

Comprehensive Annual Financial Report

2023

Lower Saucon Township



March 20, 2024

Presented by Cathy Gorman, Asst. Manager/Dir. of Finance

Introduction

This document was created upon the recommendation of the Budget Advisory Committee. The intent is to provide Council a year end status report of the Township's financial condition. This report will be included in the Township's annual report.

The Township's Budget document is a one-year plan of revenues and expenses that are projected to occur during that year. This LSTCAFR (Lower Saucon Township's Comprehensive Annual Finance Report) contains the audited actual figures as of December 31, 2023. This report is presented to Council after the audit is complete but before the appointed auditors complete the DCED financial reports, which are due by April. Their formal financial report is typically presented in June and published on the website once presented to Council.

This report will cover the progress of any agreements or projects that were not completed at year end as anticipated. These items will require possible budget modifications during the current year, and we will provide Council information that can be used in the upcoming year's budget deliberations.

The LSTCAFR is recommended by the Government Financial Officers Association (GFOA). Much of the financial information in the LSTCAFR is information that is also found in the Auditor's financial reports. The enclosed information presents the net position of the Township and encompasses the General Fund assets, Special Taxes, and the Capital Fund. The Capital Improvements Plan (CIP) is presented to Council before September 1st of each year pursuant to the Township Code.

One source of revenue for the Township is the landfill tipping fees. We increased the annual appropriation budgeted to the Capital Plan for long term projects to \$315,000. Receipts are directed to our what is reported as the Township General Savings account to be utilized when necessary. In 2023, expenses increased for various reasons thereby expending \$871,795 more in 2023. Utilizing funds of \$457,000 to ensure minimum fund balance thresholds going into 2024 as the minimum fund balance policy requires. Also, Council approved the second phase of improvements to Easton Road Ballfield at the end of last year.

Of the ARPA funding ending balance of \$823,545.84; \$500,000.00 was earmarked to the Easton Road Ballfield phase #1. Additional funding can be utilized to support the total cost of the project. If the Township expends more than \$750,000.00 in Federal funding in a given year, we will be subject to a separate independent audit.

The Fire Fund has \$1,337,496.90. The Township has agreed to assist the Lower Saucon Fire Rescue with their loan payment for the ladder truck. This amount for 2024 is \$134,313.35. Council also approved the purchase of a pumper tanker in the amount of \$1,394,172.00. We will be utilizing the discount for the chassis in the amount of \$20,361.37; if payment is made in the amount of \$678,712.30 when the chassis is complete.

Funding in the Open Space Fund is \$11,588,277.53 due to investments. Only delinquent payments in the amount of \$48,266.08 were received in 2023.

At the end of 2023, the Township has \$33,781,902.40, of which \$14,430,531.54 (Special Tax) is restricted due to ordinance or State Law, \$5,122,119.06 (Capital) is dedicated or restricted; \$1,196,122.39 (General) is dedicated or restricted; \$6,354,585.65 is restricted by Council Resolution. Of the \$6,678,543.76 remaining; that is inclusive of \$1,655,685.34 for minimum fund balance requirements; \$3,000,000.00 is unrestricted reserve in the event the revenue source from the Bethlehem Landfill changes and the \$2,008,646.48 is needed to pay for the phase two of the Easton Road Ballfield and support the upfront costs required until the grant funding is received. We will request Council direction on earmarking those reimbursement of the funds received from the grants.

Revenue:

We received 100.26% or \$1,990,248.15 in real estate tax for General Fund. The discrepancy is that we received in January the receipts received in December of the prior year. We budgetarily corrected the discrepancy in the 2024 Budget. We received 104.55% of the enabling tax revenue projected. We budgeted more in 2023 to reflect the steady increase in amount received on an annual basis. The deed transfer tax is annual variable. If the housing market slows, receipts will decrease. In 2023 we received \$429,789.51 which is slightly higher than the norm. We will continue to monitor for any deviations in these areas and will watch for trends based on the demographic census and additional development. We received more in Local Services Tax as with the opening of more businesses this line item will increase.

We received 75.78% of the budgeted amount for police fines, which is slightly higher than last year. As this this is a budget figure that is hard to predict we will continue to adjust this line item with input from the Chief of Police. Officers continue to patrol our community and take time to show a presence in the community.

Investment earnings greatly increased due to the Federal Reserve steadily increasing rates to tackle inflation and have not yet reduced rates. We received \$469,150.28 in 2023 in investment earnings in our General Account funds. Bank usage was modified due to interest rates received and we are actively looking at other institutions to diversify our portfolio.

Staff continues to close out existing grants and we work secure new grants when they are available for expenses Council approves. These grants are for investments in municipal infrastructure or to offset funding for equipment needed by the Township. In 2023 the Township received funding from DEP for the host municipal inspector costs as well as various programs/equipment related to the Police Department. Some grants previously approved and awarded have been delayed due to the manufacturing costs and contractor availability. Staff will continue to actively pursue more funding as well as close out the improvements previously awarded.

We received higher amounts of funding from State of Pennsylvania to help with the costs of our pension plan and funding provided to the Lower Saucon Fire Relief Fund was slightly less. The pension aid and volunteer firefighter funding come from a two percent state tax on casualty and fire insurance premiums paid to out-of-state insurance companies. We will be discussing more of that in the expense reporting portion of this document. The funding received is consistent but not guaranteed.

General Government and Public Safety charges were more than anticipated for various reasons. More building applications were submitted and we have been active with zoning applications.

Zoning Services saw an increase in grading applications and escrows. Police services dropped but so did the corresponding expense by the Police Department. This is directly tied to the expenses line item of billed overtime in the Police Budget.

The Township received an additional \$353,937.42 in Landfill Host fees; the total amount collected was \$2,553,937.42. We also received \$217,555.36 in our self-insurance programs. Part of the reason for the medical reimbursement was a calendar year with low claims. Also, most of our post-employment or cobra covered employees have reached the age to be removed from our policy, therefore our actuarial demographic counts have been modified to reflect that we do not have as many high-risk previous employees on our plan. These are not guaranteed revenues and should not be assumed as definitive revenue every year. Increased claims and claim costs will reduce the amount received from the self-insurance program.

Miscellaneous income is higher as this is where we report revenue received from our insurance company in reference to our officers Heart and Lung Act and some expenses that the Township was reimbursed as the expenses were shared. We do not offset revenue to the expense in our financials so the expense would be reported in the appropriate category.

As reported previously, revenues are budgeted on the low side of expectations to fiscally position the Township in the event of unexpected events. If we exceed revenue projections, the Township is in a better position going into the next year.

Expenses:

The Township spent 103.16% of budgeted expenses this is inclusive of an additional \$1,500,000.00 allocated to the Capital Plan from revenue received in 2022 to pay for projects approved and or requested by Council. We also include the annual appropriation to the Capital Plan.

The funding listed under Council expenses were not fully expended. The upgrade to the audio/video system and the expenses of having meetings at the Se Wy Co Fire Station increased individual budget line items, but as a whole was less than budgeted.

In 2023, the Administration was under budget by 1.36%. Increases were due to the testing and expenses related to hiring additional officers, additional time needed for transcription of minutes, and increasing the electronic recycling events to two a year sharing with Upper Saucon Township.

The Finance Dept. expenses came in under budget, expending 95.01% of provided. Increases in banking fees were received however, due to the amount of interest received the expense is minimal. ACA and payroll processing increased as there was a corporate merger of services. And the amount charged for specific services increased. Any payroll deviations are due to contractual increases.

Legal increased in 2023 due to cases pending. We were 95.01% under the revised budget which was increased in the amount of \$240,880.00 in April 2023 by Resolution to address the services needed. The original budget was \$211,180.00 and increased over 100%.

Data processing was under budget at 74.14%. No major issues to report.

The engineering is under budget at 82.1% for the General Fund. Most projects being worked on by the engineers are Capital projects and expenses are tied directly to the project and/or grant funding awarded.

Under Buildings and Grounds, we spent 92.44% of the budget. Only significant increases are garbage collections which our business garbage collector increased rates to offset inflation and environmental costs they are assessed. Also increased is the maintenance line item. This is due to some expenses in the 2022 budget cycling not being paid until 2023, and work required to the building's sprinkler system.

The Police Department spent 92.44% of their budget. Funding exceeded in certain line items such as overtime, due to overage due to injuries, K9 expenses due to kennel charges increasing. Ammunition expenses were discussed last year. Shortages and delays in receiving amounts ordered continued in 2023. Contracted services increased as the warranty for equipment purchased expired. We addressed those in the 2024 budget. Community events included payments for National Night Out but also included payments made to recipients of No Shave November and December. Major equipment purchases also included purchasing body cameras for the new officers Council approved. There are revenue offsets for wages, community events, and major equipment/capital purchases.

Expenses for the Fire and Ambulance service was over budget due to pass through funding from the State for the Fire Relief Association. The Township pays for hose replacements and inspections for the Department along with supplying them with \$12,000.00 worth of fuel and a donation amount of \$225,000.00 for operations and \$10,000.00 for their recruitment and retention program. We exceeded the amount for testing and inspection of hoses on the vehicle. We will monitor the expenses. These inspections are scheduled by Lower Saucon Fire Rescue. The Township has historically reimbursed them for that expense.

The Zoning Department also came under budget by 9.5%. The Department has needed the assistance of the Zoning Clerk to attend the meetings scheduled in 2023 due to meetings being on line which required more overtime. Also advertising for Zoning meetings were booked under here but we received funding as an offset when required or agreed to.

Emergency Management incurred the stipend for the EMC for the year. No additional expenses made in 2023.

Crossing Guards came in at 41.71% as we pay 1/3 of the costs of the crossing guards located within Saucon Valley School District jurisdiction. This is done through an inter-municipal agreement by Lower Saucon, Hellertown, and the Saucon Valley School District.

Dog Control expenses were 53.52% of the program costs. Expenses covered the DCO's stipend, dog food, and other items needed for the program. We have been fortunate that the dogs found have been reunited with their owners and we have not incurred emergency medical expenses in 2023.

The recycling program costs came in higher than anticipated due to contracting with an outside firm to pick up yard waste as expeditiously as possible.

The Public Works Dept. spent 91.23% of their overall budget. The Public Works budget included compensation, funds for maintenance of garage equipment, vehicles and supplies needed for the department. Oils and lubricants were needed and much more expensive than anticipated. We also expensed more in vehicle maintenance due to the paver which was previously discussed with Council. We also were assessed fines with PUC due to not responding to PA One Calls that were not in our jurisdiction. We attempted to dispute however the Commission seems was firm in assessing the fees even though they were not enforced before. Public Works Department is now addressing all PA One Calls where the Township is listed even if the call was for a job outside of the Township. Capital Construction was an increase in the amount approved by Council for the Saucon Terrace project.

The Parks Department also came under budget, at 88.09%. The summer program was successful and came under budget as well as the libraries' budget expending only 7.05%.

Insurances increased as our claims and exposure of our Workers Compensation insurance was reevaluated in September. We communicate with our agent frequently regarding coverages and exposure.

We utilize a modified cash basis accounting method reporting, so items under 01.491.280 were re-coded at the end of the year to the expense the items would have normally been paid. We use this line item to identify certain items that were paid in one year but were to be in the prior year's budget. This is limited to items purchased and expensed that should have been accounted for in the year prior but billed for in the current year.

Special Taxes (2)

The ending fund balance for the Special Tax Funds are \$14,430,531.54; \$11,588,277.53 in Open Space funding, \$1,502,757.11 in Liquid Fuel funding and \$1,337,496.90 in funding left from the Fire Tax fund.

Revenue:

Fire Funding

The .75 mill Tax Funding for Fire equipment resulted in receiving \$339,484.64 which is consistent with the projected amount to be allocated to the Fire Equipment Fund, this is 102.87% of the amount budgeted. Also reported in this line item was the correct proportioned amount of delinquent taxes from previous years.

Open Space Funding

Earned Income Tax for Open Space was \$48,266.08 in EIT revenue. This is from delinquent tax filings. We will still anticipate small amounts until all delinquencies are paid. Interest exceeded expectations as we received \$475,545.25 in interest in all funds. Also, several certificates of deposits and were reinvested short term to maximize the amount of interest.

Liquid Fuel Funding

State Liquid Fuel funding came in higher than expected by \$3,986.28 which is due to the state gasoline tax

(Act 89) imposed in 2013. As developments finish, new roads that are municipally maintained are reported to PennDOT to potentially increase the amount received. The amount received from the state is based on a formula utilizing miles of Township roads and population. Due to the large delays in purchasing of equipment, no revenue was received for selling older apparatus as they were still in operation.

Expenses:

Fire Expenses (411)

We paid for a grant writer which is being utilized for a grant this coming year as well as payment number 3 of 5 for the ladder truck expense reimbursement.

Open Space Expenses

The Township spent \$100.00 to Northampton County for a repository property and \$43,030.00 for maintenance of properties the Township owns and were purchased with Open Space Funds.

Liquid Fuel Expenses

The Township utilized Liquid Fuel funding to pay for public works vehicles pursuant to the 15-year capital plan, snow removal expenses, street lighting and road construction, as well as other permitted expenses. Public Works spent 62.1% of the \$939,000.00 budget.

We incurred less expenses due not finishing road work as expected and not expending as much as anticipated for snow removal and other permitted expenses.

Capital (3)

This section is inclusive of Capital, Park Capital and Historic Structures Capital Funds.

The Capital Plan is for large expenses that would be difficult to appropriate funding within the annual budget. These are now items or projects in excess of \$35,000.00. Also incorporated in the Plan is the Township's 15-year vehicle replacement schedule. Revenue consists solely from interest received, proceeds from the sale of equipment, proceeds from the issuance of debt, grant funding and Council allocations. Council approved the \$315,000.00 appropriation to the fund, as well as appropriated an additional \$1,500,000.00 from revenue over expenditure in the general fund in April of last year for Steel City Paving and Easton Road Ballfield. We received \$219,640.00 in grants from previous awards and interest in the amount of \$248,296.65 The total amount of expenses paid in 2023 I was \$2,203,302.90 and comprised of:

- \$5,754.00 for the work at Seidersville Hall and signage.
- \$189,503.51 for cruisers from 2022 and 2023.
- \$11,584.74 for the LPRs attached to grants
- \$454,573.01 for Public Works vehicles and equipment from 2022 and 2023
- \$7,232.00 for storm water improvements
- \$1,081,379.26 for Steel City Paving, Black River Road Culvert, prepping for Reading Drive Culvert.

- \$468,743.34 for Polk Valley Trail engineering, Easton Road Ballfield and Polk Valley Pickle Ball construction all anticipated to be complete in 2024.

Grants awarded require projects to be completed and expenses submitted for release of those funds.

The fund balance for all Capital funds is \$5,122,119.06 for the beginning of 2024.

Following is a list of projects previously approved with expenses recognized in, or carried over into 2024:

- Improvements to the interior of Seidersville Hall
- Police cruisers approved for 2024.
- Finishing up the windows at the Widows House.
- Public works vehicles for 2024
- Reading Drive and finishing Black River Road culverts
- Paving Cherrywood (approved) and Frederick-Yost/Peachtree-Dickenson (requested)
- Easton Road Ballfield development
- Town Hall Park Development
- Polk Valley Park Trail installation

In conclusion:

Pursuant to the Fund Balance Policy adopted by Council in 2017, we ended 2023 with \$2,443,863.01 from landfill tipping fees in excess of what is required as a minimum available (\$3,000,000.00) identified as unrestricted in our General Savings Account (01.106.000). We did utilize \$457,000.00 from to maintain minimum fund balance to continue operations in 2024. The rest of the funds were identified to pay for the remaining financial needs of the Easton Road Ballfield development Council approved in 2023. A resolution will be place on the April agenda to transfer that money from one fund to another in accordance with the Second-Class Township Code.