

**REPORT ON  
LOWER SAUCON TOWNSHIP  
BETHLEHEM, PA  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

LOWER SAUCON TOWNSHIP

Financial Statements - Modified Cash Basis

For the Fiscal Year Ended December 31, 2016

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**FINANCIAL SECTION**

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June 23, 2017

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, 2016, 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, 2016, and the respective changes in financial position-modified cash basis, and, where applicable, cash flows and budgetary comparison of the General Fund for the year then ended in accordance with the basis of accounting as described in Note 2(B).

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

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

### ***Other Matters***

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

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

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

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

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

## LOWER SAUCON TOWNSHIP

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

In accordance with Government Auditing Standards we have also issued our report on June 23, 2017, on our consideration of Lower Saucon Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lower Saucon Township's internal control over financial reporting and compliance.

Respectfully submitted,

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

June 23, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Year Ended December 31, 2016**

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The discussion and analysis of Lower Saucon Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

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

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

***FINANCIAL HIGHLIGHTS***

The Township's overall financial position, as reflected in total net assets, increased by \$1,599,807 including special and extraordinary items.

In the prior year, the Township refinanced their entire debt and additionally financed storm water mitigation projects on Fire Lane and Black River Road. A general obligation note was issued in the amount of \$4,750,000 with a \$3,319,546 current outstanding balance as of December 31, 2016.

During the year, the Township issued General Obligation Note – Series of 2015 in order to finance the purchase of firefighting equipment for the Township. The General Obligation Note was issued in the amount of \$265,030 with a \$156,413 current outstanding balance as of December 31, 2016.

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

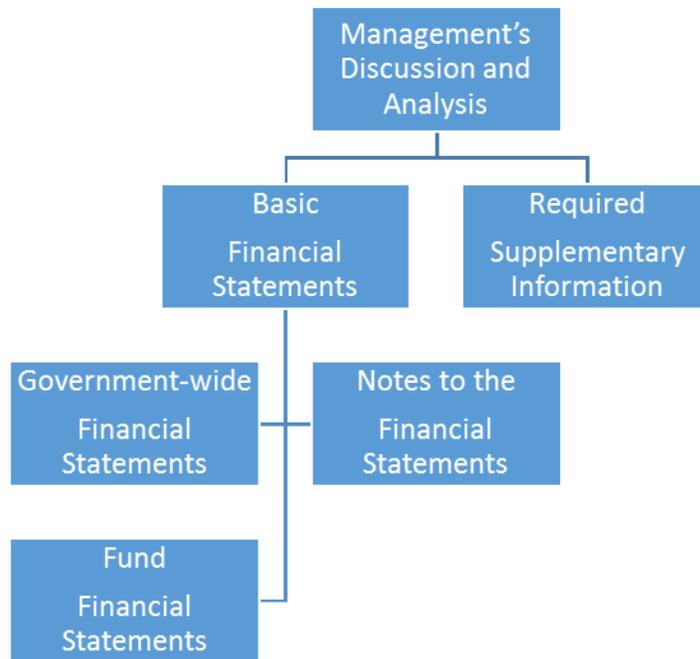
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The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how general Township services were financed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

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

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

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



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

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

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

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

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

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**OVERVIEW OF FINANCIAL STATEMENTS**

***Government-wide Statements***

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

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

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

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

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

*Governmental Activities*

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

*Business-Type Activities*

The Township does not have any business-type activities.

The Township's fund financial statements, which begin on page 15, provide detailed information about the most significant funds - not the Township as a whole.

*Governmental Funds*

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

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

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*Fiduciary Funds*

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

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

The Township's total net assets were \$14,793,289 at December 31, 2016.

**Table A-1**  
**Year Ended December 31, 2016 and 2015**  
**Net Position**

	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current and Other Assets	<u>\$ 14,798,014</u>	<u>\$ -</u>	<u>\$ 14,798,014</u>	<u>\$ 13,198,251</u>	<u>\$ -</u>	<u>\$ 13,198,251</u>
Current and Other Liabilities	<u>\$ 4,725</u>	<u>\$ -</u>	<u>\$ 4,725</u>	<u>\$ 4,769</u>	<u>\$ -</u>	<u>\$ 4,769</u>
<b>Net Position</b>						
Capital Projects	\$ 1,794,256	\$ -	\$ 1,794,256	\$ 2,245,269	\$ -	\$ 2,245,269
Unrestricted	12,999,033	-	12,999,033	10,948,213	-	10,948,213
<b>Total Net Position</b>	<u><b>\$ 14,793,289</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 14,793,289</b></u>	<u><b>\$ 13,193,482</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 13,193,482</b></u>

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

The results of this year's operations as a whole are reported in the statement of activities on page 14. All expenses are reported in the first column. The two largest revenues are provided by landfill revenue and general public taxes.

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

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

**Table A-2**  
**Fiscal Year Ended December 31, 2016 and 2015**  
**Change in Net Position**

	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 1,627,587	\$ -	\$ 1,627,587	\$ 2,095,232	\$ -	\$ 2,095,232
Operating Grants and Contributions	504,264	-	504,264	535,311	-	535,311
Capital Grants and Contributions	553,154	-	553,154	1,478,443	-	1,478,443
<i>General Revenues</i>						
Property Taxes	2,403,943	-	2,403,943	2,401,439	-	2,401,439
Other Taxes	4,176,422	-	4,176,422	3,891,285	-	3,891,285
Investment Earnings	22,310	-	22,310	19,252	-	19,252
Other Revenue	86,257	-	86,257	116,543	-	116,543
Loan Proceeds	-	-	-	265,030	-	265,030
<b>Total Revenue</b>	<b>9,373,937</b>	<b>-</b>	<b>9,373,937</b>	<b>10,802,535</b>	<b>-</b>	<b>10,802,535</b>
<b>Expenses</b>						
<i>Governmental Activities</i>						
General Government	1,118,700	-	1,118,700	1,164,035	-	1,164,035
Public Safety	2,601,664	-	2,601,664	2,650,942	-	2,650,942
Health and Human Services	3,358	-	3,358	4,450	-	4,450
Public Works	1,165,634	-	1,165,634	1,655,515	-	1,655,515
Culture and Recreation	578,359	-	578,359	1,298,327	-	1,298,327
Insurance	257,143	-	257,143	254,470	-	254,470
Employee Benefits	1,440,432	-	1,440,432	1,347,068	-	1,347,068
Debt Service Payments	608,840	-	608,840	608,839	-	608,839
Other Expenses	-	-	-	-	-	-
<b>Total Expenses</b>	<b>7,774,130</b>	<b>-</b>	<b>7,774,130</b>	<b>8,983,646</b>	<b>-</b>	<b>8,983,646</b>
<b>Increase in Net Position</b>	<b>\$ 1,599,807</b>	<b>\$ -</b>	<b>\$ 1,599,807</b>	<b>\$ 1,818,889</b>	<b>\$ -</b>	<b>\$ 1,818,889</b>

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

**DEBT ADMINISTRATION**

As of January 1, 2016, the Township had a total outstanding debt of \$3,973,180. The Township paid principal of \$497,221 resulting in ending outstanding debt as of December 31, 2016, of \$3,475,959.

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

	2016	2015
General Obligation Note – Series 2015	\$ 156,413	\$ 208,208
General Obligation Note – Series 2014	3,319,546	3,764,972

**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 2016 and 2015**

	2016			Variances with Final Budget Positive (Negative)
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	
Revenues	\$ 6,760,582	\$ 6,760,582	\$ 7,504,930	\$ 744,348
Expenditures	7,226,130	7,378,795	6,746,429	632,366
Net Change in Fund Balance	(465,548)	(618,213)	758,501	1,376,714
Fund Balance – January 1, 2016	465,548	618,213	5,313,871	4,695,658
Fund Balance – December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,072,372</u>	<u>\$ 6,072,372</u>

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

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

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

***FINANCIAL HIGHLIGHTS***

In 2016 Township Council adopted new policies to ensure the future financial soundness of the Township's assets. These policies include: the uncommitted fund balance policy, debt policy, investment policy, and the capital fund policy, as documented in the Budget Advisory Report. Each policy includes Council approved budgetary identification of funds i.e.; restricted, unrestricted, reserved, and committed.

In 2016, the Township Council requested the Administration to create a policy for reporting requirements for 501(c)(3) Organizations. Initially focusing on the Volunteer Fire Department contributions; it will impact all entities that receive donations from the Township as Council's focus is on financial reporting and transparency.

Township General Fund receipts were \$759,049 more than expended in 2016. This was primarily due to an increase in the amount of \$400,479 in anticipated host fees above what was budgeted. Additionally, the Township received more than anticipated in dividend returns for the self-funded medical insurance, Workman's Compensation, and general liability insurance plans in the amount of \$87,365.

In 2016 the Sands Casino challenged the legislation of paying impact fees to municipalities claiming it was an unfair tax. The courts agreed and the matter is still in legislative review. The Township used this funding to pay for the cost of a 15th full-time officer and vehicle. Due to the retirement of an officer, the Township was not forced to layoff that 15th officer and has decided not to replace personnel until the matter is resolved. This court decision lessens the funding recognized in state grant funds. This accounted for a loss in revenue of approximately \$180,000 annually.

Two significant financial matters occurred in 2016. Owners of the IESI Bethlehem Landfill have submitted an application to DEP to expand the southeast portion of the landfill and are close to receiving approvals to do so. If approved, this would extend the life of the landfill approximately 5 more years and generate approximately \$10 million in host fees during those years. Residents of Lower Saucon Township passed, for the third time, a .25% earned income tax for open space purchases. The ordinance included the ability to repay debt in the amount of \$867,861 which was calculated to be the amount of debt remaining from the purchase of the Polk Valley Park property with open space funds.

Township Council is paying down debt by including an additional \$100,000 payment toward the principal for 2017.

In 2016 Township Council commissioned an outside consulting firm to review Lower Saucon Township Police Department operations due to the anticipated retirement of the current Chief of Police. The final report will be issued in 2017 and at that time Council will review the recommendation. A hiring freeze was instituted until the study is complete.

In 2016 the Township revenues were more than expenses in the Special Tax revenues which includes Open Space, State Liquid Fuel and Fire Tax Appropriation, in the amount of \$1,292,797.

Township Council spent \$212,224 for the replacement of a Public Works Boom Mower using State and Capital Funding. Repaving projects were minimal due to time constraints. Because of that and a mild winter, the Township has in excess of \$1,186,000 in State Funding going into 2017.

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

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The Open Space Fund has in excess of \$5,649,000. One easement was acquired and it was a partnership with Springfield Township, Bucks County which was the lead municipality. With the passage of the referendum any new funding in 2017 will be used toward debt payment. Act 115 which was included with the passage allows use of funding for maintenance purposes of purchased property.

The final payment for the Pumper truck was made and is now stationed at the Southeastern Vol. Fire Company Station. Council approved a study to be done by DCED to appraise all the vehicles at the Volunteer Fire Companies in Lower Saucon, to determine a depreciation and replacement schedule and to ensure that the vehicles types are what are needed at those locations. The result of this report is expected in 2017 and the funding requirements will be reviewed at that time.

In 2016 the Township spent \$592,979 out of the Capital plan, with \$30,182 going toward the purchase of police vehicles. This was subsidized by the Northampton County Economic and Redevelopment Gaming Authority.

The Township spent an additional \$43,571 in 2016 for engineering fees related to the stormwater management project for Fire Lane and Black River Road.

The Township spent \$150,467 of the \$212,224 budgeted for Public Works vehicles.

Steel City Park is more than half-way completed. Final grading, pavilion and tot lot installation work will be also be done in 2017. Any modifications to the Easton Road Ballfield will be reviewed at a later date. Total spent in 2016 was \$252,555 in construction costs which will be offset by a grant approved by Northampton County Open Space program.

Due to the completion of most of the Township park system, the new administration is focusing on repairs and maintenance of buildings and other infrastructure needs. In 2016 the Township began the process by installing a new roof (\$49,500) and furnace (\$11,075) in the Public Works garage. Other major repairs are also being reviewed. Council has made commitments to complete the repairs needed to Seidersville Hall in an effort to utilize the building for community projects and meeting space. Awards were given to replace the roof which will occur in 2017. Painting and door replacement will completed in 2017 and window replacement is scheduled for 2018.

**Contacting the Township Financial Management**

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

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**BASIC FINANCIAL STATEMENTS**

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**LOWER SAUCON TOWNSHIP**  
**Statement of Net Position – Modified Cash Basis**  
**As of December 31, 2016**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 14,798,014	\$ -	\$ 14,798,014	\$ 3,553,708
Investments	-	-	-	437,736
Internal Balances	-	-	-	(1) -
Other Receivables	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>14,798,014</b>	<b>-</b>	<b>14,798,014</b>	<b>3,991,444</b>
<b>NON-CURRENT ASSETS:</b>				
Restricted Cash and Cash Equivalents	-	-	-	31,617
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,617</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,798,014</b>	<b>\$ -</b>	<b>\$ 14,798,014</b>	<b>\$ 4,023,061</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Internal Balances	\$ -	\$ -	\$ -	(1) \$ -
Other Payables	4,725	-	4,725	-
Due to Developers	-	-	-	31,895
Total Current Liabilities	4,725	-	4,725	31,895
<b>TOTAL LIABILITIES</b>	<b>4,725</b>	<b>-</b>	<b>4,725</b>	<b>31,895</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Reserved for Capital Projects	1,794,256	-	1,794,256	-
Unrestricted	12,999,033	-	12,999,033	3,991,166
<b>TOTAL NET POSITION</b>	<b>\$ 14,793,289</b>	<b>\$ -</b>	<b>\$ 14,793,289</b>	<b>\$ 3,991,166</b>

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

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

**LOWER SAUCON TOWNSHIP**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2016**

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	
<b>GOVERNMENTAL ACTIVITIES:</b>								
General Government	\$ 1,118,700	\$ 119,858	\$ -	\$ -	\$ (998,842)	\$ -	\$ (998,842)	
Public Safety	2,601,664	177,712	270,298	35,637	(2,118,017)	-	(2,118,017)	
Health and Human Services	3,358	-	-	-	(3,358)	-	(3,358)	
Public Works	1,165,634	1,132,876	10,859	465,629	443,730	-	443,730	
Culture and Recreation	578,359	13,169	-	51,888	(513,302)	-	(513,302)	
Miscellaneous	-	-	-	-	-	-	-	
Insurance	257,143	-	-	-	(257,143)	-	(257,143)	
Employee Benefits	1,440,432	183,972	223,107	-	(1,033,353)	-	(1,033,353)	
Debt Service	608,840	-	-	-	(608,840)	-	(608,840)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>7,774,130</b>	<b>1,627,587</b>	<b>504,264</b>	<b>553,154</b>	<b>(5,089,125)</b>	<b>-</b>	<b>(5,089,125)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>								
No Activities	-	-	-	-	-	-	-	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,774,130</b>	<b>\$ 1,627,587</b>	<b>\$ 504,264</b>	<b>\$ 553,154</b>	<b>\$ (5,089,125)</b>	<b>\$ -</b>	<b>\$ (5,089,125)</b>	
<b>COMPONENT UNITS:</b>								
Lower Saucon Authority	\$ 2,040,623	\$ 1,928,060	\$ -	\$ -				\$ (112,563)
<b>GENERAL REVENUES:</b>								
Property Taxes Levied for General Purposes, Net					\$ 2,403,943	\$ -	\$ 2,403,943	\$ -
Other Taxes for General Purposes					4,176,422	-	4,176,422	-
Grants, Subsidies, & Contributions Not Restricted					41,485	-	41,485	-
Investment Earnings					22,310	-	22,310	7,082
Miscellaneous Income					19,660	-	19,660	6,380
Sale of Fixed Assets					25,112	-	25,112	-
Loan Proceeds					-	-	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>6,688,932</b>	<b>-</b>	<b>6,688,932</b>	<b>13,462</b>
<b>CHANGE IN NET POSITION</b>					<b>1,599,807</b>	<b>-</b>	<b>1,599,807</b>	<b>(99,101)</b>
<b>NET POSITION - BEGINNING</b>					<b>13,193,482</b>	<b>-</b>	<b>13,193,482</b>	<b>4,090,267</b>
<b>NET POSITION - ENDING</b>					<b>\$ 14,793,289</b>	<b>\$ -</b>	<b>\$ 14,793,289</b>	<b>\$ 3,991,166</b>

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, 2016**

	<u>GENERAL</u>	<u>SPECIAL TAX FUND</u>	<u>CAPITAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 6,072,616	\$ 6,926,661	\$ 1,798,737	\$ 14,798,014
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Other Receivables	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 6,072,616</u></b>	<b><u>\$ 6,926,661</u></b>	<b><u>\$ 1,798,737</u></b>	<b><u>\$ 14,798,014</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Other Payables	244	-	4,481	4,725
<b>TOTAL LIABILITIES</b>	<b><u>244</u></b>	<b><u>-</u></b>	<b><u>4,481</u></b>	<b><u>4,725</u></b>
<b>FUND BALANCES:</b>				
- Nonspendable	-	-	-	-
- Restricted	-	6,926,661	-	6,926,661
- Committed	-	-	-	-
- Assigned	-	-	1,794,256	1,794,256
- Unassigned	6,072,372	-	-	6,072,372
<b>TOTAL FUND BALANCES</b>	<b><u>6,072,372</u></b>	<b><u>6,926,661</u></b>	<b><u>1,794,256</u></b>	<b><u>14,793,289</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 6,072,616</u></b>	<b><u>\$ 6,926,661</u></b>	<b><u>\$ 1,798,737</u></b>	<b><u>\$ 14,798,014</u></b>

**Reconciliation to Statement of Net Assets:**

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

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

**LOWER SAUCON TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis**  
**All Governmental Funds**  
**For the Year Ended December 31, 2016**

<u>REVENUES</u>	<u>GENERAL</u>	<u>SPECIAL TAX FUND</u>	<u>CAPITAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Taxes	\$ 5,109,513	\$ 1,350,259	\$ -	\$ 6,459,772
Licenses and Permits	117,898	-	-	117,898
Fines and Forfeits	62,379	-	-	62,379
Intergovernmental	594,373	465,629	-	1,060,002
Charges for Services	1,366,516	-	8,275	1,374,791
Investment Earnings	9,301	9,912	3,097	22,310
Miscellaneous	<u>60,978</u>	<u>6,535</u>	<u>301</u>	<u>67,814</u>
<b>TOTAL REVENUES</b>	<u>7,320,958</u>	<u>1,832,335</u>	<u>11,673</u>	<u>9,164,966</u>
<u>EXPENDITURES</u>				
<b>CURRENT:</b>				
General Government	1,047,477	21,263	49,500	1,118,240
Public Safety	2,310,662	260,819	30,183	2,601,664
Health and Human Services	3,358	-	-	3,358
Public Works	717,677	196,641	251,316	1,165,634
Culture and Recreation	287,222	29,156	261,981	578,359
Miscellaneous	-	-	-	-
Insurance	257,143	-	-	257,143
Employee Benefits	1,440,432	-	-	1,440,432
<b>DEBT SERVICE:</b>				
Principal	445,426	51,795	-	497,221
Interest	<u>106,277</u>	<u>5,342</u>	<u>-</u>	<u>111,619</u>
<b>TOTAL EXPENDITURES</b>	<u>6,615,674</u>	<u>565,016</u>	<u>592,980</u>	<u>7,773,670</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>705,284</u>	<u>1,267,319</u>	<u>(581,307)</u>	<u>1,391,296</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Refund of Prior Year Outflows	183,972	-	-	183,972
Refund of Prior Year Inflows	(461)	-	-	(461)
Sale of Fixed Assets	-	25,000	-	25,000
Loan Proceeds	-	-	-	-
Interfund Transfers In	-	-	130,294	130,294
Interfund Transfers Out	<u>(130,294)</u>	<u>-</u>	<u>-</u>	<u>(130,294)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>53,217</u>	<u>25,000</u>	<u>130,294</u>	<u>208,511</u>
<b>NET CHANGE IN FUND BALANCES</b>	758,501	1,292,319	(451,013)	1,599,807
<b>FUND BALANCES - BEGINNING</b>	<u>5,313,871</u>	<u>5,634,342</u>	<u>2,245,269</u>	<u>13,193,482</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,072,372</u>	<u>\$ 6,926,661</u>	<u>\$ 1,794,256</u>	<u>\$ 14,793,289</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 Net Position – Modified Cash Basis**  
**Agency Funds**  
**As of December 31, 2016**

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	<b>AGENCY FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 251,467
Investments	-
Due from Other Funds	-
Other Receivables	-
<b>TOTAL ASSETS</b>	<b>\$ 251,467</b>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ -
Due to Developers	251,467
Pension Fund Liability	-
Accrued Investment Expense	-
<b>TOTAL LIABILITIES</b>	<b>251,467</b>
 <b>NET POSITION</b>	
Unrestricted	-
<b>TOTAL NET POSITION</b>	<b>\$ -</b>

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, 2016**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH	BUDGET TO	ACTUAL
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)	MODIFIED CASH DIFFERENCE	AMOUNTS MODIFIED CASH BASIS
<b>RESOURCES (INFLOWS):</b>						
Taxes	\$ 4,998,967	\$ 4,998,967	\$ 5,109,513	\$ 110,546	\$ -	\$ 5,109,513
Licenses and Permits	111,375	111,375	117,898	6,523	-	117,898
Fines and Forfeits	100,111	100,111	62,379	(37,732)	-	62,379
Intergovernmental	439,923	439,923	594,373	154,450	-	594,373
Charges for Services	997,056	997,056	1,366,516	369,460	-	1,366,516
Miscellaneous	16,150	16,150	60,978	44,828	-	60,978
Interest Received	6,500	6,500	9,301	2,801	-	9,301
Refund of Prior Year Outflows	90,000	90,000	183,972	93,972	-	183,972
Sale of Fixed Assets	500	500	-	(500)	-	-
Transfers from Other Funds	-	-	-	-	-	-
<b>TOTAL RESOURCES</b>	<b>6,760,582</b>	<b>6,760,582</b>	<b>7,504,930</b>	<b>744,348</b>	<b>-</b>	<b>7,504,930</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government:</b>						
Legal	114,000	142,000	170,628	(28,628)	-	170,628
Mayor, Legislative, Borough Manager	329,985	332,835	268,837	63,998	-	268,837
Finance and Accounting	170,832	170,832	157,956	12,876	-	157,956
Data Processing	59,189	66,039	28,145	37,894	-	28,145
Engineering	148,500	150,500	140,371	10,129	-	140,371
Buildings and Plant	408,855	409,455	281,540	127,915	-	281,540
<b>Public Safety:</b>						
Police	1,773,527	1,832,004	1,784,611	47,393	-	1,784,611
Fire	353,565	353,565	332,392	21,173	-	332,392
Inspections	231,659	233,659	188,965	44,694	-	188,965
Other	5,300	5,300	4,694	606	-	4,694
<b>Health and Human Services:</b>						
Dog Control	6,000	6,000	3,358	2,642	-	3,358
<b>Public Works:</b>						
Public Works Administration	67,601	67,601	55,259	12,342	-	55,259
Sanitation and Recycling	52,000	52,000	23,176	28,824	-	23,176
Street Maintenance and Lighting	792,648	792,648	639,242	153,406	-	639,242
<b>Culture and Recreation:</b>						
Parks	172,842	172,842	141,717	31,125	-	141,717
Library	41,729	93,617	145,505	(51,888)	-	145,505
<b>Non-Departmental:</b>						
Miscellaneous	20,000	20,000	-	20,000	-	-
Debt Service	551,704	551,704	551,703	1	-	551,703
Insurance	271,189	271,189	257,143	14,046	-	257,143
Employee Benefits	1,441,005	1,441,005	1,440,432	573	-	1,440,432
Contingencies	-	-	-	-	-	-
Refund of Prior Year Inflows	2,000	2,000	461	1,539	-	461
Transfer to Other Funds	212,000	212,000	130,294	81,706	-	130,294
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>7,226,130</b>	<b>7,378,795</b>	<b>6,746,429</b>	<b>632,366</b>	<b>-</b>	<b>6,746,429</b>
Excess (Deficiency) of Inflows Over Outflows	(465,548)	(618,213)	758,501	1,376,714	-	758,501
<b>FUND BALANCE - JANUARY 1, 2016</b>	<b>465,548</b>	<b>618,213</b>	<b>5,313,871</b>	<b>4,695,658</b>	<b>-</b>	<b>5,313,871</b>
<b>FUND BALANCE - DECEMBER 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,072,372</b>	<b>\$ 6,072,372</b>	<b>\$ -</b>	<b>\$ 6,072,372</b>

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

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

***Reporting Entity***

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

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

***Component Units***

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

***Lower Saucon Authority***

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

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

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

**A. *Basis of Presentation***

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

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

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

**B. Basis of Accounting**

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

**C. Fund Accounting**

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

General Fund

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

Capital Project Fund

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

Special Revenue Fund

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

**Proprietary Funds**

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

Enterprise Funds

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

*Lower Saucon Authority*

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

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

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

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

***E. Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Since these financial statements are prepared on the modified cash basis, no estimates have been used.

***F. Investments***

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

**G. Receivables and Payables**

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

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

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

The total taxable assessed real estate valuation for the year ended 2016 is \$448,482,400 at a rate of 5.14 mills that includes a .25 mill fire tax assessment. Real estate taxes are levied on January 1 and are payable by June 30.

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

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

**I. Fund Balance Classifications**

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

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

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

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

There are no deficits in fund balances or net assets at December 31, 2016.

**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, 2016, \$14,826,859 of the Township's bank balance of \$15,326,859 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	14,826,859
<b>TOTAL</b>	<b><u>\$ 14,826,859</u></b>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 14,826,859
Plus: Insured Amount	500,000
Deposits in Transit	799
Less: Outstanding Checks	(282,958)
Carrying Amount – Bank Balance	<u>15,044,700</u>
Plus: Petty Cash	300
Deposits in Pooled Investments Considered Cash Equivalents	4,481
Less: Certificates of Deposit considered Investment by the Township	-
<b>Total Cash per Financial Statements</b>	<b><u>\$ 15,049,481</u></b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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Restricted Cash

The cash balance includes \$251,467 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, 2016, \$3,725,447 of the Authority's bank balance of \$3,975,447 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	3,725,447
<b>TOTAL</b>	<b><u>\$ 3,725,447</u></b>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 3,725,447
Plus: Insured Amount	250,000
Less: Outstanding Checks	(266,483)
Plus: Deposits in Transit	-
Carrying Amount – Bank Balance	<u>3,708,964</u>
Plus: Petty Cash	700
Pooled Cash Equivalent in Enterprise Funds	313,397
Less: Certificates of Deposit shown as investments	(437,736)
<b>Total Cash per Financial Statements</b>	<b><u>\$ 3,585,325</u></b>

Restricted Cash

Cash and Cash equivalents have been categorized on the financial statements as either unrestricted or restricted. The restricted cash balance includes \$31,617 held as developer's escrow funds. These funds are held by the Authority to guarantee the completion of various water and sewer lines by the developers.

**Note 5 - Investments**

**Primary Government**

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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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.
  - 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.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

- 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, 2016, the Township had the following investments:

<u>Investments</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 4,481
Certificates of Deposit	-
<b>TOTAL</b>	<b>\$ 4,481</b>

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 observable 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 does not have any investments at December 31, 2016.

Credit Risk

The Township has an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2016, the Township's investment in the PA Local Government Investment Trust was rated AAA by Standard & Poors.

Concentration of Credit Risk

The Township places a limit on the amount the Township may invest in any one issuer. The Township does not have any investments at December 31, 2016.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 4,481
Less: Deposits in Investment Pool Considered Cash Equivalents	(4,481)
<b>Total Investments per Financial Statements</b>	<b>\$ -</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

Fair Value Reporting

The Authority 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 observable inputs. All investments of the Authority are classified as Level 1 investments.

**Component Unit**

As of December 31, 2016, the Authority had the following investments:

Investment

<i>Investments</i>	<i>Maturities</i>	<i>Fair Value</i>
PA Local Government Investment Trust		\$ 313,397
Certificates of Deposit	12-18 Months	437,736
<b>TOTAL</b>		<b>\$ 751,133</b>

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 751,133
Less: Deposits in Investment Pool Considered Cash Equivalents	(313,397)
<b>Total Investments per Financial Statements</b>	<b>\$ 437,736</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

Long-term liability balances and activity for the year ended December 31, 2016, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<i>General Obligation Debt:</i>					
<i>Bonds and Notes Payable:</i>					
General Fund	\$ 3,764,972	\$ -	\$ 445,426	\$ 3,319,546	\$ 457,807
Special Tax Fund	208,208	-	51,795	156,413	53,135
<b>Total Governmental Activities</b>	<b>\$ 3,973,180</b>	<b>\$ -</b>	<b>\$ 497,221</b>	<b>\$ 3,475,959</b>	<b>\$ 510,942</b>

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

Total interest paid during the year:

	Paid
<b>Governmental Activities</b>	
General Obligation Debt	\$ 111,619
Capital Leases	-
Short-Term Borrowings and Other Liabilities	-
<b>TOTAL</b>	<b>\$ 111,619</b>

**Primary Government Debt**

*General Obligation Note – Series of 2014*

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

YEAR	PRINCIPAL	INTEREST
2017	\$ 457,807	\$ 93,895
2018	470,711	80,991
2019	483,978	67,724
2020	497,471	54,231
2021	511,641	40,061
2022-2023	897,938	36,452
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,319,546</b>	<b>\$ 373,354</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

*General Obligation Note – Series of 2015*

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

YEAR	PRINCIPAL	INTEREST
2017	\$ 53,135	\$ 4,002
2018	54,492	2,645
2019	48,786	1,492
<b>TOTAL OUTSTANDING</b>	<b>\$ 156,413</b>	<b>\$ 8,139</b>

**Note 7 - Pension Plans**

***General***

The Township maintains two pension plans, the Non-Uniformed Pension Plan, which covers substantially all full-time and permanently part-time non-police employees of the Township and the Police Pension Plan for full time police employees, the plans are members of the statewide Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system. PMRS was created by the Pennsylvania General Assembly to administer pension plans on a contract basis. PMRS is trustee of the pension plans. PMRS maintains separate records for each plan and issues separate financial statements for each plan which can be obtained from the Township at 3700 Old Philadelphia Pike, Bethlehem, PA 18015. PMRS also issues a publicly available Comprehensive Financial Report (CAFR) that may be obtained by writing to PMRS, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968. The Authority under which the benefit provisions have been established, or may be amended, remains with the Council members of Lower Saucon Township.

***Non-Uniformed Pension Plan***

*Plan Description*

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

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

Upon normal retirement, employees should receive a benefit of 1.75% of their average compensation multiplied by all years of service. Average compensation is calculated as the average of compensation pay over the final 36 months of employment. For employees eligible for early retirement, the benefit will equal to the benefit accrued at the date of termination reduced actuarially. If a member continues employment after his normal retirement date, he will be eligible to receive a monthly pension payable at

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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his late retirement date equal to the benefit accrued at the date of actual retirement. There is no social security offset. The plan also provides certain death and disability benefits.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

*Basis of Accounting*

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

*Method Used to Value Investments*

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

*Funding Policy*

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

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

*Plan Membership*

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

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

*Annual Pension Cost and Net Pension Obligation*

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

Annual Pension Costs per MMO	\$ 83,613
Contributions made	91,868

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

***Three-Year Trend Information***

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 88,962	100%	\$ -
12/31/2015	86,546	100%	-
12/31/2016	83,613	109.9%	-

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

**Funded Status and Funding Progress**

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

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

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

**Changes in Net Assets**

<b><u>REVENUES</u></b>		
State Aid	\$ 91,868	
Employee Contributions	3,438	
Employer Contributions	15,917	
Investment Income Net of Investment Fees	31,158	
Realized Gains on Investment Sales	30,303	
Unrealized Gain on Investments	28,521	
<b>TOTAL REVENUE</b>		<b>\$ 201,205</b>
<b><u>EXPENDITURES</u></b>		
Pension Payments	39,876	
Administrative Fees	16,904	
<b>TOTAL EXPENDITURES</b>		<b>56,780</b>
<b>Change in Net Assets</b>		<b>144,425</b>
<b>Net Assets January 1, 2016</b>		<b>1,907,120</b>
<b>Net Assets December 31, 2016</b>		<b>\$ 2,051,545</b>

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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***POLICE PENSION PLAN***

*Plan Description*

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

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

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

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

*Basis of Accounting*

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

*Method Used to Value Investments*

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

*Funding Policy*

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

Plan Membership

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

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

Annual Pension Cost and Net Pension Obligation

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

Annual Pension Costs per MMO	\$ 289,892
Contributions made	289,892

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

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 272,162	100%	\$ -
12/31/2015	278,821	100%	-
12/31/2016	289,892	100%	-

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

Funded Status and Funding Progress

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

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

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

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

<b>REVENUES</b>		
State Aid	\$	131,239
Employer Contributions		200,277
Employee Contributions		27,142
Investment Income Net of Investment Fees		91,591
Miscellaneous Income		-
Realized Gains on Investment Sales		88,796
Unrealized Gain on Investments		83,606
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>622,651</b>
<b>EXPENDITURES</b>		
Pension Payments		218,825
Administrative Fees		44,440
<b>TOTAL EXPENDITURES</b>		<b>263,265</b>
<b>Change in Net Assets</b>		<b>359,386</b>
<b>Net Assets January 1, 2016</b>		<b>5,637,702</b>
<b>Net Assets December 31, 2016</b>	<b>\$</b>	<b>5,997,088</b>

**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.

**LOWER SAUCON TOWNSHIP**  
**Notes To Financial Statements**  
**Year Ended December 31, 2016**

**Note 10 - Short-Term Debt**

***Interfund Receivables and Payables***

There were no interfund receivables or payables that existed on December 31, 2016.

***Interfund Transfers***

The following interfund transfers were made during the fiscal year ended December 31, 2016:

	INTERFUND TRANSFERS IN	INTERFUND TRANSFERS OUT
General Fund	\$ -	\$ 130,294
Capital (Capital Project) Fund	130,294	-
<b>TOTAL</b>	<b>\$ 130,294</b>	<b>\$ 130,294</b>

**Note 11 – Fund Balance**

Detailed information about aggregated fund balances:

***Assigned Fund Balances***

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

Capital Fund	\$ 1,794,256
<b>TOTAL CAPITAL PROJECTS FUND</b>	<b>\$ 1,794,256</b>

***Restricted Fund Balances***

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

Special Tax Fund	\$ 6,926,661
<b>TOTAL</b>	<b>\$ 6,926,661</b>

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

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

**Note 13 – Contingencies**

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

**LOWER SAUCON TOWNSHIP  
Notes To Financial Statements  
Year Ended December 31, 2016**

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**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 June 23, 2017, which is the date of the financial statements were available to be issued.



June 23, 2017

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, 2016, which collectively comprise the Lower Saucon Township's basic financial statements and have issued our report thereon dated June 23, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

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

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

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

## TOWNSHIP COUNCIL

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

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

We noted certain matters that we reported to management of Lower Saucon Township in a separate letter dated June 23, 2017.

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

Respectfully submitted,

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

June 23, 2017

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**LOWER SAUCON TOWNSHIP**  
**Pension Funds**  
**Required Supplemental Information**  
**December 31, 2016**

**SCHEDULE OF FUNDING PROGRESS**

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUATION OF ASSETS</b>	<b>ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION</b>	<b>UNFUNDED AAL</b>	<b>FUNDED RATIO</b>	<b>COVERED PAYROLL</b>	<b>UAAL AS A % OF COVERED PAYROLL</b>
<b>NON-UNIFORMED PENSION PLAN</b>						
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%
<b>POLICE PENSION PLAN</b>						
1-1-2007	\$ 3,455,999	\$ 3,615,017	\$ 159,018	95.6%	\$ 933,343	17.0%
1-1-2009	3,738,283	4,341,068	602,785	86.1%	950,288	63.4%
1-1-2011	4,127,761	5,035,073	907,312	82.0%	1,011,579	89.7%
1-1-2013	4,556,557	5,323,791	767,234	85.6%	1,085,736	70.7%
1-1-2015	5,422,624	5,991,490	568,866	90.5%	1,249,966	45.5%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

<b>NON-UNIFORMED PENSION PLAN</b>				<b>POLICE PENSION PLAN</b>			
<b>YEAR ENDED DECEMBER 31,</b>	<b>ANNUAL REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTIONS FROM EMPLOYER</b>	<b>PERCENTAGE CONTRIBUTED</b>	<b>ANNUAL REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTIONS FROM EMPLOYER</b>	<b>PERCENTAGE CONTRIBUTED</b>	
2007	\$ 88,302	\$ 88,302	100.0%	\$ 126,385	\$ 126,385	100.0%	
2008	96,307	96,307	100.0%	159,486	159,486	100.0%	
2009	95,115	95,115	100.0%	162,193	162,193	100.0%	
2010	93,110	93,110	100.0%	177,635	177,635	100.0%	
2011	91,646	91,646	100.0%	183,105	183,105	100.0%	
2012	86,983	86,983	100.0%	256,470	256,470	100.0%	
2013	82,475	82,475	100.0%	258,715	258,715	100.0%	
2014	88,962	88,962	100.0%	272,162	272,162	100.0%	
2015	86,546	86,546	100.0%	278,821	278,821	100.0%	
2016	83,613	91,868	109.9%	289,892	289,892	100.0%	

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**I N D I V I D U A L F U N D S T A T E M E N T S**

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**LOWER SAUCON TOWNSHIP**  
**General Fund**  
**Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance –**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2016**

**REVENUES RECEIVED**

**TAXES:**

Real Estate Taxes - Current	\$	2,215,862	
Real Estate Taxes - Prior		18,569	
Real Estate Taxes - Current Interims		1,238	
Real Estate Taxes - Prior Interims		443	
Real Estate Taxes - Delinquent		59,475	
Real Estate Transfer Taxes		258,886	
Earned Income Taxes - Current		1,732,108	
Earned Income Taxes - Prior		772,277	
Emergency Municipal Service Tax - Current		40,542	
Emergency Municipal Service Tax - Prior		10,113	
		<u>10,113</u>	\$ 5,109,513

**LICENSES AND PERMITS:**

Franchise Fee Cable	113,653	
Junkyard Licenses	1,000	
Road Encroachment Permits	2,990	
Moving Permits	255	
	<u>255</u>	117,898

**FINES AND FORFEITS:**

Motor Vehicle Violations	42,388	
Fines	11,073	
Ordinance Violations	1,819	
Crimes Code Violations	6,314	
Parking Tickets	785	
	<u>785</u>	62,379

**INTERGOVERNMENTAL:**

State Grants	202,937	
Public Safety Grants	12,811	
Beverage Licenses	2,200	
Federal Grants	52,600	
Public Utility Realty Tax	6,939	
Pension State Aid	223,107	
Allotment - Fireman's Relief	93,779	
	<u>93,779</u>	594,373

**CHARGES FOR SERVICES:**

Subdivision Fees	1,400	
Tax Collection Services	6,100	
Duplicate Tax Bill Fees	420	
Police Services	10,660	
Accident Report Requests	3,356	
Weed Clearing and Removal	21,000	
Administrative Income	3,803	
Security Alarm Fees	900	
Building Permits	23,464	
Sanitation Permits	30,320	
State UCC Fees	716	
Highway and Street Charges	3,318	
Health Insurance Charges	139,332	
Compost Sales	3,020	
Landfill Host Fees	1,100,479	
Recreation Fees	13,169	
BRE Sales	5,059	
	<u>5,059</u>	1,366,516

**INVESTMENT EARNINGS:**

Interest Income		9,301
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**MISCELLANEOUS:**

Miscellaneous	19,738	
Donations	41,240	
	<u>41,240</u>	60,978

<b>TOTAL REVENUE RECEIVED</b>		<u>\$ 7,320,958</u>
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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, 2016**

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**EXPENDITURES PAID**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor \$ 170,628

**MAYOR, LEGISLATIVE, TOWNSHIP MANAGER:**

Salary 201,422  
 Payroll Taxes 14,842  
 General Expense 11,520  
 Grant Expenditures 20,050  
 Other Expense 4,879  
 Equipment 3,198  
 Advertising, Printing and Postage 12,926

**FINANCE AND ACCOUNTING:**

Salary 103,068  
 Payroll Taxes 7,885  
 Payroll Services 5,121  
 Auditing 14,300  
 Bank Services 1,644  
 Office Materials/Supplies 9,350  
 Tax Collection Services 560  
 Real Estate Tax Prep/Mailing 8,417  
 General Expense 5,847  
 Contracted Services 1,764

**DATA PROCESSING:**

Salary 2,083  
 Payroll Taxes 159  
 Website Operation/Maintenance 3,100  
 Office Equipment Maintenance 6,336  
 Equipment - Capital 3,737  
 Software Licenses 12,730

**ENGINEER:**

Engineering Services 91,778  
 Sewage Enforcement Officer 48,593

**BUILDINGS AND PLANT:**

Salary 6,829  
 Building Materials/Supplies 3,894  
 Heating Oil/Diesel Fuel 41,504  
 Gasoline 54,475  
 Oils/Lubricants 2,010  
 Communication Expense 40,666  
 Utilities 61,679  
 Maintenance/Repairs 41,681  
 Equipment - Capital 15,321  
 Equipment Rental 13,481

13,481 \$ 1,047,477

**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, 2016**

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**PUBLIC SAFETY**

**POLICE:**

Salary of Policemen	\$ 1,350,667
Overtime	101,655
Salary of Clerical	72,119
Payroll Taxes	117,943
Uniforms	14,490
Firearms Ammunition	4,896
Advertising/Printing	1,782
Investigation Expense	1,744
Communication Equipment	2,055
Contracted Services	13,530
Equipment Maintenance	8,449
General Expenses	9,479
Vehicle Maintenance and Repairs	25,266
Equipment - Capital	14,317
Equipment - Non-Capital	5,590
K-9 Expenses	4,321
Training	36,308

**FIRE:**

Contribution to Fire Co.	190,000
Fireman's Relief	93,779
Contribution to Dewey Ambulance	15,000
Hydrant/Water Service	22,392
General Expenses	11,221

**INSPECTIONS:**

Zoning and Administration	75,026
Salary of Clerical	44,942
Payroll Taxes	9,022
Consulting Services	44,286
Advertising/Printing	6,338
Township Newsletter	8,420
Vehicle Maintenance and Repairs	427
General Expenses	504

**OTHER PUBLIC SAFETY:**

Crossing Guards	4,694	\$ 2,310,662
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**HEALTH AND HUMAN SERVICES**

Dog Control	3,358
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**PUBLIC WORKS**

**PUBLIC WORKS ADMINISTRATION:**

Salary	55,259
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**SANITATION:**

Recycling Collection and Disposal	23,176
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**STREET MAINTENANCE AND LIGHTING:**

Salaries - Highways and Streets	424,314
Overtime	30,777
Payroll Taxes	39,686
Road Materials	72,706
Materials/Supplies	28,606
Traffic Sign Maintenance	3,501
Vehicle Maintenance	22,715
Contracted Services	2,938
Equipment Rental	316
General Expenses	4,543
Equipment	9,140
	717,677

**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, 2016**

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**CULTURE AND RECREATION**

**PARKS AND POOL:**

Maintenance/Repairs	\$	17,226	
General Expenses		2,172	
Contracted Services		64,193	
Summer Youth Program		29,079	
Senior Program		15,984	
Pool Pass Reimbursement		8,035	
Equipment		5,028	

**LIBRARY:**

Contribution		145,505	\$ 287,222
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**DEBT SERVICE**

Debt Principal Payments	445,426	
Debt Interest Payments	106,277	551,703

**INSURANCE**

Business Insurance	64,661	
Vehicle Insurance	26,190	
Workmen's Compensation	166,292	257,143

**EMPLOYEE BENEFITS**

Dental Insurance	22,652	
Hospitalization Insurance	920,267	
Group Term Life Insurance	6,784	
Unemployment Compensation	15,601	
Other Benefits	5,786	
Income Protection	17,166	
Pension Administration Fees	70,416	
Minimum Pension Oblig - Nonuniform	91,868	
Minimum Pension Oblig - Police	289,892	1,440,432

<b>TOTAL EXPENDITURES PAID</b>		<b>6,615,674</b>
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**EXCESS OF REVENUES RECEIVED**

<b>OVER EXPENDITURES PAID</b>	705,284
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**OTHER FINANCING SOURCES RECEIVED AND**

**OTHER FINANCING USES PAID**

Refund of Prior Year Expenditures	\$ 183,972	
Refund of Prior Year Revenue	(461)	
Transfer to Other Funds	(130,294)	\$ 53,217

<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 758,501</b>
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<b>FUND BALANCE - JANUARY 1, 2016</b>	<b>5,313,871</b>
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<b>FUND BALANCE - DECEMBER 31, 2016</b>	<b>\$ 6,072,372</b>
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**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, 2016**

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**FUND BALANCE - JANUARY 1, 2016** \$ 5,634,342

**REVENUES RECEIVED**

**Taxes:**

Fire Tax	\$	108,355
Earned Income Tax - Current Year		848,237
Earned Income Tax - Prior Year		393,667

**Intergovernmental:**

Motor Vehicle Fuel Taxes		465,629
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**Investment Income:**

Interest Earnings		9,912
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**Miscellaneous:**

Donations/Contributions		6,500
Miscellaneous Income		35

**Other Financing Sources:**

Sale of Fixed Assets		25,000	1,857,335
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**TOTAL FUNDS AVAILABLE** 7,491,677

**EXPENDITURES PAID**

**General Government:**

Bank Fees	\$	48
Legal Fees		1,842
Engineering/Planning Fees		16,173
Appraisal Costs		3,200

**Public Safety:**

Vehicle Purchase		260,819
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**Public Works:**

Traffic Signal Maintenance & Repair		5,246
Vehicle Maintenance & Repair		18,528
Highway Major Equipment		61,757
Snow Removal		22,031
Street Sign & Marking		11,776
Street Lighting		33,469
Equipment/Tools Maintenance & Repair		154
Road Materials & Supplies		233
Penndot Road Projects		43,447

**Community Development:**

Open Space Purchases		29,156
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**Debt Service:**

Principal		51,795	
Interest		5,342	565,016

**FUND BALANCE - DECEMBER 31, 2016** **\$ 6,926,661**

**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, 2016**

<b>FUND BALANCE - JANUARY 1, 2016</b>		<b>\$ 2,245,269</b>
<b><u>REVENUES RECEIVED</u></b>		
Investment Earnings	\$ 3,097	
Developer Fees	8,275	
Donations/Contributions	301	
<b>Other Financing Sources:</b>		
Transfer from Other Funds	130,294	141,967
<b>TOTAL FUNDS AVAILABLE</b>		<b>2,387,236</b>
<b><u>EXPENDITURES PAID</u></b>		
<b>General Government:</b>		
Building Purchase/Improvement	49,500	
<b>Public Safety:</b>		
Vehicle Purchases	30,183	
<b>Public Works:</b>		
Vehicle Purchases	150,467	
Storm Water Improvements	43,572	
Road Improvements	57,277	
<b>Culture and Recreation:</b>		
Park Improvements	252,556	
Historical Building Improvements	9,425	592,980
<b>FUND BALANCE - DECEMBER 31, 2016</b>		<b>\$ 1,794,256</b>

**Developers Escrow Fund**  
**Statement of Additions Received and Deductions Paid**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2016**

<b>DUE TO DEVELOPERS/GENERAL FUND - JANUARY 1, 2016</b>		<b>\$ 276,170</b>
<b>ADDITIONS RECEIVED:</b>		
Receipts from Developers	\$ 178,803	
Interest Earnings	-	178,803
<b>DEDUCTIONS PAID:</b>		
Legal	22,479	
Consulting Fees	76,471	
Engineering	63,897	
Township Expenses	519	
Applicant Refunds	40,131	
Miscellaneous	9	
<b>TOTAL DEDUCTIONS PAID</b>		<b>203,506</b>
<b>DUE TO DEVELOPERS/GENERAL FUND - DECEMBER 31, 2016</b>		<b>\$ 251,467</b>