to contribute 1% of their salary to the plan; other members are not required to contribute any of their compensation to the plan.



**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

**Plan Membership**

Plan membership of the plan consisted of the following at December 31, 2015:

Active Plan Members	20
Inactive Plan Members	0
Retirees and beneficiaries currently receiving benefits	1
Terminated plan members entitled to benefits but not yet receiving them	3
<b>TOTAL</b>	<b><u>24</u></b>

**Annual Pension Cost and Net Pension Obligation**

The Township's annual pension cost and net pension obligation for the year are:

Annual Pension Costs per MMO	\$ 86,546
Contributions made	86,546

**Three-Year Trend Information**

<b>Fiscal Year Funding</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/2013	\$ 82,475	100%	\$ -
12/31/2014	88,962	100%	-
12/31/2015	86,546	100%	-

The required annual contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2013 included (a) 7.0% rate of return, and (b) projected salary increases of 4.0% which includes an inflation component for moderate cost of living increases. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the trustee. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 15-20 years. The remaining amortization periods at December 31, 2015 were 4-12 years.

**Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the plan was 99.7% funded. The actuarial accrued liability for benefits was \$1,808,925 and the actuarial value of the assets was \$1,803,562, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,363. The covered payroll (annual payroll of active employees covered by the plan) was \$982,041 and the ratio of the UAAL to the covered payroll was 0.5%.

As a result of the plan being 99.7% funded at January 1, 2015, the plan is considered to be not distressed.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial valuation of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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*Changes in Net Assets*

<b><u>REVENUES</u></b>		
State Aid	\$	82,337
Employee Contributions		3,907
Employer Contributions		22,592
Investment Income Net of Investment Fees		26,818
Realized Gains on Investment Sales		76,096
Unrealized Loss on Investments		<u>(116,311)</u>
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>95,439</b>
<b><u>EXPENDITURES</u></b>		
Pension Payments		21,177
Administrative Fees		<u>16,011</u>
<b>TOTAL EXPENDITURES</b>		<b>37,188</b>
<b>Change in Net Assets</b>		<b>58,251</b>
<b>Net Assets January 1, 2015</b>		<b><u>1,848,869</u></b>
<b>Net Assets December 31, 2015</b>	<b>\$</b>	<b><u>1,907,120</u></b>

***POLICE PENSION PLAN***

*Plan Description*

The Lower Saucon Township Police Pension Plan is an agent multiple-employer defined benefit pension plan controlled by the provisions of Ordinance 79-7 and 79-8, adopted pursuant to Act 62 of the Commonwealth of Pennsylvania. Act 600, the Police Pension Act, provides the authority for the Township to establish and amend the plan.

All full-time police employees are eligible to participate in the plan. Benefits vested after 12 years of service. Retirement age is 50 with at least 25 years of credited service. Retirement is mandatory at age 65. Early retirement is available after 20 years of service.

Upon normal retirement, employees should receive a benefit of 50% of their average compensation plus a service increment of \$100 per month for each completed year of service in excess of 25 years to a maximum service increment of \$500 per month. Average compensation is calculated as the total compensation paid and earned over the final 36 months of employment. If a member retires after 20 years of service and prior to his normal retirement date, he will be eligible to receive his accrued pension reduced actuarially. If a member continues to work beyond his normal retirement date, he will be eligible, if a member continues employment after his retirement date; he is eligible to receive his accrued pension payable at his retirement date. There is no social security offset. The plan also provides certain death and disability benefits.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

*Basis of Accounting*

The financial statements of the plans are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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and expenses are recognized when due and payable in accordance with the terms of the plan. Benefit payments are paid from the current income of the plan. Pension consultant, actuarial fees and trustee fees are paid by the Township's General Fund.

**Method Used to Value Investments**

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statements 25, 27 and 50 of the Government Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR and the separate plan statements issued by PMRS.

**Funding Policy**

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2015. In accordance with the plan's governing resolution, officers are required to contribute 2.0% of their compensation to the plan. The police chief contributes 1% of his compensation to the plan.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

**Plan Membership**

Plan membership of the plan consisted of the following at December 31, 2015:

Active Plan Members	15
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to benefits but not yet receiving them	0
<b>TOTAL</b>	<b><u>21</u></b>

**Annual Pension Cost and Net Pension Obligation**

The Township's annual pension cost and net pension obligation for the year are:

Annual Pension Costs per MMO	\$ 278,821
Contributions made	278,821

**Three-Year Trend Information for the Police Pension Plan**

<b>Fiscal Year Funding</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/2013	\$ 258,715	100%	\$ -
12/31/2014	272,162	100%	-
12/31/2015	278,821	100%	-

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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The required annual contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2013 included (a) 7.0% rate of return, and (b) projected salary increases of 4.0% which does not include an inflation component for moderate cost of living increases. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the trustee. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 17 years. The remaining amortization periods at December 31, 2015 were 6-13 years.

**Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the plan was 90.5% funded. The actuarial accrued liability for benefits was \$5,991,490 and the actuarial value of the assets was \$5,422,624, resulting in an unfunded actuarial accrued liability (UAAL) of \$568,866. The covered payroll (annual payroll of active employees covered by the plan) was \$1,249,966 and the ratio of the UAAL to the covered payroll was 45.5%.

As a result of the plan being 90.5% funded at January 1, 2015, the plan is considered to be not distressed.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial valuation of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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<b><u>REVENUES</u></b>		
State Aid	\$	117,625
Employer Contributions		210,157
Employee Contributions		25,961
Investment Income Net of Investment Fees		80,007
Miscellaneous Income		-
Realized Gains on Investment Sales		227,846
Unrealized Loss on Investments		<u>(346,802)</u>
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>314,794</b>
<b><u>EXPENDITURES</u></b>		
Pension Payments		209,056
Administrative Fees		<u>42,415</u>
<b>TOTAL EXPENDITURES</b>		<b><u>251,471</u></b>
 <b>Change in Net Assets</b>		 63,323
<b>Net Assets January 1, 2015</b>		<b><u>5,574,379</u></b>
<b>Net Assets December 31, 2015</b>	<b>\$</b>	<b><u>5,637,702</u></b>

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**Note 8 - Deferred Compensation Plan**

The Township has adopted the Deferred Compensation Plan for voluntary participation of eligible municipal employees. The plan is in accordance with Internal Revenue Code Section 457 and permits the employees to defer a portion of their current salary until future years. The deferred amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

All compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property and rights of the participants. Participants' rights created under the plan are equivalent and in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

**Note 9 - Insurance**

The Township is subject to risk of loss from employee act, property damage, personal injury, auto accidents, theft, etc. The Township covers those risks through the purchase of commercial insurance. The Township's workmen's compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Township or its employees did not exceed insurance coverage in any of the last three years.

**Note 10 - Short-Term Debt**

***Interfund Receivables and Payables***

The following interfund receivables and payables existed on December 31, 2015:

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ -	\$ 479
Special Tax (Special Revenue) Fund	479	-
<b>TOTAL</b>	<b>\$ 479</b>	<b>\$ 479</b>

***Interfund Transfers***

The following interfund transfers were made during the fiscal year ended December 31, 2015:

	<b>INTERFUND TRANSFERS IN</b>	<b>INTERFUND TRANSFERS OUT</b>
General Fund	\$ -	\$ 59,521
Capital (Capital Project) Fund	59,521	-
<b>TOTAL</b>	<b>\$ 59,521</b>	<b>\$ 59,521</b>

**Note 11 – Fund Balance**

Detailed information about aggregated fund balances:

***Assigned Fund Balances***

The assigned fund balance represents amounts intended to be used by government for specific purposes.

Capital Fund	\$ 2,245,269
<b>TOTAL CAPITAL PROJECTS FUND</b>	<b>\$ 2,245,269</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2015**

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**Restricted Fund Balances**

The restricted fund balance represents contributions that are externally restricted for specific purposes;

Special Tax Fund	\$ 5,634,342
<b>TOTAL</b>	<b>\$ 5,634,342</b>

**Note 12 – Joint Venture – “Saucon Valley Compost Center”**

In accordance with Ordinance 2007-11, Lower Saucon Township entered into an agreement with the Borough of Hellertown to establish the Saucon Valley Compost Center. All expenses attributed to this joint venture will be divided equally between the two municipalities. Each municipality contributes to this joint venture to finance the day to day operations of the Saucon Valley Compost Center. A separate bank account was opened in order to track the expenditures of this joint venture. Recordkeeping and reporting will be the responsibility of Lower Saucon Township. In the event of closure, any remaining balance will be distributed to the two municipalities evenly.

**Note 13 – Contingencies**

There is a continuing issue regarding the closing of the landfill located in Lower Saucon Township. As of the report date, no Board decision has been reached. Any decision to close the landfill would negatively impact the Township's future net position.

**Note 14 - Litigation**

In accordance with the solicitor's legal letter to the auditors, there is no pending litigation that would materially affect the Township's financial position.

**Note 15 – Prior Period Adjustments**

During the current audit year, the Township restructured the Township's funds based on a study conducted by an independent consultant. As a result of this fund restructuring, the following prior period adjustments were made.

	<b>General Fund</b>	<b>Special Tax Fund</b>	<b>Capital Fund</b>	<b>Totals</b>
Fund Balances January 1, 2015 per Previous Audit Report	\$8,204,532	\$ 1,029,789	\$ 2,140,272	\$ 11,374,593
Capital (Capital Project) Fund	(3,835,177)	3,472,709	362,468	-
<b>TOTAL</b>	<b>\$4,369,355</b>	<b>\$ 4,502,498</b>	<b>\$ 2,502,740</b>	<b>\$ 11,374,593</b>

**Note 16 – Subsequent Events**

The subsequent events have been evaluated through June 23, 2016, which is the date of the financial statements were available to be issued.



HUTCHINSON, GILLAHAN & FREEH, P.C.  
ACCOUNTANTS, AUDITORS & CONSULTANTS

June 23, 2016

Township Council  
Lower Saucon Township  
3700 Old Philadelphia Pike  
Bethlehem, PA 18015

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lower Saucon Township, as of and for the year ended December 31, 2015, which collectively comprise the Lower Saucon Township's basic financial statements and have issued our report thereon dated June 23, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Lower Saucon Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lower Saucon Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lower Saucon Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## TOWNSHIP COUNCIL

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Lower Saucon Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lower Saucon Township in a separate letter dated June 23, 2016.

This report is intended solely for the information and use of management, the Township Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

***Hutchinson, Gillahan & Freeh, P.C.***

June 23, 2016



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**REQUIRED SUPPLEMENTAL INFORMATION**

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**LOWER SAUCON TOWNSHIP**  
**Pension Funds**  
**Required Supplemental Information**  
**December 31, 2015**

**SCHEDULE OF FUNDING PROGRESS**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	UAAAL AS A % OF COVERED PAYROLL			
			UNFUNDED AAL	FUNDED RATIO	COVERED PAYROLL	COVERED PAYROLL
NON-UNIFORMED PENSION PLAN						
1-1-2007	\$ 955,413	\$ 1,106,200	\$ 150,787	86.4%	\$ 802,364	18.8%
1-1-2009	971,143	1,139,351	168,208	85.2%	921,512	18.3%
1-1-2011	1,258,815	1,410,742	151,927	89.2%	970,417	15.7%
1-1-2013	1,422,701	1,466,945	44,244	97.0%	903,029	4.9%
1-1-2015	1,803,562	1,808,925	5,363	99.7%	982,041	0.5%
POLICE PENSION PLAN						
1-1-2007	\$ 3,455,999	\$ 3,615,017	\$ 159,018	95.6%	933,343	17.0%
1-1-2009	3,738,283	4,341,068	602,785	86.1%	950,288	63.4%
1-1-2011	4,127,761	5,035,073	907,312	82.0%	1,011,579	89.7%
1-1-2013	4,556,557	5,323,791	767,234	85.6%	1,085,736	70.7%
1-1-2015	5,422,624	5,991,490	568,866	90.5%	1,249,966	45.5%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

YEAR ENDED DECEMBER 31,	NON-UNIFORMED PENSION PLAN				POLICE PENSION PLAN			
	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED		ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	
2006	\$ 86,322	\$ 86,322	100.0%		\$ 112,489	\$ 112,489	100.0%	
2007	88,302	88,302	100.0%		126,385	126,385	100.0%	
2008	96,307	96,307	100.0%		159,486	159,486	100.0%	
2009	95,115	95,115	100.0%		162,193	162,193	100.0%	
2010	93,110	93,110	100.0%		177,635	177,635	100.0%	
2011	91,646	91,646	100.0%		183,105	183,105	100.0%	
2012	86,983	86,983	100.0%		256,470	256,470	100.0%	
2013	82,475	82,475	100.0%		258,715	258,715	100.0%	
2014	88,962	88,962	100.0%		272,162	272,162	100.0%	
2015	86,546	86,546	100.0%		278,821	278,821	100.0%	

**LOWER SAUCON TOWNSHIP**  
**Schedule of Changes in Net Pension Liability, Related Ratios, and**  
**Investment Returns – Non-Uniformed Pension Fund**  
**Required Supplementary Information**

	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 83,193	\$ 75,436
Interest on Total Pension Liability	274,798	179
Benefit Payments	(16,011)	(19,412)
<b>Net Change in Total Pension Liability</b>	<u>341,980</u>	<u>56,203</u>
Total Pension Liability, Beginning	1,466,945	1,410,742
Total Pension Liability, Ending (a)	<u><b>\$ 1,808,925</b></u>	<u><b>\$ 1,466,945</b></u>
<b>FIDUCIARY NET POSITION</b>		
State Aid	\$ 82,337	\$ 81,318
Employer Contributions	22,592	18,737
Member Contributions	3,907	5,080
Investment Income Net of Investment Expenses	(13,397)	103,054
Administrative Fees	(21,177)	(14,895)
Benefit Payments	(16,011)	(19,412)
<b>Net Change in Fiduciary Net Position</b>	<u>58,251</u>	<u>173,882</u>
Fiduciary Net Position, Beginning	1,848,869	1,674,987
Fiduciary Net Position, Ending (b)	<u><b>\$ 1,907,120</b></u>	<u><b>\$ 1,848,869</b></u>
Net Pension Liability [(a) - (b)]	<u><b>\$ (98,195)</b></u>	<u><b>\$ (381,924)</b></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.43%	126.04%
Covered Payroll	\$ 982,041	\$ 903,029
Net Pension Liability as a Percentage of Covered Payroll	-10.00%	-42.29%
Annual Money Weighted Return, Net of Investment Expenses	\$ -	\$ -

**Note on Cumulative Information:**

In accordance with GASB Statement No. 67, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available. The actuarial report is issued on a biannual basis as displayed on the Schedule of Funding Progress on Page 37.

**LOWER SAUCON TOWNSHIP**  
**Schedule of Changes in Net Pension Liability, Related Ratios, and**  
**Investment Returns – Police Pension Fund**  
**Required Supplementary Information**

	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 213,862	\$ 174,809
Interest on Total Pension Liability	662,893	319,997
Benefit Payments	<u>(209,056)</u>	<u>(206,088)</u>
Net Change in Total Pension Liability	667,699	288,718
Total Pension Liability, Beginning	5,323,791	5,035,073
Total Pension Liability, Ending (a)	<u><u>\$ 5,991,490</u></u>	<u><u>\$ 5,323,791</u></u>
<b>FIDUCIARY NET POSITION</b>		
State Aid	\$ 117,625	\$ 116,189
Employer Contributions	210,157	185,727
Member Contributions	25,961	27,146
Investment Income Net of Investment Expenses	(38,949)	315,332
Administrative Fees	(42,415)	(39,921)
Benefit Payments	<u>(209,056)</u>	<u>(206,088)</u>
Net Change in Fiduciary Net Position	63,323	398,385
Fiduciary Net Position, Beginning	5,574,379	5,175,994
Fiduciary Net Position, Ending (b)	<u><u>\$ 5,637,702</u></u>	<u><u>\$ 5,574,379</u></u>
Net Pension Liability [(a) - (b)]	<u><u>\$ 353,788</u></u>	<u><u>\$ (250,588)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.10%	104.78%
Covered Payroll	\$ 1,249,966	\$ 1,085,736
Net Pension Liability as a Percentage of Covered Payroll	28.30%	-24.08%
Annual Money Weighted Return, Net of Investment Expenses	\$ -	\$ -

**Note on Cumulative Information:**

In accordance with GASB Statement No. 67, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available. The actuarial report is issued on a biannual basis as displayed on the Schedule of Funding Progress on Page 37.

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**INDIVIDUAL FUND STATEMENTS**

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**LOWER SAUCON TOWNSHIP**  
**General Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

**REVENUES RECEIVED**

**TAXES:**

Real Estate Taxes - Current	\$	2,197,337	
Real Estate Taxes - Prior		18,542	
Real Estate Taxes - Current Interims		999	
Real Estate Taxes - Prior Interims		1,491	
Real Estate Taxes - Delinquent		72,214	
Real Estate Transfer Taxes		399,401	
Earned Income Taxes - Current		1,571,974	
Earned Income Taxes - Prior		652,648	
Emergency Municipal Service Tax - Current		39,455	
Emergency Municipal Service Tax - Prior		9,461	
			\$ 4,963,522

**LICENSES AND PERMITS:**

Franchise Fee Cable	108,539	
Junkyard Licenses	1,000	
Road Encroachment Permits	2,380	
Moving Permits	200	112,119

**FINES AND FORFEITS:**

Motor Vehicle Violations	55,250	
Fines	12,015	
Ordinance Violations	4,328	
Crimes Code Violations	9,326	
Parking Tickets	760	81,679

**INTERGOVERNMENTAL:**

State Grants	207,251	
Public Safety Grants	8,405	
Beverage Licenses	1,950	
Federal Grants	40,480	
Public Utility Realty Tax	6,440	
Pension State Aid	199,963	
Allotment - Fireman's Relief	94,573	559,062

**CHARGES FOR SERVICES:**

Subdivision Fees	3,955	
Tax Collection Services	9,120	
Duplicate Tax Bill Fees	610	
Police Services	29,292	
Accident Report Requests	4,065	
Weed Clearing and Removal	20,000	
Administrative Income	2,558	
Security Alarm Fees	1,460	
Building Permits	20,934	
Sanitation Permits	43,350	
State UCC Fees	628	
Highway and Street Charges	15,626	
Health Insurance Charges	122,317	
Compost Sales	7,360	
Landfill Host Fees	1,555,674	
Recreation Fees	19,406	
BRE Sales	13,112	1,869,467

**INVESTMENT EARNINGS:**

Interest Income		7,942
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**MISCELLANEOUS:**

Miscellaneous	13,065	
Donations	20,451	33,516

<b>TOTAL REVENUE RECEIVED</b>	<b>\$</b>	<b>7,627,307</b>
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**LOWER SAUCON TOWNSHIP**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

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**EXPENDITURES PAID**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor \$ 188,299

**MAYOR, LEGISLATIVE, TOWNSHIP MANAGER:**

Salary 238,777  
Payroll Taxes 17,535  
General Expense 9,400  
Grant Expenditures 22,040  
Other Expense 4,265  
Advertising, Printing and Postage 7,378

**FINANCE AND ACCOUNTING:**

Salary 86,398  
Payroll Taxes 6,610  
Payroll Services 4,074  
Auditing 16,900  
Bank Services 1,436  
Office Materials/Supplies 8,606  
Tax Collection Services 560  
Real Estate Tax Prep/Mailing 8,393  
General Expense 13,394  
Contracted Services 593

**DATA PROCESSING:**

Salary 3,000  
Payroll Taxes 230  
Website Operation/Maintenance 6,000  
Office Equipment Maintenance 7,256  
Equipment - Capital 2,759  
Software Licenses 14,938

**ENGINEER:**

Engineering Services 83,388  
Consulting Fees 3,071  
Sewage Enforcement Officer 49,973

**BUILDINGS AND PLANT:**

Salary 6,716  
Building Materials/Supplies 3,293  
Heating Oil/Diesel Fuel 64,162  
Gasoline 62,490  
Oils/Lubricants 2,173  
Communication Expense 43,263  
Utilities 69,436  
Maintenance/Repairs 40,020  
Equipment - Capital 16,034  
Equipment Rental 13,415

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\$ 1,126,275

**LOWER SAUCON TOWNSHIP**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

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**PUBLIC SAFETY**

**POLICE:**

Salary of Policemen	\$ 1,325,095
Overtime	93,303
Salary of Clerical	81,864
Payroll Taxes	114,801
Uniforms	9,781
Firearms Ammunition	7,051
Advertising/Printing	508
Investigation Expense	1,351
Communication Equipment	965
Equipment Maintenance	13,206
General Expenses	7,151
Vehicle Maintenance and Repairs	31,176
Equipment - Capital	25,013
Equipment - Non-Capital	873
K-9 Expenses	6,123
Training	10,589

**FIRE:**

Contribution to Fire Co.	200,000
Fireman's Relief	94,573
Contribution to Dewey Ambulance	15,000
Hydrant/Water Service	22,418
General Expenses	36,264

**INSPECTIONS:**

Zoning and Administration	72,774
Salary of Clerical	43,443
Payroll Taxes	8,737
Consulting Services	76,738
Advertising/Printing	5,854
Township Newsletter	8,387
Vehicle Maintenance and Repairs	783
General Expenses	1,760

**OTHER PUBLIC SAFETY:**

Crossing Guards	4,811	\$ 2,320,392
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**HEALTH AND HUMAN SERVICES**

Dog Control	4,450
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**PUBLIC WORKS**

**PUBLIC WORKS ADMINISTRATION:**

Salary	65,653
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**SANITATION:**

Recycling Collection and Disposal	23,867
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**STREET MAINTENANCE AND LIGHTING:**

Salaries - Highways and Streets	429,588
Overtime	59,857
Payroll Taxes	42,465
Road Materials	98,363
Materials/Supplies	28,026
Traffic Sign Maintenance	3,555
Vehicle Maintenance	28,848
Contracted Services	3,791
Equipment Rental	4,600
General Expenses	6,101
Equipment - Non-Capital	2,971
	797,685



**LOWER SAUCON TOWNSHIP**  
**General Fund (Cont'd)**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

**CULTURE AND RECREATION**

**PARKS AND POOL:**

Maintenance/Repairs	\$	12,535
General Expenses		7,616
Contracted Services		61,341
Summer Youth Program		23,110
Senior Program		16,034
Pool Pass Reimbursement		7,890
Construction and Improvements		-
Equipment		913

**LIBRARY:**

Contribution	229,633	\$	359,072
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**CONSERVATION OF NATURAL RESOURCES**

Open Space Purchases	-		
Dues and Subscriptions	34		34

**DEBT SERVICE**

Debt Principal Payments	433,326		
Debt Interest Payments	118,376		551,702

**INSURANCE**

Business Insurance	60,497		
Vehicle Insurance	25,177		
Workmen's Compensation	168,796		254,470

**EMPLOYEE BENEFITS**

Dental Insurance	22,133		
Hospitalization Insurance	834,303		
Group Term Life Insurance	7,196		
Unemployment Compensation	15,599		
Other Benefits	6,073		
Income Protection	17,366		
Pension Administration Fees	78,923		
Minimum Pension Oblig - Nonuniform	86,654		
Minimum Pension Oblig - Police	278,821		1,347,068

**TOTAL EXPENDITURES PAID**

**6,761,148**

**EXCESS OF REVENUES RECEIVED**

<b>OVER EXPENDITURES PAID</b>	866,159
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**OTHER FINANCING SOURCES RECEIVED AND**

**OTHER FINANCING USES PAID**

Refund of Prior Year Expenditures	\$	138,556	
Refund of Prior Year Revenue		(678)	
Transfer to Other Funds	(59,521)	\$	78,357

**NET CHANGE IN FUND BALANCE**

**\$ 944,516**

**FUND BALANCE (RESTATED) - JANUARY 1, 2015**

**4,369,355**

**FUND BALANCE - DECEMBER 31, 2015**

**\$ 5,313,871**

**LOWER SAUCON TOWNSHIP**  
**Special Tax Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

**FUND BALANCE (RESTATED) - JANUARY 1, 2015** **\$ 4,502,498**

**REVENUES RECEIVED**

**Taxes:**

Fire Tax	\$	110,856
Earned Income Tax - Current Year		717,075
Earned Income Tax - Prior Year		386,293

**Intergovernmental:**

Grant Funding		1,042,000
Motor Vehicle Fuel Taxes		406,387

**Investment Income:**

Interest Earnings		7,894
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**Miscellaneous:**

Donations/Contributions		9,750
Miscellaneous Income		12,390

**Other Financing Sources:**

Sale of Fixed Assets		46,109
Loan Proceeds		265,030
		3,003,784

**TOTAL FUNDS AVAILABLE** **7,506,282**

**EXPENDITURES PAID**

**General Government:**

Bank Fees	\$	50
Legal Fees		12,620
Engineering/Planning Fees		18,420
Appraisal Costs		6,630

**Public Safety:**

Fire Equipment Costs		300
Vehicle Purchase		265,030

**Public Works:**

Traffic Signal Maintenance & Repair		1,748
Vehicle Maintenance & Repair		22,544
Highway Equipment Rentals		5,242
Highway Major Equipment		198,100
Minor Equipment Purchase		995
Snow Removal		137,685
Street Sign & Marking		15,604
Street Lighting		35,336
Equipment/Tools Maintenance & Repair		147
Road Materials & Supplies		6,741
Penndot Road Projects		167,047

**Community Development:**

Open Space Purchases		920,564
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**Debt Service:**

Principal		56,822
Interest		315
		1,871,940

**FUND BALANCE - DECEMBER 31, 2015** **\$ 5,634,342**

**LOWER SAUCON TOWNSHIP**  
**Capital Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance -**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

**FUND BALANCE (RESTATED) - JANUARY 1, 2015** **\$ 2,502,740**

**REVENUES RECEIVED**

Investment Earnings	\$ 3,416	
<b>Other Financing Sources:</b>		
Sale of Fixed Assets	30,150	
Transfer from Other Funds	59,521	93,087
<b>TOTAL FUNDS AVAILABLE</b>		<b>2,595,827</b>

**EXPENDITURES PAID**

<b>General Government:</b>		
Bank Fees	40	
<b>Public Safety:</b>		
Vehicle Purchases	65,220	
<b>Public Works:</b>		
Vehicle Purchases	223,752	
Storm Water Improvements	30,362	
Road Improvements	12,527	
<b>Culture and Recreation:</b>		
Park Improvements	4,304	
Historical Building Improvements	14,353	350,558

**FUND BALANCE - DECEMBER 31, 2015** **\$ 2,245,269**

**Developers Escrow Fund**  
**Statement of Additions Received and Deductions Paid**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2015**

**DUE TO DEVELOPERS/GENERAL FUND - JANUARY 1, 2015** **\$ 221,721**

**ADDITIONS RECEIVED:**

Receipts from Developers	371,023	
Interest Earnings	-	371,023

**DEDUCTIONS PAID:**

Legal	20,086	
Consulting Fees	39,867	
Engineering	57,789	
Township Expenses	3,480	
Applicant Refunds	195,352	
Miscellaneous	-	
<b>TOTAL DEDUCTIONS PAID</b>		<b>316,574</b>

**DUE TO DEVELOPERS/GENERAL FUND - DECEMBER 31, 2015** **\$ 276,170**