

**REPORT ON
LOWER SAUCON TOWNSHIP
BETHLEHEM, PA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

LOWER SAUCON TOWNSHIP
Financial Statements - Modified Cash Basis
For the Fiscal Year Ended December 31, 2013

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LOWER SAUCON TOWNSHIP

Financial Statements - Modified Cash Basis

For the Fiscal Year Ended December 31, 2013

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FINANCIAL SECTION



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

July 3, 2014

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, 2013, 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, 2013, 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 July 3, 2014, 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,

Craig W. Gilliland III CPA

July 3, 2014

LOWER SAUCON TOWNSHIP
Bethlehem, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended December 31, 2013

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, 2013. 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 \$1,136,301 including special and extraordinary items.

During the year, the Township reduced the amount of their debt by \$692,314.

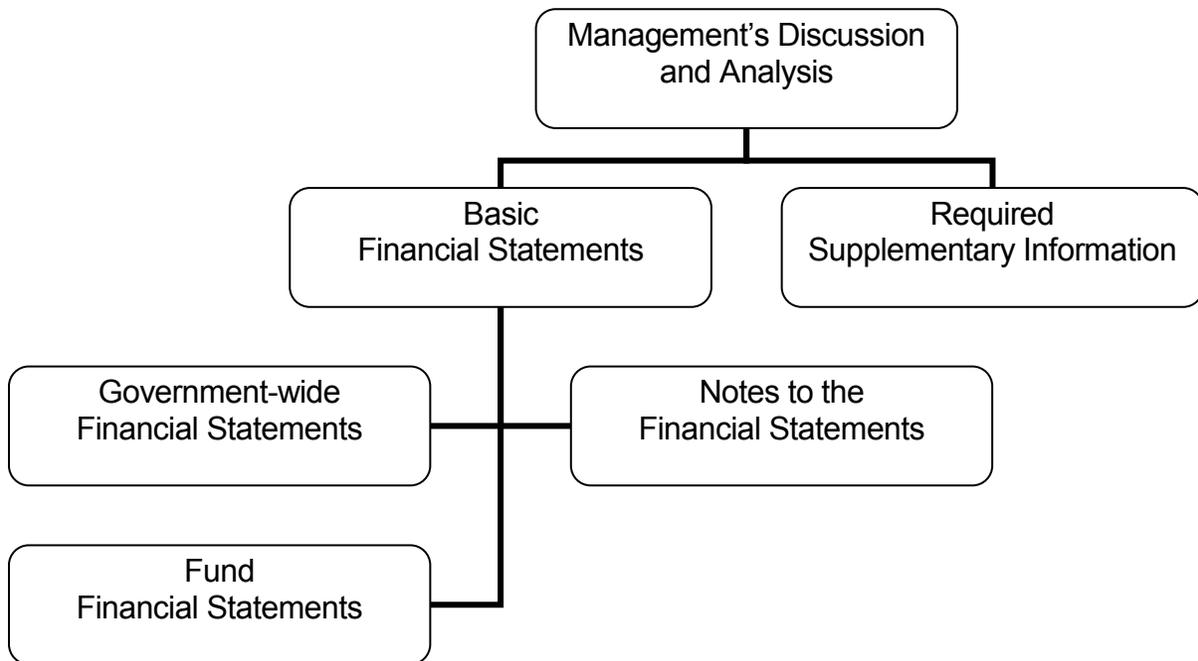
LOWER SAUCON TOWNSHIP
Management's Discussion and Analysis (MD&A)

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)

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)

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 15, 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)

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 \$11,220,958 at December 31, 2013.

Table A-1
Year Ended December 31, 2013 and 2012
Net Position

	2013			2012		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current and Other Assets	<u>\$ 11,225,725</u>	<u>\$ -</u>	<u>\$ 11,225,725</u>	<u>\$ 10,089,407</u>	<u>\$ -</u>	<u>\$ 10,089,407</u>
Current and Other Liabilities	<u>\$ 4,767</u>	<u>\$ -</u>	<u>\$ 4,767</u>	<u>\$ 4,750</u>	<u>\$ -</u>	<u>\$ 4,750</u>
Net Position						
Capital Projects	\$ 1,817,456	\$ -	\$ 1,817,456	\$ 1,611,174	\$ -	\$ 1,611,174
Unrestricted	9,403,502	-	9,403,502	8,473,483	-	8,473,483
Total Net Position	<u>\$ 11,220,958</u>	<u>\$ -</u>	<u>\$ 11,220,958</u>	<u>\$ 10,084,657</u>	<u>\$ -</u>	<u>\$ 10,084,657</u>

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 14. 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, 2013 and 2012
Change in Net Position

	2013			2012		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 2,421,071	\$ -	\$ 2,421,071	\$ 2,295,780	\$ -	\$ 2,295,780
Operating Grants and Contributions	642,433	-	642,433	657,409	-	657,409
Capital Grants and Contributions	350,762	-	350,762	354,470	-	354,470
<i>General Revenues</i>						
Property Taxes	1,944,169	-	1,944,169	1,834,639	-	1,834,639
Other Taxes	3,810,034	-	3,810,034	3,736,429	-	3,736,429
Investment Earnings	20,064	-	20,064	22,649	-	22,649
Other Revenue	140,151	-	140,151	184,926	-	184,926
Total Revenue	9,328,684	-	9,328,684	9,086,302	-	9,086,302
Expenses						
<i>Governmental Activities</i>						
General Government	1,163,919	-	1,163,919	1,361,230	-	1,361,230
Public Safety	2,383,765	-	2,383,765	2,278,509	-	2,278,509
Public Works	1,025,687	-	1,025,687	1,189,952	-	1,189,952
Culture and Recreation	1,250,440	-	1,250,440	891,008	-	891,008
Insurance	254,272	-	254,272	261,766	-	261,766
Employee Benefits	1,245,856	-	1,245,856	1,187,055	-	1,187,055
Debt Service Payments	868,444	-	868,444	868,444	-	868,444
Other Expenses	-	-	-	-	-	-
Total Expenses	8,192,383	-	8,192,383	8,037,964	-	8,037,964
Increase in Net Position	\$ 1,136,301	\$ -	\$ 1,136,301	\$ 1,048,338	\$ -	\$ 1,048,338

DEBT ADMINISTRATION

As of January 1, 2013, the Township had a total outstanding debt of \$4,697,161. During the year, the Township paid principal of \$692,314 resulting in ending outstanding debt as of December 31, 2013, of \$4,004,847.

Table A-3
Outstanding Debt

	2013	2012
General Obligation Note – Series 2001	\$ 801,732	\$ 1,051,658
General Obligation Note – Series 2005	2,116,735	2,426,095
General Obligation Note – Series 2006	1,086,380	1,219,408

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

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 2013 and 2012

	2013			Variances with Final Budget Positive (Negative)
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	
Revenues	\$ 9,011,361	\$ 9,011,361	\$ 8,919,552	\$ (91,809)
Expenditures	16,035,458	16,035,458	8,068,316	7,967,142
Net Change in Fund Balance	(7,024,097)	(7,024,097)	851,236	7,875,333
Fund Balance – January 1, 2013	7,024,097	7,024,097	7,586,103	562,006
Fund Balance – December 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>8,437,339</u>	<u>\$ 8,437,339</u>

	2012			Variances with Final Budget Positive (Negative)
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	
Revenues	\$ 9,005,139	\$ 9,005,139	\$ 8,663,286	\$ (341,853)
Expenditures	14,641,386	14,641,386	7,554,192	7,087,194
Net Change in Fund Balance	(5,636,247)	(5,636,247)	1,109,094	6,745,341
Fund Balance – January 1, 2012	5,636,247	5,636,247	6,477,009	840,762
Fund Balance – December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,586,103</u>	<u>\$ 7,586,103</u>

Economic Factors and Next Year's Budgets and Rates

The following capital improvements were started or completed in 2013.

Continued support to Local Volunteer Fire Companies - \$200,000.

Purchase of three (3) Police Cruisers and supporting equipment - \$107,696 (partial NCGRERA Funding and insurance funding)

Installed battery back-up generators in traffic lights in Lower Saucon Township -\$53,459 (NCGRERA Funding)

Made repairs to Pavilion at Town Hall Park - \$3,500.

Finished naturalized meadow at Polk Valley Park - \$6,720. (DCNR grant)

Finished construction at Kingston Park with walkway, pavilion and composting restroom (partial funding through DCNR - \$110,880.

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

Prepared roads for repaving in Lower Saucon - \$67,740.

Repaired culvert at Black River Road (FEMA approved) and stabilized stream embankment on Meadows Road - \$29,683.

Purchase of three parcels adjacent to Polk Valley Park; 18.12 acres - \$743,474.

The Township did not experience any significant growth in its real estate tax base in 2013, (2,598,200 resulting in an \$11,406 increase in revenue). However taxes were increased by .25 following the enactment of a fire tax. This fire tax is dedicated to assisting our three volunteer fire companies with the purchase of needed fire equipment. Revenue received from this tax amounted to \$105,450. The Township continues to meet with the fire companies to ascertain their needs and, in the future, based on their progress with mergers or consolidation, may utilize the fire tax revenue to further assist them with funding in the form of loans, municipal leases, or out-right purchases of fire equipment.

For General operating purposes the real estate tax revenue only increased .2% and Local Enabling Tax increased 1.9%. The continuation of stagnant revenues and increases in fixed expenditures are expected to continue in 2014. Subdivisions that have received approval from the township have not commenced any construction due to these market conditions. As expected, developers are delaying building or have filed for bankruptcy protection. Due to the mortgage crisis, Northampton County has seen an increase in assessment appeals and sheriff sales. Depending on the courts determination, any increase we may see in assessments due to new construction could be offset by lowered assessment values through these appeals.

Management is not only looking into the revenue received, but also the expenses paid. One of those expenses is Lower Saucon Township's library services. After a task force review and public discussions, Council opted to discontinue an agreement for library services at the Bethlehem Area Library and forged a consolidation with Hellertown Borough to begin using the Hellertown Area Library as of January 2014. After the first two years of capital improvements that the Township agreed to contribute toward as part of the consolidation, the Township will begin seeing an annual savings of \$90,000 to \$100,000 in the cost of providing library services to our residents.

The major issue facing the Township is the potential closing of landfill operations, resulting in an approximate \$2,000,000 loss annually. Management has attempted steps in a mix of increasing revenue (2008 – 2013) and decreasing and delaying expenses to mitigate the potential loss. These attempts were negated by the on-going real estate crisis since 2009, forcing the Township to once again rely on some of the tipping fee revenue to cover potential operating costs that will not decrease such as fuel and medical costs. The overall extent of this usage is what was essentially lost in real estate transfer tax .75 to 1 mill.

In 2013 Lower Saucon Township created an Economic Development Task Force with the goal of increasing the Township's tax base and employment opportunities for Township residents. The Task Force will present a report to the Township Council this October that will identify and recommend goals, strategies and plans that will attract and retain an appropriate mix of business in the Township.

Additionally in 2013, the Township retained the services of an area accounting firm to review the Township's budget process and make recommendations for improvements to the budget documents and methodology. The process goal is to simplify the budget due to citizens' comments describing their difficulty understanding our current budget structure. Promoting understanding of our budget and budgetary issues and constraints is integral to providing an effective government budgeting process.

Despite these challenges, the Township did maintain a surplus of \$185,562 and were able to allocate another \$600,000 our Operational Reserve and Capital Funds.

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

In comparison to 2012, the Township's general budget for 2013 decreased from \$6,970,394 to \$6,798,328 primarily due to the availability of the surplus fund balance and through paring of non-essential expenditures. The non-uniform and uniformed contracts are up for renewal in 2014 and 2015. Management continues to maintain a slow rate of growth in personnel expenditure costs. With improvements in our pension fund investments, as of the 2013 ACT 205 filing the Township pension plans have an unfunded balance of \$811,478. It is Management's hope to limit the Township's future liability exposure in our pension plans as well as our medical coverage and develop options mutually agreed upon. These two expenses alone account for 17% of the Townships annual budget for 2013.

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, Jack Cahalan, 3700 Old Philadelphia Pike, Bethlehem, PA 18015, phone (610)-865-3291, email: manager@lowersaucontownship.org.

BASIC FINANCIAL STATEMENTS

LOWER SAUCON TOWNSHIP
Statement of Net Assets – Modified Cash Basis
As of December 31, 2013

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 10,011,518	\$ -	\$ 10,011,518	\$ 2,595,888
Investments	1,204,207	-	1,204,207	1,026,249
Internal Balances	-	-	-	-
Other Receivables	10,000	-	10,000	-
TOTAL CURRENT ASSETS	11,225,725	-	11,225,725	3,622,137
NON-CURRENT ASSETS:				
Restricted Cash and Cash Equivalents	-	-	-	36,637
TOTAL NON-CURRENT ASSETS	-	-	-	36,637
TOTAL ASSETS	\$ 11,225,725	\$ -	\$ 11,225,725	\$ 3,658,774
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
CURRENT LIABILITIES:				
Internal Balances	\$ -	\$ -	\$ -	-
Other Payables	4,767	-	4,767	-
Due to Developers	-	-	-	36,729
Total Current Liabilities	4,767	-	4,767	36,729
TOTAL LIABILITIES	4,767	-	4,767	36,729
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
NET POSITION				
Reserved for Capital Projects	1,817,456	-	1,817,456	-
Unrestricted	9,403,502	-	9,403,502	3,622,045
TOTAL NET POSITION	\$ 11,220,958	\$ -	\$ 11,220,958	\$ 3,622,045

(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, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 1,163,919	\$ 129,638	\$ 1,750	\$ -	\$ (1,032,531)	\$ -	\$ (1,032,531)	
Public Safety	2,383,765	75,980	214,673	-	(2,093,112)	-	(2,093,112)	
Public Works	1,025,687	2,095,457	209,226	350,762	1,629,758	-	1,629,758	
Culture and Recreation	1,250,440	22,345	26,450	-	(1,201,645)	-	(1,201,645)	
Miscellaneous	-	-	-	-	-	-	-	
Insurance	254,272	-	-	-	(254,272)	-	(254,272)	
Employee Benefits	1,245,856	97,651	190,334	-	(957,871)	-	(957,871)	
Debt Service	868,444	-	-	-	(868,444)	-	(868,444)	
TOTAL GOVERNMENTAL ACTIVITIES	8,192,383	2,421,071	642,433	350,762	(4,778,117)	-	(4,778,117)	
BUSINESS-TYPE ACTIVITIES:								
No Activities	-	-	-	-	-	-	-	
TOTAL PRIMARY GOVERNMENT	\$ 8,192,383	\$ 2,421,071	\$ 642,433	\$ 350,762	\$ (4,778,117)	\$ -	\$ (4,778,117)	
COMPONENT UNITS:								
Lower Saucon Authority	\$ 1,483,048	\$ 1,730,183	\$ -	\$ -				\$ 247,135
GENERAL REVENUES:								
Property Taxes Levied for General Purposes, Net					\$ 1,944,169	\$ -	\$ 1,944,169	\$ -
Other Taxes for General Purposes					3,810,034	-	3,810,034	-
Grants, Subsidies, & Contributions Not Restricted					-	-	-	-
Investment Earnings					20,064	-	20,064	7,534
Miscellaneous Income					139,904	-	139,904	11,875
Sale of Fixed Assets					247	-	247	-
Transfers					-	-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					5,914,418	-	5,914,418	19,409
CHANGE IN NET POSITION					1,136,301	-	1,136,301	266,544
NET POSITION - BEGINNING					10,084,657	-	10,084,657	3,355,501
NET POSITION - ENDING					\$ 11,220,958	\$ -	\$ 11,220,958	\$ 3,622,045

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, 2013

	<u>GENERAL</u>	<u>STATE LIQUID FUELS FUND</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,524,531	\$ 966,163	\$ 1,520,824	\$ 10,011,518
Investments	903,155	-	301,052	1,204,207
Due from Other Funds	10,000	-	-	10,000
Other Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 8,437,686</u>	<u>\$ 966,163</u>	<u>\$ 1,821,876</u>	<u>\$ 11,225,725</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Other Payables	347	-	4,420	4,767
TOTAL LIABILITIES	<u>347</u>	<u>-</u>	<u>4,420</u>	<u>4,767</u>
<u>FUND BALANCES:</u>				
- Nonspendable	-	-	-	-
- Restricted	121,859	966,163	-	1,088,022
- Committed	-	-	-	-
- Assigned	-	-	1,817,456	1,817,456
- Unassigned	8,315,480	-	-	8,315,480
TOTAL FUND BALANCES	<u>8,437,339</u>	<u>966,163</u>	<u>1,817,456</u>	<u>11,220,958</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,437,686</u>	<u>\$ 966,163</u>	<u>\$ 1,821,876</u>	<u>\$ 11,225,725</u>

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, 2013

<u>REVENUES</u>	<u>GENERAL</u>	<u>STATE LIQUID FUELS FUND</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Taxes	\$ 5,653,343	\$ -	\$ -	\$ 5,653,343
Licenses and Permits	98,159	-	-	98,159
Fines and Forfeits	103,164	-	-	103,164
Intergovernmental	591,630	350,762	39,168	981,560
Charges for Services	2,298,992	-	16,040	2,315,032
Investment Earnings	15,521	1,533	3,010	20,064
Miscellaneous	41,935	-	-	41,935
TOTAL REVENUES	8,802,744	352,295	58,218	9,213,257
EXPENDITURES				
CURRENT:				
General Government	1,163,911	8	-	1,163,919
Public Safety	2,270,085	-	113,680	2,383,765
Public Works	725,862	273,504	26,321	1,025,687
Culture and Recreation	1,238,505	-	11,935	1,250,440
Miscellaneous	-	-	-	-
Insurance	254,272	-	-	254,272
Employee Benefits	1,245,856	-	-	1,245,856
DEBT SERVICE:				
Principal	692,315	-	-	692,315
Interest	176,129	-	-	176,129
TOTAL EXPENDITURES	7,766,935	273,512	151,936	8,192,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,035,809	78,783	(93,718)	1,020,874
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Outflows	116,808	-	-	116,808
Refund of Prior Year Inflows	(1,381)	-	-	(1,381)
Sale of Fixed Assets	-	-	-	-
Interfund Transfers In	-	-	300,000	300,000
Interfund Transfers Out	(300,000)	-	-	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	(184,573)	-	300,000	115,427
NET CHANGE IN FUND BALANCES	851,236	78,783	206,282	1,136,301
FUND BALANCES - BEGINNING	7,586,103	887,380	1,611,174	10,084,657
FUND BALANCES - ENDING	\$ 8,437,339	\$ 966,163	\$ 1,817,456	\$ 11,220,958

Reconciliation to Statement of Activities:

Amounts recorded for governmental activities in the statement of activities are the same as the amounts recorded in the statement of revenues, expenditures, and changes in fund balances of all governmental funds, since both 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 Assets – Modified Cash Basis
Fiduciary Funds
As of December 31, 2013

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 280,252
Investments	-
Due from Other Funds	-
Other Receivables	-
TOTAL ASSETS	<u>\$ 280,252</u>
LIABILITIES	
Due to Other Funds	\$ 10,000
Due to Developers	270,252
Pension Fund Liability	-
Accrued Investment Expense	-
TOTAL LIABILITIES	<u>280,252</u>
NET POSITION	
Unrestricted	-
TOTAL NET POSITION	<u>\$ -</u>

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

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, 2013

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO MODIFIED CASH DIFFERENCE	ACTUAL AMOUNTS MODIFIED CASH BASIS
	ORIGINAL	FINAL				
RESOURCES (INFLOWS):						
Taxes	\$ 5,242,100	\$ 5,242,100	\$ 5,653,343	\$ 411,243	\$ -	\$ 5,653,343
Licenses and Permits	96,150	96,150	98,159	2,009	-	98,159
Fines and Forfeits	98,732	98,732	103,164	4,432	-	103,164
Intergovernmental	552,000	552,000	591,630	39,630	-	591,630
Charges for Services	2,153,929	2,153,929	2,298,992	145,063	-	2,298,992
Miscellaneous	19,400	19,400	41,935	22,535	-	41,935
Interest Received	23,550	23,550	15,521	(8,029)	-	15,521
Refund of Prior Year Outflows	75,000	75,000	116,808	41,808	-	116,808
Sale of Fixed Assets	500	500	-	(500)	-	-
Transfers from Other Funds	750,000	750,000	-	(750,000)	-	-
TOTAL RESOURCES	9,011,361	9,011,361	8,919,552	(91,809)	-	8,919,552
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government:						
Legal	176,700	206,700	202,041	4,659	-	202,041
Mayor, Legislative, Borough Manager	298,140	298,140	285,062	13,078	-	285,062
Finance and Accounting	179,578	179,628	142,668	36,960	-	142,668
Data Processing	60,562	60,562	33,516	27,046	-	33,516
Engineering	146,500	165,500	187,388	(21,888)	-	187,388
Buildings and Plant	378,980	378,980	313,236	65,744	-	313,236
Public Safety:						
Police	1,602,580	1,657,780	1,689,576	(31,796)	-	1,689,576
Fire	355,202	355,202	406,448	(51,246)	-	406,448
Inspections	187,085	187,085	169,803	17,282	-	169,803
Crossing Guards	5,000	5,000	4,258	742	-	4,258
Public Works:						
Public Works Administration	109,527	109,527	62,527	47,000	-	62,527
Sanitation and Recycling	141,500	141,500	29,251	112,249	-	29,251
Street Maintenance and Lighting	697,990	697,990	634,084	63,906	-	634,084
Culture and Recreation:						
Parks	2,781,558	2,786,558	1,055,038	1,731,520	-	1,055,038
Library	183,467	183,467	183,467	-	-	183,467
Non-Departmental:						
Miscellaneous	46,300	46,300	-	46,300	-	-
Debt Service	877,598	877,598	868,444	9,154	-	868,444
Insurance	275,150	275,150	254,272	20,878	-	254,272
Employee Benefits	1,241,190	1,248,190	1,245,856	2,334	-	1,245,856
Contingencies	5,275,851	5,159,601	-	5,159,601	-	-
Refund of Prior Year Inflows	-	-	1,381	(1,381)	-	1,381
Transfer to Other Funds	1,015,000	1,015,000	300,000	715,000	-	300,000
TOTAL CHARGES TO APPROPRIATIONS	16,035,458	16,035,458	8,068,316	7,967,142	-	8,068,316
Excess (Deficiency) of Inflows Over Outflows	(7,024,097)	(7,024,097)	851,236	7,875,333	-	851,236
FUND BALANCE - JANUARY 1, 2013	7,024,097	7,024,097	7,586,103	562,006	-	7,586,103
FUND BALANCE - DECEMBER 31, 2013	\$ -	\$ -	\$ 8,437,339	\$ 8,437,339	\$ -	\$ 8,437,339

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

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2013

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, 2013

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 Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major equipment and facilities. The Township has three Capital Project Funds.

Special Revenue Fund

The Township has one major special revenue fund consisting of the State Liquid Fuels 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.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2013

- 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

The total taxable assessed real estate valuation for the year ended 2013 is \$445,003,300 at a rate of 4.39 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 lienied by January 1 of the following year.

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, 2013

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, 2013.

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.

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, 2013, \$11,106,515 of the Township's bank balance of \$11,606,515 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		11,106,515
TOTAL		<u>\$ 11,106,515</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	11,106,515
Plus: Insured Amount		500,000
Deposits in Transit		3,019
Less: Outstanding Checks		<u>(149,592)</u>
Carrying Amount – Bank Balance		11,459,942
Plus: Petty Cash		300
Deposits in Pooled Investments Considered Cash Equivalents		35,735
Less: Certificates of Deposit considered Investment by the Township		<u>(1,204,207)</u>
Total Cash per Financial Statements		<u>\$ 10,291,770</u>

Restricted Cash

The cash balance includes \$280,252 held as developer's escrow funds. These funds are held by the Township to guarantee the completion of various construction projects by the developers.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2013, \$3,127,648 of the Authority's bank balance of \$3,377,648 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		3,127,648
TOTAL	\$	3,127,648

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	3,127,648
Plus: Insured Amount		250,000
Less: Outstanding Checks		(31,624)
Plus: Deposits in Transit		-
Carrying Amount – Bank Balance		3,346,024
Plus: Petty Cash		700
Pooled Cash Equivalent in Enterprise Funds		312,050
Less: Certificates of Deposit considered Investment by the Authority		(1,026,249)
Total Cash per Financial Statements	\$	2,632,525

Restricted Cash

The cash balance includes \$36,637 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,
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.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

As of December 31, 2013, the Township had the following investments:

<u>Investments</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 35,735
Certificates of Deposit	1,204,207
TOTAL	\$ 1,239,942

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, 2013, the Township's investment in the PA Local Government Investment Trust was rated AAA by Standard & Poors.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. Of the Township's investments, 97.12% are in certificates of deposit at Lafayette Ambassador Bank. Of the Governmental Activities investments, 97.12% are in certificates of deposit at Lafayette Ambassador Bank. Of the Capital Projects Funds' investments, 93.18% are in certificates of deposit at Lafayette Ambassador Bank. Of the General Fund's investments, 99.99% are 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 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	\$ 1,239,942
Less: Deposits in Investment Pool Considered Cash Equivalents	(35,735)
Total Investments per Financial Statements	\$ 1,204,207

Component Unit

As of December 31, 2013, the Authority had the following investments:

Investment

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 312,050
Certificates of Deposit	12-18 Months	1,026,249
TOTAL		\$ 1,338,299

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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	\$ 1,338,299
Less: Deposits in Investment Pool Considered Cash Equivalents	(312,050)
Total Investments per Financial Statements	\$ 1,026,249

Note 6 – Long-Term Debt Commitments

Long-term liability balances and activity for the year ended December 31, 2013, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Debt:					
<i>Bonds and Notes Payable:</i>					
Capital Projects	\$ 4,697,161	-	692,314	4,004,847	719,919
Total Governmental Activities	\$ 4,697,161	\$ -	\$ 692,314	\$ 4,004,847	\$ 719,919

Payments on bonds and notes were made by the Landfill Revenue Fund.

Total interest paid during the year:

	Paid
Governmental Activities	
General Obligation Debt	\$ 176,129
Capital Leases	-
Short-Term Borrowings and Other Liabilities	-
TOTAL	\$ 176,129

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

Primary Government Debt

General Obligation Note - Series of 2001

On May 4, 2001, the Township issued a \$4,000,000 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this note was to finance the construction of the new township building facility. The original interest rate was 5.25%; however, effective November 12, 2011 the interest rate has been modified to 3.45%. The annual payment, effective December 31, 2013, is \$286,768. The future debt service obligations are:

Fiscal Year	Principal	Interest
2014	\$ 258,664	\$ 28,104
2015	267,712	19,056
2016	275,356	11,412
Total Outstanding	\$ 801,732	\$ 58,572

General Obligation Note – Series of 2005

On May 13, 2005, the Township issued a \$4,650,000 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this note is (1) to refinance the existing General Obligation Note – Series of 2002, and (2) to acquire real property and make land improvements for recreational facilities. The effective interest rate is 3.55% for the initial sixty (60) months and to be reset by the bank at 65% of the prime rate for the remaining loan term never to exceed 6.0%. On May 20, 2010, the effective interest rate on this General Obligation Note was reset to 3.78%. The loan term was adjusted from 10 years to 15 years on November 16, 2005. The current annual payment is \$402,215. The future debt service obligations are:

Fiscal Year	Principal	Interest
2014	\$ 322,422	\$ 79,793
2015	334,390	67,825
2016	346,879	55,336
2017	360,142	42,073
2018	373,756	28,459
2019	379,146	14,332
Total Outstanding	\$ 2,116,735	\$ 287,818

General Obligation Note – Series of 2006

On January 10, 2006, the Township issued a \$2,000,000 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this note is to acquire real property and make land improvements for recreational facilities. The effective interest rate is 4.25% for the initial sixty (60) months and to be reset by the bank at 65% of the prime rate for the remaining loan term never to exceed 6%. On February 19, 2011, the effective interest rate on this General Obligation Note was modified to 3.75%. The loan term is 15 years. The current annual payment is \$179,460.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

The future debt service obligations are:

Fiscal Year	Principal	Interest
2014	\$ 138,833	\$ 40,627
2015	143,927	35,533
2016	149,242	30,218
2017	154,921	24,539
2018	160,731	18,729
2019-2020	338,726	19,171
Total Outstanding	\$ 1,086,380	\$ 168,817

Alternative/Clean Energy Program Note

On January 28, 2011, the Township issued a General Obligation Note in the amount of \$87,748 for the purpose of modifying the Township buildings to be energy efficient. The Note was approved and purchased by the Pennsylvania Commonwealth Financing Authority as a 10 year loan at a fixed rate of 1%. The Township is to submit invoices associated with this energy project to the Authority for reimbursement and drawdown of loan funds. As of December 31, 2013, no invoices have been paid or submitted to the Authority. As a result, the liability related to this Note is \$0 at December 31, 2013.

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years are:

FISCAL YEAR	PRINCIPAL REQUIREMENTS			TOTAL PAYMENTS
	PRIMARY GOVERNMENT			
	G.O.N. SERIES 2001	G.O.N. SERIES 2005	G.O.N. SERIES 2006	
2014	\$ 258,664	\$ 322,422	\$ 138,833	\$ 719,919
2015	267,712	334,390	143,927	746,029
2016	275,356	346,879	149,242	771,477
2017	-	360,142	154,921	515,063
2018	-	373,756	160,731	534,487
2019 TO 2020	-	379,146	338,726	717,872
TOTAL	801,732	2,116,735	1,086,380	4,004,847
LESS PAYABLE WITHIN ONE YEAR	258,664	322,422	138,833	719,919
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 543,068	\$ 1,794,313	\$ 947,547	\$ 3,284,928

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

Combined Long-Term Debt (Cont.)

PRINCIPAL AND INTEREST REQUIREMENTS				
PRIMARY GOVERNMENT				
FISCAL YEAR	G.O.N. SERIES 2001	G.O.N. SERIES 2005	G.O.N. SERIES 2006	TOTAL PAYMENTS
2014	\$ 286,768	\$ 402,215	\$ 179,460	\$ 868,443
2015	286,768	402,215	179,460	868,443
2016	286,768	402,215	179,460	868,443
2017	-	402,215	179,460	581,675
2018	-	402,215	179,460	581,675
2019 TO 2020	-	393,478	357,897	751,375
TOTAL	\$ 860,304	\$ 2,404,553	\$ 1,255,197	\$ 4,520,054

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 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.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2011. As of January 1, 2011, 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.

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, 2013:

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
TOTAL	<u>24</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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	\$ 82,475
Contributions made	82,475

Three-Year Trend Information

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	\$ 91,646	100%	-
12/31/2012	86,983	100%	-
12/31/2013	82,475	100%	-

The required annual contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2011 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, 2013 were 6-14 years.

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 97.0% funded. The actuarial accrued liability for benefits was \$1,466,945 and the actuarial value of the assets was \$1,422,701, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,244. The covered payroll (annual payroll of active employees covered by the plan) was \$903,029 and the ratio of the UAAL to the covered payroll was 4.9%.

As a result of the plan being 89.2% funded at January 1, 2011, the plan is considered to be in minimal distress. As a result of this designation, the Township has chosen to utilize a valuation method for valuing assets that produce a result that is between 80% and 120% of fair value for the valuations dated January 1, 2013. However, this did not affect the January 1, 2013 valuation as the actuarial value is only 103.4% of market value at January 1, 2013.

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, 2013

Changes in Net Assets

<u>REVENUES</u>	
State Aid	\$ 81,572
Employee Contributions	3,716
Employer Contributions	13,054
Investment Income Net of Investment Fees	23,380
Realized Gains on Investment Sales	50,386
Unrealized Loss on Investments	<u>142,387</u>
TOTAL REVENUE	\$ 314,495
<u>EXPENDITURES</u>	
Pension Payments	776
Administrative Fees	<u>13,424</u>
TOTAL EXPENDITURES	<u>14,200</u>
 Change in Net Assets	 300,295
Net Assets January 1, 2013	<u>1,374,692</u>
Net Assets December 31, 2013	<u>\$ 1,674,987</u>

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 and expenses are recognized when due and payable in accordance with the terms of the plan. Benefit

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2011. 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, 2013:

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

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	\$ 258,715
Contributions made	258,715

Three-Year Trend Information for the Police Pension Plan

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	\$ 183,105	100%	-
12/31/2012	256,470	100%	-
12/31/2013	258,715	100%	-

The required annual contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2011 included (a) 7.0% rate of return, and (b) projected salary increases of 4.0% which does

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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, 2013 were 8-15 years.

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 85.6% funded. The actuarial accrued liability for benefits was \$5,323,791 and the actuarial value of the assets was \$4,556,557, resulting in an unfunded actuarial accrued liability (UAAL) of \$767,234. The covered payroll (annual payroll of active employees covered by the plan) was \$1,085,736 and the ratio of the UAAL to the covered payroll was 70.7%.

As a result of the plan being 82.0% funded at January 1, 2011, the plan is considered to be in minimal distress. As a result of this designation, the Township has chosen to utilize a valuation method for valuing assets that produces a result that is between 80% and 120% of fair value for the valuations dated January 1, 2013. However, this has no effect on the January 1, 2013 valuation as the actuarial value is 103.1% of the market value at January 1, 2013.

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.

REVENUES

State Aid	\$	108,762	
Employer Contributions		183,127	
Employee Contributions		24,439	
Investment Income Net of Investment Fees		73,818	
Miscellaneous Income		-	
Realized Gains on Investment Sales		158,522	
Unrealized Loss on Investments		448,948	
TOTAL REVENUE			\$ 997,616

EXPENDITURES

Pension Payments		203,405	
Administrative Fees		36,572	
TOTAL EXPENDITURES			239,977

Change in Net Assets		757,639	
Net Assets January 1, 2013			4,418,355
Net Assets December 31, 2013			<u>\$ 5,175,994</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

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.

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, Payables, and Transfers

The following schedule represents the interfund receivables and payables at December 31, 2013.

	Interfund Receivables	Interfund Payables
General Fund	\$ 10,000	\$ -
Agency (Developer Escrow) Fund	-	10,000
TOTAL	\$ 10,000	\$ 10,000

The following schedule represents the interfund transfers in and out during the 2013 year.

Interfund Transfers

	Transfer In	Transfer Out
General Fund	\$ -	\$ 300,000
Capital Project (Capital) Fund	300,000	-
TOTAL	\$ 300,000	\$ 300,000

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2013

Note 11 – Fund Balance

Detailed information about aggregated fund balances:

Assigned Fund Balances

Capital Fund	\$ 1,662,114
Polk Valley Park Fund	120,026
Land Acquisition and Parks Fund	35,316
TOTAL CAPITAL PROJECTS FUNDS	\$ 1,817,456

Restricted Fund Balances

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

Fire Equipment Replacement	\$ 121,859
State Liquid Fuels Fund	\$ 966,163
TOTAL	\$ 1,088,022

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 – Subsequent Events

The subsequent events have been evaluated through July 3, 2014, which is the date of the financial statements were available to be issued.



HUTCHINSON, GILLAHAN & FREEH, P.C.

ACCOUNTANTS, AUDITORS & CONSULTANTS

July 3, 2014

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, 2013, which collectively comprise the Lower Saucon Township's basic financial statements and have issued our report thereon dated July 3, 2014. 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 July 3, 2014.

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,

Craig W. Gillahan II CPA

July 3, 2014

REQUIRED SUPPLEMENTAL INFORMATION

LOWER SAUCON TOWNSHIP
Pension Funds
Required Supplemental Information
December 31, 2013

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	FUNDED (UNFUNDED) AAL	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
NON-UNIFORMED PENSION PLAN						
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%
POLICE PENSION PLAN						
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%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

NON-UNIFORMED PENSION PLAN				POLICE PENSION PLAN		
YEAR ENDED DECEMBER 31,	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED
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%

OTHER SUPPLEMENTAL INFORMATION

LOWER SAUCON TOWNSHIP
Combining Balance Sheet - Modified Cash Basis
All Capital Project Funds
For the Year Ended December 31, 2013

	CAPITAL PROJECT FUNDS			TOTAL
	CAPITAL FUND	POLK VALLEY PARK FUND	LAND ACQUISITION AND PARKS FUND	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,365,482	\$ 120,026	\$ 35,316	\$ 1,520,824
Investments	301,052	-	-	301,052
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ 1,666,534	\$ 120,026	\$ 35,316	\$ 1,821,876
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Other Payables	\$ 4,420	\$ -	\$ -	\$ 4,420
TOTAL LIABILITIES	4,420	-	-	4,420
<hr style="border-top: 1px dashed black;"/>				
FUND BALANCES:				
Assigned	1,662,114	120,026	35,316	1,817,456
TOTAL FUND BALANCES	1,662,114	120,026	35,316	1,817,456
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,666,534	\$ 120,026	\$ 35,316	\$ 1,821,876

LOWER SAUCON TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Modified Cash Basis
All Capital Project Funds
For the Year Ended December 31, 2013

	CAPITAL PROJECT FUNDS			TOTAL
	POLK VALLEY		LAND	
	CAPITAL FUND	PARK FUND	ACQUISITION AND PARKS FUND	
REVENUES				
Investment Earnings	\$ 2,818	\$ 155	\$ 37	\$ 3,010
Developers Fees	2,800	13,240	-	16,040
Casino Impact Fees	-	-	-	-
Alternative Fuels Incentive Grant	29,168	-	-	29,168
State Grants	-	10,000	-	10,000
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>34,786</u>	<u>23,395</u>	<u>37</u>	<u>58,218</u>
EXPENDITURES				
Public Safety	113,680	-	-	113,680
Public Works	26,321	-	-	26,321
Culture and Recreation	-	9,989	1,946	11,935
Community Development	-	-	-	-
TOTAL EXPENDITURES	<u>140,001</u>	<u>9,989</u>	<u>1,946</u>	<u>151,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(105,215)</u>	<u>13,406</u>	<u>(1,909)</u>	<u>(93,718)</u>
OTHER FINANCING SOURCES				
Sale of Fixed Assets	-	-	-	-
Transfers In	300,000	-	-	300,000
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
NET CHANGE IN FUND BALANCE	194,785	13,406	(1,909)	206,282
FUND BALANCES - BEGINNING	<u>1,467,329</u>	<u>106,620</u>	<u>37,225</u>	<u>1,611,174</u>
FUND BALANCES - ENDING	<u>\$ 1,662,114</u>	<u>\$ 120,026</u>	<u>\$ 35,316</u>	<u>\$ 1,817,456</u>

INDIVIDUAL FUND STATEMENTS

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, 2013

REVENUES RECEIVED

TAXES:

Real Estate Taxes - Current	\$	1,855,241	
Real Estate Taxes - Prior		25,286	
Real Estate Taxes - Current Interims		2,586	
Real Estate Taxes - Prior Interims		475	
Real Estate Taxes - Delinquent		61,962	
Real Estate Transfer Taxes		353,903	
Earned Income Taxes - Current		2,002,762	
Earned Income Taxes - Prior		1,301,489	
Emergency Municipal Service Tax - Current		34,460	
Emergency Municipal Service Tax - Prior		15,179	
		15,179	\$ 5,653,343

LICENSES AND PERMITS:

Franchise Fee Cable	95,284	
Junkyard Licenses	1,000	
Road Encroachment Permits	1,665	
Moving Permits	210	
	210	98,159

FINES AND FORFEITS:

Motor Vehicle Violations	64,733	
Fines	21,263	
Ordinance Violations	6,030	
Crimes Code Violations	9,973	
Parking Tickets	1,165	
	1,165	103,164

INTERGOVERNMENTAL:

State Grants	190,358	
Local Government Unit Shared Payments	16,450	
Beverage Licenses	1,750	
Federal Grants	79,340	
Public Utility Realty Tax	6,957	
Pension State Aid	190,334	
Allotment - Fireman's Relief	106,441	
	106,441	591,630

CHARGES FOR SERVICES:

Zoning Permits	6,545	
Subdivision Fees	1,010	
Tax Collection Services	12,380	
Duplicate Tax Bill Fees	990	
Police Services	56,664	
Accident Report Requests	2,937	
Incident Report Fees	447	
Administrative Income	2,674	
Security Alarm Fees	1,255	
Building Permits	14,677	
Sanitation Permits	42,095	
State UCC Fees	612	
Highway and Street Charges	16,134	
Health Insurance Charges	97,651	
Landfill Host Fees	2,030,324	
Recreation Fees	6,305	
BRE Sales	6,292	
	6,292	2,298,992

INVESTMENT EARNINGS:

Interest Income		15,521
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MISCELLANEOUS:

Miscellaneous	21,993	
Donations	19,942	
	19,942	41,935

TOTAL REVENUE RECEIVED	\$	8,802,744
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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, 2013

EXPENDITURES PAID

GENERAL GOVERNMENT

LEGAL:

Solicitor \$ 202,041

MAYOR, LEGISLATIVE, TOWNSHIP MANAGER:

Salary 223,587
 Payroll Taxes 16,525
 General Expense 7,735
 Grant Expenditures 16,943
 Other Expense 5,341
 Advertising, Printing and Postage 12,280
 Equipment 2,651

FINANCE AND ACCOUNTING:

Salary 94,801
 Payroll Taxes 7,253
 Payroll Services 4,244
 Auditing 16,300
 Bank Services 1,116
 Office Materials/Supplies 10,141
 Tax Collection Services 545
 Real Estate Tax Prep/Mailing 7,560
 General Expense 708
 Contracted Services -

DATA PROCESSING:

Salary 3,000
 Payroll Taxes 230
 Website Operation/Maintenance 3,600
 Office Equipment Maintenance 9,365
 Equipment - Capital 6,242
 Software Licenses 11,079

ENGINEER:

Engineering Services 80,417
 Consulting Fees 17,138
 Appraisal Fees 7,200
 Sewage Enforcement Officer 82,633

BUILDINGS AND PLANT:

Salary 4,676
 Building Materials/Supplies 3,692
 Heating Oil/Diesel Fuel 59,850
 Gasoline 84,448
 Oils/Lubricants 2,824
 Communication Expense 33,065
 Utilities 66,404
 Maintenance/Repairs 44,240
 Equipment Rental 14,037 \$ 1,163,911

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, 2013

PUBLIC SAFETY

POLICE:

Salary of Policemen	\$	1,278,075
Overtime		119,514
Salary of Clerical		79,328
Payroll Taxes		112,997
Uniforms		11,104
Firearms Ammunition		7,414
Advertising/Printing		692
Investigation Expense		1,365
Communication Equipment		1,447
Equipment Maintenance		15,117
General Expenses		6,015
Vehicle Maintenance and Repairs		13,412
Equipment - Capital		26,329
Equipment - Non-Capital		10,073
Training		6,694

FIRE:

Contribution to Fire Co.	200,000
Fireman's Relief	106,441
Contribution to Dewey Ambulance	15,000
Hydrant/Water Service	20,592
Equipment - Capital	53,459
General Expenses	10,956

INSPECTIONS:

Zoning and Administration	69,310
Salary of Clerical	42,392
Payroll Taxes	8,392
Consulting Services	35,714
Advertising/Printing	4,494
Township Newsletter	7,892
Seminars	200
Vehicle Maintenance and Repairs	361
General Expenses	1,048

OTHER PUBLIC SAFETY:

Crossing Guards	4,258	\$	2,270,085
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PUBLIC WORKS

PUBLIC WORKS ADMINISTRATION:

Salary	62,527
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SANITATION:

Recycling Collection and Disposal	29,251
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STREET MAINTENANCE AND LIGHTING:

Salaries - Highways and Streets	405,425
Overtime	42,462
Payroll Taxes	39,584
Road Materials	97,423
Materials/Supplies	10,683
Traffic Sign Maintenance	4,918
Vehicle Maintenance	11,189
Equipment Rental	1,018
General Expenses	6,666
Equipment - Non-Capital	14,716
	725,862

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, 2013

CULTURE AND RECREATION

PARKS AND POOL:

Maintenance/Repairs	\$	14,845	
General Expenses		5,264	
Contracted Services		74,204	
Joint Recreation Contribution		23,046	
Senior Program		16,139	
Pool Pass Reimbursement		9,325	
Engineering Services		17,597	
Construction and Improvements		148,457	
Equipment		2,067	

LIBRARY:

Contribution	183,467	\$	494,411
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CONSERVATION OF NATURAL RESOURCES

Open Space Purchases	743,997		
Supplies	50		
Dues and Subscriptions	47		744,094

DEBT SERVICE

Debt Principal Payments	692,315		
Debt Interest Payments	176,129		868,444

INSURANCE

Business Insurance	53,662		
Vehicle Insurance	21,813		
Workmen's Compensation	178,797		254,272

EMPLOYEE BENEFITS

Dental Insurance	22,467		
Hospitalization Insurance	744,271		
Group Term Life Insurance	6,458		
Unemployment Compensation	23,797		
Other Benefits	27,608		
Income Protection	16,848		
Pension Administration Fees	63,217		
Minimum Pension Oblig - Nonuniform	82,475		
Minimum Pension Oblig - Police	258,715		1,245,856

TOTAL EXPENDITURES PAID

7,766,935

**EXCESS OF REVENUES RECEIVED OVER
EXPENDITURES PAID**

1,035,809

**OTHER FINANCING SOURCES RECEIVED AND
OTHER FINANCING USES PAID**

Refund of Prior Year Expenditures	\$	116,808	
Refund of Prior Year Revenue		(1,381)	
Interfund Transfers In		-	
Interfund Transfers Out		(300,000)	(184,573)

NET CHANGE IN FUND BALANCES

\$ 851,236

FUND BALANCE - JANUARY 1, 2013

7,586,103

FUND BALANCE - DECEMBER 31, 2013

\$ 8,437,339

LOWER SAUCON TOWNSHIP
State Liquid Fuels Fund
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –
Modified Cash Basis
For the Year Ended December 31, 2013

FUND BALANCE - JANUARY 1, 2013 \$ 887,380

REVENUES RECEIVED

Intergovernmental:

Motor Vehicle Fuel Taxes \$ 350,762

Investment Income:

Interest Earnings 1,533

Miscellaneous:

Miscellaneous Income -

352,295

TOTAL FUNDS AVAILABLE 1,239,675

EXPENDITURES PAID

General Government:

Administration 8

Public Works:

Traffic Sign 1,877

Vehicle M/R 19,769

Snow Removal Materials 86,283

Roads/Street/Signs/Markings 12,897

Street Lighting 34,372

Road Materials/Supplies 961

Road Project 117,345

Miscellaneous:

Contingencies - 273,512

FUND BALANCE - DECEMBER 31, 2013 **\$ 966,163**

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, 2013

FUND BALANCE - JANUARY 1, 2013	\$	1,467,329
<u>REVENUES RECEIVED</u>		
Investment Earnings	\$	2,818
General Government:		
Developer Fees		2,800
Intergovernmental:		
Alternative Fuels Incentive Grant		29,168
Other Financing Sources:		
Transfer from Other Funds	300,000	334,786
TOTAL FUNDS AVAILABLE		1,802,115
<u>EXPENDITURES AND OTHER FINANCING USES PAID</u>		
Public Safety:		
Capital Purchases		113,680
Public Works:		
Capital Purchases		26,321
Other Financing Uses:		
Transfer to Other Funds	-	140,001
FUND BALANCE - DECEMBER 31, 2013	\$	1,662,114

Polk Valley Park Fund
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –
Modified Cash Basis
For the Year Ended December 31, 2013

FUND BALANCE - JANUARY 1, 2013	\$	106,620
<u>REVENUES AND OTHER FINANCING SOURCES RECEIVED</u>		
Investment Earnings	\$	155
Intergovernmental:		
State Grants		10,000
Culture and Recreation:		
Recreation Fees		13,240
Other Financing Sources:		
Transfer from Other Funds	-	23,395
TOTAL FUNDS AVAILABLE		130,015
<u>EXPENDITURES PAID</u>		
Culture and Recreation:		
Engineering Fees		2,072
Construction		7,640
Maintenance and Repairs		277
Other Financing Uses:		
Transfers to Other Funds	-	9,989
FUND BALANCE - DECEMBER 31, 2013	\$	120,026

LOWER SAUCON TOWNSHIP
Land Acquisition and Parks Fund
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance -
Modified Cash Basis
For the Year Ended December 31, 2013

FUND BALANCE - JANUARY 1, 2013	\$	37,225
 <u>REVENUES AND OTHER FINANCING SOURCES RECEIVED</u>		
Investment Earnings	\$ 37	
Other Financing Sources:		
Transfer from General Fund	-	<u>37</u>
 TOTAL FUNDS AVAILABLE		 37,262
 <u>EXPENDITURES PAID</u>		
Culture and Recreation:		
Engineering Fees	1,946	
Construction	-	
Equipment	-	
Other Financing Uses:		
Transfer to Other Funds	-	<u>1,946</u>
 FUND BALANCE - DECEMBER 31, 2013	 \$	 <u>35,316</u>

Developers Escrow Fund
Statement of Additions Received and Deductions Paid
Modified Cash Basis
For the Year Ended December 31, 2013

DUE TO DEVELOPERS/GENERAL FUND - JANUARY 1, 2013	\$	266,262
 ADDITIONS RECEIVED:		
Receipts from Developers	186,304	
Interest Earnings	-	<u>186,304</u>
 DEDUCTIONS PAID:		
Legal	33,185	
Consulting Fees	25,217	
Engineering	89,879	
Township Expenses	710	
Applicant Refunds	23,323	
Miscellaneous	-	
TOTAL DEDUCTIONS PAID		<u>172,314</u>
 DUE TO DEVELOPERS/GENERAL FUND - DECEMBER 31, 2013	 \$	 <u>280,252</u>