

**REPORT ON
LOWER SAUCON TOWNSHIP
BETHLEHEM, PA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LOWER SAUCON TOWNSHIP
Financial Statements - Modified Cash Basis
For the Year Ended December 31, 2018

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FINANCIAL SECTION



July 12, 2019

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, 2018, 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, 2018, 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 12, 2019, on our consideration of Lower Saucon Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lower Saucon Township's internal control over financial reporting and compliance.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

July 12, 2019

LOWER SAUCON TOWNSHIP
Bethlehem, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended December 31, 2018

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, 2018. 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 \$2,954,482 including special and extraordinary items.

In 2015, the Township refinanced their entire debt and additionally financed storm water mitigation projects on Fire Lane and Black River Road. A general obligation note was issued in the amount of \$4,750,000 with a \$979,710 current outstanding balance as of December 31, 2018.

In 2016, the Township issued General Obligation Note – Series of 2015 in order to finance the purchase of firefighting equipment for the Township. The General Obligation Note was issued in the amount of \$265,030 with a \$48,520 current outstanding balance as of December 31, 2018.

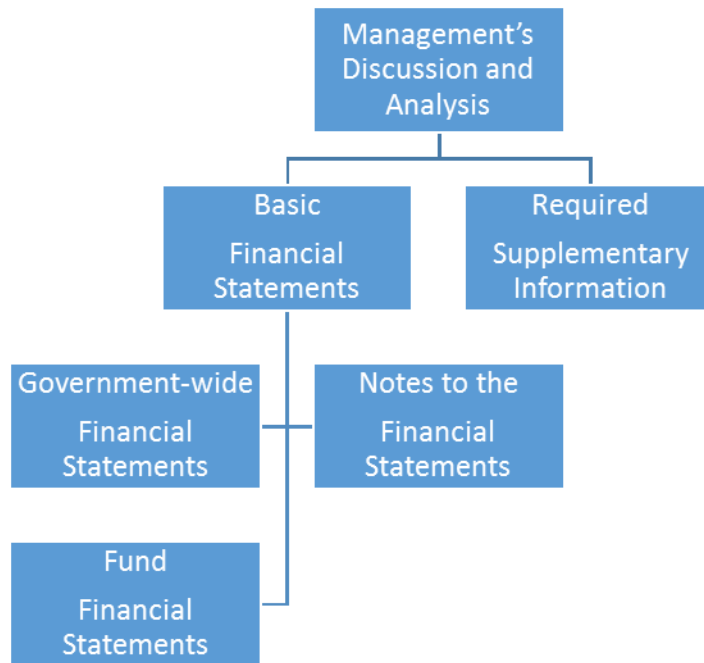
LOWER SAUCON TOWNSHIP
Management's Discussion and Analysis (MD&A)

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 13, 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 position was \$19,410,871 at December 31, 2018.

Table A-1
Year Ended December 31, 2018 and 2017
Net Position

	2018			2017		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and Other Assets	\$ 19,421,386	\$ -	\$ 19,421,386	\$ 16,476,712	\$ -	\$ 16,476,712
Current and Other Liabilities	\$ 10,515	\$ -	\$ 10,515	\$ 20,323	\$ -	\$ 20,323
NET POSITION						
Capital Projects	1,903,993	-	1,903,993	1,860,742	-	1,860,742
Unrestricted	17,506,878	-	17,506,878	14,595,647	-	14,595,647
TOTAL NET POSITION	\$ 19,410,871	\$ -	\$ 19,410,871	\$ 16,456,389	\$ -	\$ 16,456,389

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, 2018 and 2017
Change in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
REVENUES						
<i>Program Revenues</i>						
Charges for Services	\$ 2,965,861	\$ -	\$ 2,965,861	\$ 2,341,568	\$ -	\$ 2,341,568
Operating Grants and Contributions	423,088	-	423,088	417,122	-	417,122
Capital Grants and Contributions	507,313	-	507,313	632,849	-	632,849
<i>General Revenues:</i>						
Property Taxes	2,650,690	-	2,650,690	2,431,555	-	2,431,555
Other Taxes	4,837,930	-	4,837,930	4,305,533	-	4,305,533
Investment Earnings	32,333	-	32,333	23,654	-	23,654
Other Revenue	62,000	-	62,000	75,779	-	75,779
Loan Proceeds	-	-	-	-	-	-
TOTAL REVENUES	11,479,215	-	11,479,215	10,228,060	-	10,228,060
EXPENSES						
<i>Governmental Activities</i>						
General Government	1,372,803	-	1,372,803	1,246,983	-	1,246,983
Public Safety	2,434,515	-	2,434,515	2,411,902	-	2,411,902
Health and Human Services	3,165	-	3,165	4,723	-	4,723
Public Works	1,376,159	-	1,376,159	1,248,082	-	1,248,082
Culture and Recreation	394,929	-	394,929	291,392	-	291,392
Insurance	229,792	-	229,792	254,676	-	254,676
Employee Benefits	1,704,531	-	1,704,531	1,530,501	-	1,530,501
Debt Service Payments	1,008,839	-	1,008,839	1,576,701	-	1,576,701
Other Expenses	-	-	-	-	-	-
TOTAL EXPENSES	8,524,733	-	8,524,733	8,564,960	-	8,564,960
Increase (Decrease) in Net Position	\$ 2,954,482	\$ -	\$ 2,954,482	\$ 1,663,100	\$ -	\$ 1,663,100

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

DEBT ADMINISTRATION

As of January 1, 2018, the Township had a total outstanding debt of \$1,984,496. The Township paid principal of \$956,266 resulting in ending outstanding debt as of December 31, 2018, of \$1,028,230.

Table A-3
Outstanding Debt

	2018	2017
General Obligation Note - Series 2015	\$ 48,520	\$ 103,278
General Obligation Note - Series 2014	979,710	1,881,218

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 2018 and 2017

	2018			
	Budgeted	Budget	Actual	Variances with
	Original	Amounts Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues	\$ 7,829,622	\$ 7,829,622	\$ 9,303,827	\$ 1,474,205
Expenditures	7,805,947	8,227,885	7,836,672	391,213
Net Change in Fund Balance	23,675	(398,263)	1,467,155	1,082,992
Fund Balance - January 1, 2018	(23,675)	398,263	7,087,370	6,689,107
Fund Balance - December 31, 2018	\$ -	\$ -	\$ 8,554,525	\$ 7,772,099

	2017			
	Budgeted	Budget	Actual	Variances with
	Original	Amounts Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues	\$ 7,329,490	\$ 7,829,622	\$ 9,024,796	\$ 1,695,306
Expenditures	7,623,728	7,699,183	8,009,798	(310,615)
Net Change in Fund Balance	(294,238)	(369,693)	1,014,998	1,384,691
Fund Balance - January 1, 2017	294,238	369,693	6,072,372	5,702,679
Fund Balance - December 31, 2017	\$ -	\$ -	\$ 7,087,370	\$ 7,087,370

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

Economic Factors and Next Year's Budgets and Rates

FINANCIAL HIGHLIGHTS

Township General Fund receipts were \$1,467,155 more than expended in 2018. This was primarily due to an increase in anticipated Host Fees in the amount of \$863,405. In addition, the Township received \$410,000 more in the enabling tax and \$65,287 more than anticipated in dividend returns for the self-funded medical insurance, Workman's Compensation, and general liability insurance plans.

In 2018 the Township paid an additional \$400,000 more than required toward the debt, which placed the Township in position to pay off all outstanding loans in 2019.

The owners of the landfill have completed the second year of their estimated five years of operational life. Through a policy change, Council has appropriated funding to lower their future debt obligations, and future funds will be set aside in the Operational Reserve and the Capital Fund unless required by the General Fund to meet possible revenue shortfalls.

The administration continues to review recommendations provided in the Police Study to effectively provide coverage and services to the Township residents. Contract negotiations are continuing with the Lower Saucon Township Non-Uniform employees.

Council authorized submission of several grants to complete interior work in Seidersville Hall along with the replacement of the windows. The Township was successful in receiving a grant award through Penn DOT to replace a bridge on Lower Saucon Road. We also received an additional grant for the replacement the water line behind the Lower Saucon Township Public Works building. All work will commence in 2019-2020.

In 2018 the Township received more than expended in Special Tax revenue (which includes Open Space, State Liquid Fuel and Fire Tax Appropriation) in the amount of \$1,444,075. The Open Space Fund has in excess of \$7,325,000. We received \$161,000 more in Earned Income Tax. Although the Township did not purchase any properties or easements in 2018, Council did approve that the work needed at Woodland Hills Preserve to be paid from Open Space funding provided by Act 115 which allows up to 25% of the funding received can be utilized towards the maintenance of open space properties. There are also several properties nearing completion that will not move to settlement until 2019.

Also, Council completed their review of the Fire Department Apparatus Study conducted by DCED and is recommending to increase the fire tax in 2019 to help fund the depreciable ongoing costs for fire suppression equipment purchases. Draft procedures, indicating how the funding can be used are currently under consideration. Items for Council consideration are donating a percentage amount or full ownership. Council representatives continue to work with the local volunteer fire departments to develop a method for the distribution of the tax and to safe guard the Township's investment.

Council approved the Public Works Department to conduct roadwork in excess of \$292,000. A major goal of the Township is to address road paving projects and storm water issues within the Township. The Township received \$7,686 more than budgeted in State Liquid Fuel funding. By the end of 2018, the Township will have over \$1,300,000 available. More road projects will be scheduled, weather permitting.

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

Township Council spent \$226,108 in Police vehicle replacements, of which grants were received for two. Park development projects associated with a grant received from Northampton County are still in progress. Through the Northampton County Open Space program, Lower Saucon Township's appropriated funding amount was \$180,899. In 2018, along with the Woodland Hills riparian buffer restoration, ADA trail and boardwalk repairs, the Township also installed new fencing at the Polk Valley Dog Park, added a swing set at Seidersville Hall, replaced the roof and exercise stations at Town Hall Park. The project costs were significantly under budget, for which we received approval to allocate the additional funding to the Polk Valley Park parking lot paving project.

Council also invested funds for preserving the Heller Homestead historical site. Council approved through the bid process, a stone mason to repair the stone work on the steps and porch of the property. Trees were also removed by Penn DOT coinciding with their Water Street Bridge replacement scheduled to begin in June 2019.

The Township still has funds from the last loan to address the storm water issue at Fire Lane and Black River Road. Township consultants continue to review the matter to ensure the best possible and least expensive option is presented to Council for their consideration. Longer periods and increased amounts of rain is a growing concern throughout the Township, as it is throughout the State of Pennsylvania. Council has allocated some funding toward unidentified storm water issues. The 2019 budget will provide some funding for the Public Works Department to work on areas of storm water concerns where they are able. Additional funding will be required for Pennsylvania's MS4 regulations which are unfunded mandates.

Council is taking steps to address the issue of the potential closing of the landfill. In the 2019 budget deliberations Council to approve a .5 mill increase for a total of 1 mill for the Fire Appropriations Tax. Based on the depreciation schedule of the replacement cycle developed by PA DCED, this should be adequate funding going forward for apparatus replacement. With the anticipation of the closure of the landfill, Council has addressed two of the three programs that were paid from the host fees; fire vehicle replacement and debt payments.

Continued monitoring of General Fund revenue and expenses will continue to ensure we are in compliance with the fund balance policy approved by Council.

Funding transfers to the Capital Plan can be made during the budget process if funding is available and can also be made when the CAFR is presented to Council in March of every year. If actual revenue exceeds actual expenses in the year prior, Council may direct staff to move the funding to their Operational Reserve Fund, their Capital Fund or debt principal payment as long as the beginning minimum balance and unrestricted fund balance amounts are met in accordance to Township policies.

Contacting the Township Financial Management

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

BASIC FINANCIAL STATEMENTS

LOWER SAUCON TOWNSHIP
Statement of Net Position – Modified Cash Basis
As of December 31, 2018

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 17,915,125	\$ -	\$ 17,915,125	\$ 3,891,180
Investments	1,506,261	-	1,506,261	442,578
Internal Balances	-	-	-	(1) -
Other Receivables	-	-	-	-
TOTAL CURRENT ASSETS	19,421,386	-	19,421,386	4,333,758
NON-CURRENT ASSETS:				
Restricted Cash and Cash Equivalents	-	-	-	9,406
TOTAL NON-CURRENT ASSETS	-	-	-	9,406
TOTAL ASSETS	\$ 19,421,386	\$ -	\$ 19,421,386	\$ 4,343,164
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
CURRENT LIABILITIES:				
Internal Balances	\$ -	\$ -	\$ -	(1) \$ -
Other Payables	10,515	-	10,515	10,426
Due to Developers	-	-	-	-
TOTAL CURRENT LIABILITIES	10,515	-	10,515	10,426
TOTAL LIABILITIES	10,515	-	10,515	10,426
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
NET POSITION				
Reserved for Capital Projects	1,903,993	-	1,903,993	-
Unrestricted	17,506,878	-	17,506,878	4,332,738
TOTAL NET POSITION	\$ 19,410,871	\$ -	\$ 19,410,871	\$ 4,332,738

(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, 2018

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	\$ 1,372,803	\$ 96,976	\$ -	\$ -	\$ (1,275,827)	\$ -	\$ (1,275,827)	
Public Safety	2,434,515	212,601	175,655	-	(2,046,259)	-	(2,046,259)	
Health and Human Services	3,165	-	-	-	(3,165)	-	(3,165)	
Public Works	1,376,159	2,406,047	19,737	507,313	1,556,938	-	1,556,938	
Culture and Recreation	394,929	24,950	2,845	-	(367,134)	-	(367,134)	
Miscellaneous	-	-	-	-	-	-	-	
Insurance	229,792	-	-	-	(229,792)	-	(229,792)	
Employee Benefits	1,704,531	225,287	224,851	-	(1,254,393)	-	(1,254,393)	
Debt Service	1,008,839	-	-	-	(1,008,839)	-	(1,008,839)	
TOTAL GOVERNMENTAL ACTIVITIES	8,524,733	2,965,861	423,088	507,313	(4,628,471)	-	(4,628,471)	
BUSINESS-TYPE ACTIVITIES:								
No Activities	-	-	-	-	-	-	-	
TOTAL PRIMARY GOVERNMENT	\$ 8,524,733	\$ 2,965,861	\$ 423,088	\$ 507,313	\$ (4,628,471)	\$ -	\$ (4,628,471)	
COMPONENT UNITS:								
Lower Saucon Authority	\$ 1,836,468	\$ 1,956,126	\$ -	\$ -				\$ 119,658
GENERAL REVENUES:								
Property Taxes Levied for General Purposes, Net					\$ 2,650,690	\$ -	\$ 2,650,690	\$ -
Other Taxes for General Purposes					4,837,930	-	4,837,930	-
Grants, Subsidies, & Contributions Not Restricted					8,150	-	8,150	-
Investment Earnings					32,333	-	32,333	63,364
Miscellaneous Income					46,660	-	46,660	6,340
Sale of Fixed Assets					7,190	-	7,190	-
Loan Proceeds					-	-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					7,582,953	-	7,582,953	69,704
CHANGE IN NET POSITION					2,954,482	-	2,954,482	189,362
NET POSITION - BEGINNING					16,456,389	-	16,456,389	4,143,376
NET POSITION - ENDING					\$ 19,410,871	\$ -	\$ 19,410,871	\$ 4,332,738

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, 2018

	<u>GENERAL</u>	<u>SPECIAL TAX FUND</u>	<u>CAPITAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,951,693	\$ 8,049,849	\$ 1,913,583	\$ 17,915,125
Investments	603,757	902,504	-	1,506,261
Due from Other Funds	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 8,555,450</u>	<u>\$ 8,952,353</u>	<u>\$ 1,913,583</u>	<u>\$ 19,421,386</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Other Payables	925	-	9,590	10,515
TOTAL LIABILITIES	<u>925</u>	<u>-</u>	<u>9,590</u>	<u>10,515</u>
FUND BALANCES:				
- Nonspendable	-	-	-	-
- Restricted	-	8,952,353	-	8,952,353
- Committed	-	-	-	-
- Assigned	-	-	1,903,993	1,903,993
- Unassigned	8,554,525	-	-	8,554,525
TOTAL FUND BALANCES	<u>8,554,525</u>	<u>8,952,353</u>	<u>1,903,993</u>	<u>19,410,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,555,450</u>	<u>\$ 8,952,353</u>	<u>\$ 1,913,583</u>	<u>\$ 19,421,386</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, 2018

REVENUES	GENERAL	SPECIAL TAX FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS
Taxes	\$ 5,732,196	\$ 1,632,548	\$ -	\$ 7,364,744
Licenses and Permits	121,493	-	-	121,493
Fines and Forfeits	57,464	-	-	57,464
Intergovernmental	438,050	507,314	2,000	947,364
Charges for Services	2,670,380	-	6,300	2,676,680
Investment Earnings	15,351	14,026	2,956	32,333
Miscellaneous	43,606	3,054	-	46,660
TOTAL REVENUES	9,078,540	2,156,942	11,256	11,246,738
EXPENDITURES				
CURRENT:				
General Government	1,166,213	137,294	68,979	1,372,486
Public Safety	2,208,406	-	226,109	2,434,515
Health and Human Services	3,165	-	-	3,165
Public Works	829,748	518,435	27,976	1,376,159
Culture and Recreation	231,275	-	163,654	394,929
Miscellaneous	-	-	-	-
Insurance	229,792	-	-	229,792
Employee Benefits	1,704,531	-	-	1,704,531
DEBT SERVICE:				
Principal	901,508	54,758	-	956,266
Interest	50,194	2,379	-	52,573
TOTAL EXPENDITURES	7,324,832	712,866	486,718	8,524,416
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,753,708	1,444,076	(475,462)	2,722,322
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Outflows	225,287	-	-	225,287
Refund of Prior Year Inflows	(317)	-	-	(317)
Sale of Fixed Assets	-	-	7,190	7,190
Loan Proceeds	-	-	-	-
Interfund Transfers In	-	-	511,523	511,523
Interfund Transfers Out	(511,523)	-	-	(511,523)
TOTAL OTHER FINANCING SOURCES	(286,553)	-	518,713	232,160
NET CHANGE IN FUND BALANCES	1,467,155	1,444,076	43,251	2,954,482
FUND BALANCES - BEGINNING	7,087,370	7,508,277	1,860,742	16,456,389
FUND BALANCES - ENDING	\$ 8,554,525	\$ 8,952,353	\$ 1,903,993	\$ 19,410,871

Reconciliation to Statement of Net Assets:

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

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

LOWER SAUCON TOWNSHIP
Statement of Net Position – Modified Cash Basis
Agency Funds
As of December 31, 2018

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 226,463
Investments	-
Due from Other Funds	-
Other Receivables	-
TOTAL ASSETS	<u>\$ 226,463</u>
LIABILITIES	
Due to Other Funds	\$ -
Due to Developers	226,463
Pension Fund Liability	-
Accrued Investment Expense	-
TOTAL LIABILITIES	<u>226,463</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, 2018

	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	\$ 5,298,349	\$ 5,298,349	\$ 5,732,196	\$ 433,847	\$ -	\$ 5,732,196
Licenses and Permits	120,662	120,662	121,493	831	-	121,493
Fines and Forfeits	63,500	63,500	57,464	(6,036)	-	57,464
Intergovernmental	385,261	385,261	438,050	52,789	-	438,050
Charges for Services	1,781,850	1,781,850	2,670,380	888,530	-	2,670,380
Miscellaneous	8,000	8,000	43,606	35,606	-	43,606
Interest Received	11,500	11,500	15,351	3,851	-	15,351
Refund of Prior Year Outflows	160,000	160,000	225,287	65,287	-	225,287
Sale of Fixed Assets	500	500	-	(500)	-	-
Transfers from Other Funds	-	-	-	-	-	-
TOTAL RESOURCES	7,829,622	7,829,622	9,303,827	1,474,205	-	9,303,827
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government:						
Legal	157,500	157,500	141,790	15,710	-	141,790
Mayor, Legislative, Borough Manager	347,397	347,397	295,195	52,202	-	295,195
Finance and Accounting	181,321	181,321	190,824	(9,503)	-	190,824
Data Processing	29,100	37,617	19,247	18,370	-	19,247
Engineering	162,500	230,600	214,967	15,633	-	214,967
Buildings and Plant	342,331	342,331	304,190	38,141	-	304,190
Public Safety:						
Police	1,891,648	1,906,372	1,690,682	215,690	-	1,690,682
Fire	355,690	355,690	330,890	24,800	-	330,890
Inspections	204,099	188,599	182,054	6,545	-	182,054
Other	5,300	5,300	4,780	520	-	4,780
Health and Human Services:						
Dog Control	6,000	6,000	3,165	2,835	-	3,165
Public Works:						
Public Works Administration	73,300	73,300	73,300	-	-	73,300
Sanitation and Recycling	24,600	29,300	29,230	70	-	29,230
Street Maintenance and Lighting	793,875	813,875	727,218	86,657	-	727,218
Culture and Recreation:						
Parks	164,548	164,548	126,277	38,271	-	126,277
Library	103,298	103,298	104,998	(1,700)	-	104,998
Non-Departmental:						
Miscellaneous	20,000	20,000	-	20,000	-	-
Debt Service	651,703	951,703	951,702	1	-	951,702
Insurance	253,000	253,000	229,792	23,208	-	229,792
Employee Benefits	1,771,737	1,771,737	1,704,531	67,206	-	1,704,531
Contingencies	-	-	-	-	-	-
Refund of Prior Year Inflows	2,000	2,000	317	1,683	-	317
Transfer to Other Funds	265,000	286,397	511,523	(225,126)	-	511,523
TOTAL CHARGES TO APPROPRIATIONS	7,805,947	8,227,885	7,836,672	391,213	-	7,836,672
Excess (Deficiency) of Inflows Over Outflows	23,675	(398,263)	1,467,155	1,082,992	-	1,467,155
FUND BALANCE - JANUARY 1, 2018	(23,675)	398,263	7,087,370	6,689,107	-	7,087,370
FUND BALANCE - DECEMBER 31, 2018	\$ -	\$ -	\$ 8,554,525	\$ 7,772,099	\$ -	\$ 8,554,525

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

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

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, 2018

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, 2018

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

General Fund

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

Capital Project Fund

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

Special Revenue Fund

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

Proprietary Funds

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

Enterprise Funds

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

Lower Saucon Authority

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

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

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

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

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, 2018

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

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Any residual balances outstanding between the primary government and discretely presented component units are shown as a separate line item on the Government-wide Statement of Net Assets.

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

H. Real Estate Taxes / Special Assessments

The total taxable assessed real estate valuation for the year ended 2018 is \$452,386,000 at a rate of 5.39 mills that includes a .50 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.

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

I. Net Position/Fund Balance Classifications

Net Position

Net position is reported as restricted when there limitations imposed on use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Township applies restricted resources first when an expense is incurred for purposed for which both restricted and unrestricted net assets are available.

Fund Balance

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.

**LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018**

- **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.

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, 2018.

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, 2018, \$19,147,580 of the Township's bank balance of \$19,897,580 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		19,147,580
TOTAL	\$	<u>19,147,580</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 19,147,580
Plus: Insured Amount	750,000
Deposit in Transit	-
Less: Outstanding Checks	<u>(254,616)</u>
Carrying Amount - Bank Balances	19,642,964
Plus: Petty Cash	300
Deposits in Investment Pool Considered Cash Equivalents	4,585
Less: Certificates of Deposit considered Investment by the Township	<u>(1,506,261)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 18,141,588</u>

Restricted Cash

The cash balance includes \$226,463 held as developer's escrow funds. These funds are held by the Township to guarantee the completion of various construction projects by the developers.

Component Unit

Custodial Credit Risk - Deposits

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

As of December 31, 2018, \$3,802,696 of the Authority's bank balance of \$4,052,696 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	3,802,696
TOTAL	<u>\$ 3,802,696</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 3,802,696
Plus: Insured Amount	250,000
Less: Outstanding Checks	(30,507)
Plus: Deposits in Transit	-
Carrying Amount – Bank Balance	<u>4,022,189</u>
Plus: Petty Cash	700
Pooled Cash Equivalent in Enterprise Funds	320,275
Less: Certificates of Deposit shown as investments	<u>(442,578)</u>
Total Cash per Financial Statements	<u>\$ 3,900,586</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Restricted Cash

Cash and Cash equivalents have been categorized on the financial statements as either unrestricted or restricted. The restricted cash balance includes \$9,406 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, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
5. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
6. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
7. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
8. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

- The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
10. Savings or demand deposits placed in accordance with the following conditions:
- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
 - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, or the account of the public corporation or municipal authority.
 - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
 - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of December 31, 2018, the Township had the following investments:

<i>Investment</i>	Maturities	Fair Value
PA Local Government Investment Trust		\$ 4,585
Certificate of Deposit	7-16 Months	1,506,261
TOTAL		\$ 1,510,846

Fair Value Reporting

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

Interest Rate Risk

The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's investments are in Certificates of Deposit at Embassy Bank as of December 31, 2018.

Credit Risk

The Township has an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2018, the Township's investment in the PA Local Government Investment Trust was rated AAA by Standard & Poors.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Concentration of Credit Risk

The Township places a limit on the amount the Township may invest in any one issuer. Of the Township's investment, 100% is in Certificates of Deposit at Embassy Bank as of December 31, 2018.

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	\$	1,510,846
Less: Deposits in Investment Pool Considered Cash Equivalents		(4,585)
TOTAL INVESTMENTS PER FINANCIAL STATEMENTS	\$	<u>1,506,261</u>

Component Unit

As of December 31, 2018, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 320,275
Certificate of Deposit	12-18 Months	442,578
TOTAL		<u>\$ 762,853</u>

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 with the PA Local Government Investment Trust.

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.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Reconciliation to Financial Statements

Total Investments Above		\$	762,853
Less: Deposits in Investment Pool Considered Cash Equivalents			<u>(320,275)</u>
TOTAL INVESTMENTS PER FINANCIAL STATEMENTS		\$	<u>442,578</u>

Note 6 – Long-Term Debt Commitments

Long-term liability balances and activity for the year ended December 31, 2018, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds and Notes Payable:					
General Fund	\$ 1,881,218	\$ -	\$ 901,508	\$ 979,710	\$ 485,527
Special Tax Fund	<u>103,278</u>	<u>-</u>	<u>54,758</u>	<u>48,520</u>	<u>48,520</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,984,496</u>	<u>\$ -</u>	<u>\$ 956,266</u>	<u>\$ 1,028,230</u>	<u>\$ 534,047</u>

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

Total interest paid during the year:

	Paid
Governmental Activities:	
General Obligation Debt	\$ 52,573
Capital Leases	-
Special Tax Fund	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 52,573</u>

Primary Government Debt

General Obligation Note – Series of 2014

On December 22, 2014, the Township issued a \$4,750,000 general obligation note purchased by Lafayette Ambassador Bank. The purpose of this Note is (1) to refinance the existing General Obligation Note – Series of 2001, (2) to refinance the existing General Obligation Notes – Series of 2005, (3) to refinance the existing General Obligation Note – Series of 2006, and (4) to finance storm water mitigation projects on Fire Lane and Black River Road. The effective interest rate is 2.78% for ten (10) years. The Note matures December 31, 2023. The current annual payment is \$551,702.44. Additional principal on the loan of \$400,000 was paid in 2018.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Because the Township is aggressively paying off this note, the adjusted maturity date is December 31, 2020. The future debt service obligations are:

FISCAL YEAR	PRINCIPAL	INTEREST
2019	\$ 485,527	\$ 27,161
2020	494,183	18,505
TOTAL OUTSTANDING	\$ 979,710	\$ 45,666

General Obligation Note – Series of 2015

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

FISCAL YEAR	PRINCIPAL	INTEREST
2019	\$ 48,520	\$ 1,758
TOTAL OUTSTANDING	\$ 48,520	\$ 1,758

Note 7 - Pension Plans

NON-UNIFORMED PENSION PLAN

Plan Description

Plan Administration

The Township of Lower Saucon Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time Non-Uniformed employees. The Plan was established effective June 20, 1979, and entered into a custodial agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan is governed by the Township Council. The Township Council has delegated the Authority to manage Plan assets to the PSABMRT.

Plan Membership

As of December 31, 2018, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	2
Inactive Plan Members entitled to but not yet Receiving Benefits	3
Active Plan Members	19
TOTAL PLAN MEMBERSHIP	24

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Benefits Provided

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
 - Normal Retirement: Age 65 with 5 years of service.
 - Early Retirement: 10 years of service.
 - Vesting: 100% after 5 years of service.
- Retirement Benefit:
 - 1.75% of final 36 months compensation multiplied by the member's benefits service.
- Survivor Benefit:
 - \$5,000 lump sum death benefit.
- Disability Benefit Service & Non-Service Related:
 - Immediate vesting in accrued pension and eligible for an immediate monthly pension equal to the amount of monthly income that can be purchased with a single premium annuity with the funds available from the member's vested accrued pension.
- Post Retirement Adjustments:
 - None.
- Member Contributions (Based on 2017 requirements):
 - Amount or Rate: 0%, Department Heads contribute 1% of salary.
 - Interest Rate Credited to Member Contributions: 5%.

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation and based on 2017 requirements, full-time employees that are department heads were required to contribute 1% of compensation to the Plan, other employees were not required to contribute to the Plan. In 2018, Non-uniformed personnel were required to contribute 1.25% from January through May and 1.5% from May through December. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2018 as shown in the exhibit below:

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Financial Requirement and Minimum Municipal Obligation Budget for 2018:

Total Annual Payroll	\$ 1,081,034
Normal Cost as a Percentage of Payroll	12.2%
Total Normal Cost	131,886
Amortization Contribution	44,942
Estimated Members' Contributions	(10,810)
Minimum Municipal Obligation	166,018
Less: Actual State Aid Deposited into Plan	(93,688)
TOTAL REQUIRED MUNICIPAL OBLIGATION	\$ 72,330

Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2016	\$ 91,868	100.0%	0
2017	83,720	100.0%	0
2018	166,018	100.0%	0

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The basis of accounting was changed to modified cash basis for inclusion in these financial statements.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Adoption of Accounting Standards

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

**LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018**

INVESTMENTS

Deposits and Investments

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, and Section 7302.

Deposits

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2018.

Investments

As of December 31, 2018, the Plan's investment balances were as follows:

Investment Type	Fair Value	Maturity
PSABMRT	\$ <u>2,314,902</u>	Not Applicable

Investment Policy Summary

The Plan's investment policy has been delegated to the PSABMRT in regards to the allocation of invested plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options – the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The Balanced Fund's investment policy establishes the following target allocation across assets classes:

Asset Class	Target Allocation
U.S. Large Cap Growth	18.5%
U.S. Large Cap Value	18.5%
U.S. Small & Mid Cap Value	6.0%
U.S. Small & Mid Cap Growth	2.0%
International Equity	14.0%
Emerging Markets Equity	1.0%
U.S. Fixed Income	35.0%
Private Real Estate	5.0%
Cash	0.0%
TOTAL	100.0%

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Expected Real Rate of Return – 4.65%. Excludes an inflation expectation of 2.25%.

Long-Term Expected Rate of Return including Inflation – 6.90%.

The long-term expected rate of return on the plan's investments were determined using an asset allocation study conducted by the plan's investment management consultant in December 2018 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 are listed in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (5.01) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk

The plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2018.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7 like external investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PSABMRT is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Morningstar, Inc. (Morningstar) or Moody's Investor Services (Moody's), however PSABMRT's formal investment policy requires that any fixed income security maintained within its portfolio should be rated "BBB" or higher at the time of purchase by a NRSRO. Asset backed securities, mortgage backed securities, and collateralized mortgage obligations (CMOs) should be rate "AAA" (or its equivalent) at the time of purchase by a NRSRO.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

PENSION LIABILITY

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2018 were not available.

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability Sensitivity

The sensitivity analysis of the net pension liability was not available.

RECONCILIATION OF MEMBERS' CONTRIBUTIONS

Members' Contributions Deposited for 2018	\$ 10,165
Less: Members' Contributions deducted from Members' Salaries	<u>(10,135)</u>
IRRECONCILABLE	<u>\$ 30</u>

RECONCILIATION OF PENSION PAYMENTS

Pensions Paid from Plan for 2018	\$ 46,342
Less: Pensioner Register	<u>(46,342)</u>
IRRECONCILABLE	<u>\$ -</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Change in Net Assets

<u>REVENUES</u>	
State Aid	\$ 93,688
Employer Contributions	91,220
Employee Contributions	10,165
Investment Income Net of Investment Fees	38,104
Realized Gains on Investment Sales	83,843
Unrealized Gain (Loss) on Investments	<u>(239,225)</u>
TOTAL REVENUE	\$ 77,795
<u>EXPENSES</u>	
Pension Payments	46,342
Lump Sum Payments	37,511
Administrative Fees	<u>18,811</u>
TOTAL EXPENDITURES	<u>102,664</u>
Changes in Net Assets	(24,869)
Net Assets - January 1, 2018	<u>2,339,771</u>
Net Assets - December 31, 2018	<u>\$ 2,314,902</u>

POLICE PENSION PLAN

Plan Description

Plan Administration

The Township of Lower Saucon Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The plan was established effective August 1, 1979, and entered into a custodial agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The plan is governed by the Township Council. The Township Council has delegated the authority to manage plan assets to the PSABMRT.

Plan Membership

As of December 31, 2018, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	8
Inactive Plan Members entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>14</u>
TOTAL PLAN MEMBERSHIP	<u>22</u>

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Benefits Provided

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
 - Normal Retirement: Age 50 with 25 years of service.
 - Early Retirement: 20 years of service (Act 24).
 - Vesting: 1 years of service.
- Retirement Benefit:
 - 50% of final 36 months' salary plus a service increment of \$100 for each year of service in excess of 25 years, up to a maximum of \$500.
- Survivor Benefit:
 - Before retirement eligibility – Refund of employee contributions with interest. After retirement eligibility – A monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive at the time of death.
- Disability Benefit Service Related:
 - 50% of the participant's monthly salary at time of disablement, offset by the Social Security Disability benefits received for the same injury, or if greater, 50% of the participant's average compensation reduced by non-workers compensation and Social Security disability so total does not exceed 75% of average compensation.
- Post Retirement Adjustments:
 - Cost of Living increase provided in accordance with Act 600. The total of all increases may not exceed 30% of the original benefit or 75% of average compensation.
- Member Contributions:
 - Amount or Rate: 2.5%.
 - Interest Rate Credited to Member Contributions: 5%.

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

**LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018**

As a condition of participation, full-time employees are required to contribute 2.5% of compensation to the Plan, other employees are not required to contribute to the Plan. This contributions is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2018 as shown in the exhibit below:

Financial Requirement and Minimum Municipal Obligation Budget for 2018:

Total Annual Payroll	\$ 1,386,472
Normal Cost as a Percentage of Payroll	18.7%
Total Normal Cost	259,270
Amortization Contribution	172,947
Estimated Members' Contributions	(34,662)
Minimum Municipal Obligation	397,555
Less: Actual State Aid Deposited into Plan	(131,163)
TOTAL REQUIRED MUNICIPAL OBLIGATION	<u>\$ 266,392</u>

Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2016	\$ 289,892	100.0%	0
2017	290,414	100.0%	0
2018	397,555	100.0%	0

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The basis of accounting was changed to modified cash basis for inclusion in these financial statements.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Adoption of Accounting Standards

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

INVESTMENTS

Deposits and Investments

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, and Section 7302.

Deposits

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2018.

Investments

As of December 31, 2018, the Plan's investment balances were as follows:

Investment Type	Fair Value	Maturity
PSABMRT	<u>\$ 6,635,873</u>	Not Applicable

Investment Policy Summary

The Plan's investment policy has been delegated to the PSABMRT in regards to the allocation of invested plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options – the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

The Balanced Fund's investment policy establishes the following target allocation across assets classes:

Asset Class	Target Allocation
U.S. Large Cap Growth	18.5%
U.S. Large Cap Value	18.5%
U.S. Small & Mid Cap Value	6.0%
U.S. Small & Mid Cap Growth	2.0%
International Equity	14.0%
Emerging Markets Equity	1.0%
U.S. Fixed Income	35.0%
Private Real Estate	5.0%
Cash	0.0%
TOTAL	100.0%

Expected Real Rate of Return – 4.65%. Excludes an inflation expectation of 2.25%.

Long-Term Expected Rate of Return including Inflation – 6.90%.

The long-term expected rate of return on the plan's investments were determined using an asset allocation study conducted by the plan's investment management consultant in December 2018 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 are listed in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.83) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk

The plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2018.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7 like external investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

**LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PSABMRT is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Morningstar, Inc. (Morningstar) or Moody's Investor Services (Moody's), however PSABMRT's formal investment policy requires that any fixed income security maintained within its portfolio should be rated "BBB" or higher at the time of purchase by a NRSRO. Asset backed securities, mortgage backed securities, and collateralized mortgage obligations (CMOs) should be rate "AAA" (or its equivalent) at the time of purchase by a NRSRO.

PENSION LIABILITY

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2018 were not available.

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability Sensitivity

The sensitivity analysis of the net pension liability was not available.

RECONCILIATION OF MEMBERS' CONTRIBUTIONS

Members' Contributions Deposited for 2018	\$ 31,153
Less: Members' Contributions deducted from Members' Salaries	(31,153)
IRRECONCILABLE	\$ -

RECONCILIATION OF PENSION PAYMENTS

Pensions Paid from Plan for 2018	\$ 306,872
Less: Pensioner Register	(306,872)
IRRECONCILABLE	\$ -

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Changes in Net Assets

<u>REVENUES</u>	
State Aid	\$ 131,163
Employer Contributions	316,100
Employee Contributions	31,153
Investment Income Net of Investment Fees	109,925
Realized Gains on Investment Sales	243,856
Unrealized Gain (Loss) on Investments	<u>(684,863)</u>
TOTAL REVENUE	\$ 147,334
<u>EXPENSES</u>	
Pension Payments	306,872
Administrative Fees	<u>49,225</u>
TOTAL EXPENDITUES	<u>356,097</u>
 Changes in Net Assets	 (208,763)
Net Assets - January 1, 2018	<u>6,844,636</u>
Net Assets - December 31, 2018	<u>\$ 6,635,873</u>

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 and Payables

There were no interfund receivables or payables that existed on December 31, 2018.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

Interfund Transfers

The following interfund transfers were made during the fiscal year ended December 31, 2018:

	INTERFUND TRANSFERS IN	INTERFUND TRANSFERS OUT
General Fund	\$ -	\$ 511,523
Capital (Capital Project) Fund	511,523	-
TOTAL	\$ 511,523	\$ 511,523

Note 11 – Fund Balance

Detailed information about aggregated fund balances:

Assigned Fund Balances

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

Capital Fund	\$ 1,903,993
TOTAL CAPITAL PROJECTS FUND	\$ 1,903,993

Restricted Fund Balances

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

Special Tax Fund	\$ 8,952,353
TOTAL	\$ 8,952,353

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.

LOWER SAUCON TOWNSHIP
Notes To Financial Statements
Year Ended December 31, 2018

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 12, 2019, which is the date of the financial statements were available to be issued.



July 12, 2019

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, 2018, which collectively comprise the Lower Saucon Township's basic financial statements and have issued our report thereon dated July 12, 2019. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 12, 2019.

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

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

July 12, 2019

REQUIRED SUPPLEMENTAL INFORMATION

**LOWER SAUCON TOWNSHIP
Pension Funds
Required Supplemental Information
December 31, 2018**

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	UNFUNDED AAL	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
NON-UNIFORMED PENSION PLAN						
1-1-2007	\$ 955,413	\$ 1,106,200	\$ 150,787	86.4%	\$ 802,364	18.8%
1-1-2009	971,143	1,139,351	168,208	85.2%	921,512	18.3%
1-1-2011	1,258,815	1,410,742	151,927	89.2%	970,417	15.7%
1-1-2013	1,422,701	1,466,945	44,244	97.0%	903,029	4.9%
1-1-2015	1,803,562	1,808,925	5,363	99.7%	982,041	0.5%
1-1-2017	2,166,451	2,652,299	485,848	81.7%	982,381	49.5%
POLICE PENSION PLAN						
1-1-2007	\$ 3,455,999	\$ 3,615,017	\$ 159,018	95.6%	\$ 933,343	17.0%
1-1-2009	3,738,283	4,341,068	602,785	86.1%	950,288	63.4%
1-1-2011	4,127,761	5,035,073	907,312	82.0%	1,011,579	89.7%
1-1-2013	4,556,557	5,323,791	767,234	85.6%	1,085,736	70.7%
1-1-2015	5,422,624	5,991,490	568,866	90.5%	1,249,966	45.5%
1-1-2017	6,337,126	7,596,733	1,259,607	83.4%	1,261,463	99.9%

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
2009	\$ 95,115	\$ 95,115	100.0%	\$ 162,193	\$ 162,193	100.0%
2010	93,110	93,110	100.0%	177,635	177,635	100.0%
2011	91,646	91,646	100.0%	183,105	183,105	100.0%
2012	86,983	86,983	100.0%	256,470	256,470	100.0%
2013	82,475	82,475	100.0%	258,715	258,715	100.0%
2014	88,962	88,962	100.0%	272,162	272,162	100.0%
2015	86,546	86,546	100.0%	278,821	278,821	100.0%
2016	83,613	91,868	109.9%	289,892	289,892	100.0%
2017	83,720	91,765	109.6%	290,414	290,414	100.0%
2018	166,018	166,018	100.0%	397,555	397,555	100.0%

LOWER SAUCON TOWNSHIP
Schedule of Changes in Net Position Liability, Related Ratios,
and Investment Returns – Police Pension Fund
Required Supplemental Information
December 31, 2018

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	\$ 240,496	\$ 235,307	\$ -	\$ -	\$ -
Interest on Total Pension Liability	530,208	500,548	-	-	-
Differences between expected and actual experience	(84,127)	-	-	-	-
Benefit Payments	(306,872)	(262,598)	-	-	-
Net Change in Total Pension Liability	379,705	473,257	1,605,243	667,699	288,718
Total Pension Liability, Beginning	8,069,990	7,596,733	5,991,490	5,323,791	5,035,073
Total Pension Liability, Ending (a)	\$ 8,449,695	\$ 8,069,990	\$ 7,596,733	\$ 5,991,490	\$ 5,323,791
FIDUCIARY NET POSITION					
State Aid	131,163	137,648	131,239	117,625	116,189
Employer Contributions	316,100	201,859	200,277	210,157	185,727
Member Contributions	31,153	30,933	27,142	25,961	27,146
Investment Income Net of Investment Expenses	(331,082)	786,723	263,993	(38,949)	315,332
Administration Costs	(49,225)	(47,017)	(44,440)	(42,415)	(39,921)
Benefit payments	(306,872)	(262,598)	(218,825)	(209,056)	(206,088)
Drop Plan Rollover to IRA	-	-	-	-	-
Net Change in Fiduciary Net Position	(208,763)	847,548	359,386	63,323	398,385
Fiduciary Net Position, Beginning	6,844,636	5,997,088	5,637,702	5,574,379	5,175,994
Fiduciary Net Position, Ending (b)	\$ 6,635,873	\$ 6,844,636	\$ 5,997,088	\$ 5,637,702	\$ 5,574,379
Net pension Liability [(a) - (b)]	\$ 1,813,822	\$ 1,225,354	\$ 1,599,645	\$ 353,788	\$ (250,588)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.53%	84.82%	78.94%	94.10%	104.71%
Covered Payroll	1,386,472	1,367,236	1,324,260	1,274,663	1,227,701
Net Pension Liability as a Percentage of Covered Payroll	130.82%	89.62%	120.80%	27.76%	-20.41%
Annual Money Weighted Return, Net of Investment Expenses	-4.83%	13.10%	4.67%	-0.70%	6.09%

LOWER SAUCON TOWNSHIP
Schedule of Changes in Net Position Liability, Related Ratios,
and Investment Returns – Non-Uniformed Pension Fund
Required Supplemental Information
December 31, 2018

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	\$ 107,168	\$ 119,423	\$ -	\$ -	\$ -
Interest on Total Pension Liability	191,073	177,721	-	-	-
Differences between expected and actual experience	(209,801)	-	-	-	-
Benefit Payments	(83,853)	(75,095)	-	-	-
Net Change in Total Pension Liability	4,587	222,049	843,374	341,980	56,203
Total Pension Liability, Beginning	2,874,348	2,652,299	1,808,925	1,466,945	1,410,742
Total Pension Liability, Ending (a)	\$ 2,878,935	\$ 2,874,348	\$ 2,652,299	\$ 1,808,925	\$ 1,466,945
FIDUCIARY NET POSITION					
State Aid	93,688	91,765	91,868	82,337	81,318
Employer Contributions	91,220	3,706	3,438	22,592	18,737
Member Contributions	10,165	18,438	15,917	3,907	5,080
Investment Income Net of Investment Expenses	(117,278)	267,160	89,982	(13,397)	103,054
Administration Costs	(18,811)	(17,747)	(16,904)	(16,011)	(14,895)
Benefit payments	(83,853)	(75,096)	(39,876)	(21,177)	(19,412)
Net Change in Fiduciary Net Position	(24,869)	288,226	144,425	58,251	173,882
Fiduciary Net Position, Beginning	2,339,771	2,051,545	1,907,120	1,848,869	1,674,987
Fiduciary Net Position, Ending (b)	\$ 2,314,902	\$ 2,339,771	\$ 2,051,545	\$ 1,907,120	\$ 1,848,869
Net pension Liability [(a) - (b)]	\$ 564,033	\$ 534,577	\$ 600,754	\$ (98,195)	\$ (381,924)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.41%	81.40%	77.35%	105.43%	126.04%
Covered Payroll	1,081,034	1,052,528	1,059,570	1,053,660	1,081,446
Net Pension Liability as a Percentage of Covered Payroll	52.18%	50.79%	56.70%	-9.32%	-35.32%
Annual Money Weighted Return, Net of Investment Expenses	-5.01%	13.00%	4.65%	-0.71%	6.18%

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, 2018

REVENUES RECEIVED

TAXES:

Real Estate Taxes - Current	\$	2,356,009	
Real Estate Taxes - Prior		16,882	
Real Estate Taxes - Current Interims		2,039	
Real Estate Taxes - Prior Interims		1,451	
Real Estate Taxes - Delinquent		52,935	
Real Estate Transfer Taxes		377,169	
Earned Income Taxes - Current		1,945,747	
Earned Income Taxes - Prior		898,912	
Emergency Municipal Service Tax - Current		69,655	
Emergency Municipal Service Tax - Prior		<u>11,397</u>	\$ 5,732,196

LICENSES AND PERMITS:

Franchise Fee Cable	117,113	
Junkyard Licenses	750	
Road Encroachment Permits	2,850	
Moving Permits	<u>780</u>	121,493

FINES AND FORFEITS:

Motor Vehicle Violations	36,987	
Fines	10,343	
Ordinance Violations	1,614	
Crimes Code Violations	7,880	
Parking Tickets	<u>640</u>	57,464

INTERGOVERNMENTAL:

State Grants	90,742	
Public Safety Grants	11,501	
Beverage Licenses	2,050	
Federal Grants	24,821	
Public Utility Realty Tax	6,762	
Pension State Aid	224,851	
Allotment - Fireman's Relief	<u>77,323</u>	438,050

CHARGES FOR SERVICES:

Subdivision Fees/Zoning Permits	1,925	
Tax Collection Services	5,075	
Duplicate Tax Bill Fees	315	
Police Services	23,292	
Accident Report Requests	4,445	
Weed Clearing and Removal	28,000	
Administrative Income	2,242	
Security Alarm Fees	1,195	
Building Permits	22,430	
Sanitation Permits	23,025	
State UCC Fees	500	
Highway and Street Charges	6,218	
Health Insurance Charges	161,239	
Compost Sales	2,215	
Landfill Host Fees	2,363,405	
Recreation Fees	18,650	
BRE Sales	<u>6,209</u>	2,670,380

INVESTMENT EARNINGS:

Interest Income		15,351
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MISCELLANEOUS:

Miscellaneous	31,585	
Donations	<u>12,021</u>	43,606

TOTAL REVENUE RECEIVED		<u>\$</u>	9,078,540
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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, 2018

EXPENDITURES PAID

GENERAL GOVERNMENT

LEGAL:

Solicitor \$ 141,790

MAYOR, LEGISLATIVE, TOWNSHIP MANAGER:

Salary 230,528
 Payroll Taxes 17,612
 General Expense 12,407
 Grant Expenditures 12,500
 Other Expense 2,867
 Newsletter Expense 9,703
 Advertising, Printing and Postage 9,578

FINANCE AND ACCOUNTING:

Salary 114,132
 Payroll Taxes 9,176
 Payroll Services 4,621
 Pension Administration Fees 26,559
 Auditing 13,900
 Bank Services 1,494
 Office Materials/Supplies 7,316
 Tax Collection Services 575
 Real Estate Tax Prep/Mailing 7,440
 General Expense 1,112
 Contracted Services 4,499

DATA PROCESSING:

Website Operation/Maintenance 3,600
 Office Equipment Maintenance 2,829
 Equipment - Capital 8,517
 Software Licenses 4,301

ENGINEER:

Engineering Services 179,582
 Sewage Enforcement Officer 35,385

BUILDINGS AND PLANT:

Salary 11,670
 Payroll Taxes 1,089
 Building Materials/Supplies 3,970
 Heating Oil/Diesel Fuel 59,093
 Gasoline 48,931
 Oils/Lubricants 1,025
 Communication Expense 40,557
 Utilities 65,735
 Maintenance/Repairs 41,565
 Equipment - Capital 15,783
 Equipment Rental 14,772 \$ 1,166,213

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, 2018

PUBLIC SAFETY

POLICE:

Salary of Policemen	\$	1,247,314
Overtime		100,150
Salary of Clerical		43,549
Payroll Taxes		110,338
Pension Administration Fees		50,627
Uniforms		11,034
Firearms Ammunition		15,866
Advertising/Printing		322
Investigation Expense		1,069
Communication Equipment		2,145
Contracted Services		19,165
Equipment Maintenance		6,938
General Expenses		13,378
Vehicle Maintenance and Repairs		21,051
Equipment - Capital		28,537
Equipment - Non-Capital		4,110
K-9 Expenses		3,500
Training		11,589

FIRE:

Contribution to Fire Co.	205,000
Fireman's Relief	77,323
Contribution to Dewey Ambulance	15,000
Hydrant/Water Service	22,418
General Expenses	11,149

INSPECTIONS:

Zoning and Administration	58,459
Salary of Clerical	48,437
Payroll Taxes	8,616
Consulting Services	56,717
Advertising/Printing	6,807
Minor Equipment Purchase	690
Vehicle Maintenance and Repairs	877
General Expenses	1,451

OTHER PUBLIC SAFETY:

Crossing Guards	4,780	\$	2,208,406
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HEALTH AND HUMAN SERVICES

Dog Control	3,165
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PUBLIC WORKS

PUBLIC WORKS ADMINISTRATION:

Salary	73,300
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SANITATION:

Recycling Collection and Disposal	29,230
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STREET MAINTENANCE AND LIGHTING:

Salaries - Highways and Streets	473,080
Overtime	40,848
Payroll Taxes	48,761
Road Materials	84,863
Materials/Supplies	25,546
Traffic Sign Maintenance	3,885
Vehicle Maintenance	26,451
Contracted Services	8,800
Equipment Rental	5,000
General Expenses	7,877
Equipment	2,107
	829,748

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, 2018

CULTURE AND RECREATION

PARKS AND POOL:

Maintenance/Repairs	\$	12,635	
General Expenses		4,013	
Contracted Services		60,835	
Summer Youth Program		18,979	
Senior Program		21,785	
Pool Pass Reimbursement		8,030	

LIBRARY:

Contribution	104,998	\$	231,275
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DEBT SERVICE

Debt Principal Payments	901,508		
Debt Interest Payments	50,194		951,702

INSURANCE

Business Insurance	72,095		
Vehicle Insurance	27,271		
Workmen's Compensation	130,426		229,792

EMPLOYEE BENEFITS

Hospitalization Insurance	1,140,958		
Minimum Pension Oblig - Nonuniform	166,018		
Minimum Pension Oblig - Police	397,555		1,704,531

TOTAL EXPENDITURES PAID

7,324,832

EXCESS OF REVENUES RECEIVED

OVER EXPENDITURES PAID 1,753,708

OTHER FINANCING SOURCES RECEIVED AND

OTHER FINANCING USES PAID

Refund of Prior Year Expenditures	\$	225,287	
Refund of Prior Year Revenue		(317)	
Transfer to Other Funds		(511,523)	\$ (286,553)

NET CHANGE IN FUND BALANCE

\$ 1,467,155

FUND BALANCE - JANUARY 1, 2018

7,087,370

FUND BALANCE - DECEMBER 31, 2018

\$ 8,554,525

LOWER SAUCON TOWNSHIP
Special Tax Fund
Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –
Modified Cash Basis
For the Year Ended December 31, 2018

FUND BALANCE - JANUARY 1, 2018 \$ 7,508,277

REVENUES RECEIVED

Taxes:

Fire Tax	\$	221,373
Earned Income Tax - Current Year		957,561
Earned Income Tax - Prior Year		453,614

Intergovernmental:

Motor Vehicle Fuel Taxes		507,314
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Investment Income:

Interest Earnings		14,026
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Miscellaneous:

Donations/Contributions		3,054
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Other Financing Sources:

Sale of Fixed Assets	-	2,156,942
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TOTAL FUNDS AVAILABLE 9,665,219

EXPENDITURES PAID

General Government:

Bank Fees	\$	48
Legal Fees		3,952
Engineering/Planning Fees		49,613
Open Space Maintenance Funding		77,381
Appraisal Costs		6,300

Public Works:

Traffic Signal Maintenance & Repair		2,545
Vehicle Maintenance & Repair		23,515
Highway Minor Equipment		4,100
Snow Removal		116,150
Street Sign & Marking		14,435
Street Lighting		36,411
Road Materials & Supplies		26,170
Equipment and Tools Maintenance & Repair		2,915
Penndot Road Projects		292,194

Debt Service:

Principal		54,758
Interest		2,379

Other Financing Uses:

Transfers to Other Funds	-	\$ 712,866
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FUND BALANCE - DECEMBER 31, 2018 **\$ 8,952,353**

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, 2018

FUND BALANCE - JANUARY 1, 2018		\$ 1,860,742
 <u>REVENUES RECEIVED</u>		
Investment Earnings	\$ 2,956	
Developer Fees	6,300	
Intergovernmental:		
Grants	2,000	
Other Financing Sources:		
Sale of Fixed Assets	7,190	
Transfer from Other Funds	511,523	529,969
TOTAL FUNDS AVAILABLE		2,390,711
 <u>EXPENDITURES PAID</u>		
General Government:		
Building Purchase/Improvement	68,979	
Public Safety:		
Vehicle Purchases	226,109	
Public Works:		
Vehicle Purchases	25,476	
Storm Water Improvements	2,500	
Culture and Recreation:		
Park Improvements	93,301	
Historical Building Improvements	70,353	486,718
FUND BALANCE - DECEMBER 31, 2018		\$ 1,903,993

Developers Escrow Fund
Statement of Additions Received and Deductions Paid
Modified Cash Basis
For the Year Ended December 31, 2018

DUE TO DEVELOPERS/GENERAL FUND - JANUARY 1, 2018		\$ 232,732
 ADDITIONS RECEIVED:		
Receipts from Developers	\$ 106,954	
Interest Earnings	-	106,954
 DEDUCTIONS PAID:		
Legal	11,308	
Consulting Fees	22,323	
Engineering	49,634	
Applicant Refunds	29,911	
Township Expenses	47	
TOTAL DEDUCTIONS PAID		113,223
DUE TO DEVELOPERS/GENERAL FUND - DECEMBER 31, 2018		\$ 226,463