

UPPER MACUNGIE TOWNSHIP

FINANCIAL REPORT

December 31, 2022



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UPPER MACUNGIE TOWNSHIP

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors of
Upper Macungie Township

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Upper Macungie Township (the Township), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
April 28, 2023

UPPER MACUNGIE TOWNSHIP

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2022

This discussion and analysis of Upper Macungie Township's (the Township) financial performance provides an overview of the Township's financial activities for the Year Ended December 31, 2022. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Please read it in conjunction with the Township's basic financial statements, as noted in the table of contents.

Financial Highlights

- Real estate property tax remained at 0.64 mills and the earned income tax rate shared with the Parkland School District remained at 1.0% for the Township in 2022.
- The Township continues to have no outstanding debt.
- The assets of the Township exceeded its liabilities by \$138,724,158 (net position).
- The Township's governmental activities total net position increased from 2021 by \$9.8 million or 11.6% and unrestricted net position increased by \$10.2 million or 28.7% in 2022.
- Business-type activities (Sewer and Refuse Funds) net positions increased by \$3.5 million or by 8.4%. The unrestricted portion of net position increased by \$1.9 million or by 7.2%.
- Total current and other assets for both governmental and business-type activities increased by \$13.2 million or 16.8%. This increase in assets is represented by mostly cash and investments.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities as described in the table of contents provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. For governmental funds, fund financial statements explain how services were financed in the short-term as well as what remains for future spending. The Governmental and Proprietary Funds financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of the Financial Statements

The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 and represent both entity-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Entity-Wide Financial Statements

The first two statements are entity-wide financial statements, the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The entity-wide statements report information about the Township as a whole using accounting

methods similar to those used by private sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources. All of the current year's revenues are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the Township's net position and how it has changed. Net position, the difference between the Township's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, is one way to measure the Township's financial health or position. In the long run, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating. To assess the overall health of the Township, consideration must be made for additional nonfinancial factors, such as changes in the Township's property tax base and the adequacy of Township services.

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

- **Governmental Activities** - All the Township's basic services are included here, such as public safety, public works, parks and recreation and administration. Property taxes, state and federal grants and charges for services finance most of these activities.
- **Business-Type Activities** - The Township operates a Sewer Fund and charges fees to the customers of the utilities for operational expenses and tapping fees from new construction for capital related projects. The Township also operates a Refuse and Recycling Fund for which it contracts with a trash hauler to collect trash and co-mingled recycled items. These costs to the Township are passed on to residents in the form of a user fee. These fees were updated in the current year, which can be seen on Table 3 of the next page.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the entity-wide statements. The Governmental Funds statements tell how the Township's general services were financed in the short-term as well as what remains for future spending. Proprietary Funds statements offer short-term and long-term information about the activities that the Township operates like a business. Fiduciary Funds financial statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others.

- **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. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the Township's operations and the services it provides.

Governmental Funds 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 the Governmental Funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. During 2022, the Township moved the Fire Protection Fund to the General Fund. Township's remaining Governmental Funds

UPPER MACUNGIE TOWNSHIP

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2022

are the General Fund, Street Light Fund, Fire Alarm Fund, Stormwater Maintenance Fund, Highway Aid Fund, Open Space Preservation Fund, Capital Equipment Fund, Recreation Capital Fund and Traffic Improvement Fund.

- **Proprietary Funds** - These funds are used to account for Township activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the Township charges customers for services it provides, whether to outside customers or to other units in the Township, these services generally are reported in the Proprietary Funds. The township now has two Proprietary Funds, which include the Sewer Fund and Refuse and Recycling Fund.
- **Fiduciary Funds** - The Township is the trustee, or fiduciary, for the Nonuniformed Employees' Pension Plan, and escrow funds. All the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations.

Entity-Wide Financial Analysis of the Township

The total net position for the Township's primary government activities, both governmental and business-type, was \$138,724,158 on December 31, 2022. Governmental activities totaled \$93,944,992 and business-type activities was \$44,779,166. The overall increase in net position in 2022 was \$13,278,520. Governmental activities increased \$9,791,102 and business-type activities increased \$3,487,418. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities.

UPPER MACUNGIE TOWNSHIP**Management's Discussion and Analysis (Unaudited)****Year Ended December 31, 2022****Table 1 - Net Position
December 31, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 60,731,929	\$ 50,194,539	\$ 30,141,892	\$ 28,266,615	\$ 90,873,821	\$ 78,461,154
Capital and related assets	<u>39,483,343</u>	<u>38,669,134</u>	<u>16,660,209</u>	<u>15,071,394</u>	<u>56,143,552</u>	<u>53,740,528</u>
TOTAL ASSETS	<u>100,215,272</u>	<u>88,863,673</u>	<u>46,802,101</u>	<u>43,338,009</u>	<u>147,017,373</u>	<u>132,201,682</u>
Deferred outflows of resources	<u>4,437,816</u>	<u>1,416,448</u>	<u>450,758</u>	<u>133,064</u>	<u>4,888,574</u>	<u>1,549,512</u>
LIABILITIES						
Long-term liabilities	2,010,894	655,097	482,936	177,837	2,493,830	832,934
Other liabilities	<u>4,321,192</u>	<u>2,459,633</u>	<u>1,812,289</u>	<u>1,776,130</u>	<u>6,133,481</u>	<u>4,235,763</u>
TOTAL LIABILITIES	<u>6,332,086</u>	<u>3,114,730</u>	<u>2,295,225</u>	<u>1,953,967</u>	<u>8,627,311</u>	<u>5,068,697</u>
Deferred inflows of resources	<u>4,376,010</u>	<u>3,011,501</u>	<u>178,468</u>	<u>225,359</u>	<u>4,554,478</u>	<u>3,236,860</u>
NET POSITION						
Net investment in capital assets	39,483,343	38,669,134	16,660,209	15,071,393	56,143,552	53,740,527
Restricted	8,280,779	10,073,502	-	-	8,280,779	10,073,502
Unrestricted	<u>46,180,870</u>	<u>35,411,254</u>	<u>28,118,957</u>	<u>26,220,354</u>	<u>74,299,827</u>	<u>61,631,608</u>
TOTAL NET POSITION	<u>\$ 93,944,992</u>	<u>\$ 84,153,890</u>	<u>\$ 44,779,166</u>	<u>\$ 41,291,747</u>	<u>\$ 138,724,158</u>	<u>\$ 125,445,637</u>

A more detailed view of net position of the Township finds that the largest portion is comprised of unrestricted net position. This amount of \$74,299,827 or 53.6%, is the Township's net position other than land, buildings, vehicles, equipment and infrastructure, and restricted net position. The Township uses these assets to meet general expenses or to fund any other legitimate purpose of the Township.

UPPER MACUNGIE TOWNSHIP**Management's Discussion and Analysis (Unaudited)****Year Ended December 31, 2022****Table 2 - Changes in Net Position
December 31, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 3,194,937	\$ 695,589	\$12,031,207	\$11,300,024	\$15,226,144	\$11,995,613
Operating grants and contributions	1,562,419	1,910,553	-	493,541	1,562,419	2,404,094
General revenues						
Taxes	15,358,953	14,976,700	-	-	15,358,953	14,976,700
Licenses and permits	22,054	1,882,151	-	-	22,054	1,882,151
Fines and forfeits	155,890	204,554	-	-	155,890	204,554
Federal and state revenue - unrestricted	858,211	-	-	-	858,211	-
Interests, rents and royalties	942,577	442,415	(87,407)	(18,506)	855,170	423,909
Miscellaneous income	422,882	690,559	1,374,351	-	1,797,233	690,559
Operating transfers	325,459	(668,767)	(325,459)	668,767	-	-
Gain on sale of capital assets	80,866	160,350	1,805	-	82,671	160,350
TOTAL REVENUES	22,924,248	20,294,104	12,994,497	12,443,826	35,918,745	32,737,930
EXPENSES						
General government	1,537,729	1,922,009	-	-	1,537,729	1,922,009
Public safety	5,606,886	8,601,204	-	-	5,606,886	8,601,204
Public works, highways and streets	4,045,774	4,884,901	-	-	4,045,774	4,884,901
Other public works enterprises	45,507	-	-	-	45,507	-
Culture and recreation	1,283,390	636,299	-	-	1,283,390	636,299
Other operating expenditures	613,860	7,184	-	-	613,860	7,184
Sewer	-	-	6,995,764	6,169,377	6,995,764	6,169,377
Refuse	-	-	2,511,315	2,159,541	2,511,315	2,159,541
TOTAL EXPENSES	13,133,146	16,051,597	9,507,079	8,328,918	22,640,225	24,380,515
INCREASE IN NET POSITION	\$ 9,791,102	\$ 4,242,507	\$ 3,487,418	\$ 4,114,908	\$13,278,520	\$ 8,357,415

Governmental Activities

The costs of all governmental activities for 2022 was \$13,133,146. As shown in the Statement of Activities, the amount the Township's taxpayers ultimately financed for these activities through Township taxes was \$15,358,953, which is the sum of real estate, transfer, income and LST taxes. Other costs were paid by those who directly benefited from the programs in the amount of \$3,194,937, or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions in the amount of \$1,562,419. Other income totaling \$1,949,994 is broken down as follows: Licenses and permits - \$22,054; Fines and forfeits - \$155,890; Pennsylvania State Police facility, land, cell tower and building rentals - \$487,572; interest earnings - \$455,271; gain on sale of assets - \$80,866; other revenue - \$422,882; and transfers from proprietary funds - \$325,459.

Revenue is divided into two major components: Program Revenue and General Revenue. Program revenue is defined as charges for services, operating grants and contributions and capital grants and contributions stemming from services provided by the Township. General revenue includes taxes, investment earnings, general intergovernmental revenue and contributions and other general revenue sources.

UPPER MACUNGIE TOWNSHIP**Management's Discussion and Analysis (Unaudited)****Year Ended December 31, 2022**

Total revenue for governmental activities in 2022, was \$22,924,248. Charges for services, earned income taxes, real estate taxes, real estate transfer taxes and local services tax provide the majority of the source of revenue for governmental activities within the Township. As seen on the previous page, these sources account for \$18,553,890 or 80.9% of total revenues. Additionally, operating grants and contributions, nonprogram grants and contributions, licenses and permits, fines and forfeits, investment income, gain on sales of assets and other sources amount to \$4,370,358 or 19.1%.

Comparative revenue totals for 2022 versus 2021 reflect an increase of \$2,630,144 or 13.0%. Governmental revenue items necessitating an explanation are as follows:

- Real estate transfer tax, a tax of 0.50% assessed to any property purchase within the Township, increased \$1,814,970 in 2022 as a result of increased residential transactions. Residential, commercial and industrial property transacted in 2022 totaled \$800,587,202, which was \$401,301,269 more than 2021.
- Real estate tax, a tax of 0.64 mills assessed on taxable properties both residential, commercial and industrial, increased \$144,895 or by 5.4% compared to 2021.
- Earned income tax, which is collected from any employed Township resident at the rate of 1.0% of their wages and is divided equally between the Township and Parkland School District, decreased by \$1,342,151 or 15.7% compared to 2021.
- Interest and rents increased in 2022 to \$942,577, or a \$500,162 increase from 2021. The aggressive Federal Reserve program to reign in inflation caused interest rates to move from near zero in the early Spring of 2022 to 5.0% by 2022 year end.
- Operating grants and contributions decreased in 2022, by \$348,134 as a result of the 904 Recycling Grant for 2020 not being received yet.
- Interest, rents and royalties increased by \$500,162 as a direct result of higher interest earnings and capital appreciation in investment accounts.
- Other revenue had a decrease of \$267,677 as a result of our 2021 health insurance cooperative dividend reimbursement being less than the amount received for 2020.

Total expenses for all governmental activities in 2022 totaled \$13,133,146, which was less than 2021 expenses by \$2,918,451.

- General government expenses decreased from \$1,922,009 in 2021 to \$1,537,729 in 2022. Professional fees for legal and engineering both decreased \$51,814 and \$13,991 respectively.
- Public safety expenses decreased by \$2,994,318 in 2022. Department costs that are included in public safety expenses comprise of police, fire, code enforcement and zoning. Wages for all departments increased \$124,973 as additional personnel were added in 2022. Specific police expenses including gasoline increased \$28,399 and K-9 decreased \$6,618. Zoning board legal services in 2022 decreased by \$3,059 due to less hearings involving zoning issues.

UPPER MACUNGIE TOWNSHIP

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2022

- Public works experienced a decrease in expenses for 2022. Expenses for this department decreased \$839,127 versus last year. As mentioned above regarding gasoline for the police, both gasoline and fuel charges were higher in 2022 by a cumulative amount of \$1,281. Resurfacing of streets, not included in PA Liquid Fuels, grew by \$38,547. Other road improvements including boundary road upgrades increased \$389,422.

Business-Type Activities

Total revenue in 2022 from the Township's business-type activities was \$12,994,497 as compared to 2021, which totaled \$12,443,826. Based on these numbers, revenue increased \$550,670 from 2022 to 2021.

- The increase of sewer revenue for 2022, was due exclusively to additional revenue from the township's industrial and commercial customers. This line item increased by \$2,196,396 due to the additional flow use by various commercial customers.
- Sewer interest and investment revenue decreased \$86,386 in 2022 primarily due to losses associated with the capital reserve investment account fixed income portfolio.
- Total expenses in 2022 for Sewer and Refuse & Recycling was \$9,507,079 as compared to \$8,328,918 in 2021.
- Sewer expenses increased \$826,387 in 2022. A combined total of professional fees comprised of engineering, legal and testing of flow decreased by \$155,024 and depreciation of sewer equipment increased by \$36,577.
- Refuse and recycling expenses increased \$352,195 primarily as a result of contracted services (payment to Whitetail Disposal), which increased \$190,507 due to additional costs associated with the 2022 amount agreed to in the contract. Depreciation expenses increased also by \$5,073.

Financial Analysis of the Township's Funds

The Township's Governmental Funds reported combined ending balances of \$50,704,091. The unassigned balance totals \$40,712,674, which represents funds available for spending at the Township's discretion. The remainder of the fund balances are segregated into three categories. Nonspendable, Restricted and Assigned.

UPPER MACUNGIE TOWNSHIP**Management's Discussion and Analysis (Unaudited)****Year Ended December 31, 2022****Budget Comparison**

Actual revenues for the year exceeded budgeted revenues by \$5,218,651 and actual expenses for the year were less than budgeted by \$468,348, resulting in a net positive difference of \$5,686,999 before other financing sources and uses.

Capital Assets

Upper Macungie Township's investment in capital assets for both its governmental and business-type activities as of December 31, 2022 and 2021, totaled \$56,143,552 and \$53,740,528, respectively, (net of accumulated depreciation). Township investment in capital assets include land, buildings and improvements, infrastructure (roads, bridges, stormwater and sewer lines and traffic signals), machinery, equipment and vehicles. (See Table 3).

Table 3 - Capital Assets
December 31, 2022 and 2021

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,400,396	\$ 9,400,396	\$ -	\$ -	\$ 9,400,396	\$ 9,400,396
Buildings	12,522,434	12,394,111	245,983	245,983	12,768,417	12,640,094
Improvements other than buildings	5,824,782	5,824,782	-	-	5,824,782	5,824,782
Infrastructure	41,695,734	40,644,088	22,858,677	20,438,762	64,554,411	61,082,850
Construction in progress	3,084,502	2,446,721	1,770,257	2,179,884	4,854,759	4,626,605
Machinery, equipment and vehicles and furniture	13,950,768	12,918,660	4,394,922	4,148,509	18,345,690	17,067,169
Total capital assets	<u>86,478,616</u>	<u>83,628,758</u>	<u>29,269,839</u>	<u>27,013,138</u>	<u>115,748,455</u>	<u>110,641,896</u>
Total accumulated depreciation	(46,995,273)	(44,959,624)	(12,609,630)	(11,941,744)	(59,604,903)	(56,901,368)
Capital assets, net	<u>\$ 39,483,343</u>	<u>\$ 38,669,134</u>	<u>\$ 16,660,209</u>	<u>\$ 15,071,394</u>	<u>\$ 56,143,552</u>	<u>\$ 53,740,528</u>

Future Outlook

Projections for near future development in the township, including both residential and commercial, are discussed below.

Residential single family and townhomes continue to be built in the township. Over 730 dwelling units have been approved for construction during the next few years.

Currently, eight nonresidential development projects have been approved for construction. Additionally, three nonresidential developments are in the construction phase.

Additional revenue from these developments in the form of real estate taxes, earned income tax and realty transfer tax will continue to fund the townships projects and growth.

It is expected that the new township community center will begin to be built in 2024, and upon completion, provide additional recreation facilities for the resident of the township.

Financial Management

Upper Macungie Township's financial report is designed to provide its residents and taxpayers with a general overview of the Township's finances and to show the Board of Supervisor's accountability for the money it receives and spends. If you have any questions about this report or would like to request additional financial information, please contact Bruce Koller, Finance Director for the Township at 610-395-4892, ext. 115 or bkoller@uppermac.org.

BASIC FINANCIAL STATEMENTS

UPPER MACUNGIE TOWNSHIP**Statement of Net Position****December 31, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,647,469	\$ 4,529,326	\$ 13,176,795
Investments	41,273,760	23,484,234	64,757,994
Taxes receivable	1,813,961	-	1,813,961
Accounts receivable	1,306,245	2,726,574	4,032,819
Internal balances	626,248	(626,248)	-
Prepaid items	145,164	28,006	173,170
Deposit	1,276,452		1,276,452
Lease receivables	3,330,132	-	3,330,132
Net pension asset	2,312,498	-	2,312,498
Capital assets, net	39,483,343	16,660,209	56,143,552
TOTAL ASSETS	100,215,272	46,802,101	147,017,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pension (non-uniform)	1,876,908	450,758	2,327,666
Deferred outflows, pension (PMRS police)	2,560,908	-	2,560,908
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,437,816	450,758	4,888,574
LIABILITIES			
Accounts payable and other current liabilities	2,361,929	1,812,289	4,174,218
Grant funds not spent	1,959,263	-	1,959,263
Net pension liability	2,010,894	482,936	2,493,830
TOTAL LIABILITIES	6,332,086	2,295,225	8,627,311
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, pension (non-uniform)	743,122	178,468	921,590
Deferred inflows, pension (PMRS police)	302,756	-	302,756
Deferred inflows, leases	3,330,132	-	3,330,132
TOTAL DEFERRED INFLOWS OF RESOURCES	4,376,010	178,468	4,554,478
NET POSITION			
Net investment in capital assets	39,483,343	16,660,209	56,143,552
Restricted	8,280,779	-	8,280,779
Unrestricted	46,180,870	28,118,957	74,299,827
TOTAL NET POSITION	\$ 93,944,992	\$ 44,779,166	\$ 138,724,158

See Notes to Financial Statements.

UPPER MACUNGIE TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,537,729	\$ 58,260	\$ -	\$ (1,479,469)	\$ -	\$ (1,479,469)
Public safety	5,606,886	2,114,360	673,223	(2,819,303)	-	(2,819,303)
Public works, highways and streets	4,045,774	68,756	889,196	(3,087,822)	-	(3,087,822)
Other public works enterprises	45,507	-	-	(45,507)	-	(45,507)
Culture and recreation	1,283,390	953,561	-	(329,829)	-	(329,829)
Other operating expenditures	613,860	-	-	(613,860)	-	(613,860)
TOTAL GOVERNMENTAL ACTIVITIES	13,133,146	3,194,937	1,562,419	(8,375,790)	-	(8,375,790)
BUSINESS-TYPE ACTIVITIES						
Sewer	6,995,764	9,785,201	-	-	2,789,437	2,789,437
Refuse	2,511,315	2,246,006	-	-	(265,309)	(265,309)
TOTAL BUSINESS-TYPE ACTIVITIES	9,507,079	12,031,207	-	-	2,524,128	2,524,128
TOTAL	\$ 22,640,225	\$ 15,226,144	\$ 1,562,419	(8,375,790)	2,524,128	(5,851,662)
General Revenues:						
Taxes				15,358,953	-	15,358,953
Licenses and permits				22,054	-	22,054
Fines and forfeits				155,890	-	155,890
Federal and state revenue - unrestricted				858,211	-	858,211
Interest, rents and royalties				942,577	(87,407)	855,170
Miscellaneous income				422,882	1,374,351	1,797,233
Operating transfers				325,459	(325,459)	-
Gain on sale of capital assets				80,866	1,805	82,671
				18,166,892	963,290	19,130,182
INCREASE IN NET POSITION				9,791,102	3,487,418	13,278,520
NET POSITION, BEGINNING				84,153,890	41,291,748	125,445,638
NET POSITION, ENDING				\$ 93,944,992	\$ 44,779,166	\$ 138,724,158

UPPER MACUNGIE TOWNSHIP**Balance Sheet****Governmental Funds****December 31, 2022**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,910,634	\$ 199,900	\$ 536,935	\$ 8,647,469
Investments	29,717,250	2,621,046	8,935,464	41,273,760
Taxes receivable	1,811,919	2,042	-	1,813,961
Accounts receivable	194,852	22,155	55,043	272,050
Due from other funds	5,547,469	-	318	5,547,787
Prepaid expenses	145,164	-	-	145,164
Deposit	-	-	1,276,452	1,276,452
Lease receivable	3,330,132	-	-	3,330,132
TOTAL ASSETS	\$ 48,657,420	\$ 2,845,143	\$ 10,804,212	\$ 62,306,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,403,076	\$ 16,443	\$ 853,141	\$ 2,272,660
Grant funds not spent	1,959,263	-	-	1,959,263
Unearned revenues	89,269	-	-	89,269
Due to other funds	-	1,144,246	2,743,098	3,887,344
TOTAL LIABILITIES	3,451,608	1,160,689	3,596,239	8,208,536
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	64,016	-	-	64,016
Deferred leases	3,330,132	-	-	3,330,132
TOTAL DEFERRED INFLOWS OF RESOURCES	3,394,148	-	-	3,394,148
FUND BALANCES				
Nonspendable	145,164	-	-	145,164
Restricted for:				
Road and street improvements	-	1,717,982	898,855	2,616,837
Recreation activities	-	-	5,663,942	5,663,942
Assigned to:				
Stormwater	-	54,169	-	54,169
Capital projects	-	-	645,176	645,176
Operations	-	866,129	-	866,129
Unassigned (deficit)	41,666,500	(953,826)	-	40,712,674
TOTAL FUND BALANCES	41,811,664	1,684,454	7,207,973	50,704,091
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 48,657,420	\$ 2,845,143	\$ 10,804,212	\$ 62,306,775

UPPER MACUNGIE TOWNSHIP**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 50,704,091**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets and the accumulated depreciation are as follows:

Cost of assets	\$ 86,478,616	
Accumulated depreciation	<u>(46,995,273)</u>	
		39,483,343

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

64,016

Deferred inflows and outflows of resources related to pensions are not reported in governmental funds

Deferred Outflows Related to Pensions - Non-uniform	1,876,908
Deferred Inflows Related to Pensions - Non-uniform	(743,122)
Deferred Outflows Related to Pensions - PMRS Police	2,560,908
Deferred Inflows Related to Pensions - PMRS Police	(302,756)

Net pension asset is not recorded as an asset in the governmental funds; however, this item is reported as an asset in the government-wide financial statements

2,312,498

Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds

Net pension liability - Non-uniform	<u>(2,010,894)</u>	
		<u>(2,010,894)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 93,944,992**

UPPER MACUNGIE TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 15,188,974	\$ 105,963	\$ -	\$ 15,294,937
Licenses and permits	22,054	-	-	22,054
Fines and forfeits	155,890	-	-	155,890
Interest, rents and royalties	958,337	45,984	(61,744)	942,577
Intergovernmental	1,531,435	889,196	-	2,420,631
Charges for services	2,219,729	105,442	869,764	3,194,935
Miscellaneous	13,571	-	2,000	15,571
TOTAL REVENUE	20,089,990	1,146,585	810,020	22,046,595
EXPENDITURES				
General government	1,501,775	-	6,943	1,508,718
Public safety	8,534,308	124,976	906,412	9,565,696
Public works, highways and streets	2,375,937	1,082,615	784,981	4,243,533
Other public works enterprises	-	45,507	-	45,507
Culture and recreation	1,022,634	-	911,259	1,933,893
Other operating expenditures	613,860	-	-	613,860
TOTAL EXPENDITURES	14,048,514	1,253,098	2,609,595	17,911,207
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,041,476	(106,513)	(1,799,575)	4,135,388
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	1,554,339	-	-	1,554,339
Operating transfers out	-	(1,228,880)	-	(1,228,880)
Proceeds from sale of capital assets	-	-	89,790	89,790
Refund of prior year expenditures	407,314	-	-	407,314
TOTAL OTHER FINANCING SOURCES/(USES)	1,961,653	(1,228,880)	89,790	822,563
NET CHANGE IN FUND BALANCE	8,003,129	(1,335,393)	(1,709,785)	4,957,951
FUND BALANCE, beginning	33,808,535	3,019,847	8,917,758	45,746,140
FUND BALANCE, ending	\$ 41,811,664	\$ 1,684,454	\$ 7,207,973	\$ 50,704,091

See Notes to Financial Statements.

UPPER MACUNGIE TOWNSHIP**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund****Balance to Statement of Activities****For the Year Ended December 31, 2022**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 4,957,951**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.

Depreciation expense	\$ (2,351,145)	
Disposals, net	(8,924)	
Capital outlays	<u>3,174,278</u>	814,209

Because some taxes and subsidies will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. These taxes and subsidies decreased by this amount this year. 64,016

Expenses related to early retirement benefits are reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds 339,951

The difference between current year pension expense reported on the government activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds.

Non-uniform pension	(199,603)	
PMRS police pension	<u>3,814,578</u>	
		<u>3,614,975</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 9,791,102**

UPPER MACUNGIE TOWNSHIP**Statement of Net Position****Proprietary Funds****December 31, 2022**

	Sewer Fund	Refuse Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,386,740	\$ 142,586	\$ 4,529,326
Investments	20,834,017	2,650,217	23,484,234
Accounts receivable	2,248,145	478,429	2,726,574
Prepaid expenses	24,225	3,781	28,006
Due from other funds	200,096	-	200,096
TOTAL CURRENT ASSETS	<u>27,693,223</u>	<u>3,275,013</u>	<u>30,968,236</u>
CAPITAL ASSETS			
Utility system	22,858,677	-	22,858,677
Construction in progress	1,767,509	-	1,767,509
Buildings	-	245,983	245,983
Equipment and furniture	3,447,993	946,927	4,394,920
	28,074,179	1,192,910	29,267,089
Less: accumulated depreciation	(12,151,187)	(455,693)	(12,606,880)
TOTAL CAPITAL ASSETS, NET	<u>15,922,992</u>	<u>737,217</u>	<u>16,660,209</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension	409,413	41,345	450,758
TOTAL ASSETS	<u>44,025,628</u>	<u>4,053,575</u>	<u>48,079,203</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other liabilities	1,453,873	358,416	1,812,289
Due to other funds	609,626	216,718	826,344
TOTAL CURRENT LIABILITIES	<u>2,063,499</u>	<u>575,134</u>	<u>2,638,633</u>
NONCURRENT LIABILITIES			
Net pension liability	438,639	44,297	482,936
TOTAL NONCURRENT LIABILITIES	<u>438,639</u>	<u>44,297</u>	<u>482,936</u>

See Notes to Financial Statements.

UPPER MACUNGIE TOWNSHIP**Statement of Net Position****Proprietary Funds****December 31, 2022**

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension	<u>162,098</u>	<u>16,370</u>	<u>178,468</u>
TOTAL LIABILITIES	<u>2,664,236</u>	<u>635,801</u>	<u>3,300,037</u>
NET POSITION			
Investment in capital assets	15,922,992	737,217	16,660,209
Unrestricted	<u>25,438,400</u>	<u>2,680,557</u>	<u>28,118,957</u>
TOTAL NET POSITION	<u>\$ 41,361,392</u>	<u>\$ 3,417,774</u>	<u>\$ 44,779,166</u>

UPPER MACUNGIE TOWNSHIP**Statement of Revenues, Expenses, and Change in Net Position****Proprietary Funds****For the Year Ended December 31, 2022**

	Sewer Fund	Refuse Fund	Total
OPERATING REVENUES			
Charges for services	\$ 9,781,564	\$ 2,246,006	\$ 12,027,570
Other operating revenue	3,637	-	3,637
TOTAL OPERATING REVENUE	9,785,201	2,246,006	12,031,207
OPERATING EXPENSES			
Administration	141,473	20,851	162,324
Salaries and wages	453,800	107,296	561,096
Employee benefits	140,181	29,392	169,573
Treatment expenses	5,237,834	-	5,237,834
Depreciation	584,566	119,407	703,973
Contracted services	147,325	2,102,890	2,250,215
Fuel and utilities	6,083	23,790	29,873
Repairs and maintenance	179,577	29,648	209,225
Insurance expense	49,429	36,051	85,480
Supplies expense	55,496	41,990	97,486
TOTAL OPERATING EXPENSES	6,995,764	2,511,315	9,507,079
OPERATING INCOME (LOSS)	2,789,437	(265,309)	2,524,128
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue (loss)	(128,917)	41,510	(87,407)
Tapping fees	1,374,351	-	1,374,351
Sale of fixed asset	1,805	-	1,805
TOTAL NONOPERATING REVENUES (EXPENSES)	1,247,239	41,510	1,288,749
INCOME (LOSS) BEFORE TRANSFERS	4,036,676	(223,799)	3,812,877
OPERATING TRANSFERS OUT	(171,844)	(153,615)	(325,459)
CHANGE IN NET POSITION	3,864,832	(377,414)	3,487,418
NET POSITION, beginning	37,496,560	3,795,188	41,291,748
NET POSITION, ending	\$ 41,361,392	\$ 3,417,774	\$ 44,779,166

See Notes to Financial Statements.

UPPER MACUNGIE TOWNSHIP**Statement of Cash Flows****Proprietary Funds****For the Year Ended December 31, 2022**

	Sewer Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 9,495,011	\$ 2,502,594	\$ 11,997,605
Payments to employees	(593,981)	(136,688)	(730,669)
Payments to suppliers	(5,880,235)	(1,846,272)	(7,726,507)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,020,795</u>	<u>519,634</u>	<u>3,540,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,205,470)	(90,065)	(2,295,535)
Tapping fees	1,374,351	-	1,374,351
Transfer (to) from other funds	(171,844)	(153,615)	(325,459)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,002,963)</u>	<u>(243,680)</u>	<u>(1,246,643)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(5,500,000)	(865,000)	(6,365,000)
Proceeds from sale of investments	3,366,421	417,929	3,784,350
Earnings on investments	(128,917)	41,510	(87,407)
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,262,496)</u>	<u>(405,561)</u>	<u>(2,668,057)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(244,664)	(129,607)	(374,271)
CASH AND CASH EQUIVALENTS			
Beginning	4,631,404	272,193	4,903,597
Ending	<u>\$ 4,386,740</u>	<u>\$ 142,586</u>	<u>\$ 4,529,326</u>

See Notes to Financial Statements.

UPPER MACUNGIE TOWNSHIP**Statement of Cash Flows****Proprietary Funds****For the Year Ended December 31, 2022**

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,789,437	\$ (265,309)	\$ 2,524,128
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	584,566	119,407	703,973
(Increase) decrease in assets:			
Accounts receivable	(290,190)	256,588	(33,602)
Prepaid expenses	(4,967)	2,774	(2,193)
Due from other funds	(200,096)	667	(199,429)
Deferred outflows of resources, pension	(286,837)	(30,857)	(317,694)
Increase (decrease) in liabilities:			
Accounts payable and other liabilities	(166,940)	203,099	36,159
Due to other funds	369,378	201,500	570,878
Net pension liability	364,696	37,970	402,666
Early retirement funds	(92,754)	(4,813)	(97,567)
Deferred outflows of resources, pension	(45,498)	(1,392)	(46,890)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,020,795</u>	<u>\$ 519,634</u>	<u>\$ 3,540,429</u>

UPPER MACUNGIE TOWNSHIP
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Pension Trust Fund	Escrow Fund	Total
ASSETS			
Cash and cash equivalents	\$ 146,117	\$ 2,303,203	\$ 2,449,320
Investments:			
Mutual funds, equity	6,910,861	-	6,910,861
Mutual funds, fixed income	856,815	-	856,815
Accrued interest receivable	1,712	-	1,712
TOTAL ASSETS	\$ 7,915,505	\$ 2,303,203	\$ 10,218,708
LIABILITIES AND NET POSITION			
LIABILITIES			
Payable from restricted assets:			
Escrow deposits	\$ -	\$ 1,269,008	\$ 1,269,008
Due to general fund	-	1,034,195	1,034,195
TOTAL LIABILITIES	-	2,303,203	2,303,203
NET POSITION			
Net position	7,915,505	-	7,915,505
TOTAL NET POSITION	\$ 7,915,505	\$ -	\$ 7,915,505

UPPER MACUNGIE TOWNSHIP**Statement of Changes in Fiduciary Net Position****Fiduciary Funds****For the Year Ended December 31, 2022**

	Pension Trust Fund	Escrow Fund	Total
Contributions:			
Employer contributions	\$ 533,767	\$ -	\$ 533,767
Escrow deposits	-	4,157,520	4,157,520
	<u>533,767</u>	<u>4,157,520</u>	<u>4,691,287</u>
Investment income:			
Net decrease in fair value of investments	(1,675,055)	-	(1,675,055)
Interest and dividends	187,646	-	187,646
Investment activity expense	(33,681)	-	(33,681)
	<u>(1,521,090)</u>	<u>-</u>	<u>(1,521,090)</u>
TOTAL ADDITIONS	<u>(987,323)</u>	<u>4,157,520</u>	<u>3,170,197</u>
DEDUCTIONS			
Benefits	435,419	-	435,419
Escrow payments	-	4,157,520	4,157,520
	<u>435,419</u>	<u>4,157,520</u>	<u>4,592,939</u>
TOTAL DEDUCTIONS	<u>435,419</u>	<u>4,157,520</u>	<u>4,592,939</u>
CHANGE IN NET POSITION	(1,422,742)	-	(1,422,742)
NET POSITION, beginning	9,338,247	-	9,338,247
NET POSITION, ending	<u>\$ 7,915,505</u>	<u>\$ -</u>	<u>\$ 7,915,505</u>

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upper Macungie Township (the Township), located in Pennsylvania, complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note. The Township operates under the Second Class Township Code, providing services as authorized by the code: Public Safety (Police and Fire), Highway and Streets, Sanitation, Health and Social Services, Recreation, Public Improvements, Planning and Zoning and General Administrative Services.

Financial Reporting Entity

Financial accountability is defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Based on the aforementioned criteria, the Township does not have any component units to report.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as Pension and Custodial Funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under Proprietary Funds below. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Therefore, Governmental Funds financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements of Governmental Funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods

or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues, which are not classified as program revenues, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers, which are eliminated to avoid doubling up revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from Special Revenue Funds and the restrictions on their net position use.

Governmental Funds

All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Township include the General Fund, the Special Revenue Fund, and the Capital Projects Fund. Details of what makes up these governmental funds can be found in the supplementary section starting as referenced in the table of contents.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of Governmental Funds accounting relates to decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of Governmental and Enterprise Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The three Governmental Funds are each presented in a single column on the Governmental Fund financial statements. Fiduciary Funds financial statements are presented by fund type.

The Township reports the following major Governmental Funds:

- The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Special Revenue Fund* is used to account for the proceeds of specific revenue (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes provided these revenue sources provide a "substantial" amount (defined as 50% or more) of the funding accounted for in the special revenue fund. The Township's special revenue fund includes the following:
 - The *Fire Alarm Fund* is used to provide funding of firefighter's gratuity which is annually distributed to the Township's three volunteer fire companies.
 - The *Street Light Fund* is used to account for the revenue inflow of tax dollars to pay for the PPL electric and maintenance charges associated with public street lighting in various locations and developments in the Township.
 - The *Highway Aid Fund* is used for revenues from the State's highway aid. Expenditures may only be spent for specific purposes related to the highway maintenance and construction.
 - The *Stormwater Maintenance Fund* is used account for the revenue and costs associated with run-off stormwater mandates as promulgated under the Federal and Commonwealth Departments of

Environment Protection.

- The *Open Space Preservation Fund* is used to account for funds set aside for the acquisition and preservation of open space within the Township
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds). The Township's capital projects fund includes the following:
 - The *Recreation Capital Fund* is used to account for financial resources to be used for the acquisition of capital equipment and improvements related to the Township's ten parks.
 - The *Capital Equipment Fund* is used to set aside monies to purchase various capital items for each department in the General Fund.
 - The *Traffic Improvement Fund* is used to account for revenue from various escrow accounts that have been partially funded by both developers and through state grants for traffic improvements.

Proprietary Funds

Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. Operating expenses for the Township's Proprietary Funds include sewer disposal, refuse and recycling collection and disposal, salaries, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following Proprietary Funds:

- The *Sewer Fund* accumulates resources necessary for the operation of the sewage collection system.
- The *Refuse Fund* accumulates resources necessary for the collection and disposal of refuse and recycling within the Township.

Fiduciary Funds

Trust and Custodial Funds

Trust and Custodial Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. The Township reports the following Trust and Custodial funds:

- The *Pension Trust Fund* is used to account for financial resources restricted for retirement benefits of the nonuniformed employees participating under the Township's defined benefit pension plan. The Pension Trust Fund uses the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due in accordance with Act 205, as amended. Benefits are recognized when due and payable in accordance with the terms of the plan.
- The *Escrow Fund* is a custodial fund and is used to account for financial resources held by the Township on a purely custodial basis. Assets in the Escrow Fund equal liabilities.

Budgets and Budgetary Accounting

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Township Board of Supervisors is then called for the purpose of adopting the proposed budget.
- Prior to December 31, the budget is legally enacted through passage of a resolution by the Township Board of Supervisors.
- The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of Township Board of Supervisors. Amendments are presented to Township Board of Supervisors at its regular meetings. Each amendment must have Township Board of Supervisors approval. Such amendments are made before the fact, are reflected in the official minutes of the Township Board of Supervisors and are not made after year-end as dictated by law.

The budget is controlled by the finance officer at the revenues and expenditures function/object level. Budgeted amounts are as amended by Township Board of Supervisors. Individual amendments were not material in relation to the original appropriations. All budget

appropriations lapse at year-end.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

With the exception of Pension Trust Funds, statutes authorize the Township to invest in: (1) obligations, participations and other instruments of any Federal agency, (2) repurchase agreements with respect to U.S. Treasury bills or obligations, (3) negotiable certificates of deposit, (4) bankers' acceptances, (5) commercial paper, (6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and (7) certificates of deposit of banks, savings and loans and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository under PA Act 72. Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the FDIC. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2022, was in excess of the minimum requirements just described.

The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument or financial transaction if determined by the government to be prudent. Investments for the Township are reported at fair value.

Transactions Between Funds

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as internal balances.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to

make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial individual cost equal to or greater than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	15-40
Infrastructure	20-50
Vehicles	5-7
Machinery and equipment	5-30

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, the differences between expected and actual experience of the pension plan, and contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has three items that qualify for reporting in this category. The deferred inflow of resources related to pensions is the result of changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, and the differences between expected and actual experience of the

pension plan. The item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is also reported in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and changes in plan assumptions. In addition, the deferred inflows of resources related to lease receivables is reported in the Governmental Funds balance sheet and the government-wide statement of net position and is the result of the adoption of GASB Statement No. 87, Leases.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balances/Net Position

This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balances** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balances** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- **Committed Fund Balances** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Township Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balances** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by Township Board of Supervisors or by an official or body to which the Township Board of Supervisors delegates the authority. The Board has not delegated the authority to assign fund balances as of December 31, 2022.
- **Unassigned Fund Balances** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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The Township Board of Supervisors establishes (modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balances are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Deficit Fund Balances - The Street Light Fund and Fire Alarm Fund in the Special Revenue Funds have a net deficit balance at December 31, 2022 and results from the Township not funding 100% of the operating deficits of these funds in the current or past years. These deficit funds will be funded in future by operating subsidy payments.

Restricted Net Position

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

Recently Adopted Accounting Standard

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lease Receivable - The Township's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

NOTE 2. TAXES

For 2022, tax was levied on the assessed value of real estate at a total of 0.64000 mills.

The taxable assessed valuation of property as of January 1, 2022 was \$4,492,538,900.

The real estate tax collection calendar is as follows:

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Initial billing	April 1
Discount period	April 1 to May 31
Face period	June 1 to July 1
Penalty period	August 1 and thereafter
Lien date	January 31

Other taxes levied in 2022 are as follows:

Real estate transfer tax	1% of sales price
Earned income tax	1% of earned income (as defined)
LST tax	\$52 per person

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk on deposits. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2022, the carrying amount of the Township's deposits was \$17,132,084 and the bank balance was \$16,522,784. Of the bank balance, \$1,145,650 was covered by federal depository insurance, \$15,377,134 was collateralized under Act 72.

Investments

The Township holds excess operating cash in investment portfolios structured to secure adequate ongoing operating funds while optimizing earnings and minimizing risk on funds earmarked for long-term purposes.

The overall investment objective is to preserve principal cash balance, maintain appropriate liquidity for current use and conservatively optimize earnings on excess cash.

As of December 31, 2022, the Township had the following investments and maturities:

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Notes to the Financial Statements
December 31, 2022

Investment Type	Investment Maturities (in Years)			
	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 years
PSDLAF:				
Cash and Money Market	\$ 3,234,467	\$ -	\$ -	\$ -
Certificates of Deposit	248,000	-	-	-
Flex	2,233,844	-	-	-
Treasury Bills	9,941,723	-	-	-
Treasury Notes	3,898,242	-	-	-
PLGIT				
Class	1,294,203	-	-	-
Prime	13,825,673	-	-	-
Term	7,900,000	-	-	-
Embassy Bank:				
Certificates of Deposit	1,257,968	-	-	-
Truist Bank:				
Treasury Notes	505,306	-	-	-
Mutual Funds	6,910,861	-	-	-
Government Bonds	11,035,893	2,656,215	8,379,678	-
M&T Bank				
Government Bonds	10,239,489	-	-	-
	<u>\$ 72,525,669</u>	<u>\$ 2,656,215</u>	<u>\$ 8,379,678</u>	<u>\$ -</u>

The investments were reported in the following funds:

Governmental Activities:	
General Fund	\$ 29,717,250
Special Revenue Funds	2,621,046
Capital Project Funds	<u>8,935,464</u>
	<u>41,273,760</u>
Enterprise Funds:	
Sewer Fund	20,834,017
Refuse Fund	<u>2,650,217</u>
	<u>23,484,234</u>
Fiduciary Funds:	
Police Pension Trust Fund	<u>7,767,676</u>
	<u>7,767,676</u>
Total	<u>\$ 72,525,669</u>

A portion of the Township's investments is in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF), both of which are funds similar to mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. Investments in these funds are valued at amortized cost, which approximates fair value.

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. Participants purchase shares in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provide by law is pledged by the depository. Shares may be withdrawn at any time in any amount, with no liquidity fees or redemption gates. PLGIT/PLGIT PLUS have received an AAm rating from Standard and Poor's, an independent credit rating agency. The Township considers its deposits with PLGIT to be short-term investments for financial reporting purposes.

PSDLAF is a fund created specifically to assist local governments in the Commonwealth of Pennsylvania to help manage their investment needs. The fund provides local governments multiple investment programs, in accordance with the provisions of the Pennsylvania Intergovernmental Cooperation Act and Section 521 of the Pennsylvania Public School Code of 1949, as amended. Additionally, PSDLAF has maintained Standard and Poor's highest credit rating of AAAM since the foundation of the fund.

GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2022, is \$42,576,152. These assets maintain a stable net asset value of \$1 per share. PSDLAF and PLGIT are not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to independent audit on an annual basis.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy prioritizes the inputs valuation methods into three levels (Levels 1, 2 and 3).

Level 1 - Observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices in inactive markets, whose values are based on models, but the inputs to those models are observable either directly or indirectly for the whole term of the asset or liability.

Level 3 - Valuation techniques that require inputs that are both unobservable and

significant to the overall fair value measurement.

The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs (Level 3). If the fair value of an asset or liability (Level 1) measured are categorized from different levels of the fair value hierarchy, the measurement is categorized in the lowest level input that is significant to the entire measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value:

All of the following were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets: U.S. Treasury notes, U.S. Treasury bonds, state investment pools, corporate bonds, common stock and mutual funds.

Certificates of deposit were classified in Level 2 of the hierarchy as they are valued using quoted prices in inactive markets.

No investments were classified as Level 3 as of December 31, 2022.

Certificates of deposit held by banks of \$1,257,968 are stated at cost which approximates their fair value.

The following tables summarize the Township's investments measured by the hierarchy levels as of December 31, 2022:

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
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Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
PSDLAF:				
Cash and Money Market	\$ 3,234,467	\$ 3,234,467	\$ -	\$ -
Certificates of Deposit	248,000	-	248,000	-
Flex	2,233,844	2,233,844	-	-
Treasury Bills	9,941,723	9,941,723	-	-
Treasury Notes	3,898,242	3,898,242	-	-
PLGIT:				
Class	1,294,203	1,294,203	-	-
Prime	13,825,673	13,825,673	-	-
Term	7,900,000	7,900,000	-	-
Embass Bank:				
Certificates of Deposit	1,257,968	-	1,257,968	-
Truist Bank:				
Treasury Notes	505,306	505,306	-	-
Mutual Funds	6,910,861	6,910,861	-	-
Government Bonds	11,035,893	11,035,893	-	-
M&T Bank				
Government Bonds	10,239,489	10,239,489	-	-
	\$ 72,525,669	\$ 71,019,701	\$ 1,505,968	\$ -

The Township's Nonuniformed Employees' Pension Plan consisted entirely of Level 1 mutual funds and government bonds as of December 31, 2022.

Interest Rate Risk

The Township 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.

The Township's investment policy does not further limit its investment choices.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The balance of short-term interfund receivables and payables at December 31, 2022 are as follows:

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 5,547,469	\$ -
Special Revenue Funds:		
Stormwater Maintenance Fund	-	12,243
Fire Alarm Fund	-	465,407
Highway Aid Fund	-	58,698
Street Light Fund	-	607,898
Capital Project Fund:		
Capital Equipment Fund	-	1,229,685
Traffic Improvement Fund	-	1,085,386
Recreation Capital Fund	318	428,027
Enterprise Funds:		
Sewer Fund	200,096	609,626
Refuse Fund	-	216,718
Fiduciary Funds:		
Escrow Fund	<u>-</u>	<u>1,034,195</u>
 Total	 <u>\$ 5,747,883</u>	 <u>\$ 5,747,883</u>

Interfund balances between the General and other funds arise when expenses are paid from the General Fund and are not reimbursed from the other funds prior to year-end.

Interfund transfers at December 31, 2022, are as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 1,554,339	\$ -
Special Revenue Fund:		
Fire Protection Fund	-	1,228,880
Enterprise Funds:		
Sewer Fund	-	171,844
Refuse Fund	<u>-</u>	<u>153,615</u>
	 <u>\$ 1,554,339</u>	 <u>\$ 1,554,339</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts to pay for general obligations in general activities and (3) use unrestricted revenues collected in the Sewer and Refuse Funds to finance various programs/reimburse expenses accounted for in the General Fund in accordance with budgetary authorizations.

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

NOTE 5. CAPITAL ASSETS

	Balance Jan 1, 2022	Additions	Transfers/ Deletions	Balance Dec 31, 2022
Government Activities				
Capital assets, non-depreciable:				
Land	\$ 9,400,396	\$ -	\$ -	\$ 9,400,396
Construction in progress	2,446,721	1,334,014	(696,233)	3,084,502
	<u>11,847,117</u>	<u>1,334,014</u>	<u>(696,233)</u>	<u>12,484,898</u>
Capital assets, depreciable:				
Land improvements	5,824,782	-	-	5,824,782
Buildings and improvements	12,394,111	128,323	-	12,522,434
Machinery, equipment and vehicles	12,918,660	1,356,528	(324,420)	13,950,768
Infrastructure assets	40,644,088	1,051,646	-	41,695,734
	<u>71,781,641</u>	<u>2,536,497</u>	<u>(324,420)</u>	<u>73,993,718</u>
Less accumulated depreciation:				
Land improvements	(3,921,086)	(286,269)		(4,207,355)
Buildings and improvements	(3,639,257)	(309,407)	-	(3,948,664)
Machinery, equipment and vehicles	(8,984,437)	(728,736)	315,496	(9,397,677)
Infrastructure assets	<u>(28,414,844)</u>	<u>(1,026,733)</u>	<u>-</u>	<u>(29,441,577)</u>
	<u>(44,959,624)</u>	<u>(2,351,145)</u>	<u>315,496</u>	<u>(46,995,273)</u>
Governmental activities capital assets, net	<u>\$38,669,134</u>	<u>\$ 1,519,366</u>	<u>\$ (705,157)</u>	<u>\$39,483,343</u>

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

	Balance Jan 1, 2022	Additions	Transfers/ Deletions	Balance Dec 31, 2022
Business-Type Activities				
Capital assets, non-depreciable:				
Construction in progress	\$ 2,179,884	\$ 2,010,288	\$ (2,419,915)	\$ 1,770,257
	<u>2,179,884</u>	<u>2,010,288</u>	<u>(2,419,915)</u>	<u>1,770,257</u>
Capital assets, depreciable:				
Sewer collection system infrastructure	20,438,762	2,419,915	-	22,858,677
Buildings	245,983	-	-	245,983
Machinery and equipment	684,707	24,151	(11,110)	697,748
Vehicles	3,197,688	261,096	-	3,458,784
Office equipment and furniture	266,114	-	(27,724)	238,390
	<u>24,833,254</u>	<u>2,705,162</u>	<u>(38,834)</u>	<u>27,499,582</u>
Less accumulated depreciation:				
Sewer collection system infrastructure	(9,062,742)	(397,447)	-	(9,460,189)
Buildings	(52,953)	(12,299)	-	(65,252)
Machinery and equipment	(633,150)	(24,193)	11,110	(646,233)
Vehicles	(1,941,639)	(258,396)	(2,747)	(2,202,782)
Office equipment and furniture	(251,260)	(11,638)	27,724	(235,174)
	<u>(11,941,744)</u>	<u>(703,973)</u>	<u>36,087</u>	<u>(12,609,630)</u>
Business-type activities capital assets, net	<u>\$15,071,394</u>	<u>\$ 4,011,477</u>	<u>\$ (2,422,662)</u>	<u>\$16,660,209</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 58,021
Public safety	645,431
Public works, highways and streets	1,340,639
Culture and recreation	<u>307,054</u>

Total depreciation expense, governmental activities \$ 2,351,145

Business-type activities:

Refuse fund	\$ 119,407
Sewer fund	<u>584,566</u>

Total depreciation expense, business-type activities \$ 703,973

NOTE 6. DEFINED BENEFIT PENSION PLAN (NONUNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Nonuniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration - The Township administers the Nonuniformed Employees' Pension Plan, a single employer defined benefit pension plan that provides pensions for regular, full-time employees. The plan is included in the accompanying financial statements of the Township as a pension trust fund and does not issue a separate plan financial statements.

Management of the Nonuniformed Employees' Pension Plan is vested in the Township Supervisors. The Township Supervisors are responsible for managing, investing and monitoring the Township's Nonuniformed Pension Fund.

Plan Membership - At December 31, 2022, plan membership consisted of the following:

Inactive members or beneficiaries currently receiving benefits	25
Inactive members entitled to but not yet receiving benefits	13
Active members	<u>46</u>
	<u>84</u>

Benefits Provided - The Nonuniformed Employees' Pension Plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 65. The normal retirement pension is payable monthly during the member's lifetime, with payments guaranteed for the first 120 months. The amount of monthly pension is equal to 2% of average monthly compensation times years of benefit service, up to a maximum of 30 years. For members as of January 1, 2002, the minimum monthly pension is equal to 55% of average monthly compensation. Average monthly compensation is based upon the highest three consecutive plan years of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member becomes disabled and remains disabled for six months, he is eligible for a disability pension. The monthly disability pension is equal to the actuarial equivalent of the accrued benefit at the date of disability. If a vested member dies prior to retirement, a death benefit is payable to his named beneficiary equal to the actuarial equivalent of the pension accrued to date. Unless otherwise elected, with the consent of the member's spouse, the named beneficiary shall be the member's spouse and payment shall be made in the form of a Preretirement Survivor Annuity, with any additional benefits paid in a lump sum.

Cost-of-living adjustments may be made to retirees with a maximum total cost-of-living increase of 30%.

The benefit provisions of the Township's Nonuniformed Employees' Pension Plan are established by Township ordinances.

Funding Policy and Contributions - The Township pays the full cost of the plan. Member contributions are not required. The Township is required to contribute the amounts necessary to fund the Nonuniformed Employees' Pension Plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township, in making its regular contributions to the Nonuniformed Employees' Pension Plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$533,766 to the plan for the year 2022.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the Nonuniformed Employees' Pension Plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equities	48%
International equities	12%
Fixed income	33%
Cash	7%
Total portfolio	<u>100%</u>

Concentrations - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2022, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

any one issuer that represent 5% or more of Fiduciary Net Position.

Rate of Return - For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -16.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2022, were as follows:

Total pension liability	\$ 10,412,852
Plan fiduciary net position	<u>(7,919,022)</u>
Net pension liability	<u>\$ 2,493,830</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>76%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% average annual increase
Investment rate of return	7.5%

Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into this table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 (see the plan's investment policy) are summarized in the following table:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	5.50% - 7.50%
International equities	4.50% - 6.50%
Fixed income	1.00% - 3.00%
Cash	0.00% - 1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in Net Position Liability

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A-B)</u>
Balances, December 31, 2021	<u>\$ 9,763,867</u>	<u>\$ 9,368,451</u>	<u>\$ 395,416</u>
Changes for the year:			
Service cost	342,737	-	342,737
Interest	741,667	-	741,667
Contributions, employer	-	533,766	(533,766)
Net investment income	-	(1,547,776)	1,547,776
Benefit payments	<u>(435,419)</u>	<u>(435,419)</u>	<u>-</u>
Net changes	<u>648,985</u>	<u>(1,449,429)</u>	<u>2,098,414</u>
Balances at December 31, 2022	<u><u>\$ 10,412,852</u></u>	<u><u>\$ 7,919,022</u></u>	<u><u>\$ 2,493,830</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point higher lower (6.5%) or one percentage point higher (8.5%) than the current rate:

UPPER MACUNGIE TOWNSHIP
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	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 3,735,495	\$ 2,493,830	\$ 1,439,859

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2022, the Township recognized pension expense of \$237,685 for the Nonuniformed Employees' Pension Plan. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 160,825	\$ 516,013
Change of actuarial assumptions	363,563	-
Net difference between projected and actual earnings on pension plan investments	<u>1,803,278</u>	<u>405,577</u>
	<u>\$ 2,327,666</u>	<u>\$ 921,590</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Measurement Year Year Ended December 31	
2023	\$ 214,690
2024	386,915
2025	460,279
2026	502,671
2027	(79,241)
Thereafter	<u>(79,238)</u>
	<u>\$ 1,406,076</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Financial information of the Township's Police Pension Plan (the Plan) is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due as required by Act 600 and Act 205 of the Commonwealth of Pennsylvania. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Investments are reported at fair value. The plan's assets with Pennsylvania Municipal Retirement System (PMRS) are pooled for investment purposes, and therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's separately issued Comprehensive Annual Financial Report.

Plan Description

The Upper Macungie Township Police Pension Plan is a single-employer defined benefit pension plan adopted pursuant to ACT 15 of 1974. The Plan participates in the PMRS, which is an agent multiple-employer Public Employee Retirement System that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report. A copy of the report can be obtained by contacting the PMRS accounting office.

Plan Membership

Membership of the Plan consisted of the following at December 31, 2021:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>28</u>
	<u>39</u>

Benefits Provided - The Police Pension Plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% times credited service times final average salary but in no event is the basic benefit greater than 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last three years annualized salary. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 50 with at least 12 years of service. Early retirement is available after 24 years of service regardless of

age.

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. For total and permanent disablement, a monthly benefit equal to 75% of Final Monthly Average Salary at date of disablement regardless of age or service. Covered employees are required to contribute a percentage of their compensation to the plan, which was 3.0% for 2021 and 2020. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Funding and Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Plan's Minimum Municipal Obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. In accordance with the Plan's governing ordinance, members are required to contribute 3% of compensation to the Plan.

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings. In accordance with Act 205, the Township was required to contribute \$229,209 to the Plan for the year 2022.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the PMRS. It is the policy of the PMRS to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated retirement benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the plan's adopted asset allocation policy as of December 31, 2021:

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December 31, 2022

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities (large capitalized firms)	24.5%
Domestic equities (small capitalized firms)	8.0%
International equities (international developed markets)	14.5%
International equities (emerging markets)	3.0%
Global equities	5.0%
Real estate	10.0%
Timber	5.0%
Fixed income (Core investment Grade)	24.0%
Fixed income (Opportunistic Credit)	5.0%
Cash	1.0%
Total portfolio	<u>100%</u>

Investments are reported at quoted market price. The plan's fair value of investments as of December 31, 2021 was \$16,977,358. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

Concentrations - At December 31, 2021, none of the plan's individual investments exceeded 5.0% of the total portfolio.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

Total pension liability	\$ 14,664,860
Plan fiduciary net position	<u>(16,977,358)</u>
Net pension liability (asset)	<u>\$ (2,312,498)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>116%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

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Notes to the Financial Statements
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Actuarial cost method:	Entry Age
Amortization method:	Level Dollar based upon the amortization periods in Act 205
Asset valuation method:	Based upon the municipal reserves
Discount rate:	5.25%
Inflation:	2.80%
Salary increases:	Age related scale with merit and inflation component
COLA increases:	2.80% for those eligible for a COLA
Pre-retirement mortality:	Males - RP 2000 Non-Annuitant Male Table projected 15 years with Scale AA Females - RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback 5 years
Post-retirement mortality:	Males - RP 2000 Annuitant Male table projected 5 years with Scale AA Females - RP 2000 Annuitant Female table projected 10 years with Scale AA

The actuarial assumptions used in the January 1, 2021, valuation were based on the PMRS Experience Study completed in 2020, as well as subsequent Board approved changes, including the decrease in the regular interest rate to 5.25% for the January 1, 2017 valuation.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset included in the Plan's target asset allocation as of December 31, 2021, are summarized in the following table:

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Notes to the Financial Statements
December 31, 2022

Asset Class	Long-Term Expected Real Rate of Return
Domestic equities (large capitalized firms)	4.99%
Domestic equities (small capitalized firms)	5.68%
International equities (international developed markets)	5.57%
International equities (emerging markets)	5.71%
Global equities	4.78%
Real estate	4.90%
Timber	3.67%
Fixed income (Core investment Grade)	1.82%
Fixed income (Opportunistic Credit)	5.38%
Cash	-1.32%

Discount Rate - While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- i. Retiree Plan liability as a percentage of total Plan liability,
- ii. Active Plan participant liability as a percentage of total Plan liability,
- iii. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- iv. PMRS System Long-Term Expected Rate of Return, and
- v. PMRS administrative expenses.

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

	Total Pension Liability (A)	Plan Fiduciary Net Postion (B)	Net Pension Liability (A-B)
Balances, December 31, 2020	<u>\$ 13,174,348</u>	<u>\$ 15,047,365</u>	<u>\$ (1,873,017)</u>
Changes for the year:			
Service cost	527,324	-	527,324
Interest	713,286	-	713,286
Changes in benefits	483,439	-	483,439
Contributions, employer	-	229,209	(229,209)
Contributions, employee	-	129,375	(129,375)
Net investment income	-	1,845,491	(1,845,491)
Benefit payments	(233,537)	(233,537)	-
Administrative expense	-	(40,545)	40,545
Net changes	<u>1,490,512</u>	<u>1,929,993</u>	<u>(439,481)</u>
Balances at December 31, 2021	<u>\$ 14,664,860</u>	<u>\$ 16,977,358</u>	<u>\$ (2,312,498)</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the net pension (asset) liability of the Township, calculated using the discount rate of 5.25%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net Pension Liability (Asset)	<u>\$ 426,496</u>	<u>\$ (2,312,498)</u>	<u>\$ (4,507,320)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Township recognized pension expense (revenue) of \$(3,814,578) for the Police Pension Plan. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

UPPER MACUNGIE TOWNSHIP
Notes to the Financial Statements
December 31, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,903	\$ 163,875
Changes in assumptions	172,790	138,881
Net difference between projected and actual investment earnings on pension plan investments	1,956,439	-
Contributions subsequent to the measurement date	<u>262,776</u>	<u>-</u>
	<u>\$ 2,560,908</u>	<u>\$ 302,756</u>

\$262,776 reported as deferred outflows of resources related to pensions resulting from Township contributions made subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Measurement Year Ended December 31	
2022	\$ (553,527)
2023	(793,362)
2024	(455,280)
2025	(199,860)
2026	16,948
Thereafter	<u>(10,295)</u>
	<u>\$ (1,995,376)</u>

NOTE 8. DEFINED CONTRIBUTION PLAN

Description of Plan

The Plan is a defined contribution plan covering all full-time, non-union administrative employees hired on or after the effective date of January 1, 2022. No period of service is required for eligibility purposes. The Plan provision for contribution includes a fixed employer percentage times the participants earnings. The 2022 contribution rate was 7.0% of earnings. The contribution rate may change from year-to-year. No participant contributions are required. Full vesting in the Plan occurs after the completion of five years. Each year of service equates to 20.0% vested. Normal retirement age is 65. The Township contributed \$2,897 to the Plan based on compensation of \$41,391 for the year ended December 31, 2022. At year end the plan had two participants.

Plan assets are held in trust for the participant by Mission Square Retirement.

NOTE 9. EARLY RETIREMENT BENEFITS

The Township implemented a voluntary policy for early retirement benefits under which employees with at least 25 years of service qualify for three years of health insurance if the employee retires at age 62. There is no formal plan and no assets have been set aside to cover future costs. Accordingly, no liability has been reported in fund level statements for the Enterprise Funds and the government-wide statements for the governmental and business-type activities.

NOTE 10. RISK MANAGEMENT

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

The Township participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures, which may be disallowed pursuant to the terms of these, grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

NOTE 11. COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2 and resulting disease, COVID-19, spread to the United States, including to areas impacting the Township. In response to the disruption caused by COVID-19, the United States Congress passed various legislations to finance budgetary relief for various entities and to combat the negative effects of the public health emergency in local economies.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed in March 2020. In November 2020, the Township was awarded and received \$390,449 under the CARES Act through agreements with the Commonwealth of Pennsylvania and the County of Lehigh, Pennsylvania. The Township recognized revenue of \$283,820 in 2021, and as of December 31, 2021, all of this grant was expended.

The American Rescue Plan (ARP) Act was passed in February 2021. In June 2021, the Township was awarded \$2,637,769 under the ARP Act passed through the Pennsylvania Office of the Budget. During 2022, the Township was awarded an additional \$8,340. As of December 31, 2021, the Township has received \$1,318,884 of which \$1,245,898 of this grant was unspent and included as a liability on the Township's General Fund. As of December 31, 2022, the Township received all of the \$2,646,108 in ARP Funds, of which \$1,899,770 of this grant was unspent and included as a liability on the Township's General Fund. This grant covers qualified costs incurred up to December 31, 2026.

NOTE 12. LEASE RECEIVABLES

On March 25, 2015, the Township entered into a 60 month lease as Lessor for the use of land for a cell tower. The lease was extended for an additional 240 months (4 extension option(s), each for 60 months). The lease receivable is discounted at its present value using the incremental borrowing rate of 4.5% over the life of the lease. As of January 1, 2022, an initial lease receivable was recorded in the present value amount of \$361,946. As of December 31, 2022, the present value of the lease receivable is \$353,828. The Township recognized lease revenue of \$24,151 during 2022. Each year the payments increase by 2.5% until the March 1, 2040, the end of the lease term.

On January 8, 1993, the Township entered into a 120 month lease as Lessor for the use of a building. The lease was extended to May 31, 2011. Effective June 1, 2011, the Lease was extended for an additional 120 months with an option to renew for an additional two 60 month terms. The lease receivable is discounted at its present value using the incremental borrowing rate of 4.5% over the life of the lease. As of January 1, 2022, an initial lease receivable was recorded in the present value amount of \$3,260,846. As of December 31, 2022, the present value of the lease receivable is \$2,976,304. The Township recognized lease revenue of \$423,870 during 2022. The Lessee is required to make payments of \$423,870 each year until May 31st, 2031, the end of the lease term.

Future principal and interest expected to maturity as of December 31, 2022 is as follows:

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 306,724	\$ 141,901	\$ 448,625
2024	321,449	127,795	449,244
2025	336,866	113,012	449,878
2026	353,008	97,521	450,529
2027	369,908	81,287	451,195
2028 - 2032	1,435,264	160,174	1,595,438
2033 - 2037	134,567	31,995	166,562
2038 - 2040	<u>72,346</u>	<u>3,325</u>	<u>75,671</u>
	<u>\$ 3,330,132</u>	<u>\$ 757,010</u>	<u>\$4,087,142</u>

NOTE 13. SUBSEQUENT EVENTS

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through April 28, 2023, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MACUNGIE TOWNSHIP**Required Supplementary Information****Budgetary Comparison Schedule - General Fund****For the Year Ended December 31, 2022**

	Original and Final Budget (Unaudited)	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 10,560,000	\$ 15,188,974	\$ 4,628,974
Licenses and permits	12,400	22,054	9,654
Fines and forfeits	128,600	155,890	27,290
Interest, rents and royalties	516,120	958,337	442,217
Intergovernmental	1,759,968	1,531,435	(228,533)
Charges for services	1,889,900	2,219,729	329,829
Miscellaneous	4,351	13,571	9,220
	<u>14,871,339</u>	<u>20,089,990</u>	<u>5,218,651</u>
EXPENDITURES			
General government	1,570,880	1,501,775	69,105
Public safety	8,354,764	8,534,308	(179,544)
Public works, highways and streets	2,515,308	2,375,937	139,371
Culture and recreation	1,051,942	1,022,634	29,308
Other operating expenditures	1,023,968	613,860	410,108
	<u>14,516,862</u>	<u>14,048,514</u>	<u>468,348</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>354,477</u>	<u>6,041,476</u>	<u>5,686,999</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	1,923,318	1,554,339	(368,979)
Operating transfers out	(2,427,795)	-	2,427,795
Refund of prior year expenditures	150,000	407,314	257,314
	<u>(354,477)</u>	<u>1,961,653</u>	<u>2,316,130</u>
NET CHANGE IN FUND BALANCE	-	8,003,129	8,003,129
FUND BALANCE, BEGINNING	<u>33,808,535</u>	<u>33,808,535</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 33,808,535</u>	<u>\$ 41,811,664</u>	<u>\$ 8,003,129</u>

UPPER MACUNGIE TOWNSHIP

Required Supplementary Information

Schedule of Changes in the Nonuniformed Employees' Pension Plan Net Pension Liability and Related Ratios (Unaudited)

Last Eight Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY								
Service cost	\$ 342,737	\$ 326,416	\$ 320,013	\$ 304,774	\$ 259,688	\$ 247,322	\$ 205,872	\$ 196,069
Interest	741,667	694,842	696,219	655,455	564,932	538,719	490,504	468,561
Changes of benefits	(435,419)	(633,925)	-	55,461	-	332,740	-	(365,122)
Changes of assumptions	-	-	-	727,127	-	-	-	-
Benefit payments	-	(391,058)	(423,093)	(440,813)	(449,814)	(447,981)	(407,434)	(356,284)
NET CHANGE IN TOTAL PENSION LIABILITY	648,985	(3,725)	593,139	1,302,004	374,806	670,800	288,942	(56,776)
TOTAL PENSION LIABILITY, BEGINNING	9,763,867	9,767,592	9,174,453	7,872,449	7,497,643	6,826,843	6,537,901	6,594,677
TOTAL PENSION LIABILITY, ENDING	\$ 10,412,852	\$ 9,763,867	\$ 9,767,592	\$ 9,174,453	\$ 7,872,449	\$ 7,497,643	\$ 6,826,843	\$ 6,537,901
PLAN FIDUCIARY NET POSITION								
Contributions, employer	\$ 533,766	\$ 638,436	\$ 435,746	\$ 426,885	\$ 334,212	\$ 315,529	\$ 295,561	\$ 380,731
Net investment income (loss)	(1,547,776)	842,176	918,397	1,125,471	(391,941)	749,554	303,205	(37,799)
Benefit payments, including refunds	(435,419)	(391,058)	(423,093)	(440,813)	(449,814)	(447,981)	(407,434)	(356,284)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,449,429)	1,089,554	931,050	1,111,543	(507,543)	617,102	191,332	(13,352)
PLAN FIDUCIARY NET POSITION, BEGINNING	9,368,451	8,278,897	7,347,847	6,236,304	6,743,847	6,126,745	5,935,413	5,948,765
PLAN FIDUCIARY NET POSITION, ENDING	\$ 7,919,022	\$ 9,368,451	\$ 8,278,897	\$ 7,347,847	\$ 6,236,304	\$ 6,743,847	\$ 6,126,745	\$ 5,935,413
NET PENSION LIABILITY, ENDING	\$ 2,493,830	\$ 395,416	\$ 1,488,695	\$ 1,826,606	\$ 1,636,145	\$ 753,796	\$ 700,098	\$ 602,488
Plan fiduciary net position as a percentage of total pension liability	76.05%	95.95%	84.76%	80.09%	79.22%	89.95%	89.74%	90.78%
COVERED EMPLOYEE PAYROLL	\$ 2,789,944	\$ 2,759,291	\$ 2,472,729	\$ 2,545,135	\$ 2,447,739	\$ 2,412,665	\$ 2,154,016	\$ 1,973,790
Net pension liability as a percentage of covered employee payroll	89.39%	14.33%	60.20%	71.77%	66.84%	31.24%	32.50%	30.52%

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.
The information is available only for 2015 through 2022

UPPER MACUNGIE TOWNSHIP**Required Supplementary Information****Schedule of Nonuniformed Employees' Pension Plan Contributions****Last Eight Fiscal Years**

Year						Contributions Recognized by Plan as a % of
	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Covered Employee Payroll	
2015	\$ 380,731	\$ 380,731	\$ -	\$ 1,973,790	19.29%	
2016	29,551	29,551	-	2,154,016	1.37%	
2017	315,529	315,529	-	2,412,665	13.08%	
2018	334,212	334,212	-	2,447,739	13.65%	
2019	426,885	426,885	-	2,545,135	16.77%	
2020	435,746	435,746	-	2,472,729	17.62%	
2021	638,436	638,436	-	2,759,291	23.14%	
2022	533,766	533,766	-	2,789,944	19.13%	

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.

The information is available only for 2015 through 2022

UPPER MACUNGIE TOWNSHIP**Schedule of Nonuniformed Employees' Pension Plan Contributions**

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date:	1/1/2021
Actuarial Cost Method:	Entry Age, Normal
Amortization Method:	Level Dollar Closed
Remaining Amortization Period:	7 Years
Asset valuation method:	Market value of assets as determined by the trustee
Inflation:	3.00%
Salary increases:	5.00%
Discount rate:	7.25%
Retirement Age	Normal Retirement Age
Mortality	PubG-2010 Mortality Tables

Changes in benefit terms	None since 1/1/2021
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UPPER MACUNGIE TOWNSHIP**Schedule of Nonuniformed Employees' Pension Plan Investment Returns (Unaudited)****Last Eight Fiscal Years**

	Measurement Year *							
	2022	2021	2020	2019	2018	2017	2016	2015
Annual money weighted rate of return, net of investment expense	<u>-16.48%</u>	<u>10.43%</u>	<u>11.66%</u>	<u>16.85%</u>	<u>-5.45%</u>	<u>11.51%</u>	<u>5.38%</u>	<u>-0.13%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.
The information is available only for 2015 through 2022

UPPER MACUNGIE TOWNSHIP
Schedule of Changes in Police Pension Plan Net Pension Liability and Related Ratios (Unaudited)
Last Seven Fiscal Years

	Measurement Year *						
	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY							
Service cost	\$ 527,324	\$ 507,780	\$ 471,970	\$ 446,322	\$ 438,224	\$ 373,469	\$ 417,730
Interest	713,286	617,635	574,020	523,698	486,959	448,045	431,789
Difference between expected and actual experience	-	17,829	-	198,871	-	98,811	(22,879)
Changes of benefits	483,439	978,288	-	-	-	-	-
Change of assumptions	-	(64,153)	-	-	-	347,207	(337,961)
Benefit payments	(233,537)	(275,937)	(226,748)	(245,093)	(222,149)	(184,555)	(159,230)
NET CHANGE IN TOTAL PENSION LIABILITY	1,490,512	1,781,442	819,242	923,798	703,034	1,082,977	329,449
TOTAL PENSION LIABILITY, BEGINNING	13,174,348	11,392,906	10,573,664	9,649,866	8,946,832	7,863,855	7,534,406
TOTAL PENSION LIABILITY, ENDING	\$ 14,664,860	\$ 13,174,348	\$ 11,392,906	\$ 10,573,664	\$ 9,649,866	\$ 8,946,832	\$ 7,863,855
PLAN FIDUCIARY NET POSITION							
Contributors:							
Employer	\$ 229,209	\$ 248,064	\$ 265,287	\$ 315,533	\$ 290,684	\$ 529,685	\$ 491,459
Member	129,375	116,131	102,997	84,380	70,994	75,895	105,289
Net investment income (loss)	1,845,491	1,664,329	2,303,414	(635,337)	1,696,674	636,045	(61,341)
Benefit payments, including refunds of member contributions	(233,537)	(275,937)	(226,748)	(245,093)	(222,149)	(184,555)	(159,230)
Administrative expense	(40,545)	(29,393)	(22,049)	(25,981)	(25,075)	(25,827)	(19,784)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,929,993	1,723,194	2,422,901	(506,498)	1,811,128	1,031,243	356,393
PLAN FIDUCIARY NET POSITION, BEGINNING	15,047,365	13,324,171	10,901,270	11,407,768	9,596,640	8,565,397	8,209,004
PLAN FIDUCIARY NET POSITION, ENDING	\$ 16,977,358	\$ 15,047,365	\$ 13,324,171	\$ 10,901,270	\$ 11,407,768	\$ 9,596,640	\$ 8,565,397
NET PENSION LIABILITY (ASSET), ENDING	\$ (2,312,498)	\$ (1,873,017)	\$ (1,931,265)	\$ (327,606)	\$ (1,757,902)	\$ (649,808)	\$ (701,542)
Plan fiduciary net position as a percentage of total pension liability (asset)	115.77%	114.22%	116.95%	103.10%	118.22%	107.26%	108.92%
COVERED EMPLOYEE PAYROLL	\$ 2,769,007	\$ 2,770,283	\$ 2,574,914	\$ 2,410,835	\$ 2,367,092	\$ 2,148,165	\$ 2,105,760
Net pension liability (asset) as a percentage of covered employee payroll	-83.51%	-67.61%	-75.00%	-13.59%	-74.26%	-30.25%	-33.32%

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available only for 2015 through 2021

UPPER MACUNGIE TOWNSHIP**Schedule of Police Pension Plan Contributions (Unaudited)****Last Seven Fiscal Years**

Measurement Year *	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by Plan as a % of Covered Employee Payroll
2015	\$ 491,459	\$ 491,459	\$ -	\$ 2,105,760	23.34%
2016	529,665	529,685	(20)	2,148,165	24.66%
2017	290,644	290,684	(40)	2,367,092	12.28%
2018	315,533	315,533	-	2,410,835	13.09%
2019	265,247	265,287	(40)	2,574,914	10.30%
2020	248,004	248,064	(60)	2,770,283	8.95%
2021	229,209	229,209	-	2,769,007	8.28%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

UPPER MACUNGIE TOWNSHIP

Schedule of Police Pension Plan Contributions (Unaudited)

Notes to Schedule

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry Age
Amortization method	Level dollar based on the amortization periods in Act 205
Remaining amortization period	10 years
Asset valuation method	Based on the municipal reserves
Discount	5.25%
Inflation	2.80%
Salary increases	Age-related scale with merit and inflation component
COLA increases	2.8% for those eligible for a COLA
Pre-Retirement Mortality	Males: RP 2000 non-annuitant male table projected 15 years with scale AA Females: RP 2000 non-annuitant female table projected 15 years with scale AA, setback five years
Post-Retirement Mortality	Males: RP2000 annuitant male table projected 5 years with scale AA Females: RP2000 annuitant female table projected 10 years with scale AA
Significant Plan Changes:	None
Significant Assumption Changes:	None

UPPER MACUNGIE TOWNSHIP**Schedule of Police Pension Plan Investment Returns (Unaudited)
Last Seven Fiscal Years**

	Measurement Year *						
	2021	2020	2019	2018	2017	2016	2015
Annual money weighted rate of return, net of investment expense	7.42%	7.80%	6.70%	7.00%	17.84%	8.23%	-0.27%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

UPPER MACUNGIE TOWNSHIP

Combining Balance Sheet - Special Revenue Funds

December 31, 2022

	Stormwater Maintenance Fund	Fire Protection Fund	Fire Alarm Fund	Highway Aid Fund	Open Space Preservation Fund	Street Light Fund	Total
ASSETS							
Cash and cash equivalents	\$ 68,421	\$ -	\$ 109,218	\$ 1,783	\$ 7,325	\$ 13,153	\$ 199,900
Investments	-	-	-	1,762,242	858,804	-	2,621,046
Taxes receivable, net	-	-	-	-	-	2,042	2,042
Accounts receivable	-	-	9,500	12,655	-	-	22,155
TOTAL ASSETS	\$ 68,421	\$ -	\$ 118,718	\$ 1,776,680	\$ 866,129	\$ 15,195	\$ 2,845,143
LIABILITIES							
Accounts payable	\$ 2,009	\$ -	\$ -	\$ -	\$ -	\$ 14,434	\$ 16,443
Due to other funds	12,243	-	465,407	58,698	-	607,898	1,144,246
TOTAL LIABILITIES	14,252	-	465,407	58,698	-	622,332	1,160,689
FUND BALANCES							
Restricted for:							
Road and street improvements	-	-	-	1,717,982	-	-	1,717,982
Assigned to:							
Stormwater	54,169	-	-	-	-	-	54,169
Operations	-	-	-	-	866,129	-	866,129
Unassigned (deficit)	-	-	(346,689)	-	-	(607,137)	(953,826)
TOTAL FUND BALANCES	54,169	-	(346,689)	1,717,982	866,129	(607,137)	1,684,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,421	\$ -	\$ 118,718	\$ 1,776,680	\$ 866,129	\$ 15,195	\$ 2,845,143

UPPER MACUNGIE TOWNSHIP

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds
For the Year Ended December 31, 2022

	Stormwater Maintenance Fund	Fire Protection Fund	Fire Alarm Fund	Highway Aid Fund	Open Space Preservation Fund	Street Light Fund	Total
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,963	\$ 105,963
Interest, rents and royalties	-	-	-	34,888	11,096	-	45,984
Intergovernmental	584	-	-	886,912	-	1,700	889,196
Charges for services	-	-	105,442	-	-	-	105,442
TOTAL REVENUE	584	-	105,442	921,800	11,096	107,663	1,146,585
EXPENSES							
Public safety	-	-	124,976	-	-	-	124,976
Public works - highways and streets	-	-	-	905,646	-	176,969	1,082,615
Public works - other services	45,507	-	-	-	-	-	45,507
TOTAL EXPENSES	45,507	-	124,976	905,646	-	176,969	1,253,098
OTHER FINANCING SOURCES/(USES)							
Operating transfers out	-	(1,228,880)	-	-	-	-	(1,228,880)
TOTAL OTHER FINANCING SOURCES/(USES)	-	(1,228,880)	-	-	-	-	(1,228,880)
NET CHANGE IN FUND BALANCE	(44,923)	(1,228,880)	(19,534)	16,154	11,096	(69,306)	(1,335,393)
FUND BALANCE, BEGINNING	99,092	1,228,880	(327,155)	1,701,828	855,033	(537,831)	3,019,847
FUND BALANCE, ENDING	\$ 54,169	\$ -	\$ (346,689)	\$ 1,717,982	\$ 866,129	\$ (607,137)	\$ 1,684,454

UPPER MACUNGIE TOWNSHIP**Combining Balance Sheet - Capital Project Funds****December 31, 2022**

	Capital Equipment Fund	Traffic Improvement Fund	Recreation Capital Fund	Total
ASSETS				
Cash and cash equivalents	\$ 67,239	\$ 37,113	432,583	\$ 536,935
Investments	1,245,458	1,925,963	5,764,043	8,935,464
Accounts receivable, net	4,805	24,369	25,869	55,043
Due from other funds	-	-	318	318
Deposit	1,276,452	-	-	1,276,452
TOTAL ASSETS	\$ 2,593,954	\$ 1,987,445	\$ 6,222,813	\$ 10,804,212
LIABILITIES				
Accounts payable	\$ 719,093	\$ 3,204	130,844	\$ 853,141
Due to other funds	1,229,685	1,085,386	428,027	2,743,098
TOTAL LIABILITIES	1,948,778	1,088,590	558,871	3,596,239
FUND BALANCES				
Restricted for:				
Road and street improvements	-	898,855	-	898,855
Recreation activities	-	-	5,663,942	5,663,942
Assigned to:				
Capital purchases	645,176	-	-	645,176
TOTAL FUND BALANCES	645,176	898,855	5,663,942	7,207,973
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,593,954	\$ 1,987,445	\$ 6,222,813	\$ 10,804,212

UPPER MACUNGIE TOWNSHIP**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects Funds
For the Year Ended December 31, 2022**

	Capital Equipment Fund	Traffic Improvement Fund	Recreation Capital Fund	Total
REVENUES				
Interest, rents and royalties and losses	\$ 18,971	\$ 25,482	\$ (106,197)	\$ (61,744)
Charges for services	-	68,756	801,008	869,764
Miscellaneous	-	-	2,000	2,000
TOTAL REVENUE	18,971	94,238	696,811	810,020
EXPENSES				
General government	6,943	-	-	6,943
Public safety	906,412	-	-	906,412
Public works, highways and streets	308,738	408,593	67,650	784,981
Culture and recreation	-	-	911,259	911,259
TOTAL EXPENSES	1,222,093	408,593	978,909	2,609,595
OTHER FINANCING SOURCES/(USES)				
Proceeds from the sale of fixed assets	73,334	-	16,456	89,790
TOTAL OTHER FINANCING SOURCES/(USES)	73,334	-	16,456	89,790
NET CHANGE IN FUND BALANCE	(1,129,788)	(314,355)	(265,642)	(1,709,785)
FUND BALANCE, BEGINNING	1,774,964	1,213,210	5,929,584	8,917,758
FUND BALANCE, ENDING	\$ 645,176	\$ 898,855	\$ 5,663,942	\$ 7,207,973